NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:
Moody's: "A2"
Fitch: "A+"
See "RATINGS."

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."

$17,640,000
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012

Dated: Date of Delivery **Due: May 1, as shown on the inside cover page**

Issuance. The Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 (the "Series 2012 Bonds") are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Marks-Roos Law") and an Indenture, dated as of October 1, 2012 (the "Indenture"), by and among the Riverside County Public Financing Authority (the "Authority"), the County of Riverside (the "County") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The proceeds of the Series 2012 Bonds will be used to (i) refinance certain previously acquired, constructed and installed public improvements by refunding the outstanding Riverside County Palm Desert Financing Authority ("Desert Financing Authority") Lease Revenue Bonds (County Facilities Projects), 2003 Series A, which were issued pursuant to the terms of an Indenture, dated as of December 1, 2003, between the Desert Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, (ii) fund a reserve fund, and (iii) pay certain costs of issuance incurred in connection with the Series 2012 Bonds. See "THE REFINANCING PLAN."

Payments. Principal of and interest on the Series 2012 Bonds are payable from Base Rental Payments (as defined in this Official Statement) to be made by the County pursuant to the Facility Lease, dated as of October 1, 2012 (the "Facility Lease"), by and between the Authority and the County, in consideration for the use and possession of the Leased Property (as defined in this Official Statement). See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments." The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2013.

Denominations; Book-Entry Only. The Series 2012 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See "THE SERIES 2012 BONDS – General" and "APPENDIX D – Book-Entry System."

Redemption. The Series 2012 Bonds are subject to optional, extraordinary and mandatory redemption as described in this Official Statement. See "THE SERIES 2012 BONDS – Redemption."

Security for the Series 2012 Bonds. The Series 2012 Bonds are limited obligations of the Authority. They are payable, as to interest and principal, solely from (i) certain funds and accounts established under the Indenture and (ii) the "Revenues" (as defined in this Official Statement) derived from Base Rental Payments. Under the Facility Lease, Base Rental Payments are paid by the County, from any source of legally available funds, for the use and possession of the Leased Property as long as the County has use and possession of the Leased Property. On the occurrence of an Event of Default under the Facility Lease, the Trustee (as the Authority's assignee) may recover rent and other monetary charges as they become due, but may not terminate the County's right to possession of the Leased Property. All bonds issued under the Indenture are secured by the Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting disbursement of the amounts for or to the purposes and on the conditions and terms contained in the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge of Revenues."

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2012 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness 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. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2012 Bonds will not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2012 Bonds will be offered when, as and if executed, delivered, and received by the Underwriter, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, for the County by the County Counsel, and for the Underwriter by its counsel, Nossaman LLP, Irvine, California. It is anticipated that the Series 2012 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about November 1, 2012.

Raymond James | Morgan Keegan

Dated: October 18, 2012.

MATURITY SCHEDULE

$17,640,000
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012

BASE CUSIP No.†: 76912K

$12,265,000 Serial Series 2012 Bonds

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2013	$ 645,000	3.000%	1.100%	AT9
2014	715,000	3.000	1.300	AU6
2015	740,000	3.000	1.410	AV4
2016	760,000	3.000	1.570	AW2
2017	775,000	4.000	1.750	AX0
2018	810,000	4.000	2.000	AY8
2019	840,000	5.000	2.300	AZ5
2020	885,000	4.000	2.620	BA9
2021	925,000	4.000	2.910	BB7
2022	960,000	4.000	3.090	BC5
2023	1,000,000	3.000	3.280	BD3
2024	1,025,000	4.000	3.410 C	BE1
2025	1,065,000	5.000	3.480 C	BF8
2026	1,120,000	5.000	3.550 C	BG6

$2,170,000 3.750% Term Bond due May 1, 2029, Price: 97.237% CUSIP† No. 76912K BJ0

$3,205,000 4.000% Term Bond due May 1, 2033, Price: 97.537% CUSIP† No. 76912K BH4

C= Priced to the first optional redemption date of May 1, 2022.
† CUSIP data, copyright 2012, American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority, the County and the Underwriter assume no responsibility for its accuracy.

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GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor will there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the County or the Underwriter.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, projections, 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 set forth herein has been obtained from sources that are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority, the County or the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County or any other parties described herein since the date hereof. All summaries of the Indenture or other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority and the County for further information in connection therewith.

When used in this Official Statement or in any continuing disclosure by the County, or in any press release or oral statement made with the approval of an authorized officer of the County, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements." Forward-looking statements are subject to risks and uncertainties, and so actual results could differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

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

In connection with the offering of the Series 2012 Bonds, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of such Series 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. The Underwriter may offer and sell the Series 2012 Bonds to certain dealers, dealer banks, and banks acting as agents at prices lower than the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time by the Underwriter.

The Series 2012 Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions therein for the issuance and sale of municipal securities. The Series 2012 Bonds have not been registered or qualified under the securities laws of any state.

The County maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2012 Bonds.

COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

BOARD OF SUPERVISORS

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

******

THE COUNTY OF RIVERSIDE OFFICIALS

Jay Orr, County Executive Officer
George Johnson, Assistant County Executive Officer
Don Kent, Treasurer-Tax Collector
Paul Angulo, Auditor Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel

******

SPECIAL SERVICES

Financial Advisor

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

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
Los Angeles, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Verification Agent

Barthe & Wahrman, P.A.
Minneapolis, Minnesota

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

$17,640,000
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012

INTRODUCTION

This introduction contains only a brief summary of certain terms of the Series 2012 Bonds being offered and description of the Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution, the laws of the State of California, the Series 2012 Bonds and any documents referred to in this Official Statement do not purport to be complete, and the references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined in this Official Statement have the meanings provided in the Indenture and the Facility Lease (as defined in this Official Statement). See "APPENDIX C – Summary of Principal Legal Documents – Definitions" attached to this Official Statement.

General

This Official Statement, including the cover page, the inside cover page and the attached Appendices (this "**Official Statement**"), provides certain information concerning the issuance of $17,640,000 aggregate principal amount of Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 (the "**Series 2012 Bonds**"). The Series 2012 Bonds are being issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Marks-Roos Law**") and an Indenture, dated as of October 15, 2012 (the "**Indenture**"), by and among the Riverside County Public Financing Authority (the "**Authority**"), the County of Riverside (the "**County**") and Wells Fargo Bank, National Association, as trustee (the "**Trustee**").

The proceeds of the Series 2012 Bonds will be used to:

(i) refinance certain previously acquired, constructed and installed public improvements by refunding the outstanding Riverside County Palm Desert Financing Authority ("**Desert Financing Authority**") Lease Revenue Bonds (County Facilities Projects), 2003 Series A (the "**Prior Bonds**"), which were issued in the original principal amount of $22,310,000 and are currently outstanding in the principal amount of $17,935,000;

(ii) fund a reserve fund; and

(iii) pay certain costs of issuance incurred in connection with the Series 2012 Bonds.

See "THE REFINANCING PLAN."

For additional information regarding the County, see "APPENDIX A – Information Regarding the County of Riverside" and "APPENDIX B – County of Riverside Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011."

The Series 2012 Bonds

The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2013 (each an "**Interest Payment Date**"). See "THE SERIES 2012 BONDS" in this Official Statement and "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

The Series 2012 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"). DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See "THE SERIES 2012 BONDS – General" and "APPENDIX D – Book-Entry System."

The Series 2012 Bonds are subject to optional, extraordinary and mandatory redemption as described in this Official Statement. See "THE SERIES 2012 BONDS – Redemption."

Security and Source of Payment for the Series 2012 Bonds

The County will lease certain property described under the heading entitled "THE LEASED PROPERTY" (the "**Leased Property**") to the Authority pursuant to a Site Lease, dated as of October 15, 2012 (the "**Site Lease**"), by and between the County and the Authority. The County will sublease the Leased Property from the Authority pursuant to a Facility Lease, dated as of October 15, 2012 (the "**Facility Lease**"), by and between the County and the Authority.

Under the Facility Lease, in consideration for the use and possession of the Leased Property, the County has agreed to make certain payments designated as Base Rental Payments (the "**Base Rental Payments**") and certain other payments designated as Additional Payments with respect to the Leased Property (the "**Additional Payments**"), in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2012 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each fiscal year (an "**Operating Budget**") commencing after the date of the Facility Lease and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Pursuant to an Assignment Agreement, dated as of October 15, 2012 (the "**Assignment Agreement**"), by and between the Trustee and the Authority, the Authority will assign to the Trustee, for the benefit of the Owners of the Series 2012 Bonds all of its right, title and interest in and to the Facility Lease, including the right to receive Base Rental Payments under the Facility Lease. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease" and "– The Indenture" attached to this Official Statement.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH IT 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 SERIES 2012 BONDS NOR THE OBLIGATION TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The County's obligation to pay Base Rental Payments is subject to abatement. However, during periods of abatement, any moneys in the Revenue Fund or in the Reserve Fund and amounts, if any, received from rental interruption insurance are available for payments in respect of the Series 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments" and "– Abatement."

The Series 2012 Bonds are limited obligations of the Authority and are payable, as to interest and principal, solely from (i) certain funds and accounts pursuant to the Indenture and (ii) the **Revenues** (as defined in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge of Revenues"). All bonds issued under the Indenture are secured by the Revenues and amounts on deposit in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting disbursement of the amounts for or to the purposes and on the conditions and terms contained in the Indenture

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Series 2012 Bonds. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness 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. The obligation of the County to pay Base Rental Payments does not constitute an indebtedness of the County, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Series 2012 Bonds will not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Additional Bonds

In addition to the Series 2012 Bonds, the County and the Authority may from time to time issue additional bonds (the "**Additional Bonds**") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2012 Bonds, payable from the Revenues on a parity with the Series 2012 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS - Additional Bonds" and "APPENDIX C – Summary of Principal Legal Documents – The Indenture – Issuance of Bonds; Application of Proceeds – Conditions for the Issuance of Additional Bonds" attached to this Official Statement.

Tax Matters

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds. See "TAX MATTERS."

Continuing Disclosure

The County has agreed to provide, or cause to be provided, to the Municipal Securities Rulemaking Board ("**MSRB**") certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) (the "**Rule**"). See "CONTINUING DISCLOSURE" for a description of the specific nature of the annual report and notices of enumerated events, a summary description of the terms of the continuing disclosure certificate pursuant to which such reports are to be made, and the status of the County's compliance with its previous undertakings under the Rule during the last five years.

Miscellaneous

The Series 2012 Bonds will be offered when, as and if issued, and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and certain other conditions.

Copies of the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and any other agreements relating to the Series 2012 Bonds that are discussed in this Official Statement are on file and available for inspection at the corporate trust office of the Trustee at Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Department.

The information and expressions of opinion in this Official Statement speak only as of their date and are subject to change without notice. None of the delivery of, any sale made under, or any future use of this Official Statement will, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

THE LEASED PROPERTY

Pursuant to the Facility Lease, the County will sublease from the Authority the Leased Property, which consists of the three facilities listed below.

1) Blythe County Administrative Center. The Blythe County Administrative Center was constructed in 1996 and is located at 220-290 North Broadway, Blythe, California. It is a complex of offices containing the offices of Eastern County Residents' Agricultural Commissioner, Assessor-Clerk Recorder, Board of Supervisor's Community Health Agency, District Attorney, Probation, as well as a Superior Court complex in a campus setting. It also includes a building (the "Palo Verde Unified School District Building") housing administrative offices for the Palo Verde Unified School District (the "District"). The facility's construction was financed with the proceeds of the Palm Desert Financing Authority Lease Revenue Bonds (Blythe County Administrative Center) Series 1996, which were refinanced with a portion of the proceeds of the Prior Bonds.

The Blythe County Administrative Center has an estimated useful life of 50 years and value (including land value and insured value of the facilities), as of September 17, 2012, of $6,360,000.

The County and the District have previously entered into a Lease, dated May 23, 1995 (the "School District Lease") pursuant to which the County leased the Palo Verde Unified School District Building, and the land on which Blythe County Administrative Center is located, to the District. Prior to the issuance of the Series 2012 Bonds, the County and the District will enter into a Subordination Agreement and Consent, dated as of October 1, 2012, pursuant to which the District agrees and acknowledges that the School District Lease is subordinate to the Site Lease and the Facility Lease, and that the Site Lease and the Facility Lease are in all respects prior and superior to the School District Lease.

2) Coachella Valley Animal Campus. The Coachella Valley Animal Campus was constructed in 2004 and is located in Eastern Riverside County in the unincorporated area of Thousand Palms, at 72050 Pet Land Place. It is a full-service animal facility. The County provides contract animal shelter and related services to seven desert cities, including Palm desert, Coachella, Desert Hot Springs, Cathedral City, Rancho Mirage, Indian Wells and La Quinta, as well as neighboring County unincorporated areas. The facility's construction was financed with the proceeds of the Prior Bonds.

The Coachella Valley Animal Campus has an estimated useful life of 50 years and value (including land value and insured value of the facilities), as of September 17, 2012, of $8,154,900.

3) Mecca Family Service Center and Community Health Clinic. The Mecca Family Service Center and Community Health Clinic was built in 2005 and is located at the southeast corner of Date Palm and Avenue 66 in the community of Mecca in the County. The approximately 20,000 square foot facility provides primary care medicine and a dental clinic in a social services setting located in an agricultural area of Eastern Riverside County. Its construction was financed with the proceeds of the Prior Bonds.

The Mecca Social Service Center and Medical Clinic has an estimated useful life of 50 years and value (including land value and insured value of the facilities), as of September 17, 2012, of $4,998,000.

The County has maintained beneficial use of each of these facilities since its construction was completed.

THE REFINANCING PLAN

The County will deliver a portion of the proceeds of the Series 2012 Bonds to Wells Fargo Bank, National Association, as escrow agent (the "**Escrow Agent**"), for deposit into an escrow fund (the "**Escrow Fund**") established under an Escrow Agreement (the "**Escrow Agreement**"), by and between the County and the Escrow Agent, as described below.

The Prior Bonds are currently outstanding in the aggregate principal amount of $17,935,000.

On the date that the Series 2012 Bonds are issued (the "**Closing Date**"), the County will cause to be transferred to the Escrow Agent for deposit into the Escrow Fund the amount of $18,155,337.38 in immediately available funds, derived from proceeds of the Series 2012 Bonds. The Escrow Agent will hold amounts on deposit in the Escrow Fund uninvested. Under the Escrow Agreement, the County will irrevocably elect to redeem the Prior Bonds on November 19, 2012.

The redemption price will be equal to 101% of the principal amount of the Prior Bonds, together with interest accrued to the redemption date. Amounts held in the Escrow Fund will be used to pay accrued interest on the Prior Bonds and the redemption price of the Prior Bonds on November 19, 2012. On the Closing Date, as a result of the deposit of funds in the Escrow Fund as described above, the Prior Bonds will be defeased, and all liability of the County with respect to the Prior Bonds will be discharged.

Following the payment and redemption in full of the Prior Bonds, the Escrow Agent will transfer any amounts remaining on deposit in the Escrow Fund to the County after payment of any fees, costs and indemnities payable to the Escrow Agent.

Sufficiency of the deposits in each Escrow Fund for the purposes of the related Escrow Agreement will be verified by Barthe & Wahrman, P.A. (the "**Verification Agent**"). See "VERIFICATION OF MATHEMATICAL ACCURACY" below.

The amounts held and invested by the Escrow Agent in the Escrow Fund are pledged solely to the payment of the Prior Bonds. Neither the funds deposited in the Escrow Fund nor the interest on the invested funds will be available for the payment of debt service on the Series 2012 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2012 Bonds are expected to be applied approximately as follows:

Sources:	
Principal Amount of Series 2012 Bonds	$17,640,000.00
Net Original Issue Premium	759,698.20
Funds Relating to Prior Bonds	1,499,547.80
Total Sources	$19,899,246.00
Uses:	
Escrow Fund	$18,155,337.38
Reserve Fund	1,391,025.00
Cost of Issuance[1]	352,883.62
Total Uses	$19,899,246.00

(1) Includes underwriter's discount, rating agencies fees, financial advisor fees, title insurance fees, legal fees, trustee fees, escrow agent fees, and printing costs and certain miscellaneous expenses.

THE SERIES 2012 BONDS

The following is a summary of certain provisions of the Series 2012 Bonds. Reference is made to the Series 2012 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion in this Official Statement is qualified by such reference. See "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

General

The Series 2012 Bonds will be initially issued in denominations of $5,000 and any integral multiple thereof. The Series 2012 Bonds will be delivered in fully registered form only, and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Series 2012 Bonds. Ownership interests in the Series 2012 Bonds may be purchased in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2012 Bonds purchased. Payments of principal of and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2012 Bonds, as more fully described in this Official Statement. See "THE SERIES 2012 BONDS – General" and "APPENDIX D –Book-Entry System."

The Series 2012 Bonds will bear interest at the rates per annum set forth on the inside cover page hereof until their maturity. Interest on the Series 2012 Bonds is payable on May 1 and November 1 of each year, commencing May 1, 2013 and will be computed on the basis of a 360 day year comprised of twelve 30-day months. See "APPENDIX C – Summary of Principal Legal Documents" attached to this Official Statement.

The debt service on the Series 2012 Bonds will be paid from Base Rental Payments described under the caption "Security and Source of Payment for the Series 2012 Bonds" below.

Redemption

Optional Redemption. The Series 2012 Bonds maturing prior to May 1, 2023 are not subject to optional redemption. The Series 2012 Bonds maturing on or after May 1, 2023, are subject to optional redemption prior to maturity on or after May 1, 2022, at the option of the County, in whole, or in part, on any date, at a redemption price equal to the principal amount of the Series 2012 Bonds to be redeemed, plus accrued but unpaid interest to the redemption date.

Mandatory Redemption. The Series 2012 Bonds maturing on May 1, 2029, are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account Payments on May 1 of each year set forth below, commencing on May 1, 2027, at a redemption price equal to the principal amount of such Series 2012 Bonds to be redeemed, plus accrued interest thereon to the redemption date, in the principal amounts and on the redemption dates set forth below, without premium:

Sinking Fund Redemption Date (May 1)	Principal Amount to be Redeemed
2027	$700,000
2028	725,000
2029 (maturity)	745,000

The Series 2012 Bonds maturing on May 1, 2033, are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account Payments on May 1 of each year set forth below, commencing on May 1, 2030, at a redemption price equal to the principal amount of such Series 2012 Bonds to be redeemed, plus accrued interest thereon to the redemption date, in the principal amounts and on the redemption dates set forth below, without premium:

Sinking Fund Redemption Date (May 1)	Principal Amount to be Redeemed
2030	$780,000
2031	805,000
2032	835,000
2033 (maturity)	785,000

Extraordinary Redemption. The Series 2012 Bonds are subject to redemption on any date prior to their respective maturity dates, as a whole, or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2012 Bonds plus accrued interest thereon to the date fixed for redemption, without premium.

Notice of Redemption. So long as DTC is acting as securities depository for the Series 2012 Bonds, notice of redemption, containing the information required by the Indenture, will be mailed by first class mail, postage prepaid, by the Trustee to DTC (not to the Beneficial Owners of any Bonds designated for redemption) and to the Municipal Securities Rulemaking Board, at least 30 days but not more than 60 days prior to the redemption date. Such notice of redemption will state that on the specified date there will become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with interest accrued to the redemption date thereon, and that from and after such date interest will cease to accrue and be payable. A notice of redemption may provide (a) that the redemption is conditioned upon the occurrence of one or more events specified in the notice and (b) that such notice may be revoked, without any cause, at any time prior to the redemption date. The actual receipt by the Owner or any of DTC or the information services specified in the Indenture of any notice of such redemption will not be a condition precedent to redemption, and neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption. No Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption.

The County will have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2012 Bonds then called for redemption, and such cancellation will not constitute an Event of Default under the Indenture. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Partial Redemption of Bonds. Upon surrender of any Series 2012 Bond redeemed in part only, the Trustee will execute and deliver to the Owner thereof a new Bond or Bonds representing the unpaid principal amount of the Series 2012 Bond surrendered.

Effect of Redemption. If notice of redemption has been duly given as described in accordance with the Indenture and moneys for the payment of the redemption price of the Series 2012 Bonds to be redeemed are held by the Trustee, then on the redemption date designated in such notice the Series 2012 Bonds so called for redemption will become payable at the redemption price specified in such notice; and from and after the date so designated interest on the Series 2012 Bonds so called for redemption will cease to accrue, such Series 2012 Bonds will cease to be entitled to any benefit or security under the Indenture and the Owners and Beneficial Owners of such Series 2012 Bonds will have no rights in respect thereof except to receive payment of the redemption price represented thereby. The Trustee will, upon surrender for payment of any of the Series 2012 Bonds to be redeemed, pay such Series 2012 Bonds at the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledge of Revenues

Pursuant to the Indenture, the County will irrevocably pledge and transfer to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to (i) all amounts on deposit from time to time in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund) and (ii) the Revenues, which will be used for the punctual payment of the interest and principal of the Series 2012 Bonds. The Revenues will not be used for any other purpose while any of the Series 2012 Bonds remain Outstanding. The pledge will constitute a first and exclusive lien on the funds established under the Indenture.

"**Revenues**" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the

Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund).

All Revenues will be paid directly by the County to the Trustee. If any Revenues are received by the Authority at any time, the Authority will deposit them with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance will be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein will be held in trust by the Trustee.

The Series 2012 Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain funds and accounts pursuant to the Indenture and the Revenues (as described in this Official Statement) derived from Base Rental Payments paid by the County pursuant to the Facility Lease for the use and possession of the Leased Property as long as the County has such use and possession of the Leased Property. All Bonds issued pursuant to the Indenture are equally and ratably secured by the Revenues and enjoy the benefits of a security interest in the money held in the funds established pursuant to the Indenture, subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein.

Base Rental Payments

General. Under the Facility Lease, in consideration for the use and occupancy of the Leased Property, the County has agreed to make Base Rental Payments and Additional Payments with respect to the Leased Property, in the amounts, at the times and in the manner set forth in the Facility Lease. The Series 2012 Bonds represent the aggregate principal components of the Base Rental Payments under the Facility Lease. The County is required under the Facility Lease to make Base Rental Payments from legally available funds, subject to the provisions thereof related to abatement (see "– Abatement" below). Also, the County is required under the Facility Lease to pay the interest components of the Base Rental Payments (constituting interest paid on the principal components of the Base Rental Payments). The County has covenanted in the Facility Lease to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its Operating Budget and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

The County may enter into other obligations that constitute additional charges against revenues. This is described in more detail under "RISK FACTORS – Additional Obligations of the County."

The obligation of the County to make Base Rental Payments and pay additional rent does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012 Bonds nor the obligation to make Base Rental Payments and pay additional rent constitutes indebtedness of the County, the State of California or any of their respective political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Trustee, pursuant to the Indenture, will receive Base Rental Payments for the benefit of the Owners. Except as expressly provided in the Indenture, the Trustee will not have any obligation or liability to the Owners or Beneficial Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the

County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease, the Site Lease or the Indenture. Additional Payments payable by the County under the Facility Lease include, among others, amounts sufficient to pay certain taxes and assessments and insurance premiums, and certain administrative costs.

The Base Rental Payments under the Facility Lease are absolutely net to the Authority so that the Facility Lease will yield to the Authority the Base Rental Payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease.

The Facility Lease provides that the agreements and covenants it contains on the part of the County will be deemed and construed to be duties imposed by law, and 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 officials to enable the County to carry out and perform the agreements and covenants required of it under the Facility Lease.

However, see “RISK FACTORS – Limitations on Remedies.”

Base Rental Payments Schedules. The Facility Lease requires that all Base Rental Payments are to be paid on the 15th day of the month preceding each Interest Payment Date.

A table of annual debt service payments for the Series 2012 Bonds is shown below.

Annual Debt Service Payments

Payment Date (Fiscal Year Ending June 30)	Series 2012 Bonds Principal	Interest	Base Rental Payments
2013	$ 645,000	$345,912.50	$ 990,912.50
2014	715,000	672,475.00	1,387,475.00
2015	740,000	651,025.00	1,391,025.00
2016	760,000	628,825.00	1,388,825.00
2017	775,000	606,025.00	1,381,025.00
2018	810,000	575,025.00	1,385,025.00
2019	840,000	542,625.00	1,382,625.00
2020	885,000	500,625.00	1,385,625.00
2021	925,000	465,225.00	1,390,225.00
2022	960,000	428,225.00	1,388,225.00
2023	1,000,000	389,825.00	1,389,825.00
2024	1,025,000	359,825.00	1,384,825.00
2025	1,065,000	318,825.00	1,383,825.00
2026	1,120,000	265,575.00	1,385,575.00
2027	700,000	209,575.00	909,575.00
2028	725,000	183,325.00	908,325.00
2029	745,000	156,137.50	901,137.50
2030	780,000	128,200.00	908,200.00
2031	805,000	97,000.00	902,000.00
2032	835,000	64,800.00	899,800.00
2033	785,000	31,400.00	816,400.00
	$17,640,000	$7,620,475.00	$25,260,475.00

Reserve Fund

The Reserve Fund will be held by the Trustee as a separate fund for the benefit of the Series 2012 Bonds and any Additional Bonds. The Reserve Fund will be funded in the amount of the Reserve Fund Requirement and used and withdrawn by the Trustee solely for the purpose of funding the Interest Fund or the Principal Fund, in that order, in the event of any deficiency in either of such accounts on a Principal Payment Date or Interest Payment Date. Monies on deposit in the Reserve Fund will be withdrawn and transferred by the Trustee to be applied for the final payment on the Series 2012 Bonds.

"**Reserve Fund Requirement**," as defined in the Indenture, means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; provided however, that the Reserve Fund Requirement with respect to any Series of Bonds will be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds to the Reserve Fund. The County will initially fund the Reserve Fund with proceeds of the Series 2012 Bonds in the amount of $1,391,025.

For purposes of determining the amount on deposit in the Reserve Fund, all investments therein will be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund will mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

If investments in the Reserve Fund are sold or otherwise disposed prior to their maturity, the amount realized from such disposition may be less than the principal amount of such investments at maturity. The County has no obligation to deposit additional amounts in the Reserve Fund in the event of a deficiency resulting from such a disposition. However, the Indenture provides that if at any time the balance in the Reserve Fund will be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date will be used to increase the balance in the Reserve Fund to the Reserve Fund Requirement.

At the option of the County, one or more reserve fund credit facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such reserve fund credit facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement.

Insurance

The Facility Lease provides that the County will secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. The insurance includes "all risk" insurance against loss or damage to the Leased Property, including flood, but excluding earthquake, which will be maintained at any time in an amount per occurrence at least equal to the lesser of:

(i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations will have been issued ("**Obligations**"); or

(ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease.

The insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss).

Pursuant to the Facility Lease, the County may obtain the insurance coverage as a joint insured with one or more other public agencies located within or without the County of Riverside, which may be limited in an amount per occurrence in the aggregate for all insureds, as described in the previous paragraph, and a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000 (collectively, "**Pooled Public Agencies Insurance**").

The County anticipates that it will secure and maintain "all risk" insurance covering the Leased Property through an insurance policy described in the immediately preceding sentence. As a consequence, the Leased Property will not be covered through stand-alone insurance policies and will rather be covered through an insurance policy that covers multiple properties owned by varying public agencies throughout the State. If there occurs one or more losses or damage to the properties covered by that insurance policy in a fiscal year that exceeds the annual cumulative limit provided therein, and there were also to occur a loss or damage to the Leased Property in the same fiscal year, then the County and the Trustee might be unable to make a claim under the insurance policy for the loss or damage. There may also not otherwise be any other insurance covering the loss or damage to the Leased Property.

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease – Maintenance; Taxes; Insurance and Other Charges – Insurance" attached to this Official Statement.

The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012 Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments will be abated only by an amount equal to the difference. Any abatement of rental payments will not be considered an Event of Default under the Facility Lease. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Substitution or Removal

Subject to certain conditions (described below), the County may amend the Facility Lease and the Site Lease to substitute other real property or improvements (a "**Substituted Property**") for the then-existing Leased Property, or remove real property (including undivided interests therein) or improvements from the real property description of the Leased Property contained in the Facility Lease and the Site Lease.

Any substitution or removal is conditioned on the County's first delivering the following to the Authority and the Trustee

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

(ii) a Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

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

(iv) (A) in the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, ensuring the County's leasehold interest in the Substituted Property (except any portion of that property that is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2012 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

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

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Series 2012 Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants regarding insurance with for the Substituted Property contained in the Facility Lease.

After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected will be released from the leasehold under the Facility Lease and the Site Lease. See "APPENDIX C – Summary of Principal Legal Documents – The Facility Lease – The Leased Property – Substitution or Removal of Leased Property" attached to this Official Statement.

See also "RISK FACTORS – Limitations on Remedies."

No Acceleration

There is no remedy of acceleration in payments under the Facility Lease, which provides that, on the occurrence of an Event of Default under the Facility Lease, the Trustee (as the Authority's assignee) must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due. **This is the sole and exclusive remedy available against the County under the Facility Lease or otherwise in the event of a default under the Facility Lease.** The Trustee may not terminate the County's right to possession of the Leased Property, regardless of whether the County has abandoned the Leased Property. Because of this, in the event of a bankruptcy by the County, the Trustee will have limited ability to compel any payment of Base Rental Payments. See "RISK FACTORS – Limitations on Remedies."

In the event that Event of Default occurs under the Facility Lease, the County will remain liable and will keep or perform all covenants and conditions required of it under the Facility Lease. It will also pay any rent owed punctually, and in the required manner, through the end of the term of the Facility Lease.

Additional Bonds

In addition to the Series 2012 Bonds, the County and the Authority may from time to time issue additional bonds (the "**Additional Bonds**") pursuant to a Supplemental Indenture without the consent of the Owners of the Series 2012 Bonds, payable from the Revenues on a parity with the Series 2012 Bonds, the proceeds of which Additional Bonds may be used for any lawful purpose by the County, as provided in the Supplemental Indenture, but only subject to the certain specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds, including, amendment of the Facility Lease so that the Base Rental Payments payable by the County thereunder in each Fiscal Year will be at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due provided, however, that no such amendment will be made such that Base Rental Payments, including any such amendment, in any year will be in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

The Indenture also requires in connection with the issuance of Additional Bonds the delivery of a certificate as to the annual fair rental value of the Leased Property, which certificate may assume the timely construction and completion of any additional project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee in an amount reasonably expected to be sufficient to provide for the construction costs of such additional project, all as set forth in the Indenture. See "APPENDIX C – Summary of Principal Legal Documents – The Indenture – Issuance of Bonds; Application of Proceeds – Conditions for the Issuance of Additional Bonds" attached to this Official Statement.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of March 20, 1990 and as subsequently amended, by and between the County and the County of Riverside Economic Development Agency, as successor agency to the Redevelopment Agency for the County of Riverside, pursuant to Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created for the purpose, among other things, of providing financing for public capital improvements of the County and other local agencies. The Board of Supervisors of the County (the "**Board**") serves as the board of directors of the Authority.

Except as provided by the Indenture, the Authority has no liability to the owners or Beneficial Owners of any Series 2012 Bonds and has pledged none of its moneys, funds or assets as Revenues or otherwise toward the payment of any amount due in connection with the Series 2012 Bonds.

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 January 1, 2011.

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

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

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

See “APPENDIX A — Information Regarding the County of Riverside” for a more detailed description of the County.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA 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 XIIIB 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 of California (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 2011-12 was $2,139,732,138 and the amount shown in its budget for that year as the appropriations subject to limitation was $900,975,704. The County's appropriations limit for fiscal year 2012-13 is $2,246,378,720 and the amount subject to the limitation is $1,119,274,762.

Article XIIIC and Article XIIID of the State Constitution

Articles XIIIC and XIIID of the California Constitution were added in 1996. 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 require a two-thirds vote. In addition, Article XIIIC removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve 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.

Article XIIID imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIIID limits "fees" and "charges," defined to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

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, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) 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 *City 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. City 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.

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. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. 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. Further, any general purpose tax which a County imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

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.

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 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. 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 currently 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. See "APPENDIX A — Information Regarding the County of Riverside— Impacts of State Budget."

Proposition 22

Proposition 22, entitled "The Local Taxpayer, Public Safety and Transportation Protection Act," was approved by the voters of the State in November 2010. Proposition 22 amended the state Constitution to eliminate or reduce the State's authority to (i) temporarily shift property taxes from cities, counties and special districts to schools, (ii) use vehicle license fee revenues to reimburse local governments for State-mandated costs (the State will have to use other revenues to reimburse local governments), (iii) redirect property tax increment from redevelopment agencies to any other local government, (iv) use State fuel tax revenues to pay debt service on State transportation bonds, or (v) borrow or change the distribution of State fuel tax revenues. Notwithstanding the passage of Proposition 22, the State successfully dissolved redevelopment agencies. See the discussion of the impact on the City of the redevelopment agency dissolution in APPENDIX A.

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 1.5% from the prior year. In fiscal year 2012-13, assessed valuation declined by approximately 0.15% primarily as a result of declining commercial property values.

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 the 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 roll in the summer. See "APPENDIX A — Information Regarding the County of Riverside."

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 62 and 1A 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 that 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 Series 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 that 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 Underwriter, and the County and the Underwriter 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."

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 " – Realignment of Certain 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 and further supplemented on August 10, 2012 (collectively, 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 that 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.

RISK FACTORS

The following factors, along with all other information in this Official Statement, including, without limitation, APPENDIX A, should be considered by potential investors in evaluating the Series 2012 Bonds.

Not a Pledge of Taxes

The obligation of the County to pay the Base Rental Payments or Additional Payments 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. The obligation of the County to pay Base Rental Payments or Additional Payments does not constitute a debt or indebtedness of the County, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Although the Facility Lease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Facility Lease to pay Base Rental

Payments from any source of legally available funds (subject to certain exceptions) and the County has covenanted in the Facility Lease that, for as long as the Leased Property are available for its use and possession, it will make the necessary annual appropriations within its budget for all Base Rental Payments. See "Appendix A – Information Regarding the County of Riverside" for a description of other obligations of the County.

Additional Obligations of the County

The County may enter into other obligations that 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. See "APPENDIX A – Information Regarding the County of Riverside" for a description of other obligations of the County and, in particular, "– Retirement Program" regarding the County's unfunded accrued actuarial liability for its retirement program.

The Base Rental Payments and other payments due under the Facility Lease (including payment of costs of repair and maintenance of the Leased Property, taxes and other governmental charges levied against the Leased Property) are payable from funds lawfully available to the County. In the event that the amounts that 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. The same result could occur if, because of California Constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues.

Limitations on Remedies

Limited Remedies on Default; No Right of Relet. On the occurrence of an Event of Default under the Facility Lease, the Trustee (as assignee of the Authority) must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due. **This is the sole and exclusive remedy available against the County under the Facility Lease or otherwise in the event of a default under the Facility Lease.** The Trustee may not terminate the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property. The County will remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay such rent or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent thereunder (without acceleration). The Trustee would be required to seek a separate judgment each year for that year's defaulted Base Rental Payments. 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 were due and against funds needed to serve the public welfare and interest.

Substitution or Removal of Property Could Adversely Affect Series 2012 Bonds. Subject to certain conditions, the County may amend the Facility Lease and the Site Lease to substitute Substituted Property for the then-existing Leased Property or remove real property (including undivided interests therein) or improvements from the real property description of the Leased Property contained in the Facility Lease and the Site Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Substitution or Removal." After a substitution or removal, the part of the Leased Property for which the substitution or removal has been effected will be released from the leasehold under the Facility Lease and the Site Lease.

A Substituted Property may be of a different nature or degree of essentiality to the County. Also, a replacement or release could have an adverse impact on the security for the Series 2012A Bonds, particularly if an event requiring abatement of Base Rental Payments were to occur subsequent to such substitution or release.

Limitations on Remedies; Bankruptcy. In addition to the limitations described above, the rights of the Owners and Beneficial Owners of the Series 2012 Bonds are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Series 2012 Bonds, and the obligations incurred by the County, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, 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 and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the Series 2012 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The risks described in the previous paragraph are exacerbated by the fact that, on the occurrence of an Event of Default under the Facility Lease, the Trustee (as assignee of the Authority) may only recover rent and other monetary charges as they become due, and not terminate the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012 Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments will be abated only by an amount equal to the difference. Any abatement of rental payments will not be considered an Event of Default under the Facility Lease. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

Seismic Events; Force Majeure

The areas in and surrounding the Leased Property, like those in much of California, are subject to unpredictable seismic activity. However, the County is not aware of any Leased Property facility's having sustained material damage from earthquakes since its construction was completed.

Further, the County is not obligated under the Facility Lease to procure and maintain, or cause to be procured and maintained, earthquake insurance on the Leased Property, and no assurance can be made that the County will procure and maintain, or cause to be procured and maintained, such insurance. There can be no assurance that earthquake insurance on the Leased Property, if any, can be renewed or will be maintained by the County in the future, or will be available for payments in respect of the Series 2012 Bonds or debt service on the Series 2012 Bonds. If there is no earthquake insurance on the Leased Property and if the Leased Property is damaged in an earthquake, the Base Rental Payments would be subject to abatement. See "RISK FACTORS – Abatement."

The County's use and possession of the Leased Property may also be at risk from other events of force majeure, such as damaging storms, floods and fires, among other events. The Coachella Valley Animal Campus, for example, is located in a mapped flood zone. The County cannot predict what force majeure events may occur in the future.

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

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

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

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

Change in Law

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

State Law Limitations on Appropriations

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

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the Series 2012 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the Series 2012 Bonds, as a result of acts or omissions of the Authority or the County in violation of its covenants in the Indenture and the Facility Lease. Should such an event of taxability occur, the Series 2012 Bonds would not be subject to a special redemption and would remain Outstanding until maturity or until redeemed under the redemption provisions contained in the Indenture.

Secondary Market

There can be no guarantee that there will be a secondary market for the Series 2012 Bonds or, if a secondary market exists, that any Series 2012 Bonds can be sold for any particular price. Prices of bond issues for which a market is being made will depend upon the then-prevailing circumstances. The prices could be substantially different from the original purchase price.

No assurance can be given that the market price for the Series 2012 Bonds will not be affected by the introduction or enactment of any future legislation (including without limitation amendments to the Code), or changes in interpretation of the Code, or any action of the Internal Revenue Service, including but not limited to the publication of proposed or final regulations, the issuance of rulings, the selection of the Series 2012 Bonds for audit examination, or the course or result of any Internal Revenue Service audit or examination of the Series 2012 Bonds or obligations that present similar tax issues as the Series 2012 Bonds .

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("**Bond Counsel**"), Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX E attached to this Official Statement.

To the extent the issue price of any maturity of the Series 2012 Bonds is less than the amount to be paid at maturity of such Series 2012 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2012 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2012 Bonds is the first price at which a substantial amount of such maturity of the Series 2012 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012 Bonds accrues daily over the term to maturity of such Series 2012 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2012 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012 Bonds is sold to the public.

Series 2012 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012 Bonds. The Authority and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2012 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("**IRS**") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012 Bonds ends with the issuance of the Series 2012 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the County or the Beneficial Owners regarding the tax-exempt status of the Series 2012 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012 Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

CERTAIN LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel, and certain other conditions. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX E attached to this Official Statement. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP, and Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel, for the County by the County Counsel and for the Underwriter by its counsel, Nossaman LLP, Irvine, California.

LITIGATION

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Series 2012 Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Series 2012 Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Series 2012 Bonds, the completeness or accuracy of the Official Statement or the existence or powers of the Authority relating to the sale of the Series 2012 Bonds.

No litigation is pending or, to the best knowledge of the County, threatened against the County concerning the validity of the Series 2012 Bonds. The County is not aware of any litigation pending or threatened questioning the political existence of the County or contesting the County's ability to issue the Series 2012 Bonds or pay the Base Rental Payments pursuant to the Facility Lease. 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.

RATINGS

Moody's Investors Service, Inc. ("**Moody's**") and Fitch Ratings, Inc. ("**Fitch**") have assigned ratings of "A2" and "A+", respectively, to the Series 2012 Bonds. Each rating reflects only the view of the assigning rating agency, and explanations of the significance of the rating may be obtained only from that rating agency at: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796, telephone number (212) 553-0317 or Fitch Ratings, One State Street Plaza, New York, New York 10004, telephone number (212) 908-0500. These ratings reflect only the views of the respective rating agency, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from the respective rating agency. There is no assurance that any rating will continue for a given period of time or that it will not be revised downward or withdrawn entirely by the assigning rating agency if, in its judgment, circumstances warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Series 2012 Bonds.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon delivery of the Series 2012 Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations provided to it on behalf of the County relating to the sufficiency of the amounts deposited in the Escrow Fund (together with interest earnings) to pay, when due, the principal (whether at maturity or upon prior redemption) interest and redemption premium requirements of the Prior Bonds. See "THE REFINANCING PLAN."

UNDERWRITING

The Series 2012 Bonds are being purchased by Morgan Keegan & Company, Inc., or its successor in interest (the "**Underwriter**"). Pursuant to the Purchase Contract for the Series 2012 Bonds, the Underwriter has agreed, subject to certain conditions, to purchase the Series 2012 Bonds at a price of $18,333,922.80 (representing the principal amount of the Series 2012 Bonds, plus a net original issue premium of $759,698.20, less underwriter's discount of $65,775.40). The Purchase Contract for the Series 2012 Bonds provides that the Underwriter will purchase all the Series 2012 Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell the Series 2012 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

On April 2, 2012, Raymond James Financial, Inc. ("**RJF**"), the parent company of Raymond James & Associates, Inc. ("**Raymond James**"), acquired all of the stock of Morgan Keegan & Company, Inc. ("**Morgan Keegan**") from Regions Financial Corporation. Morgan Keegan and Raymond James are each registered broker-dealers. Both Morgan Keegan and Raymond James are wholly owned subsidiaries of RJF and, as such, are affiliated broker-dealer companies under the common control of RJF, utilizing the trade name "Raymond James I Morgan Keegan" that appears on the cover of this Official Statement. It is anticipated that the businesses of Raymond James and Morgan Keegan will be combined.

Morgan Keegan has entered into a distribution arrangement with Raymond James for the distribution of the Series 2012 Bonds at the original issue prices. Such arrangement generally provides that Morgan Keegan will share a portion of its underwriting compensation or selling concession with Raymond James.

FINANCIAL ADVISOR

C.M de Crinis & Co., Inc., Glendale, California served as Financial Advisor to the County in connection with the issuance of the Series 2012 Bonds. C.M de Crinis & Co., Inc., is an independent financial advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. 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.

CONTINUING DISCLOSURE

With respect to each fiscal year of the County commencing with fiscal year 2011-12, the County has agreed to provide, or cause to be provided to the Municipal Securities Rulemaking Board ("**MSRB**"), certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in such annual financial information and operating data and the notice of enumerated events is set forth in "APPENDIX F – Form of Continuing Disclosure Certificate."

These covenants have been made in order to assist the Underwriter in complying with the Rule. 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 and comprehensive annual financial reports required by its previous undertakings. However, such budget information was available on the County's website and/or available in other continuing disclosure filings made by the County. The County has subsequently filed or is preparing to file such budget information and comprehensive annual financial reports. The County is currently in compliance, or will be in compliance, at the time the Bonds are issued, with all of its undertakings with respect to the Rule.

MISCELLANEOUS

Included in this Official Statement are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement by or among the Authority or the County and the purchasers or owners of any of the Series 2012 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in affairs in the County or the Authority since the date hereof.

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

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

By: /s/ John F. Tavaglione
Chair

COUNTY OF RIVERSIDE

By: /s/ Jay Orr
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 population growth in the County has been hindered by continuing weak economic conditions within the County and State. See "— Industry and Employment," "— Commercial Activity" and "— Building and Real Estate Activity" herein. 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)

	2007	*2008*	*2009*	*2010*	*2011*	*July 2012(2)*
Total Farm	16,400	15,900	14,900	15,000	14,900	15,200
Total Nonfarm	1,270,900	1,223,800	1,134,800	1,125,900	1,129,700	1,106,700
Total Private	1,045,600	994,000	906,400	891,600	902,400	770,400
Goods Producing	232,400	198,800	157,800	145,800	145,600	151,200
Natural Resources and Mining	1,300	1,200	1,100	1,000	1,000	1,100
Construction	112,500	90,700	67,900	59,700	58,700	63,700
Manufacturing	118,500	106,900	88,800	85,100	85,800	86,400
Service Providing	1,038,600	1,025,000	977,000	980,000	984,200	980,600
Trade, Transportation and Utilities	301,900	292,900	271,900	270,800	275,100	277,100
Wholesale Trade	56,800	54,100	48,900	48,600	49,400	53,700
Retail Trade	175,600	168,600	156,200	155,500	157,200	154,400
Transportation, Warehousing and Utilities	69,500	70,200	66,800	66,600	68,500	69,000
Information	15,400	14,900	15,100	15,800	15,000	14,800
Financial Activities	49,800	46,100	42,500	41,000	39,200	38,500
Professional and Business Services	145,200	137,700	124,300	123,400	126,100	139,000
Educational and Health Services	127,200	131,800	133,600	133,800	137,900	138,000
Leisure and Hospitality	132,600	131,000	123,800	122,800	124,300	124,000
Other Services	41,200	40,800	37,300	38,200	39,300	39,000
Government	225,300	229,900	228,400	234,300	227,300	210,200
Total, All Industries	1,287,300	1,239,700	1,149,700	1,140,900	1,144,600	1,146,900

(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 of California (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***	***July 2012****
County[(1)]	6.0%	8.5%	13.6%	14.7%	13.6%	13.08%
California[(1)]	5.3	7.2	11.4	12.4	11.7	10.90
United States[(2)]	4.6	5.8	9.3	9.6	8.9	8.3

* Preliminary data.
(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 2007 through 2010 and for the first quarter of 2011, the period for which data is currently available:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2007	*2008*	*2009*	*2010*	*2010 (1st Quarter)*	*2011 (1st Quarter)*
Apparel Stores	$ 1,171,013	$ 1,121,543	$ 1,293,271	$ 1,391,174	$ 328,331	$ 351,759
General Merchandise Stores	3,272,665	3,081,989	2,855,733	2,947,905	683,118	704,325
Drug Stores	320,469	307,947	288,768	292,463	99,215	110,328
Food Stores	1,352,609	1,254,366	1,144,235	1,152,507	305,333	313,652
Packaged Liquor Stores	84,397	98,338	106,981	115,251	26,592	29,907
Eating and Drinking Places	2,388,039	2,340,554	2,266,853	2,317,486	606,809	640,803
Home Furnishing and Appliances	843,945	816,379	858,098	883,109	113,343	226,124
Building Materials & Farm Implements	1,961,911	1,435,337	1,128,595	1,232,145	308,977	322,194
Auto Dealers & Supplies	4,301,385	3,115,036	2,449,747	2,620,568	621,109	752,845
Service Stations	2,835,690	3,011,476	2,300,247	2,685,840	625,772	772,871
Other Retail Stores	2,710,393	2,106,283	1,364,956	1,281,052	294,271	320,357
Retail Stores Total	$ 21,242,516	$ 18,689,249	$ 16,057,488	$ 16,919,500	$ 4,088,902	$ 4,516,256
All Other Outlets	7,781,093	7,314,346	6,170,390	6,233,280	1,465,855	1,599,655
Total All Outlets	$ 29,023,609	$ 26,003,595	$ 22,227,878	$ 23,152,780	$ 5,554,758	$ 6,115,911

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 Ending December 31,	*Los Angeles County*	*Riverside County*	*San Bernardino County*	*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 Ending December 31,	*Los Angeles County*	*Riverside County*	*San Bernardino County*	*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 2007 through 2011 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2007	*2008*	*2009*	*2010*	*2011*
Citrus Fruits	$ 121,387,100	$ 135,759,800	$ 101,652,000	$ 140,501,000	$ 119,942,513
Trees and Vines	189,286,500	173,678,000	191,682,600	164,994,000	232,649,262
Vegetables, Melons, Miscellaneous	234,854,700	266,414,900	221,286,700	292,002,200	278,628,295
Field and Seed Crops	94,492,000	123,545,400	69,699,800	81,328,300	149,198,052
Nursery	272,326,200	230,416,200	206,499,900	169,341,300	200,154,964
Apiculture	3,948,900	5,637,000	5,017,600	4,631,700	4,844,400
Aquaculture Products	9,829,200	12,077,700	5,243,900	4,921,700	4,808,250
Total Crop Valuation	$ 926,124,600	$ 947,529,000	$ 801,082,500	$ 857,720,200	$ 990,225,736
Livestock and Poultry Valuation	338,938,600	321,060,900	214,672,800	235,926,300	292,030,380
Grand Total	$ 1,265,063,200	$ 1,268,589,900	$ 1,015,755,300	$ 1,093,646,500	$ 1,282,256,116

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 State's governor (the "Governor") and the State's legislature (the "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 approximately 21% will consist of payments from the Federal government. Discretionary revenue is budgeted to decline to approximately $570 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 $260 million for Fiscal Year 2012-13, and represents approximately 46% of the County's discretionary revenue. In July 2012, the County Assessor finalized the Fiscal Year 2012-13 assessment roll which reflected a 0.15% decrease from Fiscal Year 2011-12. Such decrease is primarily a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years.

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. County departments are managing these increases by identifying additional opportunities to achieve more at a reduced cost.

Impacts of State Budget

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2012-13 budget. 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.

In 2011, the Legislature made a number of changes to realign certain State program responsibilities and revenues to local government, primarily counties. In total, the 2011 realignment shifted approximately $6 billion in State sales tax revenues, vehicle license fee revenues, and (on a one-time basis) Mental Health Services Fund revenues to local governments to fund various criminal justice, mental health, and social service programs. As part of the Fiscal Year 2012-13 State Budget, the Legislature approved a number of changes to the funding structure and programs in the 2011 realignment, including without limitation establishing an ongoing funding structure for the programs realigned in 2011. The County has not yet determined the short-term or long term effect continued implementation of the 2011 realignment will have on the County.

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(4)	$ 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.
(4) See "— Financial Statements and Related Issues" herein for the actual General Fund balance at the end of fiscal years 2006-07 through 2010-11.
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 August 31, 2012, the portfolio assets comprising the PIF had a market value of $5,187,622,985.61.

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, 2011, 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 70.74% of the funds on deposit in the County Treasury, while approximately 29.26% 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 2012 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 August 31, 2012, was as follows:

	% of Pool
Federal Agency Securities	80.34%
Cash Equivalents & Money Market Funds	3.67
Commercial Paper	2.89
Municipal Bonds	1.33
Repurchase Agreements	4.83
U.S. Treasury Bonds	4.93
Local Agency Obligations (1)	1.04
Local Agency Investment Fund (LAIF)	0.97
Total	100.00%
Book Yield:	0.42%
Weighted Average Maturity:	1.12 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 July 31, 2012, the market value of the PIF was 100.14% 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-bf" from Moody's Investors Service and "AAA/V1" rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

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

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of growth in situs assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special 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	70,921,563	2.65	2,805,588,954	104.82

(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. Abnormally high delinquencies in Fiscal Years 2006-07 through 2008-09 coincided with a significant decline in real estate prices and activity in the County during that period. See "DEMOGRAPHIC AND ECONOMIC INFORMATION — Building and Real Estate Activity" herein, and the following discussion regarding the decline in housing prices and assessed valuation in the County since 2007.
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	84,158,298	95.55
2012-13	83,848,832	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, school districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest.
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),(3)]	*Refunds for Decreased Assessments*[(1)]	*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	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)[(4)]	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	11,846,770

(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) The negative tax levy is a result of refunds exceeding the billed amounts.
Source: County Auditor-Controller/County Treasurer and Tax Collector.

The following table sets forth the assessed valuation by category and property type for fiscal year 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	$ 236,530	$ 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	$ 240,966	$ 244,838	$ 218,939	$ 209,956	$ 208,056

(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. Columns may not add up due to rounding.

(2) Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor.

In July 2012, the County Assessor finalized the Fiscal Year 2012-13 assessment roll which reflected a 0.15% decrease from Fiscal Year 2011-12. Such decrease is primarily a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years.

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 Activity" 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 $2.16 billion of assessed value was reduced from the County tax roll in fiscal year 2010-11 and fiscal year 2011-12, representing $21.6 million in general purpose taxes over the two-fiscal year period. As of September 18, 2012, approximately 85% of the fiscal year 2010-11 assessment appeals had been completed, and approximately 27% of the fiscal year 2011-12 assessment appeals had been completed. The majority of the remaining fiscal year 2010-11 and fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2012 and November 30, 2013, respectively.

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 2011-12, approximately 76% of all taxing entities effectively 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, 2012. 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 "2011 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 2011 B Notes were refunded, in full, by the County of Riverside 2012 Teeter Obligation Notes, Series D (the "2012 Series D Notes"), which were issued on October 22, 2012. Proceeds of the 2012 Series D Notes will also be used to fund an advance of unpaid property taxes to local agencies participating in the County's Teeter Plan. The County's General Fund is pledged to the repayment of the 2012 Series D Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment.

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
Fannie Mae	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***
Fannie Mae	$ 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

General. The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) (the "Community Redevelopment Law") authorized any city or county to form a redevelopment agency funded from the allocation of growth in property tax revenues, or "tax increment." Tax increment resulted from increases in the assessed valuation of properties, within designated redevelopment project areas, occurring after a base year set for each project area. It was derived by freezing (at the base year level) the allocation of property taxes from redevelopment project areas to all other taxing entities. Redevelopment agencies were empowered to use that revenue directly, or to pay debt service on bonds, to finance capital projects.

Prior to January 1, 1994, the Community Redevelopment Law allowed a taxing entity to negotiate and establish contractual pass-through agreements with redevelopment agencies containing terms and conditions for passing through portions of tax increment back to the taxing entity in order to preserve that entity's tax base. Effective January 1, 1994, section 33607.5 of the California Health and Safety Code was amended to standardize statutory rules and formulas for tax increment pass-through applicable to all redevelopment project areas formed or amended from that date forward.

ABx1 26 and Supreme Court Decision. On December 29, 2011, the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("*Matosantos*") regarding the constitutionality of two budget bills involving redevelopment: ABx1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("ABx1 26") and ABx1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("ABx1 27"). ABx1 26 dissolved all redevelopment agencies as of February 1, 2012, and designated "successor agencies" with certain powers and duties. ABx1 26 provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. ABx1 27 would have allowed a redevelopment agency to continue to exist, notwithstanding ABx1 26, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos,* the Court upheld ABx1 26, but invalidated ABx1 27. The *Matosantos* decision also modified various deadlines for the implementation of ABx1 26. ABx1 26 was subsequently amended by Assembly Bill No. 1484 (Chapter 26, Statute of 2011-12); amended, it is referred to below as the "Dissolution Act."

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the County's former redevelopment agency, dissolved by operation of law on February 1, 2012. All tax increment that would have been allocated to redevelopment agencies is now allocated to the Redevelopment Property Tax Trust Fund for their respective successor agency, as established by the County Auditor-Controller pursuant to the Dissolution Act. The Redevelopment Property Tax Trust Fund is administered by the County Auditor-Controller for the benefit of the holders of enforceable obligations and taxing entities that receive pass-through payments and property tax distributions.

The trust funds are to be used exclusively to pay the enforceable obligations of each former redevelopment agency and certain administrative costs. The Dissolution Act defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The definition includes pass-through agreements executed prior to the passage of ABx1 26, but generally excludes any loans or agreements solely between a redevelopment agency and the city or county that created it. The definition also excludes any agreements that are void as violating the debt limit or public policy. With the exception of pass-through payments, the payment and performance of enforceable obligations are subject to review by oversight boards and by the State Controller and State Department of Finance.

Once certain administrative costs of the County Auditor-Controller, all annual pass-through payments and recognized obligations, and certain administrative costs of each successor agency are allocated by the County Auditor-Controller (in that order of seniority), any residual amounts remaining in each Redevelopment Property Tax Trust Fund are considered property taxes and distributed by the County Auditor-Controller to the respective taxing entities. No provisions of the Dissolution Act are intended to give rise to or cause a default under documents governing enforceable obligations, or absolve a successor agency of payment or other obligations imposed by enforceable obligations. Rather, it provides that pledges of revenues for enforceable obligations are to be honored.

Under the Dissolution Act, a successor agency succeeds to the organizational status of the former redevelopment agency, but has no legal authority to participate in redevelopment activities except in connection with certain approved enforceable obligations. In general, the debt of a former redevelopment agency becomes the debt of its successor agency. The debt is payable only from the tax increment or other assets of the redevelopment agency that originally secured it. The Dissolution Act provides no new sources of revenue (including general fund revenues of the parent agency) to secure payment on any redevelopment agency bonds or other enforceable obligations.

The Dissolution Act also expressly limits the liabilities of a successor agency performing its duties to the amount of property tax revenues that it receives under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and assets of the former redevelopment agency.

Impact of Dissolution Act. As a consequence of the dissolution of redevelopment agencies, while the County receives pass-through payments for other successor agencies, the County itself will no longer receive pass-through payments from its own former redevelopment agency. However, these amounts are relatively modest, and will be largely offset by the County's receipt of its proportional share of any residual property taxes remaining once distributions to cover the recognized obligations of the County's former redevelopment agency are made.

Prior to the passage of the Dissolution Act, many cities in the County had active redevelopment agencies. The County received pass-through revenues from many of the redevelopment project areas of those agencies, with the total for fiscal year 2011-12 being approximately $114 million and the expected total for fiscal year 2012-13 being approximately $82 million. During the initial round of State review that occurred as the Dissolution Act was first implemented, the enforceability of the provisions of the County pass-through agreements was not denied by either the State Department of Finance or the State Controller, which have ultimate oversight of the review of all enforceable obligations of the former redevelopment agencies. Finally, some of those agreements are senior to bonds issued by the former city redevelopment agencies and are, thus, less likely to experience shortfalls in the event of declining assessed values or other inadequacies in revenue in their respective Redevelopment Property Tax Trust Funds.

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 2012, the County issued an aggregate $125,000,000 Series A 2012-13 Tax and Revenue Anticipation Notes (the "Series 2012A TRAN Notes"), and $125,000,000 Series B 2012-13 Tax and Revenue Anticipation Notes (the "Series 2012B TRAN Notes," and, together with the Series 2012A TRAN Notes, the "2012 TRAN Notes"), to provide funds to meet the County's fiscal year 2012-13 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The Series 2012A TRAN Notes mature on March 29, 2013 and the Series 2012B TRAN Notes mature on June 28, 2013. The 2012 TRAN Notes are payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2012-13 fiscal years 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.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of September 3, 2012, the County had $681,128,180 in direct General Fund obligations (consisting of the lease obligations described below) and $357,540,000 in pension obligation bond indebtedness, as reflected in the following table. The County has no general obligation debt. Set forth below is an estimated direct and overlapping debt report as of September 3, 2012.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF SEPTEMBER 3, 2012)

2012-13 Assessed Valuation:	$205,136,768,340	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	56,178,718,338	(preliminary)
Adjusted Assessed Valuation:	$148,958,050,002	

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable [1]	Debt 9/3/12
Metropolitan Water District	5.814%	$ 11,427,126
Community College Districts	1.435-99.999	551,415,409
Unified School Districts	2.879-100.	1,986,008,674
Perris Union High School District	100.	51,087,260
Union School Districts	100.	55,788,493
City of Riverside	100.	15,135,000
Eastern Municipal Water District Improvement Districts	100.	40,435,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,055,000
San Gorgonio Memorial Hospital District	100.	107,770,000
Community Facilities Districts	94.268-100.	2,574,915,747
Riverside County 1915 Act Bonds	100.	1,150,000
City and Special District 1915 Act Bonds (Estimated)	100.	233,216,398
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,630,404,107
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	**100. %**	**$ 681,128,180**
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.	507,405,239
City of Corona General Fund Obligations	100.	60,870,000
City of Moreno Valley General Fund Obligations	100.	74,646,000
City of Murrieta General Fund Obligations	100.	12,770,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	165,408,438
City of Riverside Certificates of Participation	100.	207,355,000
City of Riverside Pension Obligations	100.	127,480,000
Other City General Fund and Special Tax Obligations	100.	111,909,800
Other Water District Certificates of Participation	98.511-100.	2,575,206
Other Special District Certificates of Participation	100.	2,880,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,317,022,863
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**12,395,907**
City of Corona Certificates of Participation supported by waste water revenues		1,965,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues		8,595,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,294,066,956
GROSS COMBINED TOTAL DEBT		$7,947,426,970[2]
NET COMBINED TOTAL DEBT		$7,924,471,063

Ratios to 2012-13 Assessed Valuation:
Overlapping Tax and Assessment Debt 2.74%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt ($1,038,668,180) 0.70%
Combined Net Direct Debt ($1,026,272,273) 0.69%
Gross Combined Total Debt 5.34%
Net Combined Total Debt 5.32%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/12: $0

(1) Based on Fiscal Year 2011-12 ratios.
(2) 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.

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 August 30, 2012, the County's current outstanding lease obligations total $693,430,979. The County's annual lease obligation is approximately $74,190,212 and the maximum annual lease payment is $83,803,772.

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

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of August 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	$ 12,729,444[(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 C	2019	3,265,000	3,265,000	
2012 Series A and B[(3)]	2019	90,530,000	90,530,000	19,478,099[(3)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	850,000[(4)]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	17,935,000	1,479,748
2008 Series A	2022	72,445,000	61,480,000	8,259,350
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	871,255
2005 Series B[(5)]	2027	22,610,000	19,360,000	1,545,126
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,019
County of Riverside Certificates of Participation[(6)] (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,400
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	11,860,906	
Series 2002	2020	925,000	535,000	1,811,849[(7)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,236,323
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	406,228
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) [(10)]	2036	51,655,000	45,775,000	3,401,925
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,165,306
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	4,155,790
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,605,000	1,154,155
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) [(11)]	2040	45,685,000	45,530,000	1,909,400
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,925,000	674,920
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[(12)]	2031	33,360,000	33,360,000	2,985,838
TOTAL		$ 1,054,405,073	$ 693,430,979	$ 74,190,212

(1) Annual base rental for fiscal year 2011-12 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 August 27, 2012 was approximately 0.13%.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending August 28, 2012 was approximately 0.19%.
(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 August 2012. Downgrade provisions specify that if the long-term senior unsecured debt rating of the County or the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of June 30, 2012, the swap agreement had a negative fair market value of approximately $35.2 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 August 29, 2012, Assured Guaranty Corp. had a rating of "AA-" 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 six 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 Riverside County Deputy District Attorneys Association ("RCDDAA").

Recently the County entered into long-term agreements with RCDDAA, SEIU, and LEMU, The County's agreements with these unions extends through June 2015, December 2016, June 2017 respectively. For LIUNA and RSA the long-term agreements extend through June 2016.

Retirement Program

General. The County provides retirement benefits to most 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 for Miscellaneous and Safety employees, hired prior to August 23, 2012, are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for Miscellaneous and Safety members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor for Miscellaneous 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.

The County amended the retirement contract with CalPERS, adopting a lower tier pension benefit for Miscellaneous and Safety Plans for new employees, hired on or after August 23, 2012, and first entering CalPERS membership with the County. The retirement benefits are based on years of service, age, and the average monthly qualifying wages during the highest three years of employment. The benefit factor for Miscellaneous and Safety members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor for Miscellaneous ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety members, the benefit factor is 2% at age 50 for each year of service credited and the percent per year of service gradually increases for each attained age from 2% at age 50 to 2.7% at age 55 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 Courts 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 June 26, 2012, the "2012 Annual Pension Report" and included discussion and recommendations regarding pension reform for the County.

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 the 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 be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In July 2012, the Board of Supervisors adopted the resolution giving notice of the County's intention to amend the contract to provide 2% at 60 for local miscellaneous and 2% at 50 for local safety members, both with three-year final compensation, for employees first entering CalPERS membership with the County after the contract amendment date. The County implemented a second tier of benefits effective August 23, 2012 upon conclusion of collective bargaining and PERS approval, with the goal of substantial savings over the long term.

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 of approximately \$5.3 million representing a contribution rate of 0.6% of payroll for fiscal year 2013-14 and an increase of approximately \$13.3 million representing 1.3% of payroll for fiscal year 2014-15. The Safety Plan is estimated to incur an increase in employer contribution of approximately \$2.9 million representing 1.0% of payroll for fiscal year 2013-14 and an increase of approximately \$7.3 million representing 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 8% of salaries for the Miscellaneous Plan and 9% of salaries for the Safety Plan. After the CalPERS contract amendment, effective August 23, 2012, new employee's contribution rates for the second tier for the Miscellaneous Plan are fixed at 7% of salaries and 9% of salaries for the Safety 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"). For Fiscal Year 2012-13, the County Offsets of Employee Contributions are estimated to be approximately \$12.3 million for Miscellaneous and \$4.5 million for Safety Plan.

In Fiscal Year 2011-12, 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. 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.

California State Pension Reform Legislation. In September 2012, the Governor signed a comprehensive pension reform package affecting state and local government employees. AB 340 (the "Legislation") implements lower defined-benefit formulas with higher retirement ages for new employees hired on or after January 1, 2013, and includes provisions to increase current employee contributions. Though the Legislation covers most public employees in state government, cities, counties, special districts, school districts, and community colleges, the following discussion relates only to the Legislation's impact on County employee retirement.

Key changes to retirement plans affecting the County include:

- New defined-benefit formulas that increase retirement ages for new public employees hired on or after January 1, 2013.

- For new employees, a cap on pensionable income of \$110,100, or \$132,120 (for employees not in Social Security). Annual increases on the cap would be limited to the Consumer Price Index for All Urban Consumers.

- A standard that employees pay at least 50 percent of normal costs. The County's collective bargaining agreements already substantively comply with this requirement, and, in some cases, exceed this requirement.

Other provisions reduce the risk of the County incurring additional unfunded liabilities, including prohibiting retroactive benefits increases, generally prohibiting contribution holidays, and prohibiting purchases of additional non-qualified service credit ("air time").

If the Legislation is implemented fully, CalPERS estimates savings for local agency plans of approximately $1.653 billion to $2.355 billion over the next 30 years due primarily to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the County have not be quantified. OPEB costs are not addressed in the Legislation.

Provisions in the Legislation will not likely have a material effect on County contributions in the short term. However, additional employee contributions, limits on pensionable compensation, and higher retirement ages for new members will likely reduce the County's UAAL and potentially County contribution levels in the long term.

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Miscellaneous Plan and the Safety 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 $103.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $12.3 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 $116.2 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 $60.7 million for that fiscal year In addition, the County will pay to PERS for the Safety Plan approximately $4.5 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 Safety Plan for fiscal year 2012-13 of approximately $65.2 million.

Absent the impact of reforms, 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. In 2012, the County approved the use of $931,000 in the Liability Management Fund to reduce the County's pension liability with CalPERS.

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 the actuarial 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 ACTUARIAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30,	*Unfunded Accrued Actuarial Liability*	*Actuarial Funded Status*[3]	*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	60,667,388[2]	13,460,331[2]
2010	184,737,814	89.8	2012-13	60,667,388[2]	4,486,777[2]

(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) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12, estimated for Fiscal Year 2012-13.
(3) Actuarial valuation and market valuation may differ significantly. See "—Projected County Contributions and UAAL" below.

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 ACTUARIAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30,	*Unfunded Accrued Actuarial Liability*	*Actuarial Funded Status*[3]	*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	103,892,326[2]	36,974,032[2]
2010	444,330,905	89.2	2012-13	103,892,326[2]	12,324,677[2]

(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) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12, estimated for Fiscal Year 2012-13.
(3) Actuarial valuation and market valuation may differ significantly. See "—Projected County Contributions and UAAL" below.

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 and 2009 impact the County's contribution rates beginning in fiscal year 2011-12. 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%. However, market value and actuarial valuation for purposes of determining UAAL can differ significantly. See the preceding discussion and charts regarding historical funding status.

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 July 1, 2011, the County's current required contribution level is 1.79%. The County elected to contribute 3.20% to achieve a 90% funded ratio for fiscal year 2011-12. The County's contribution to the Plan was $1,547,322 for Fiscal Year 2010-11 and is estimated to be $565,000 for Fiscal Year 2011-12. The Plan's unfunded liabilities as of June 30, 2011 are approximately $4,015,383.

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 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 OPEB Trust. On June 26, 2009, the County contributed an additional $2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to approximately $40.2 million as of July 1, 2011.

The County 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 approximately $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 be $2.5 million.

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, 2012, RCRMC had a cash balance of approximately $15.72 million. Later this year, once the annual audit is completed, it is anticipated that RCRMC fund balance will be approximately $67.35 million. RCRMC continued to experience a decline in patient collections in fiscal year 2011-12 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2011-12 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 2011-12 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 2012-13, 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 partial reimbursement 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 General Fund support, and the County does not intend to provide additional 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, 2012 was approximately $142 million.

Litigation

There is no action, suit or proceeding known to the County to be pending or threatened, restraining or enjoining the execution or delivery of the Series 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.

APPENDIX B

COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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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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INTRODUCTORY SECTION

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COUNTY OF RIVERSIDE
OFFICE OF THE
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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.

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.

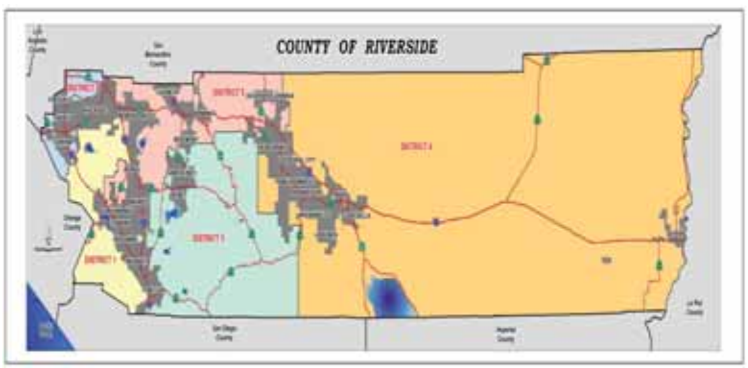
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, and Eastvale (the newest city as of October 1, 2010). The unincorporated communities consist of Jurupa Valley (incorporated July 1, 2011), Home Gardens, El Cerrito, Coronita, and Green River.

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	**Human Services**
Birth, marriage, and death certificates, animal licensing and building permits	Assistance for Families, Veteran Services, Utility Assistance
Children's Services	**Libraries and Museums**
Child Support Services, Mentor programs, and Children Medical Services	Edward Dean Museum, Riverside County Law Library
Criminal Justice	**Parks and Recreation**
District Attorney, Probation, Public Defender, and Sheriff	Regional Parks
Education	**Pets and Animal Services**
Office of Education	Animal Control, Animal Shelters
Emergency Services	**Property Information**
Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	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	**Public and Official Records**
Solid waste, liquid waste, medical waste, sewage disposal, water systems, wells, backflow devices, food services, public pools and mobile home parks, vector control, hazardous materials services, fire protection services, waste reduction, and recycling	Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search
Flood Control	**Roads and Highways**
Flood Control and water conservation	Road maintenance, land development, engineering services, and survey
Health	**Taxes**
Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, medical marijuana identification cards	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

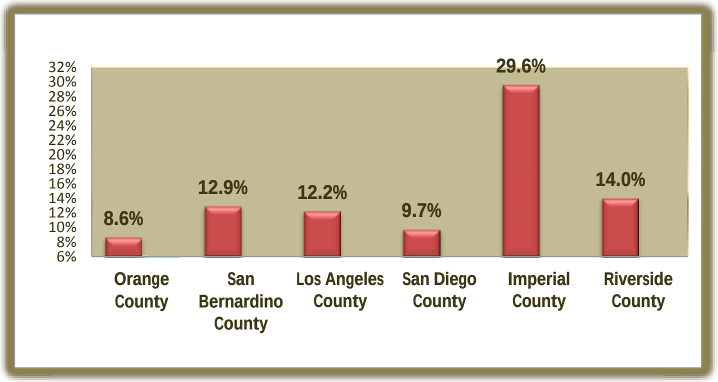
The California economy continues to work towards recovery. Weak real estate market conditions, depressed construction activity, and public sector fiscal problems remain the principal impediments to stronger job growth. The state budget includes a major realignment of the public safety programs from the 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

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

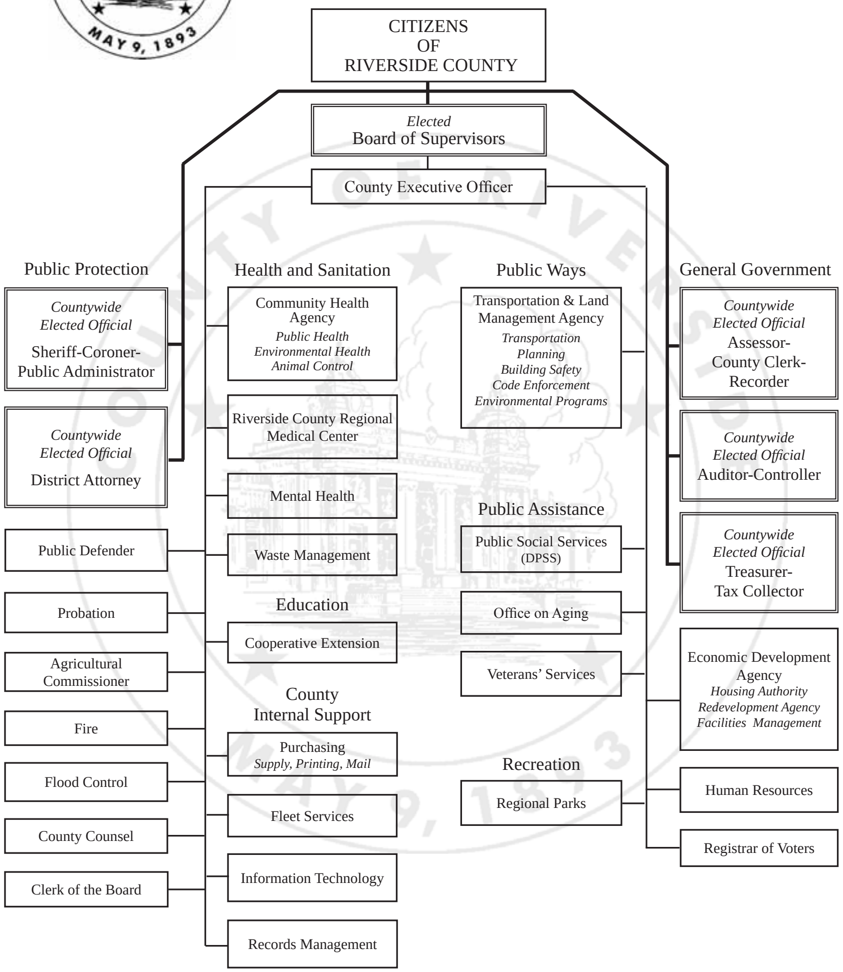
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

BILL LUNA
County Executive Officer

PAMELA WALLS
County Counsel

County of Riverside Organization Chart



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.

President

Executive Director

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FINANCIAL SECTION

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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.

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.

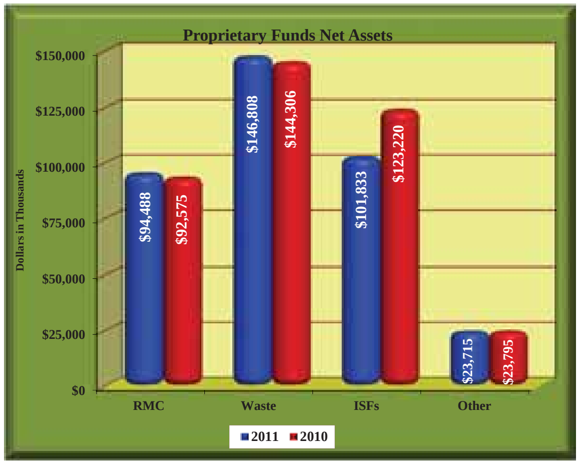
At the end of the fiscal year, total proprietary fund net assets were $366.8 million, compared to $383.9 million as restated for prior fiscal year. Total proprietary fund net assets decreased by 4.4% or $17.1 million, compared to 0.1%, or $0.3 million, decrease for the prior fiscal year.

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.



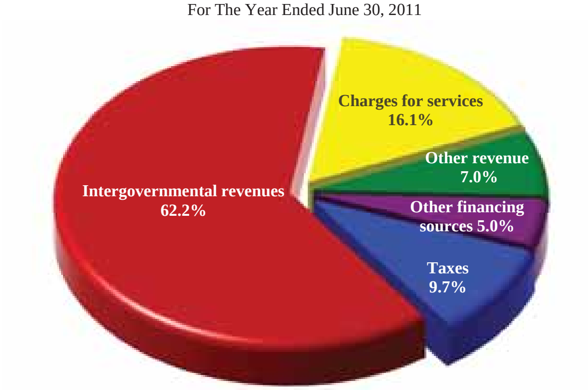
GENERAL FUND FINANCIAL ANALYSIS

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

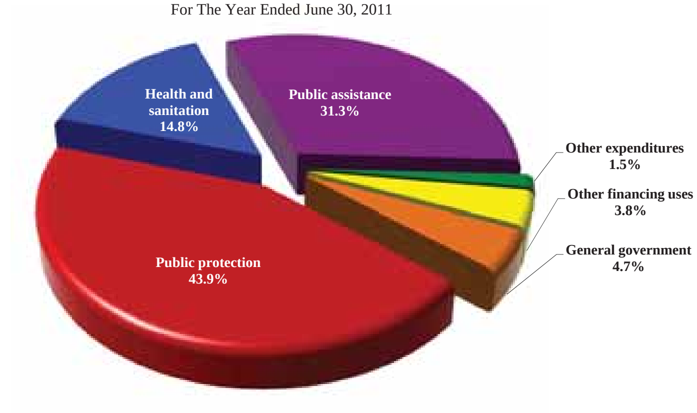


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

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.

Charges for Current Services: 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.

Other Revenue: 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.

General Government: 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.

Public Protection: 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.

Public Assistance: 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.

Debt Service: 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

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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.

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	
	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
FUNCTION/PROGRAM ACTIVITIES:									
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

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

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.

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

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.

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**

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

NOTE 8 – INTERFUND TRANSACTIONS

Transfers

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

Transfer-Out	Transfer In: 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.

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

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**

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

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.

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

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

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.

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

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

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

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.

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.

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

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

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 $25-$256	Bargaining Unit Determined $25-$256	Bargaining Unit Determined $25-$256	Bargaining Unit Determined $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

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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		Actual	Variance with Final Budget
	Original	Final	Amounts	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	$ -	$ -	$ -	$ -

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		Actual	Variance with Final Budget
	Original	Final	Amounts	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		Actual	Variance with Final Budget
	Original	Final	Amounts	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		Actual	Variance with Final Budget
	Original	Final	Amounts	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		Actual	Variance with Final Budget
	Original	Final	Amounts	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)

	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

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

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 Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget 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 Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget 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:						
Cash and investments	$ 5,702	$ 174,639	$ 4,436	$ 6,541	$ 6,136	$ 232,069
Accounts receivable-net	-	2,443	-	-	10	2,642
Interest receivable	4	134	-	3	5	167
Due from other government	-	411	-	587	-	1,352
Inventories	-	-	-	148	321	3,670
Due from other funds	1	-	-	2,433	271	2,708
Restricted cash and investments	-	-	-	-	1,002	1,002
Prepaid items and deposits	-	333	-	65	-	398
Total current assets	5,707	177,960	4,436	9,777	7,745	244,008
Noncurrent assets:						
Capital assets:						
Non depreciable assets	-	-	-	-	-	1,279
Depreciable assets	2,044	280	3	136	2,373	35,163
Total noncurrent assets	2,044	280	3	136	2,373	36,442
Total assets	7,751	178,240	4,439	9,913	10,118	280,450
LIABILITIES:						
Current liabilities:						
Accounts payable	358	12,370	60	924	113	17,012
Salaries and benefits payable	293	885	127	979	64	3,701
Due to other funds	-	-	-	-	210	4,199
Due to other governments	-	-	-	-	-	17
Other liabilities	-	359	-	-	-	1,590
Compensated absences	359	1,318	115	1,244	33	4,930
Capital lease obligation	788	-	-	-	-	7,949
Estimated claims liability	-	34,903	-	-	-	34,903
Total current liabilities	1,798	49,835	302	3,147	420	74,301
Noncurrent liabilities:						
Compensated absences	389	878	38	901	195	3,720
Advance from other funds	-	-	-	3,692	-	3,692
Capital lease obligation	810	-	-	-	-	7,090
Estimated claims liabilities	-	89,814	-	-	-	89,814
Total noncurrent liabilities	1,199	90,692	38	4,593	195	104,316
Total liabilities	2,997	140,527	340	7,740	615	178,617
NET ASSETS:						
Invested in capital assets, net of related debt	446	280	3	136	2,373	21,403
Unrestricted	4,308	37,433	4,096	2,037	7,130	80,430
Total net assets	$ 4,754	$ 37,713	$ 4,099	$ 2,173	$ 9,503	$ 101,833

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
OPERATING REVENUES:					
Charges for services	$ 1,931	$ 31,953	$ 25,199	$ 4,452	$ 8,238
Other revenue	3	14	-	2,204	2,983
Total operating revenues	1,934	31,967	25,199	6,656	11,221
OPERATING EXPENSES:					
Cost of materials used	-	1,632	-	-	-
Personnel services	1,048	3,702	19,739	1,854	749
Communications	41	118	2,166	17	26
Insurance	27	82	146	12	26
Maintenance of building and equipment	88	2,343	3,330	480	133
Insurance claims	-	3	37	-	-
Supplies	28	8,570	202	2,798	9,854
Purchased services	99	1,283	2,186	1,270	381
Depreciation and amortization	-	9,685	2,791	294	28
Rents and leases of equipment	258	391	1,203	4	-
Utilities	41	124	203	45	16
Other	27	159	643	192	308
Total operating expenses	1,657	28,092	32,646	6,966	11,521
Operating income (loss)	277	3,875	(7,447)	(310)	(300)
NONOPERATING REVENUES (EXPENSES):					
Investment income	6	35	79	12	9
Interest expense	-	(1,417)	(194)	(7)	-
Gain (loss) on disposal of capital assets	-	(44)	(13)	39	-
Other nonoperating revenues / (expenses)	(66)	-	(3)	-	-
Total nonoperating revenues (expenses)	(60)	(1,426)	(131)	44	9
Income (loss) before capital contributions and transfers	217	2,449	(7,578)	(266)	(291)
Premium contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(25)	(82)	(458)	(41)	(16)
CHANGE IN NET ASSETS	192	2,367	(8,036)	(307)	(307)
Net assets, beginning of year	1,099	20,958	20,039	3,670	3,916
NET ASSETS, END OF YEAR	$ 1,291	$ 23,325	$ 12,003	$ 3,363	$ 3,609

	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
OPERATING REVENUES:						
Charges for services	$ 10,632	$ 37,541	$ 7,170	$ 89,384	$ 1,583	$ 218,083
Other revenue	2	8,354	6,458	610	5,099	25,727
Total operating revenues	10,634	45,895	13,628	89,994	6,682	243,810
OPERATING EXPENSES:						
Cost of materials used	-	-	-	1	32	1,665
Personnel services	6,743	15,975	10,938	25,760	2,246	88,754
Communications	301	308	67	328	49	3,421
Insurance	19	10,078	11	173	-	10,574
Maintenance of building and equipment	1,838	188	21	6,051	563	15,035
Insurance claims	-	90,065	-	-	-	90,105
Supplies	97	3,919	175	1,729	1,071	28,443
Purchased services	110	4,885	1,854	9,738	1,066	22,872
Depreciation and amortization	1,091	311	2	61	1,002	15,265
Rents and leases of equipment	720	1,169	230	43,074	4	47,053
Utilities	48	77	18	966	-	1,538
Other	29	1,476	293	1,445	625	5,197
Total operating expenses	10,996	128,451	13,609	89,326	6,658	329,922
Operating income (loss)	(362)	(82,556)	19	668	24	(86,112)
NONOPERATING REVENUES (EXPENSES):						
Investment income	31	960	-	22	36	1,190
Interest expense	(56)	-	-	-	-	(1,674)
Gain (loss) on disposal of capital assets	-	-	-	-	108	90
Other nonoperating revenues / (expenses)	-	57	3	-	-	(9)
Total nonoperating revenues (expenses)	(25)	1,017	3	22	144	(403)
Income (loss) before capital contributions and transfers	(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	(162)	(2,368)	(851)	(507)	-	(4,510)
CHANGE IN NET ASSETS	(549)	(16,334)	(829)	2,173	243	(21,387)
Net assets, beginning of year	5,303	54,047	4,928	-	9,260	123,220
NET ASSETS, END OF YEAR	$ 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.

<u>Contents</u>	**<u>Table(s)</u>**
Financial Trends Information	**T1 – T5**

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

- Net Assets by Component
- Changes in Net Assets
- Governmental Activities Tax Revenues by Source
- Fund Balance of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue Capacity Information — **T6 – T10**

These tables contain information to assist readers in understanding and assessing the factors affecting the County's local revenue sources, property tax, sales tax, and other taxes.

- General Government Tax Revenues by Source
- Assessed Value and Estimated Actual Value of Taxable Property
- Property Tax Rates, Direct and Overlapping Governments
- Principal Property Tax Payers
- Property Tax Levies and Collections

Debt Capacity Information — **T11 – T15**

These tables contain information to assist readers in understanding and assessing the County's current level of outstanding debt, and the County's ability to issue additional debt.

- Ratios of Outstanding Debt by Type
- Ratios of General Bonded Debt Outstanding
- Direct and Overlapping Governmental Activities Debt
- Legal Debt Margin Information
- Pledged-Revenue Coverage

Economic and Demographic Information — **T16 – T17**

These tables provide economic and demographic information to assist readers in understanding the socioeconomic environment within which the County operates, and to facilitate the comparisons of financial information over time.

- Demographic and Economic Statistics
- Principal Employers

Operating Information — **T18 – T20**

These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

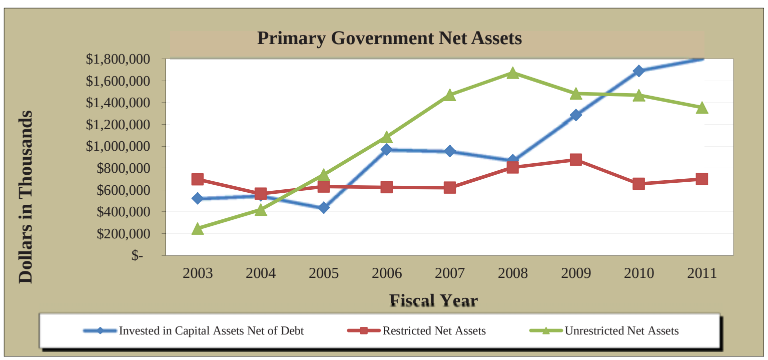
- Full-time Equivalent County Government Employees by Function/Program
- Operating Indicators by Function
- Capital Asset Statistics by Function

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)

	2011	2010	2009	2008	2007	Fiscal Year 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 1

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

Table 2

	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

Table 2

Table 2

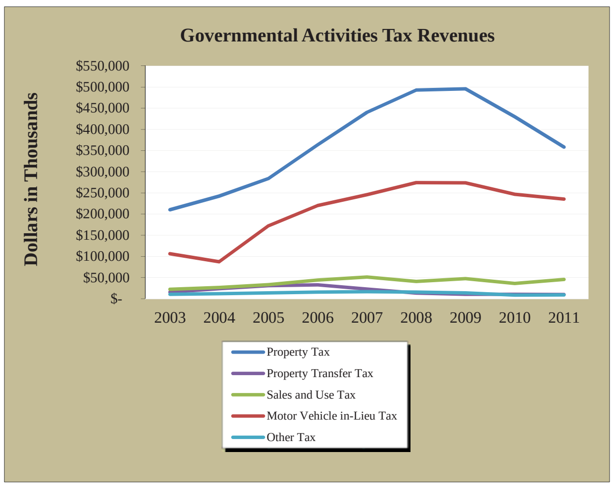
COUNTY OF RIVERSIDE
Changes in Net Assets
Last Nine Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
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	**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)

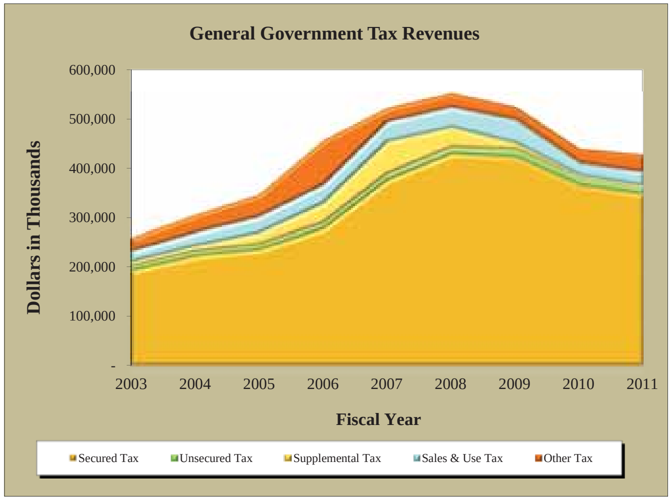
	Fiscal Year								
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Revenues									
Taxes	$ 427,892	$ 439,435	$ 525,238	$ 553,158	$ 523,028	$ 457,117	$ 346,248	$ 305,132	$ 258,596
Licenses, permits, and franchise fees	20,294	19,197	22,546	24,652	25,981	21,733	22,343	26,418	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

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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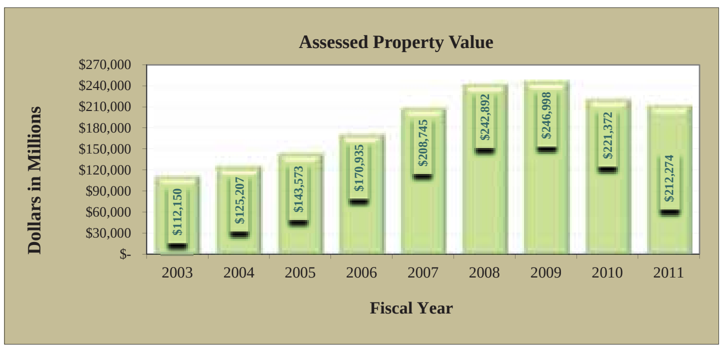
COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Nine Fiscal Years
(Dollars in Thousands)

	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 7

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

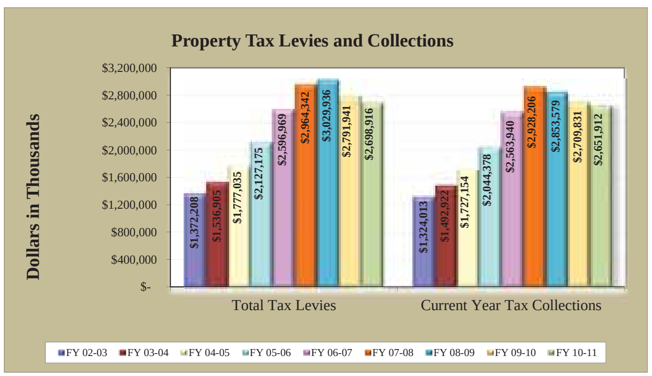
	Fiscal Year			
	2011		2002	
Tax Payer	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 18,359	0.65%	$ 6,448	0.52%
Verizon California Inc.	8,072	0.28%	7,016	0.57%
Inland Empire 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

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Nine Fiscal Years
(Dollars in Thousands)

		Collected within the Fiscal Year of the Levy			Total Collections as of 6/30	
Fiscal Year	Total Secured Tax Levy for Fiscal Year	Amount	Percentage of Levy	Delinquent* Tax Collections	Amount	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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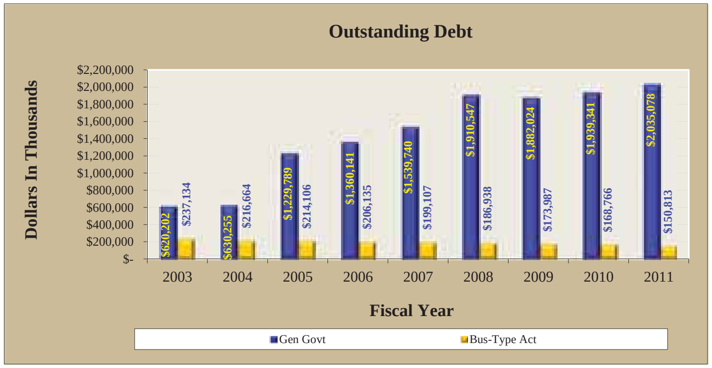
Table 11

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 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 12

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

Table 14

Table 15

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

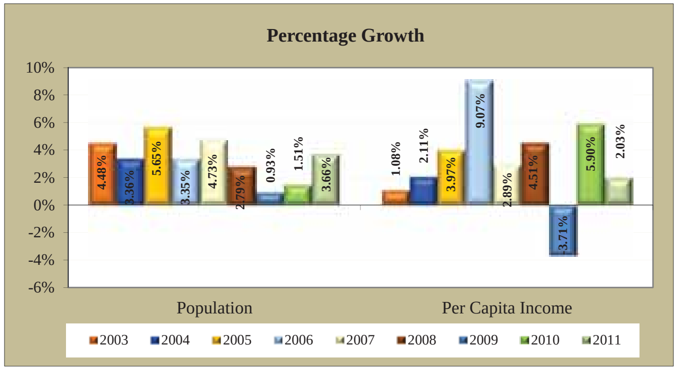
Table 15

Inland Empire Tobacco Securitization Bonds						
Revenue from Tobacco Settlement	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Fiscal Year
$ 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

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		Fiscal Year 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	2011	2010	2009	2008	2007	2006	2005	2004	2003
					Fiscal year				
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

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

Function/Program		Fiscal Year 2011	2010	2009	2008	2007	2006
County Library							
Total circulation - books		3,724,657	3,718,343	3,464,547	3,280,929	2,352,624	2,051,276
Reference questions answered		404,913	370,619	382,795	426,533	383,428	454,590
Patron door count		731,699	3,599,064	3,170,424	2,744,576	2,352,403	2,433,646
Programs offered		7,624	7,214	5,618	5,570	4,546	2,353
Program attendance		163,416	148,612	127,717	103,393	80,100	84,994
County Regional Medical Center							
Emergency room treatments		99,706	96,993	88,459	82,584	76,666	73,448
Emergency room services - MH		15,376	14,288	9,702	7,867	7,624	7,536
Clinic visits		129,041	131,624	129,171	124,318	123,479	106,943
Admissions		23,638	23,536	23,253	23,433	24,393	22,262
Patient days		123,250	121,915	118,452	115,811	112,138	105,203
Discharges		23,668	23,559	23,238	23,440	24,430	22,244
Fire							
Medical assistance		97,066	94,193	91,707	89,404	89,329	86,129
Fires extinguished		4,271	4,449	4,406	5,659	6,372	5,060
Other services		16,522	17,076	18,486	19,472	16,310	19,035
Communities served		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
Substance abuse clients		16,987	16,736	18,712	17,746	18,597	18,120
Detention clients		8,874	10,831	12,781	9,441	5,522	6,351
Probate conservatorship clients		424	474	256	206	232	266
Mental health conservatorship clients		832	675	240	279	279	294
Probation							
Adults on probation	a	16,271	17,790	17,469	17,022	15,974	16,051
Juveniles in secure detention	b	225	248	241	293	343	322
Juveniles in treatment facilities	b	128	125	112	113	126	113
Juveniles in detention facilities	a	10,741	11,385	10,783	12,463	14,283	13,218
Public Social Services							
CalWORKs clients		33,412	31,022	26,905	22,310	20,336	19,880
Food stamp clients		91,606	74,484	52,877	36,339	30,781	28,749
Medi-Cal clients		124,061	116,758	107,904	101,542	105,578	108,887
In-home support services		18,201	16,852	16,307	14,845	13,934	12,590
Foster care placements		3,130	3,085	3,486	5,057	4,306	5,175
Child welfare services		9,916	9,591	10,217	11,912	12,333	11,639
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

2005	2004	2003	Function/Program
			County Library
2,324,539	2,222,575	2,293,424	Total circulation - books
430,226	423,925	461,598	Reference questions answered
2,226,360	1,447,505	1,621,147	Patrons
2,274	3,759	3,588	Programs offered
45,605	68,437	61,921	Program attendance
			County Regional Medical Center
68,105	66,411	66,136	Emergency room treatments
8,076	8,276	8,126	Emergency room services - MH
109,568	113,171	118,477	Clinic visits
21,723	20,587	19,690	Admissions
96,820	92,643	91,114	Patient days
21,741	20,554	19,705	Discharges
			Fire
80,484	76,601	70,851	Medical assistance
14,696	14,816	14,714	Fires extinguished
10,870	10,786	10,689	Other services
78	78	78	Communities served
			Mental Health
26,578	28,411	30,181	Mental health clients (crisis/long-term care)
18,188	18,432	18,613	Substance abuse clients
6,041	6,402	4,629	Detention clients
281	282	284	Probate conservatorship clients
275	239	212	Mental health conservatorship clients
			Probation
13,937	13,282	11,618	Adults on probation
310	367	355	Juveniles in secure detention
98	107	98	Juveniles in treatment facilities
12,405	14,435	13,708	Juveniles in detention facilities
			Public Social Services
20,846	20,296	19,908	CalWORKs clients
27,992	24,796	23,026	Food stamp clients
110,994	105,598	99,332	Medi-Cal clients
12,171	11,314	10,201	In-home support services
5,088	4,418	4,215	Foster care placements
11,153	9,411	10,467	Child welfare services
-	-	-	Homeless program (bed nights)
-	-	-	Homeless program (meals)

Continued

Table 19

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 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Nine Fiscal Years

	Fiscal Year								
Function/Program	**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

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Facility Lease and the Site Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2012 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

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

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

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

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

"Assignment Agreement" means that certain Assignment Agreement, dated as of October 15, 2012, by and between the Authority and the Trustee, as it may from time to time be amended.

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

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

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

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

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

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

"Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due.

"Bonds" means the Series 2012 Bonds and all Additional Bonds.

"Bond Year" means the period from each May 1 to and including the following April 30 during the term of the Indenture, except for that the first Bond Year shall begin on the Closing Date and end on April 30, 2013.

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

"Capitalized Interest Account" means the account by that name established pursuant to the Indenture.

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

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chairman, Vice Chairman, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the County Executive Officer, the Assistant County Executive Officer, the County Finance Director, or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing Date" means November 1, 2012.

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

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

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

(2) obligations of the County or others incurred for labor and materials (including obligations payable to the County or others for actual out-of-pocket expenses of the County or others) in connection with the construction, installation or improvements of a Project, including reimbursement to the County or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds.

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

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

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

"Construction Fund" means the fund by that name established pursuant to the Indenture.

"Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at he time of the initial issuance of the Series 2012 Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

"Cooperative Agreement" means the Cooperative Agreement, dated as of February 13, 1992, among the County, the City of Palm Desert and the Former Agency.

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

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

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

"Defeasance Securities" means any of the following:

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

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

- U.S. treasury obligations;

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

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

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

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

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

"Expiry Date" means May 1, 2043.

"Facility Lease" means that certain Facility Lease, dated as of October 15, 2012, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

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

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

"Former Agency" means the previously established Palm Desert Redevelopment Agency.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Leased Property or to persons on or about the Leased Property or (ii) cause the Leased Property to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal

Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Leased Property or the owners and/or occupants of property adjacent to or surrounding the Leased Property, or any other person coming upon the Leased Property or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Implementation Agreement" means the Implementation Agreement, dated October 1, 2008 between the Former Agency and the County.

"Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of October 15, 2012, as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

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

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

"Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the County to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2012 Bonds.

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

"Interest Payment Date" means May 1, 2013 and each May 1, and November 1, thereafter.

"Interest Period" means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2012 Bonds to but excluding May 1, 2013.

"Joint Powers Agreement" means that certain Amended and Restated Joint Exercise of Powers Agreement, dated as of May 15, 1999, by and between the County and the Redevelopment Agency of the County.

"Leased Property" means the real property and all the improvements thereon or to be located thereon described in the Indenture, and in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease).

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

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

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

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

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

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

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

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

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

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

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

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

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Riverside; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds, including that certain unrecorded Lease, dated May 23, 1995, between the Palo Verde Unified School District and the County.

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

(1) Defeasance Securities;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(12) The Riverside County Treasury Pool; and

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

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

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

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

"Principal Payment Date" means May 1 of each year, commencing May 1, 2013.

"Prior Bonds" means the Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects) 2003 Series A.

"Project" means, as appropriate, the 2003 Project and/or any Additional Project.

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

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

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

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

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

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

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

"Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein.

"Reserve Fund Requirement" means with respect to all Outstanding Bonds an amount equal to the lesser of (i) the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; *provided however*, that the Reserve Fund Requirement with respect to any Series of Bonds shall be the least of (i) or (ii) above, or an amount equal to, or derived by the addition of, 10% of the proceeds from the sale of such Series of Bonds to the Reserve Fund.

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

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

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

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

"Series 2012 Bonds" means the Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012.

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

"Site Lease" means that certain Site Lease, dated as of October 15, 2012, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

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

"Successor Agency" means the City of Palm Desert, California, as successor agency to the Former Agency pursuant to the provisions of AB X1 26 (Chapter 5, Statutes of the First Extraordinary Session of 2011).

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

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

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

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

"Trustee" means Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a designated corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture.

"2003 Project" means the public facilities described in the Facility Lease.

"Underwriter" means Morgan Keegan & Company, Inc.

THE INDENTURE

The Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Said Supplemental Indenture shall provide that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Proceeds of Bonds

Construction Fund.

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

> (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;
>
> (ii) specifies in reasonable detail the nature of the obligation; and
>
> (iii) is accompanied by a bill or statement of account for each obligation.

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

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

Reserve Fund.

(a) There is established in trust under the Indenture a special fund designated as the "Reserve Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Moneys in the Reserve Fund shall be in the amount of the Reserve Fund Requirement and shall be used and withdrawn by the Trustee solely for the purposes set forth in the Indenture.

(i) If, on any Interest Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Interest Fund is insufficient to pay the interest due with respect to the Bonds on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make up such deficiency.

(ii) If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Principal Fund is insufficient to pay the principal due with respect to the Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency.

(iii) Monies on deposit in the Reserve Fund shall be withdrawn and transferred by the Trustee to be applied for the final payment on the Bonds.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. If at any time the balance in the Reserve Fund shall be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date shall be used to increase the balance in the Reserve Fund to the Reserve Fund Requirement. If after the payment of principal and interest on any Interest Payment Date the balance in the Reserve Fund shall be in excess of the Reserve Fund Requirement the Trustee shall transfer such excess to the Revenue Fund. At the termination of both Facility Lease in accordance with their respective terms, any balance remaining in the Reserve Fund shall be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in writing. For purposes of determining the amount on deposit in the Reserve Fund, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

(b) At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement.

If the County exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Trustee in the Reserve Fund, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the County, shall be transferred (A) to the Revenue Fund and on each applicable Principal Payment Date a *pro rata* portion thereof shall be transferred to the Principal Fund and used to pay a portion of the principal of the Bonds due on such Principal Payment Date, or (B) to a construction fund to be held by the County and used for capital projects of the County in accordance with the Tax Certificate. Neither the County nor the Trustee may invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event any Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under such Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement, in either case for deposit into the Reserve Fund.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Trustee in the Reserve Fund pursuant to the terms of the Indenture, then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the Reserve Fund; *provided* that the Trustee shall first draw upon any cash or Permitted Investments on deposit in the Reserve Fund before drawing upon any Reserve Fund Credit Facility, and thereafter shall draw upon all such Reserve Fund Credit Facilities on a *pro rata* basis, and (2) amounts required by the terms of the Indenture to be deposited or transferred to the Reserve Fund (a) in the event the Reserve Fund Credit Facility has been drawn upon, shall be first paid to the provider of such Reserve Fund Credit Facility if the County has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment and (b) to the extent all such draws on Reserve Fund Credit Facilities have been paid, then, second, shall be transferred or deposited to the Reserve Fund in amount such that after giving effect to the deposit the amount on deposit in the Reserve Fund is equal to the Reserve Fund Requirement.

The County shall be permitted to make use of a Reserve Fund Credit Facility pursuant to the Indenture at any time.

For purposes of this subsection (b), the term "substitution" shall include such initial funding of the Reserve Fund Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the County must first make an initial cash deposit in the Reserve Fund before invoking this subsection (b) and satisfying the Reserve Fund Requirement by securing and implementing a Reserve Fund Credit Facility.

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

Revenues

Pledge of Revenues; Revenue Fund.

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

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

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

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

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

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

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

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

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

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

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

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

Particular Covenants

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

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

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

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

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

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

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

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

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

Rebate Fund; Tax Covenants.

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

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

(c) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability", the covenants under the Indenture shall be deemed to be modified to that extent.

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

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

Default and Limitations of Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Trustee

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

<u>Duties, Removal and Resignation of the Trustee</u>. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a designated corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars

($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

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

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

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

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

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

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

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Indenture or an Event of Default under the Indenture, except failure of any of the payments to be made to the Trustee required to be made under the Indenture unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

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

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

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

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

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

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

Every provision of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Indenture, including without limitation, this section.

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

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

Amendment or Supplement to the Indenture

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

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

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

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

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

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

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

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

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

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture as summarized herein under the heading "THE INDENTURE - Amendment or Supplement to the Indenture," the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Designated Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the

Designated Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

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

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

Defeasance

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

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

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

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

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

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

Miscellaneous

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

Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners.

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

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

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

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

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

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

Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Publication for Successive Weeks. Any publication required to be made under the Indenture for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

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

The County and the Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

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

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

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

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

THE FACILITY LEASE

The Leased Property

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

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

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

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

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

Substitution or Removal of Leased Property.

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

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

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

(ii) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

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

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2012 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

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

(vii) Evidence that the County has complied with the covenants contained in clauses (a) and (b) of the section entitled "Insurance" of the Facility Lease with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond May 1, 20__. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable under the Facility Lease shall be fully paid and all Bonds have been fully paid, whichever is earlier, and the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

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

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the

Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

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

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

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

Rental Payments

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

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental under the Facility Lease as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease.

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

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

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

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

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

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

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

(c) Consideration.

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

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental

Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

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

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each Fiscal Year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments. In connection with this covenant, it is the intention of the County in each Fiscal Year to direct the Successor Agency, pursuant to Section 4 of the Implementation Agreement, to withdraw and transfer to the County, from amounts remaining in the County Capital Improvement Fund, established under the Cooperative Agreement, after the transfers required by Section 2 and 3 of the Implementation Agreement have been made, an amount equal to all Base Rental Payments and Additional Rental Payments due for such Fiscal Year.

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

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental

Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein and summarized herein under the caption "THE FACILITY LEASE - The Leased Property - Prohibition Against Encumbrance or Sale." Any abatement of rental payments pursuant to this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

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

Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2012 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2012 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2012 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

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

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

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR

WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds. In addition to the Series 2012 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2012 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. The County, pursuant to the Facility Lease, agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this section. Such insurance shall consist of :

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

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

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

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

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

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County, pursuant to the Facility Lease, agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the prepayment of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "The Series 2012 Bonds – Redemption - Extraordinary Redemption" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to prepay all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or prepayment; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County, pursuant to the Facility Lease, agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment; Indemnification; Non-Liability

Assignment by Authority. The parties understand that certain of the rights of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County, pursuant to the Facility Lease, agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Authority. The County, pursuant to the Facility Lease, agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease.

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of the Facility Lease, the use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

Non-Liability of the Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

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

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum under the Facility Lease or be subject to any personal liability or accountability by reason of the execution and delivery of the Facility Lease; but nothing contained in the Facility Lease shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Facility Lease.

Default

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail to deposit with the Trustee any Base Rental Payment required to be so deposited by the close of business on the day such deposit is required pursuant to the Facility Lease, *provided*, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in subsections (a) or (e) under this caption, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE.** In such event, the County shall remain liable and, pursuant to the Facility Lease, agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration).

(d) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(f) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease) unless and until it shall have failed to perform such obligation within 30 days after notice by the County of the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(g) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

Net Lease. It is the purpose and intent of the Authority and the County that lease payments under the Facility Lease shall be absolutely net to the Authority so that the Facility Lease shall yield to the Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

<u>Amendments</u>. The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

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

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

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

(c) to effect a Substitution or Removal in accordance with the Facility Lease;

(d) to facilitate the issuance of Additional Bonds as provided in the Facility Lease; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

<u>Discharge of County</u>. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Indenture, then the obligation of the County under the Facility Lease to make Base Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

<u>Partial Invalidity</u>. If any one or more of the agreements, conditions, covenants or terms of the Facility Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Facility Lease shall be affected thereby, and each provision of the Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Authority and the Authority rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability subject to Permitted Encumbrances.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Authority, pursuant to the Site Lease, agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property, subject to Permitted Encumbrances.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely corporate liabilities of the Authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Site Lease shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

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APPENDIX D

BOOK-ENTRY SYSTEM

THE INFORMATION IN THIS APPENDIX D CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE AUTHORITY, THE COUNTY AND THE UNDERWRITER BELIEVE TO BE RELIABLE, BUT THE AUTHORITY, THE COUNTY AND THE UNDERWRITER TAKE NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 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 Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's 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 and www.dtc.org. The information set forth on such websites is not incorporated by reference.

Purchases of the Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 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 confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 Series 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 Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 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 Series 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 Series 2012 Bonds: DTC records reflect only the identity of the Direct Participants to whose accounts such Series 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. The Authority and the County will not 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 Series 2012 Bonds. Beneficial Owners of the Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2012 Bond documents. For example, Beneficial Owners of the Series 2012 Bonds may wish to ascertain that the nominee holding the Series 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 will be sent to DTC. If less than all of the Series 2012 Bonds of a particular maturity are being redeemed, DTC's usual practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2012 Bonds of such maturity to be redeemed. However, the Authority and the County understand that, in the case of a partial redemption of taxable bonds of a particular issue maturing on a particular date that are subject to proportional redemption among owners (such as the Series 2012 Bonds), DTC will reduce the position of each Direct Participant to whose DTC account the taxable bonds of such issue and maturity are credited on a proportional basis, subject to the authorized denominations. In addition, the Authority and the County understand that, in such case, Direct Participants and Indirect Participants to whose accounts interests in such taxable bonds are credited also will reduce the positions of the persons owning beneficial interests in such taxable bonds on a proportional basis, subject to the authorized denominations. None of the Authority, the County or the Trustee can provide any assurance that DTC, the Direct Participants or the Indirect Participants will allocate redemptions of the Series 2012 Bonds of a particular maturity among Beneficial Owners on such a proportional basis.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 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 Trustee, on payable dates 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 or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 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.

THE AUTHORITY, THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2012 BONDS (i) PAYMENTS OF PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS (ii) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2012 BONDS OR (iii) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2012 BONDS, 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.

NONE OF THE AUTHORITY, THE COUNTY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SERIES 2012 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE INDENTURE; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2012 BONDS.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the Authority, the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2012 Bonds are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2012 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the County believe to be reliable, but the Authority, the County and the Underwriter take no responsibility for the accuracy thereof.

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2012 Bonds in substantially the following form:

[Date of Delivery]

Riverside County Public Financing Authority
Riverside, California

County of Riverside
Riverside, California

Riverside County Public Financing Authority
Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside Regional Building Authority (the "Authority") in connection with issuance of $17,640,000 aggregate principal amount of Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012 (the "Series 2012 Bonds"), issued pursuant to an Indenture, dated as of October 15, 2012 (the "Indenture"), by and among the Authority, the County of Riverside (the "County") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed a Facility Lease, dated as of October 15, 2012 (the "Facility Lease") between the Authority and the County, a Site Lease, dated as of October 15, 2012 (the "Site Lease"), between the County and the Authority, a Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Authority, and an Assignment Agreement, dated as of October 15, 2012 (the "Assignment Agreement"), between the Authority and the Trustee, opinions of counsel to the Authority, the County and the Trustee, certificates of the Authority, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2012 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2012 Bonds, the Facility Lease, the Site Lease, the Indenture, the Assignment Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, arbitration, judicial reference, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Facility Lease, the Site Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 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 constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2012 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012 Bonds.

Faithfully yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$17,640,000
RIVERSIDE COUNT PUBLIC FINANCING AUTHORITY
LEASE REVENUE REFUNDING BONDS (COUNTY FACILITIES PROJECTS)
SERIES 2012

This CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the COUNTY OF RIVERSIDE (the "County"), for and on behalf of itself and the Riverside County Public Financing Authority (the "Authority"), in connection with the issuance by the Authority of the bonds captioned above (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture, dated as of October 15, 2012 (the "Indenture"), by and among the County, the Authority and Wells Fargo Bank, National Association, as trustee.

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 for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" means any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Annual Report Date*" means February 15.

"*Dissemination Agent*" means 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.

"*Listed Events*" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Official Statement*" means the final official statement executed by the County in connection with the issuance of the Bonds.

"*Participating Underwriter*" means Morgan Keegan & Company, Inc., the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it 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 the Annual Report Date, commencing February 15, 2013, with the report for the 2011-12 fiscal year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the County) has not received a copy of the Annual Report, the Dissemination Agent shall contact the County to determine if the County is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the County's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder.

(b) If the County does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the County shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the County, file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and 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:

(a) The County's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the County's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements 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) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the County for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

(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 budgets of the County for the current fiscal year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current fiscal year;

(v) summary of 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.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the County shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The County shall clearly identify each such other document so included by reference.

Section 5. <u>Reporting of Significant Events</u>.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the County or other obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving the County or an obligated person, or the sale of all or substantially all of the assets of the County or an obligated person (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.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall, or shall cause the Dissemination Agent (if not the County) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The County acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The County shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the County obtains knowledge of the occurrence of any of these Listed Events, the County will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the County will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County 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 the County, 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 the County.

Section 6. <u>Identifying Information for Filings with the MSRB</u>. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. <u>Termination of Reporting Obligation</u>. 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. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. <u>Dissemination Agent</u>. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the County. Any Dissemination Agent may resign by providing 30 days' written notice to the County.

Section 9. <u>Amendment; Waiver</u>. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, 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 Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the County to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. 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 11. Default. If the County fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this 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 to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. (a) 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 they 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 shall have no duty or obligation to review any information provided to it by the County hereunder, and shall not be deemed to be acting in any fiduciary capacity for the County, the Bond holders 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 Bonds.

(b) The Dissemination Agent shall be paid compensation by the County for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Dated as of October 1, 2012

COUNTY OF RIVERSIDE

By: ________________________________

Name: ______________________________

Title: _______________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Riverside County Public Financing Authority
Name of Issue:	Riverside County Public Financing Authority Lease Revenue Refunding Bonds (County Facilities Projects), Series 2012
Date of Issuance:	November 1, 2012

NOTICE IS HEREBY GIVEN that the County has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate dated as of October 1, 2012. The County anticipates that the Annual Report will be filed by ________________.

Dated: __________________

DISSEMINATION AGENT:

____

By: ________________________________
Its: ________________________________