

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that interest on the Series 2012 Bonds is exempt from personal income taxes of the State of California under present state law. For a more complete description, see "TAX MATTERS" herein.

\$33,360,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
(2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

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

The County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Series 2012 Bonds") are being issued pursuant to a Master Trust Indenture, dated as of February 1, 2012 (the "Master Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012, (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), by and between the Corporation and Trustee. The Series 2012 Bonds are being issued to provide funds to: (i) currently refund and defease all of the outstanding County of Riverside Certificates of Participation (County Administrative Center Annex Project), (ii) finance the acquisition of two office buildings located in Indio, California and currently leased by the County, (iii) fund a reserve fund for the Series 2012 Bonds, and (iv) pay costs of issuance of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The Series 2012 Bonds are issuable as fully registered bonds 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 for the Series 2012 Bonds, and individual purchases of the Series 2012 Bonds will be made in book-entry form only. Principal of, premium, if any, and interest on the Series 2012 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2012 Bonds, as described herein. See APPENDIX B: "BOOK-ENTRY SYSTEM." The Series 2012 Bonds will be issued in denominations of \$5,000 and any integral multiple thereof. Interest on the Series 2012 Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2012, at the rates shown on the inside cover. See "DESCRIPTION OF THE SERIES 2012 BONDS – General."

The Series 2012 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described herein.

The Series 2012 Bonds are payable from and secured solely by Revenues of the Corporation pledged under the Indenture, consisting primarily of Base Rental Payments to be received by the Corporation from the County of Riverside, California (the "County") under a Master Lease Agreement, dated as of February 1, 2012 (the "Master Lease"), by and between the Corporation and the County, for the right to use and occupy certain real property and improvements (the "Property"), as more fully described herein. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, of material damage, destruction, title defect or condemnation of the Property that substantially interferes with the County's use and possession of any portion of the Property. Subsequent to the issuance of the Series 2012 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue Additional Bonds payable from the Revenues and secured by a pledge of the Revenues equal to the pledge securing the Series 2012 Bonds under the Indenture. The Property may be used to secure such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Additional Bonds."

The Series 2012 Bonds are limited obligations of the Corporation and are payable from the Revenues comprised primarily of Base Rental Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2012 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, and interest on the Series 2012 Bonds as provided in the Indenture. The Series 2012 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2012 Bonds. The Corporation has no taxing power.

The Series 2012 Bonds are offered when, as and if issued, subject to approval of validity by Kutak Rock LLP, Los Angeles, California, Bond Counsel to the Corporation, and subject to certain other conditions. Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP, Los Angeles, California, served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Nossaman LLP, Irvine, California. It is expected that the Series 2012 Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about February 29, 2012.

De La Rosa & Co.

BofA Merrill Lynch

Dated: February 15, 2012

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

\$33,360,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE BONDS
(2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)

Base CUSIP®: 76911A

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP® Suffix	Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	CUSIP® Suffix
2012	\$1,560,000	2.000%	0.480%	AA3	2021	\$1,530,000	5.000%	3.060%	AK1
2013	1,120,000	3.000	0.680	AB1	2022	1,605,000	5.000	3.230	AL9
2014	1,155,000	3.000	0.990	AC9	2023	1,680,000	5.000	3.340*	AM7
2015	1,195,000	4.000	1.350	AD7	2024	1,765,000	5.000	3.420*	AN5
2016	1,240,000	4.000	1.650	AE5	2025	180,000	3.500	3.510	AP0
2017	1,290,000	4.000	1.860	AF2	2025	1,680,000	5.000	3.510*	AQ8
2018	1,340,000	4.000	2.240	AG0	2026	1,945,000	5.000	3.620*	BB0
2019	1,395,000	4.500	2.590	AH8	2027	2,045,000	5.000	3.710*	BC8
2020	1,455,000	4.750	2.840	AJ4	2028	2,150,000	5.000	3.800*	BD6

* Yield to first optional call date of November 1, 2022.

\$7,030,000 4.000% Term Bond due November 1, 2031 – Yield 4.130% – CUSIP® Suffix BE4

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COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

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

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

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

SPECIAL SERVICES

Special Counsel

Kutak Rock LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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

This Official Statement is not to be construed as a contract with the purchasers of the Series 2012 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 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.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information in APPENDIX A to this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The County does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

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

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OFFICIAL STATEMENT

\$33,360,000

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE BONDS (2012 COUNTY ADMINISTRATIVE CENTER REFUNDING PROJECT)

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2012 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction or on the cover page and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement or APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the County of Riverside, California (the "County"), the County has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Purpose and Overview

The purpose of this Official Statement, including the cover page, inside front cover and appendices hereto (the "Official Statement"), is to provide certain information concerning the issuance of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Series 2012 Bonds"). The Series 2012 Bonds are being issued to provide funds to: (i) currently refund and defease all of the outstanding County of Riverside Refunding Certificates of Participation (County Administrative Center Annex Project), (ii) finance the acquisition of two office buildings located in Indio, California and currently leased by the County (the "Indio Properties"), (iii) fund a reserve fund for the Series 2012 Bonds, and (iv) pay costs of issuance of the Series 2012 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

Pursuant to a Master Site Lease, dated as of February 1, 2012, as initially executed and as it may from time to time be amended or supplemented in accordance with its terms (the "Site Lease"), between the County and the County of Riverside Asset Leasing Corporation (the "Corporation"), the County has leased to the Corporation certain real property and the buildings and improvements located thereon (the "Property"). Pursuant to a Master Lease Agreement, dated as of February 1, 2012, as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof (the "Master Lease"), by and between the Corporation and the County, the Corporation has leased the Property back to the County for the County's use and occupancy. On or before each Base Rental Payment Date, the County will be obligated under the Master Lease to pay Base Rental Payments and other payments to the Trustee (described herein) each year during the term of the Master Lease. The Trustee will apply the Base Rental Payments it receives to pay the principal of, premium, if any, and interest with respect to the Series 2012 Bonds when due, in accordance with a Master Trust Indenture, dated as of February 1, 2012, (the "Master Trust Indenture"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012 (the "First Supplemental Indenture," and together with the Master Trust Indenture, the "Indenture"), by and between the Corporation and Trustee. The Indenture

provides the terms of the Series 2012 Bonds and governs the security and payment of the principal of, premium, if any, and interest on the Series 2012 Bonds.

Security and Sources of Payment for the Series 2012 Bonds

The Series 2012 Bonds are limited obligations of the Corporation payable solely from, and secured solely by, Revenues of the Corporation, consisting primarily of Base Rental Payments to be received by the Corporation from the County under the Master Lease, and from moneys on deposit in the Reserve Fund (defined herein) or from the proceeds of a Reserve Fund Credit Facility (described herein) provided in lieu thereof. The Base Rental Payments are to be paid by the County for its right of use and occupancy of the Property. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, that 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 Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – The Property.”

The County will be obligated under the Master Lease to pay the Base Rental Payments and Additional Payments to the Corporation (together, the “Master Lease Payments”) each year during the term of the Master Lease. The County has covenanted in the Master Lease to take such action as may be necessary to include all Master Lease Payments in each of its annual budgets and to make the necessary annual appropriations for all Master Lease Payments. The covenants of the County are deemed to be and shall constitute duties imposed by law. Additionally, the County has covenanted to procure, or cause to be procured and maintained, throughout the term of the Master Lease, insurance on the Property. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments; Additional Payments” and “– Insurance.” See also APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE AGREEMENT – Fire and Extended Coverage Insurance” and “– Rental Interruption or Use and Occupancy Insurance.”

Additional Bonds

Subsequent to the issuance of the Series 2012 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue additional Series of Bonds (“Additional Bonds”), pursuant to a Supplemental Indenture, payable from Revenues and secured by a pledge and lien upon Revenues as provided in the Indenture equal to and on a parity with the pledge and lien securing the Series 2012 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds” and APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE–Additional Bonds.” The Series 2012 Bonds and any Additional Bonds issued under the Indenture are collectively referred to herein as the “Bonds.”

Assignment

Pursuant to an Assignment Agreement, dated as of February 1, 2012 (the “Assignment Agreement”), the Corporation has assigned to the Trustee for the benefit of the Owners of the Series 2012 Bonds (i) its rights, title and interests in the Site Lease and the Master Lease, including the Corporation’s right to receive Base Rental Payments, and (ii) its rights to enforce payment of the Base Rental Payments when due and to exercise its remedies in the event of a default.

Bonds Constitute Limited Obligations

The Series 2012 Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, from the Revenues comprised primarily of Base Rental

Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2012 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, purchase price and interest on the Series 2012 Bonds as provided in the Indenture. The Series 2012 Bonds do not constitute a debt, liability or obligation of the County or of the State of California (the “State”) or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of or interest on the Series 2012 Bonds. The Corporation has no taxing power. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Pledge Under the Indenture” and “– Base Rental Payments; Additional Payments – *Limited Obligation.*”

Risk Factors

There are certain risks associated with the purchase of the Series 2012 Bonds, some of which are set forth herein. See “RISK FACTORS.” Risk factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Series 2012 Bonds.

Continuing Disclosure

The County will agree to file with the EMMA System, during the time the Series 2012 Bonds are Outstanding, certain financial information and operating data and notices of the occurrence of certain events in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). See “CONTINUING DISCLOSURE.”

Summaries Not Definitive

Brief descriptions of the Series 2012 Bonds, the Corporation, the County and the Property are included in this Official Statement, together with summaries of the Site Lease, the Master Lease, the Assignment Agreement and the Indenture. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2012 Bonds, the Site Lease, the Master Lease, the Assignment Agreement and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Series 2012 Bonds, the forms thereof included in the Indenture, copies of all of which are 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.

Reserve Fund

Pursuant to the Indenture, a Reserve Fund for the Series 2012 Bonds will be established in the amount of the Reserve Requirement with a portion of the proceeds of the Series 2012 Bonds. See “SECURITY AND SOURCES OF PAYMENTS FOR THE SERIES 2012 BONDS - Reserve Fund for the Series 2012 Bonds” herein and APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS” attached hereto.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner of the Series 2012 Bonds may obtain a copy of any such report, as available, from the Trustee. Additional information regarding this Official Statement may be obtained by contacting the Trustee.

DESCRIPTION OF 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 these provisions. The discussion herein is qualified by such reference. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

General

The Series 2012 Bonds will be issued in the aggregate principal amount and will mature on the maturity dates shown on the inside cover page of this Official Statement. The Series 2012 Bonds will be dated the date of original issuance and will bear interest on the unpaid principal amount thereof as described below.

The Depository Trust Company, or DTC, will act as the initial securities depository for the Series 2012 Bonds, which will be issued initially pursuant to a book-entry only system. See APPENDIX B: "BOOK-ENTRY SYSTEM." Under the Indenture, the Corporation may appoint a successor securities depository to DTC for the Series 2012 Bonds. The holders of the Series 2012 Bonds have no right to a book-entry only system for the Series 2012 Bonds. The information under this caption, "DESCRIPTION OF THE SERIES 2012 BONDS" is subject in its entirety to the provisions described in APPENDIX B: "BOOK-ENTRY SYSTEM" while the Series 2012 Bonds are in the book-entry only system.

Interest on the Series 2012 Bonds will be payable semiannually on May 1 and November 1 of each year, commencing May 1, 2012 (each an "Interest Payment Date"), and will be calculated on the basis of a 360-day year composed of twelve 30-day months. Each Series 2012 Bond will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof, and will bear interest from the Interest Payment Date next preceding its date of authentication, unless such date of authentication is during the period commencing after the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the date of issuance of the Series 2012 Bonds; provided, that if on the date of authentication of any Series 2012 Bond, interest is then in default on any Outstanding Series 2012 Bonds, such Series 2012 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of Principal and Interest

The Series 2012 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, in book-entry form and shall be evidenced by one bond for each maturity bearing a specified interest rate, in the principal amount of the respective maturities. Individual purchases of interests in the Series 2012 Bonds will be made in book-entry form only in Authorized Denominations. Purchasers of interests will not receive certificates representing their interests in the Series 2012 Bonds. For a description of the method of payment of principal, premium, if any, and interest on the Series 2012 Bonds and matters pertaining to transfers and exchanges while in the book-entry system, see APPENDIX B: "BOOK-ENTRY SYSTEM."

So long as Cede & Co. is the registered owner of the Series 2012 Bonds, the Trustee for the Series 2012 Bonds will pay principal of, premium, if any, and interest on the Series 2012 Bonds to DTC, which will remit principal, premium, if any, and interest payments to the Beneficial Owners of the Series 2012 Bonds (as described in APPENDIX B: "BOOK-ENTRY SYSTEM").

In the event the Series 2012 Bonds are no longer in a book-entry system, principal or redemption price of the Series 2012 Bonds will be payable at the Corporate Trust Office of the Trustee, and interest payments on the Series 2012 Bonds will be paid by check from the Trustee mailed by first class mail on such Interest Payment Date to such Owner of the Series 2012 Bonds as of the applicable Record Date; provided, however, that if an Owner of \$1,000,000 or more aggregate principal amount of the Series 2012 Bonds gives the Trustee written notice received by the Trustee prior to the applicable Record Date, the payment of principal and redemption price of, and interest on the Series 2012 Bonds (other than the final payment of principal thereof), will be payable by wire transfer of immediately available funds.

Redemption of the Series 2012 Bonds

Optional Redemption. The Series 2012 Bonds maturing on or before November 1, 2022 are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing after November 1, 2022 are subject to redemption prior to their respective stated maturities, at the option of the Corporation, from any source of available funds, in whole or in part, on any date on or after November 1, 2022, at a redemption price equal to one hundred percent of the principal amount of Bonds called for redemption, without premium, together with accrued interest to the date fixed for redemption.

Selection of the Series 2012 Bonds for Optional Redemption. The Series 2012 Bonds are subject to optional redemption in such order or maturity (except mandatory sinking fund payments on the Series 2012 Bonds subject to mandatory sinking fund redemption) as the Corporation may direct (and proportional if no specific order of redemption is designated by the Corporation) and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2012 Bonds) shall deem appropriate, within a maturity.

Upon surrender of a Series 2012 Bond to be redeemed, in part only, the Trustee will authenticate for the Owner thereof a new Series 2012 Bond or Series 2012 Bonds of the same maturity and interest rate equal to the principal amount of the unredeemed portion of the Series 2012 Bond surrendered.

Mandatory Redemption from Sinking Fund Installments. The Series 2012 Bonds with a stated maturity date of November 1, 2031 (the “Term Bonds”) are subject to mandatory redemption prior to their stated maturity, in part, randomly by lot, from Sinking Fund Installments at a redemption price equal to 100 percent of the principal amount thereof, plus accrued but unpaid interest to the redemption date, without premium, and shall be due in the amounts and on the dates as follows:

Sinking Fund Installment Dates (November 1)	Sinking Fund Installments
2029	\$2,255,000
2030	2,340,000
<u>2031*</u>	2,435,000

*Final Maturity Date

If (a) the Corporation purchases any Series 2012 Bonds and surrenders such Series 2012 Bonds to the Trustee for cancellation; or (b) if the Corporation optionally redeems any Series 2012 Bonds hereof, then the Corporation shall designate the Sinking Fund Installments, in an aggregate amount equal to the principal amount of Series 2012 Bonds so purchased or optionally redeemed, that are to be reduced as allocated to such purchase or redemption, and such Sinking Fund Installments shall be reduced accordingly.

Purchase in Lieu of Redemption. In lieu of redemption, the Corporation may direct the Trustee (or another agent appointed by the Corporation for such purpose) to purchase all, or a lesser portion in Authorized Denominations, of the Series 2012 Bonds called for optional redemption upon direction to the Trustee (or such other agent) as set forth in the Indenture. No notice of the purchase in lieu of redemption is required to be given to the Owners (other than the notice of redemption otherwise required). On or prior to the scheduled redemption date, any such direction to purchase may be withdrawn by the Corporation, in which case the scheduled optional redemption of the Series 2012 Bonds shall occur as set forth in the redemption notice related thereto.

Extraordinary Redemption from Net Proceeds. The Series 2012 Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as provided in the Indenture, on any date, in whole or in part, as provided in the Indenture, from net insurance proceeds (including self-insurance proceeds) or condemnation awards with respect to any portion of the Property destroyed, damaged, stolen or taken, at the principal amount thereof together with accrued interest to the date of redemption, without premium.

If less than all Outstanding Series 2012 Bonds are to be redeemed at any time from net insurance proceeds (including self-insurance proceeds) or condemnation awards, the Trustee shall use the net insurance proceeds (including self-insurance proceeds) or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem, randomly by lot among those Series and maturities of Series 2012 Bonds determined by the County, and proportionally if not so designated, provided however that the redemption of Series 2012 Bonds pursuant hereto shall not cause the total of all Master Lease Payments for the Property to be greater than the total fair rental value of the Property in accordance with the Master Lease. Subject to the foregoing, if less than all Outstanding Series 2012 Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee shall select randomly by lot the Series 2012 Bonds of such maturity date to be redeemed in any manner that it deems appropriate.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (a) the respective Owners of the Series 2012 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail or (b) with respect to the Series 2012 Bonds held by DTC to DTC by registered mail or by overnight delivery. Each notice of redemption will state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2012 Bonds of such maturity to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2012 Bonds thereof, and in the case of a Series 2012 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2012 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to give the notice described herein or any defect therein shall not in any manner affect the redemption of any Series 2012 Bond.

Any notice of optional redemption of the Series 2012 Bonds may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect and the Corporation will not be required to redeem the Series 2012 Bonds thereby called for redemption, and the redemption will be cancelled. In addition, the

Corporation may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the Series 2012 Bonds, rescind and cancel such notice of redemption.

Effect of Redemption. Provided that notice of redemption has been duly given as described above and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2012 Bonds (or portions thereof) so called for redemption shall be held by the Trustee, on the redemption date designated in such notice, the Series 2012 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. In such case, interest on the Series 2012 Bonds so called for redemption shall cease to accrue, said Series 2012 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2012 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption.

PLAN OF REFUNDING

Proceeds of the Series 2012 Bonds will be used to defease and prepay on May 1, 2012 (the "Prepayment Date") all of the outstanding County of Riverside Certificates of Participation (County Administrative Center Annex Project), evidencing and representing the proportionate undivided interests in lease payments for certain property pursuant to a lease agreement with the Corporation, of which \$31,365,000 remains outstanding (the "2001 Certificates") at a prepayment price of 102 percent of the principal amount thereof together with the unpaid accrued interest to the Prepayment Date. See also "ESTIMATED SOURCES AND USES OF FUNDS." The proceeds of the 2001 Certificates were used to finance the costs of the acquisition, construction and installation of certain capital projects for the County.

Pursuant to the terms of the First Supplemental Indenture, the Corporation will transfer a portion of the proceeds of the Series 2012 Bonds, together with certain moneys available in the Series 2001 Reserve Account relating to the 2001 Certificates, to the prepayment fund (the "Series 2001 Prepayment Fund") created and established pursuant to the Trust Agreement, dated as of July 1, 2001 (the "2001 Trust Agreement"), by and among the County, the Corporation and Wells Fargo Bank, National Association, as trustee (the "Prior Trustee"). Amounts in the Series 2001 Prepayment Fund will be held as cash. Sufficient moneys will be deposited in the Series 2001 Prepayment Fund to pay the prepayment price of the 2001 Certificates on the Prepayment Date. The Series 2001 Prepayment Fund shall be held by the Prior Trustee in irrevocable trust and used solely for the payment of the prepayment price of the 2001 Certificates and any unpaid interest accrued thereon to the Prepayment Date, subject only to the transfer to the Series 2012 Interest Account of any monies not required for such purpose.

Upon such deposit and investment and compliance with certain notice requirements set forth in the 2001 Trust Agreement, the liability of the County under the Facilities Lease, dated as of July 1, 2001, will cease, and the 2001 Certificates will no longer be outstanding, except that the Owners of the 2001 Certificates will be entitled to payment thereof solely from the amounts on deposit in the Series 2001 Prepayment Fund.

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds	
Par Amount	\$33,360,000.00
Plus Net Premium	2,840,128.35
Transfer from the 2001 Reserve Account	<u>2,483,148.39</u>
Total Sources	<u>\$38,683,276.74</u>
Uses of Funds	
Prepayment Fund	\$32,797,065.63
Acquisition of Indio Properties	3,000,000.00
Series 2012 Reserve Fund	2,538,700.00
Costs of Issuance ⁽¹⁾	<u>347,511.11</u>
Total Uses	<u>\$38,683,276.74</u>

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

DEBT SERVICE REQUIREMENTS

Under the Master Lease, Base Rental Payments payable by the County to the Corporation are due and payable by the County on each April 15 and October 15, commencing April 15, 2012. Pursuant to the Indenture, on May 1 and November 1 of each year, commencing on May 1, 2012, the Trustee will apply such amounts as are necessary to make principal, premium, if any, and interest payments with respect to the Series 2012 Bonds as the same shall become due and payable, as shown in the following table:

DEBT SERVICE SCHEDULE

Bond Year Ending November 1	Series 2012 Principal	Series 2012 Interest	Series 2012 Total Principal and Interest ⁽¹⁾
2012	\$1,560,000.00	\$ 968,966.32	\$ 2,528,996.32
2013	1,120,000.00	1,410,237.50	2,530,237.50
2014	1,155,000.00	1,376,637.50	2,531,637.50
2015	1,195,000.00	1,341,987.50	2,536,987.50
2016	1,240,000.00	1,294,187.50	2,534,187.50
2017	1,290,000.00	1,244,587.50	2,534,587.50
2018	1,340,000.00	1,192,987.50	2,532,987.50
2019	1,395,000.00	1,139,387.50	2,534,387.50
2020	1,455,000.00	1,076,612.50	2,531,612.50
2021	1,530,000.00	1,007,500.00	2,537,500.00
2022	1,605,000.00	931,000.00	2,536,000.00
2023	1,680,000.00	850,750.00	2,530,750.00
2024	1,765,000.00	766,750.00	2,531,750.00
2025	1,860,000.00	678,500.00	2,538,500.00
2026	1,945,000.00	588,200.00	2,533,200.00
2027	2,045,000.00	490,950.00	2,535,950.00
2028	2,150,000.00	388,700.00	2,538,700.00
2029	2,255,000.00	281,200.00	2,536,200.00
2030	2,340,000.00	191,000.00	2,531,000.00
2031	<u>2,435,000.00</u>	<u>97,400.00</u>	<u>2,532,400.00</u>
Total	<u>\$33,360,000.00</u>	<u>\$17,317,541.32</u>	<u>\$50,677,541.32</u>

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Pledge Under the Indenture

The Indenture provides that the Series 2012 Bonds and any Additional Bonds, are payable from, and secured solely by a lien on, (a) all Base Rental Payments paid by the County pursuant to the Master Lease as further described below and (b) interest and profits from the investment of money in any fund, account and subaccount established in the Indenture, other than any Rebate Fund, deposited in the Bond Fund, all on the terms and conditions set forth in the Indenture (collectively, the “Revenues”). As and to the extent set forth in the Indenture, all the Revenues are pledged for the security and payment of the

Series 2012 Bonds and any Additional Bonds, provided, however that out of the Revenues certain amounts may be applied for other purposes as provided in the Indenture. In addition, the Series 2012 Bonds are secured by and payable from moneys on deposit in the Series 2012 Reserve Fund or from proceeds of a Reserve Fund Credit Facility provided in lieu therefor.

The Corporation may, from time to time, enter into Supplemental Indentures without the consent of the Owners of the Series 2012 Bonds for the purpose of issuing Additional Bonds, payable from and secured by a pledge of Revenues as provided in the Indenture, equal to the pledge securing the Outstanding Series 2012 Bonds, subject to the limitations and conditions set forth in the Indenture. See “– Additional Bonds” below.

Base Rental Payments; Additional Payments

General. Revenues of the Corporation pledged under the Indenture to the payment of the Series 2012 Bonds consist primarily of the Base Rental Payments to be made by the County to the Corporation under the Master Lease. The County has covenanted in the Master Lease to pay to the Corporation, on or before the Base Rental Payment Dates, as rental for the use and occupancy of the Property, the Base Rental Payments for all of the Property plus Additional Payments in amounts required by the Corporation for the payment of all costs and expenses incurred by the Corporation in connection with the Property as described in the Master Lease, including without limitation, the fees, costs and expenses to the Property. The County must make all Base Rental Payments and Additional Payments (together, the “Master Lease Payments”) when due, without any deduction or offset of any kind, and, notwithstanding any dispute between the County and the Corporation regarding a Base Rental Payment, the County shall not withhold any such Base Rental Payment pending final resolution of the dispute.

The Trustee, as assignee of the Corporation, will receive the Base Rental Payments for the benefit of the Owners of the Series 2012 Bonds and credit such Base Rental Payments to the Bond Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Bond Fund on each Interest Payment Date to pay principal and interest due on such date on the Series 2012 Bonds.

Under the Master Lease, such payments of Base Rental Payments and Additional Payments for each Base Rental Period or portion thereof during the term of the Master Lease will constitute the total rental for such Base Rental Period or portion thereof and will be paid or payable by the County from funds of the County lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Property by the County for and during such Base Rental Period.

Covenant to Budget and Appropriate. Pursuant to the Master Lease, the County covenants to take such action as may be necessary to include Master Lease Payments due under the Master Lease in its annual budgets and to make the necessary annual appropriations for all such payments. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for Master Lease Payments, at any time and from time to time during any fiscal year, in the event that the actual Master Lease Payments paid in any fiscal year exceed the pro rata portion of the appropriations then contained in the County’s budget. Such covenants are deemed to be duties imposed by law, and it is 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 such covenants.

Limited Obligation. The Bonds are limited obligations of the Corporation and payable, as to principal thereof, premium, if any, and interest thereon solely from the Revenues comprised primarily of Base Rental Payments paid by the County for the use and occupancy of the Property, pursuant to the

Master Lease, and from amounts on deposit in certain funds pledged under the Indenture. The obligation of the County to make Base Rental Payments and Additional Payments under the Master Lease does not constitute an obligation 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 of the County to make these Master Lease Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See “RISK FACTORS – Base Rental Payments Not County Debt.”

Abatement. Base Rental Payments are paid by the County in each Base Rental Period for and in consideration of the right of use and occupancy of the Property during each such period. Except to the extent of (a) amounts held by the Trustee in the Bond Fund or in the Series 2012 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 Property, Master Lease Payments will be abated to the extent that the total fair rental value of the portion of the Property of which there is no substantial interference, if any, is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments will be abated only by the amount equal to the difference. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned.

In order to mitigate the risk that an abatement event will cause a disruption in the payment of Master Lease Payments, the Master Lease requires the County to maintain use and occupancy insurance against loss of use caused by hazards covered by property insurance required by the Master Lease. During any period of abatement with respect to all or any part of the Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal and interest on the Series 2012 Bonds. In lieu of abatement of Master Lease Payments, the County in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Property, or portion thereof, pursuant to the substitution provisions of the Master Lease. See “– Substitution, Removal or Addition of Property” below.

In the event the Property cannot be repaired, replaced or rebuilt from the proceeds of insurance, if any, the County agrees to apply for and use its best efforts to obtain any state and/or federal disaster relief funds to repair, replace or rebuild the Property. See “– Insurance” below and APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Fire and Extended Coverage Insurance” and “– Rental Interruption or Use and Occupancy Insurance.”

Any abatement of Master Lease Payments shall not be considered an Event of Default under the Master Lease, but shall result in the extension of the date on which the Master Lease’s term expires (the “Expiry Date”) by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payment for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon.

Reserve Fund for the Series 2012 Bonds

The First Supplemental Indenture establishes a Reserve Fund for the Series 2012 Bonds (the “Series 2012 Reserve Fund”). The Series 2012 Reserve Fund is required to be funded in the amount of

the Reserve Requirement. The Reserve Requirement, with respect to the Series 2012 Bonds is the least of (a) 10% of the original principal amount of the Series 2012 Bonds, (b) the maximum Base Rental Payments payable by the County in any Lease Year between such date and the expiration of the Master Lease, and (c) 125% of the average annual Base Rental Payments on the Series 2012 Bonds Outstanding. Moneys held in the Series 2012 Reserve Fund shall be used for the purpose of paying principal and interest on the Series 2012 Bonds if, on any principal or interest payment date on any such Series 2012 Bonds, the amounts in the Series 2012 Principal Account and the Series 2012 Interest Account are insufficient to pay in full the amount then due on the Series 2012 Bonds. At such time as amounts in the Series 2012 Bond Fund are equal to all debt service payments remaining due on the Series 2012 Bonds, the amount in the Series 2012 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2012 Bonds and may be withdrawn and transferred to the County to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Series 2012 Bonds, there shall be delivered to the Trustee with the request for such withdrawal and transfer an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2012 Bonds in the gross income of the Owners thereof for federal income tax purposes. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Reserve Fund."

At the option of the County, one or more Reserve Fund Credit Facilities may be initially deposited or later substituted for the funds held in the 2012 Reserve Account to meet the Reserve Requirement so long as at the time of such deposit or substitution such Reserve Fund Credit Facility extends to the final maturity of the Series 2012 Bonds, subject to the terms and conditions of the Indenture. The term "Reserve Fund Credit Facility" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Fund, if any, in lieu of or in partial substitution for cash or securities on deposit therein; in each case, the provider of which shall be rated in one of the two highest long-term rating categories (without regard to subcategories) by Moody's and S&P at the time of substitution.

The Property

The Property is a part of the Riverside County Administrative Center ("CAC") located at 4080 Lemon Street in downtown Riverside, California. The Property is composed of the land and the facilities located thereon. The Property consists of various parcels of real property which comprise a part of the CAC property at Twelfth and Lemon Streets. The facilities consist of two components: an annex to the historical portion of the CAC (the "CAC Annex"), and a parking structure (the "Parking Structure"). The Property leased under the Master Lease excludes the historical portion of the CAC and excludes the Indio Properties which will be acquired with a portion of the proceeds of the Series 2012 Bonds.

The CAC Annex, constructed in 2002, is a five-story, 96,526 square foot administrative building built on County-owned property and houses approximately 150 County employees and several departments that are critical to County governance. The CAC Annex includes a 29,000 square foot, 290 seat Board of Supervisors room equipped with state-of-the-art audio and visual systems that allow for a variety of presentation options on the first floor. In addition to the Board of Supervisors room, the first floor consists of offices for the Clerk of the Board, café space, as well as a five-story high sky lit lobby area. The second floor is utilized primarily for mechanical, support and storage space. The third floor consists of office space and is leased to other government agencies. The fourth floor is occupied by the County Executive Office, and the fifth floor is occupied by the Board of Supervisors' offices. The Parking Structure is a multi-story structure consisting of 750 parking spaces and located on County-owned property adjacent to the CAC. The Property will be insured to the extent set forth in the Master Lease. See "– Insurance" below.

The County estimates that the current value of the Property, including the land and the improvements thereon, is \$57,000,000. In connection with the execution and delivery of the Series 2012 Bonds, the County will certify that the insured value of the building and the underlying land is at least equal to par amount of the Series 2012 Bonds and that annual fair rental value of the Property is at least equal to the Base Rental Payment payable under the Master Lease.

Under the Master Lease, 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 Property, Master Lease Payments may be abated. Any abatement of Master Lease Payments will not be considered an Event of Default under the Master Lease. For a description of the abatement provisions of the Master Lease, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Base Rental Payments; Additional Payments – Abatement” above.

Under the Site Lease and Master Lease, the County may substitute all or a portion of the Property upon compliance with the conditions set forth therein. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Substitution, Removal or Addition of Property.” The Property may also be used to secure Additional Bonds.

Insurance

Fire and Extended Coverage Insurance. The Master Lease provides that the County will secure and maintain or cause to be secured and maintained throughout the term of the Master Lease for the Property, insurance or self-insurance against the risks and in the amounts set forth in the Master Lease. Such insurance includes “all risk” insurance against loss or damage to the Property. Such insurance is required to be maintained with respect to the Master Lease at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to such Property. This insurance may include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance, (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100 year flood plain (as defined by Federal Emergency Management Agency), subject to a minimum of \$100,000 and a maximum of \$500,000 per occurrence and (iii) 5% of total value per structure per occurrence subject to a \$100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the Master Lease, provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost. The County will also obtain rental interruption insurance from a provider rated at least “A” by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the “all risk” insurance in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that, the amount payable under such policy will not be less than the amount equal to two years’ maximum Base Rental and that the County’s obligations with respect to rental interruption insurance shall not be satisfied by self-insurance. The County will obtain a title insurance policy covering the Property in an aggregate amount not less than the aggregate principal amount of the Bonds Outstanding.

Rental Interruption or Use and Occupancy Insurance. The Master Lease requires the County to procure or cause to be procured, and to maintain or cause to be maintained, throughout the term of the Master Lease, rental interruption insurance from a provider rated at least “A” by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the fire and extended coverage insurance described above in an amount sufficient at all times to pay the Base Rental Payments payable under the Master Lease with respect to the Property for a period adequate to

cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations with respect to rental interruption or use and occupancy insurance shall not be satisfied by self insurance.

Title Insurance. Pursuant to the Master Lease, the County will obtain, for the benefit of the Corporation and the Trustee, a CLTA title insurance policy on the Property, subject only to Permitted Encumbrances, in an amount equal to the aggregate principal amount of the Series 2012 Bonds, issued by a company of recognized standing.

See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE – Fire and Extended Coverage Insurance" and "– Rental Interpretation or Use and Occupancy Insurance."

Default and Remedies.

Upon an Event of Default, the County will be deemed to be in default under the Master Lease and the Trustee, as assignee of the rights of the Corporation, may exercise any and all remedies available pursuant to law or under the Master Lease to enforce payment of Base Rental Payments, when due, or to exercise all remedies. Events of Default under the Master Lease are as follows:

(a) the failure of the County to pay any Base Rental Payment or other payment required to be paid under the Master Lease when the same becomes due and payable and the continuation of such failure for a period of ten (10) days, provided that failure to deposit any Base Rental Payments abated pursuant to the Master Lease shall not constitute an event of default;

(b) the failure of the County to observe or perform any covenant, condition or agreement in the Master Lease or the Indenture to be observed or performed by the County, except those obligations listed in (a) above, after notice as provided in the Master Lease and the elapse of a 60-day grace period; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors.

(d) The Trustee, in addition to all other rights and remedies it may have at law, has the option to do any of the following upon the occurrence of an Event of Default:

(i) to terminate the Master Lease and retake possession of the Property. In the event of such termination, the County agrees to immediately surrender possession of the Property, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County. No termination of the Master Lease on account of default by the County will be or become effective by operation of law or acts of the parties to the Master Lease, unless and until the Trustee has given written notice to the County of the election on the part of the Trustee to terminate the Master Lease.

(ii) without terminating the Master Lease, (i) collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision of the Master Lease to be kept or performed by the County, and/or (ii) exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate the

Master Lease in the manner provided for in subparagraph (a) immediately above, the County will remain liable and agrees to keep or perform all covenants and conditions contained in the Master Lease and to pay the Base Rental Payments to the end of the term of the Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency thereof punctually at the same time and in the same manner as provided for under the Master Lease (without acceleration).

Should the Trustee elect to retake possession of the Property, under the terms of the Master Lease, the County irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the County indemnifies the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the Master Lease.

Triple Net Lease

The Master Lease is a "net-net-net lease" and the County agrees that the Master Lease Payments will be an absolute net return to the Corporation free and clear of any expenses, charges or set-offs whatsoever. The obligation of the County to make Base Rental Payments may be abated in whole or in part if the County does not have use and possession of the Property. See "– Base Rental Payments; Additional Payments – Abatement" above.

Substitution, Removal or Addition of Property

Pursuant to the Master Lease, the County may amend the Master Lease and the Site Lease to (a) substitute other real property and/or improvements (the "Substituted Property") for all or any portion of the existing Property; (b) to remove all or a portion of real property (including undivided interests therein) and/or improvements ("Removal") from the existing Property; or (c) add real property and/or improvements ("Added Property") to the Property, upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from the Master Lease and the Site Lease.

No Substitution, Addition or Removal shall take place hereunder until the County delivers to the Corporation and the Trustee the following:

(a) executed counterparts (in proper recordable form) of amendments to the Site Lease and the Master Lease, containing: (i) in the event of a Removal, a legal description of all or part of the Property to be released; (ii) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (iii) in the case of an Addition, a legal description of the Added Property;

(b) a Certificate of the County (i) stating that the total fair rental value (which may be based on, but not limited to, the construction costs of completed improvements, or the acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining term of the Master Lease, is at least equal to 100 percent of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the term of the Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County

may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; and (ii) stating that the useful life of the Property after Substitution or Removal equals or exceeds the remaining term of the Master Lease;

(c) an Opinion of Bond Counsel to the effect that (i) the amendments to the Master Lease and to the Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and the Master Lease and the Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms; and (ii) the Substitution, Addition or Removal is authorized or permitted under this Master Lease;

(d) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(e) in the event of a Substitution or Addition, a Certificate of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (d) above (i) constitute Permitted Encumbrances and (ii) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(f) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis to be includable in gross income of the Owners thereof for federal income tax purposes;

(g) evidence that the County has complied with the insurance covenants contained in the Master Lease with respect to the Substituted Property or Added Property; and

(h) in the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the Board authorizing the amendments to the Master Lease and to the Site Lease in connection with such Substitution or Addition.

Additional Bonds

In addition to the Series 2012 Bonds, the Corporation may issue additional Series of Bonds ("Additional Bonds") under the Indenture, subject to the satisfaction of certain conditions contained in the Indenture, including, among others:

(a) the Corporation shall be in compliance with all agreements and covenants of the Indenture, and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the Master Lease shall have been amended, if necessary, so as to increase the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least equal the projected Annual Debt Service, including debt service on such Additional Bonds in each Fiscal Year;

(c) a Certificate of the County stating that (i) the total fair rental value of the Property will, in each year during the remaining Term of the Master Lease, at least equal the maximum total remaining Base Rental Payments payable in any future fiscal year under the Master Lease attributable to the Property after the issuance of such Additional Bonds, (ii) the fair market value of the Property will equal or exceed the principal amount of all Bonds Outstanding under the Indenture upon the execution and delivery of the Additional Bonds, (iii) the Property has a remaining useful life at least equal to the remaining term of the Master Lease, as amended, and (iv) the Property is available or will be available for immediate use and occupancy by the County;

(d) the Corporation has been advised in writing by each Rating Agency then rating the Outstanding Series 2012 Bonds, and which Rating Agency shall have received notice of such the proposed issuance of such Additional Bonds, that the issuance of such Additional Bonds will not, in and of itself, result in a reduction of the ratings of the Series 2012 Bonds by such Rating Agency;

(e) no new property may be added to the description of Property in connection with the issuance of such Additional Bonds; and

(f) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

The Series 2012 Bonds and any Additional Bonds issued pursuant to the Indenture will be payable from the Revenues as provided in the Indenture, and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the Outstanding Series 2012 Bonds and any Additional Bonds previously issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Additional Bonds.”

For a further description of the provisions of the Master Lease, including the terms thereof and a description of certain covenants therein, including maintenance, utilities, taxes, assessments, insurance, and events of default and available remedies, see “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Master Lease” in APPENDIX D.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Series 2012 Bonds.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County is currently experiencing a slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Series 2012 Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the

County and the State, see APPENDIX A: “INFORMATION REGARDING THE COUNTY OF RIVERSIDE.”

Not a Pledge of Taxes

The obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2012 Bonds nor the obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

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

Additional Obligations of the County

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

Limitations on Remedies

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

Default

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

Abatement

Except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Reserve Fund for the Series 2012 Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2012 Bonds, Base Rental Payments due under the Master Lease with respect to the Property or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Property or any portion thereof, there is substantial interference with the use or right of possession by the County of the Property or a portion thereof. Base Rental Payments will be abated proportionately under the Master Lease. The amount of abatement will be such that the resulting Base Rental Payments and Additional Payments represents fair rental value for the use and possession the remaining portions of the Property as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere, provided that when determining the fair rental value of the remaining portion of the Property such determination will be made based on the greater of the fair rental value of such portion of the Property at that time or the fair rental value such portion of the Property had on the date of delivery of the Series 2012 Bonds.

Wildfires and Flooding

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

The State, particularly Southern California, is periodically subject to wildfires. When wildfires scorch thousands of acres in Southern California, they destroy all vegetation on mountains and hillsides. As a result, when heavy rain falls in the winter, there is nothing to stop the rain from penetrating directly into the soil. In addition, waxy compounds in plants and soil that are released during fires create a natural barrier in the soil that prevents rain water from seeping deep into the ground. The result is erosion, mudslides, and excess water running off the hillsides often causing flash flooding.

Flood zones are identified by the Federal Emergency Management Agency (“FEMA”). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (a “NSFHA”). A NSFHA is an area that is in a low- to moderate-risk

flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year. While the County is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Property and the abatement of the Base Rental Payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Master Lease to cause to be maintained certain insurance policies on the Property; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. These insurance policies are “all risk” policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. Currently, the County does maintain earthquake insurance with respect to the Property. In the event the Property is damaged or destroyed due to a casualty for which the Property is uninsured, an abatement of the Base Rental Payments could occur and could continue indefinitely. The providers of the County’s liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to prepay the Series 2012 Bonds.

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

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

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County’s population was estimated at 2,139,535 as of January 1, 2010, reflecting a 1.4% increase over January 1, 2009.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors (the

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

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

THE CORPORATION

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A was subsequently amended in 1986, as discussed below. Article XIII A 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 XIII A 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 XIII A 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 XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIII B. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIII B 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 XIII B 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 XIII B 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 XIII B 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 XIII B provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

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

Right To Vote on Taxes Initiative-Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the “Right to Vote on Taxes Act.” Proposition 218 adds Articles XIIC and XIID 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 XIIC) 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 XIID) 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 XIID, 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 XIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any county will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County’s General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

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

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A 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 *County of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the “Woodlake Case”), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the “Santa Clara Case”), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in Fiscal Year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting occurred in the 2009-10 Fiscal Year. See APPENDIX A: “INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Finance Information—Impacts of State Budget.” The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or

community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Proposition 25

According to the State Constitution, the Governor must propose a budget to the State Legislature no later than January 10 of each year, and a final budget must be adopted no later than June 15. Historically, the budget required a two-thirds vote of each house of the Legislature for passage. However, on November 2, 2010, the voters approved Proposition 25, which amends the State Constitution to lower the vote requirement necessary for each house of the Legislature to pass a budget bill and send it to the Governor. Specifically, the vote requirement was lowered from two-thirds to a simple majority (50% plus one) of each house of the Legislature. The lower vote requirement also would apply to trailer bills that appropriate funds and are identified by the Legislature “as related to the budget in the budget bill.” The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. Under Proposition 25, a two-thirds vote of the Legislature is still required to override any veto by the Governor.

Proposition 26

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

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

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

Assessment Appeals and Assessor Reductions

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

assessor may reassert the pre-appeal level of assessed value depending on the county assessor's determination of current value.

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In Fiscal Year 2011-12, the secured property tax roll declined by approximately 1.5% from the prior year, and is expected to decline similarly in Fiscal Year 2012-13. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62 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 which the County believes to be reliable; however, the County does not guaranty 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.

The State is experiencing significant financial and budgetary stress. State budgets are affected by national and state economic conditions and other factors over which the County has no control. The State's financial condition and budget policies affect communities and local public agencies throughout California. The severe economic downturn and slow recovery resulted in General Fund revenues in Fiscal Year 2010-11 (\$93.2 billion) that are 9.2% lower from their peak in Fiscal Year 2007-08 (\$102.6 billion). Since the beginning of 2010, the nation and California have been gradually recovering from what has been characterized as the worst recession since the Great Depression. Recent national economic output has grown as has personal income in both the State and the nation, and job growth has similarly. However, because of the magnitude of the economic displacement resulting from the recession, California continues to face significant financial challenges. To the extent the State is constrained by constitutional or statutory spending limits, or by other fiscal considerations, State assistance to local governments may be reduced. Recent State budgets have reflected the State's efforts to stabilize its fiscal position in response to the challenging and uncertain economic environment. In 2009, the California legislature enacted legislation allowing the State to delay scheduled payments to local governments in Fiscal Year 2010-11, until May 2011. In prior years, the State's cash management problems caused it to refrain from making some payments or issuing "IOUs" so that the State's "priority payments," such as debt service and payroll, could be made as scheduled. The State's budgetary decisions during the recent economic downturn have had, and will continue to have, a significant financial and programmatic impact on counties, cities and other local jurisdictions. For a discussion of the County's budget and finances, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE—Financial Information."

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

State Budget for Fiscal Year 2011-12. On June 30, 2011, the State's budget for fiscal year 2011-12 (the "2011 Budget Act") was enacted. The 2011 Budget projects State General Fund revenues and transfers for fiscal year 2011-12 at \$88.5 billion, a reduction of \$6.3 billion compared with fiscal year 2010-11. General Fund expenditures for fiscal year 2011-12 were projected at \$85.9 billion – a reduction of \$5.5 billion compared to the prior year.

In approving the 2011 Budget Act, Governor Jerry Brown exercised his line-item veto power to reduce General Fund expenditures, mostly in the Judicial Branch, which included a reduction of \$22.9 million related to parole revocation workload. The 2011 Budget Act also includes special fund expenditures of \$34.2 billion and bond fund expenditures of \$9.4 billion. The estimated General Fund revenue reflects a combination of factors, including expiration of temporary taxes and surcharges (which totaled approximately \$7.1 billion in Fiscal Year 2010-11) and the transfer of about one percent of the

State sales tax rate to local governments to fund the realignment described further below. See “Realigning Services to Local Governments” below. Offsetting these reductions were improved revenue estimates for the remaining state tax sources. Expenditures reflected increases needed to offset the termination of federal stimulus funding provided for under the American Recovery and Reinvestment Act of 2009 (“ARRA”) which supported about \$4.2 billion of State General Fund programs in fiscal year 2010-11.

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

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

- (a) Reduction in Medi-Cal health benefits & spending by \$2.0 billion;
- (b) Reduction in the State’s support of the University of California and California State University by \$1.4 billion; and
- (c) Reduction in California Work Opportunity and Responsibility to Kids Program (“CalWORKs”) grants by \$837 million.

Redevelopment Agencies. Legislation enacted as part of the 2011 Budget Act, upheld by the California Supreme Court, eliminates redevelopment agencies, with formal dissolution to take place on 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. In general, the County expects that the diversion of tax increment from redevelopment agencies to the local taxing entities according to the 2011 Budget Act would benefit the County’s general fund and fire, flood and library districts.

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 does not anticipate a material impact on its receipt of revenues from the State as a result of these “trigger” reductions.

In February 2012, State Controller John Chiang issued a warning to lawmakers that, absent aggressive action (including a combination of short-term borrowing and deferring payments), the State could run out of money in March 2012. Deferrals in State payments may jeopardize the County’s ability to maintain core discretionary programs and could require suspension of such programs.

Proposed State Budget for Fiscal Year 2012-13. On January 5, 2012, the Governor released his proposed budget for Fiscal Year 2012-13 (the “Proposed Budget”). The Proposed Budget recognizes a budget gap of \$9.2 billion, comprised of a 2011-12 projected deficit of \$4.1 billion and a 2012-13 projected deficit, absent corrective actions, of \$5.1 billion. In addition, the Proposed Budget seeks to rebuild a \$1.1 billion reserve, bringing the total projected budget deficit to \$10.3 billion. The Proposed Budget includes a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the Proposed Budget seeks \$4.2 billion in expenditure reductions, \$4.6 billion in additional revenues and \$1.4 billion in other budget solutions. The Proposed Budget proposes that voters approve, at the November 2012 election, a temporary increase in personal income tax on the State’s wealthiest individuals and a temporary increase in sales tax of one-half percent. The Proposed Budget includes a “backup plan” if the ballot measure is not approved by the voters, which entails \$5.4 billion in further cuts including further impacts on education and public safety.

Features of the Proposed Budget 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 \$946.2 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 (the "Budget Overview"). The Budget Overview projects lower revenues than are estimated by the Proposed Budget, but acknowledges that the adoption of the budgetary actions included in the Proposed Budget 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 Proposed Budget 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 highlights several concerns with respect to the Proposed Budget, 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 whether specific proposed trigger plans are workable.

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

TAX MATTERS

In General

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012 Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Corporation and the County with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be met subsequent to the issuance of the Series 2012 Bonds. Failure to comply with such requirements could cause interest on the Series 2012 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2012 Bonds. The Corporation and the County have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2012 Bonds.

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

Notwithstanding Bond Counsel's opinion that interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2012 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2012 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2012 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2012 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2012 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Original Issue Discount

The Series 2012 Bonds that have an original yield above their respective interest rates, as set forth on the inside front cover page of this Official Statement (collectively, the “Discount Bonds”) are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the product of (a) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Original Issue Premium

The Bonds that have an original yield below their respective interest rates, as shown on the inside front cover page of this Official Statement (collectively, the “Premium Bonds”) are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2012 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2012 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2012 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2012 Bonds, and Bond Counsel have expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LEGAL MATTERS

The validity of the Series 2012 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E: “PROPOSED FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriters by Nossaman LLP. None of Bond Counsel, counsel to the Underwriters, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the Series 2012 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “Rule”). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX F: “PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE.” Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the Series 2012 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Master Lease. The County has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual reports or notices of certain events.

ABSENCE OF LITIGATION

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

FINANCIAL STATEMENTS

The County's audited financial statements with supplemental information for the year ended June 30, 2011, are included in this Official Statement as part of APPENDIX C: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

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

UNDERWRITING

The Series 2012 Bonds are being purchased through negotiation by De La Rosa & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (together, the "Underwriters"). The Underwriters have agreed to purchase the Series 2012 Bonds at a purchase price of \$36,087,737.27 (representing the par amount of the Series 2012 Bonds, plus net original issue premium in the amount of \$2,840,128.35, less an Underwriters' discount of \$112,391.08). The Underwriters are obligated to purchase all of the Series 2012 Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the Series 2012 Bonds.

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

FINANCIAL ADVISOR

The Corporation and the County have retained Fieldman Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2012 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

EXECUTION AND DELIVERY

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

COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION

By: /s/ Harold Trubo
President

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ John Tavaglione
Chairman, Board of Supervisors

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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 2,217,778 as of January 1, 2011, representing an approximately 1% increase over the County's population as estimated by the 2010 Census, following an increase of approximately 42% over the prior decade. For the eleven year period of January 1, 2000 to January 1, 2011, the County's population grew by over 600,000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 59,000 to its population. This is followed by Riverside, Temecula, Moreno Valley, Indio, Corona, Beaumont, Lake Elsinore and La Quinta. The city of Beaumont experienced the most rapid growth rate. Several areas in the unincorporated County also grew rapidly. These include Eastvale (which incorporated in 2010), Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2010 and January 1, 2011, 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)**

<u>CITY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Banning	28,148	28,551	29,507	29,844
Beaumont	31,317	32,448	36,496	38,195
Blythe	21,627	21,346	20,873	20,158
Calimesa	7,423	7,504	7,853	7,941
Canyon Lake	10,994	11,143	10,528	10,647
Cathedral City	51,972	52,508	51,037	51,603
Coachella	40,317	41,043	40,464	41,502
Corona	146,698	148,770	151,854	153,649
Desert Hot Springs	25,939	26,584	25,852	27,383
Eastvale	-	-	-	54,303
Hemet	73,205	74,931	78,335	79,607
Indian Wells	5,000	5,099	4,941	5,010
Indio	80,962	82,325	75,122	77,165
Lake Elsinore	49,556	50,324	51,445	52,503
La Quinta	42,743	43,830	37,307	37,836
Menifee	-	67,819	77,267	79,444
Moreno Valley	182,945	186,515	192,654	195,216
Murrieta	99,576	100,835	103,085	104,459
Norco	27,143	27,189	27,066	27,060
Palm Desert	50,686	51,570	48,132	49,111
Palm Springs	47,019	47,653	44,385	45,002
Perris	53,340	54,387	67,879	69,781
Rancho Mirage	16,975	16,938	17,168	17,463
Riverside	296,191	300,769	302,814	306,779
San Jacinto	35,491	36,521	44,043	44,597
Temecula	99,873	102,713	99,611	101,657
Wildomar	-	31,374	32,006	32,543
TOTALS				
Incorporated	1,525,140	1,650,689	1,677,724	1,760,548
Unincorporated	553,461	459,193	501,968	457,320
County-Wide	<u>2,078,601</u>	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,217,778</u>
California	37,883,992	38,255,508	37,223,900	37,510,766

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2007 through 2011.

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

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2007			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
2009			
Riverside County	\$40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
2010			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
2011			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

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

Industry And Employment

The County is a part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (“PMSA”), which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the following table.

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

<u>INDUSTRY</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>November 2011⁽²⁾</u>
Agriculture	16.4	15.9	14.9	14.8	14.2
Construction	112.5	90.7	67.9	59.5	57.1
Finance Activities	49.8	46.1	42.5	41.1	40.1
Government	225.3	229.9	228.4	224.3	226.0
Manufacturing:	118.5	106.9	88.8	84.6	85.0
Nondurables	36.5	34.3	30.6	29.6	29.7
Durables	82.1	72.5	58.1	55.0	55.3
Natural Resources and Mining	1.3	1.2	1.1	1.0	1.1
Retail Trade	175.6	168.6	156.2	154.6	161.0
Professional, Educational and other Services	446.2	441.3	419.0	414.9	427.1
Transportation, Warehousing and Utilities	69.5	70.2	66.8	66.5	69.8
Wholesale Trade	56.8	54.1	48.9	48.8	52.5
Information, Publishing and Telecommunications	<u>15.4</u>	<u>14.9</u>	<u>15.1</u>	<u>15.9</u>	<u>16.3</u>
Total, All Industries	1,287.3	1,239.7	1,149.7	1,126.0	1,151.2

⁽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⁾ 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)**

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

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

⁽²⁾ Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: County Economic Development Agency

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

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
County ⁽¹⁾	5.0%	6.0%	8.5%	13.6%	14.7%	12.8% ⁽²⁾
California ⁽¹⁾	4.9	5.3	7.2	11.4	12.4	11.3 ⁽²⁾
United States ⁽³⁾	4.6	4.6	5.8	9.3	9.6	8.9

⁽¹⁾ Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.

⁽²⁾ Monthly data for November 2011.

⁽³⁾ Data is seasonally adjusted.

Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also 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 2005 through 2009, the latest full year for which data is currently available:

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Apparel Stores	\$ 990,129	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271
General					
Merchandise Stores	3,021,908	3,250,377	3,272,665	3,081,989	2,855,733
Drug Stores	282,566	303,177	320,469	307,947	288,768
Food Stores	1,197,438	1,309,782	1,352,609	1,254,366	1,144,235
Packaged Liquor					
Stores	74,828	78,895	84,397	98,338	106,981
Eating and					
Drinking Places	2,157,801	2,316,422	2,388,039	2,340,554	2,266,853
Home Furnishing					
and Appliances	964,629	948,217	843,945	816,379	858,098
Building Materials					
& Farm					
Implements	2,756,280	2,738,153	1,961,911	1,435,337	1,128,595
Auto Dealers &					
Supplies	4,474,566	4,326,040	4,301,385	3,115,036	2,449,747
Service Stations	2,277,082	2,630,716	2,835,690	3,011,476	2,300,247
Other Retail Stores	<u>2,641,985</u>	<u>2,860,181</u>	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>
Retail Stores Total	\$20,839,212	\$21,842,345	\$21,242,516	\$18,689,249	\$16,057,488
All Other Outlets	<u>7,417,279</u>	<u>7,973,892</u>	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>
Total All Outlets	<u>\$28,256,491</u>	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,878</u>

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

For the third quarter of 2010, the latest period for which the California State Board of Equalization has published information, taxable sales in the County were approximately \$5.5 billion, representing a 3.1% increase over the same period in the prior year.

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)**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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	<u>141,996</u>	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>
Total Residential	<u>\$2,587,832</u>	<u>\$1,576,983</u>	<u>\$1,053,690</u>	<u>\$1,079,639</u>	<u>\$886,495</u>
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	<u>350,539</u>	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>
Total Nonresidential	<u>\$1,458,141</u>	<u>\$1,041,815</u>	<u>\$376,822</u>	<u>\$ 539,380</u>	<u>\$559,415</u>
TOTAL ALL BUILDING	<u>\$4,045,973</u>	<u>\$2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>

⁽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**

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

Source: Construction Industry Research Board

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

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽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**

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

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

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

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

The value of agricultural production in the County for 2006 through 2010 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

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

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 the Los Angeles Department of Airports. 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 Geronio Pass Water Agency, Desert Water Agency, Palo Verde Irrigation District and Rancho California Water District also provide supplemental water to cities and agencies within the County.

The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California. The governor and the state legislature are currently engaged in discussions with respect to a comprehensive state-wide plan with respect to water supply, storage and conveyance, but no assurance can be made that a sustainable solution will be achieved.

Due to the ongoing drought conditions and 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. The State Water Resources Control Board is required by State law to develop statewide standards for small septic systems. Once such standards are adopted, the disposal methods used in the unsewered areas will be evaluated against the standards and upgraded, if necessary.

FINANCIAL INFORMATION

Budgetary Process and Budget

Riverside County operates on an annual budget cycle. Under 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 County anticipates the economy will continue to stabilize in fiscal year 2011-12 but does not expect additional revenue to be available to expand services. However, the County believes additional, minor revenue losses are likely, especially with respect to property taxes. For fiscal year 2011-12, approximately 39% of the County's general fund revenue is projected to consist of payments from the State and 21% will consist of payments from the Federal government. The County projects that discretionary revenue will decrease by \$15 million to \$577 million for fiscal year 2011-12.

The assessed valuation of taxable property is expected to decrease 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 are budgeted at \$119 million. Any of this 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.

The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 will incorporate additional direct cuts and labor savings of \$33 million and a \$28 million draw on reserves. Additional cuts are anticipated in fiscal year 2011-12, however the budgets for outlaying years are anticipated to be structurally balanced

Impacts of State Budget

Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. Approximately \$36 million in fiscal year 2011-12 County revenue is subject to Proposition 1A. It should be noted that these revenues may not be suspended until the State repays the revenue suspension in the amount of approximately \$38 million that occurred in fiscal year 2009-10 pursuant to Proposition 1A.

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 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.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2011-12 Final 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 2007-08, 2008-09, 2009-10, 2010-11 AND 2011-12
(IN MILLIONS)

	2007-08	2008-09	2009-10	2010-11	2011-12
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>
REQUIREMENTS					
General Government	\$ 279.30	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4
Public Protection	1,032.48	1,132.0	1,055.2	1,062.4	1,060.0
Public Ways and Facilities	6.79	2.1	2.2	0.0	0.0
Health and Sanitation	410.68	392.3	295.2	396.0	411.9
Public Assistance	721.38	791.1	815.5	780.0	802.9
Education	0.49	0.6	0.4	0.6	0.6
Recreation and Cultural	0.29	0.3	0.3	0.3	0.4
Debt Retirement-Capital Leases	14.82	22.3	6.8	6.8	5.0
Contingencies	32.15	34.8	30.0	20.0	20.0
Increase to Reserves	<u>8.92</u>	<u>5.0</u>	<u>(12.8)</u>	<u>17.5</u>	<u>2.4</u>
Total Requirements ⁽³⁾	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	\$ 33.43	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1
Estimated Revenues:					
Property Taxes ⁽²⁾	262.61	287.2	244.9	222.4	214.9
Other Taxes ⁽²⁾	71.06	49.1	46.1	46.0	35.5
Licenses, Permits and Franchises	31.63	24.9	20.7	19.8	18.1
Fines, Forfeitures and Penalties	51.99	60.6	55.7	58.0	56.2
Use of Money and Properties	53.16	29.7	13.5	11.2	10.0
Aid from Other Governmental Agencies:					
State	938.46	991.8	962.0	921.7	936.3
Federal	444.70	465.4	511.1	501.2	506.7
Charges for Current Services	462.26	385.1	452.7	461.0	462.8
Other Revenues	<u>158.01</u>	<u>217.9</u>	<u>112.5</u>	<u>111.9</u>	<u>147.7</u>
Total Available Funds ⁽³⁾	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>

⁽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, Teeter Plan available funds were included with Property Taxes in the 2008-09 Budget, the 2009-10 Budget, the 2010-11 Budget and the 2011-12 Budget and included with Other Taxes in the 2007-08 Budget.

⁽³⁾ Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 30, 2011, the portfolio assets comprising the PIF had a market value of \$5,448,105,732.50.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2010, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the Board and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2010 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 December 30, 2011, was as follows:

	<u>% of Pool</u>
Federal Agency Securities	85.40
Cash Equivalents & Money Market Funds	0.21
Commercial Paper	2.11
Medium Term Notes	0.00
Municipal Notes	1.81
Certificates of Deposit	2.76
U.S. Treasury Bonds	5.79
Local Agency Obligations ⁽¹⁾	<u>1.92</u>
Total	100.00%
Book Yield:	0.53%
Weighted Average Maturity:	1.30 years

⁽¹⁾ Includes County obligations issued by the Riverside District Court Financing Corporation.
Source: County Treasurer-Tax Collector

As of December 30, 2011, the market value of the PIF was 100.06% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an “Investment Oversight Committee” in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County’s investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

The County has obtained a rating on the PIF of “Aaa/MR1” from Moody’s Investors Service and “AAA/V1” rating from Fitch Ratings. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

Ad Valorem Property Taxes

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

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

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

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

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

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

SECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽²⁾	Total Collections ⁽³⁾	Percentage of Total Collections to Current Levy
2000-01	\$1,106,323,882	\$40,719,497	3.68%	%1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	N/A	N/A	N/A	N/A

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy
2000-01	\$44,069,979	\$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	86,326,418	74,917,295 ⁽³⁾	89.29 ⁽³⁾

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.

⁽²⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

⁽³⁾ Reflects partial year collections, through October 2011.

Source: County Auditor-Controller

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

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

The following table describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

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

Fiscal Year	Tax Levy for Increased Assessments ^{(1),(2)(3)}	Refunds for Decreased Assessments ⁽¹⁾⁽³⁾	Net Supplemental Tax Levy	Collections ^{(1),(2)}
2001-02	\$ 68,229,225	\$ 2,080,315	\$ 66,148,910	\$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 ⁽⁴⁾	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) ⁽⁵⁾	19,632,809
2010-11	34,612,092	27,686,887 ⁽⁶⁾	6,925,205	16,813,302
2011-12 ⁽⁶⁾	13,448,516	10,598,518	2,849,998	4,637,237

⁽¹⁾ These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.

⁽²⁾ Includes current and prior years’ taxes, redemption penalties and interest collected.

⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.

⁽⁴⁾ Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

⁽⁵⁾ The negative tax levy is a result of refunds exceeding the billed amounts.

⁽⁶⁾ From July 2011 through December 2011.

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

The following table sets forth the assessed valuation by category and property type for fiscal year 2007-08 through fiscal year 2011-12.

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

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

⁽¹⁾ Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

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

Source: County Auditor-Controller/County Assessor

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

Assessed valuations can be reduced as a result of an assessment appeal or an assessor-initialized reduction. Property owners can appeal their initial valuation at the time of acquisition to establish their Proposition 13 basis. Subsequently, they may appeal the valuation under Proposition 8 to achieve a temporary reduction below the Proposition 13 value, as adjusted. The County Assessor is required under Proposition 8 to make reductions, should declines in marked values call for such reductions.

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

Year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2010-11 totaling approximately \$10.3 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 \$887.7 million of assessed value, representing \$8.877 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2009-10 and fiscal year 2010-11. Fifty percent of the fiscal year 2010-11 assessment appeals have been completed. The majority of the remaining fiscal year 2010-11 assessment appeals are expected to be completed by November 30, 2012.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2012-13 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2010-11 assessment appeals still to be completed; (ii) a portion of the fiscal year 2011-12 and fiscal year 2012-13 assessment appeals being completed during fiscal year 2012-13.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2010-11, approximately 55% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County’s tax losses reserve fund will be fully funded, in accordance with the County’s election to be governed by the first alternative, at \$14.8 million as of June 30, 2011. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County’s General Fund.

Funding for the County’s on-going obligations under the Teeter Plan was completed through the sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the “B Notes”) in the amount of approximately \$171.3 million. The total amount of approximately \$171.3 million is comprised of approximately \$64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately \$106.6 million representing prior years’ delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County’s General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. The letter of credit will expire on November 5, 2012.

Largest Taxpayers

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

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
SECURED AND UNSECURED ASSESSMENTS**

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
Southern California Edison Company	\$23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Federal National Mortgage Association	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowe's 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.	<u>1,991,964.94</u>	<u>0.07</u>
<u>Total</u>	\$104,239,378.48	3.69%
<u>Total Tax Charge for 2011-12</u>	\$2,825,246,587.69	

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2011-12 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
BY ASSESSED VALUE**

<u>ASSESSEE</u>	<u>ASSESSED VALUE</u>
Federal National Mortgage Association	\$ 406,311,651
Eisenhower Memorial Hospital	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
Lowe's HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	<u>196,869,609</u>
Subtotal	\$ 2,656,959,546
All Others	<u>202,530,732,634</u>
Total	\$205,187,692,180 †

† Excludes State assessed property.
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 to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

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

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

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2000-01	\$10,966,072,778	\$20,127,612,843	\$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279 ⁽³⁾	56,587,373,841	568,873,738 ⁽⁴⁾

- ⁽¹⁾ Full cash value for all redevelopment projects (including County projects) above the “frozen” base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- ⁽²⁾ Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- ⁽³⁾ Based on County estimate of increment of assessed value for the community redevelopment agencies for FY 2011-12.
- ⁽⁴⁾ Includes general purpose and debt.

Source: County Auditor-Controller

The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency. In the early years of redevelopment the amount “passed through” by redevelopment agencies was relatively low. As the years passed, affected tax-sharing agencies became more sensitive to the potential loss of revenue. AB 1290, effective January 1, 1994, prescribed a formula for pass through of property tax increment to the tax-sharing entities cumulatively over the life of each redevelopment project.

The County has formed a redevelopment agency with project areas in 45 unincorporated communities. As of June 30, 2011, the County Redevelopment Agency had a total land area of 82,335 acres and a base year assessed value, including State-owned land, of \$2,667,188,535. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2011-12 is estimated at approximately \$11,256,994 (based on average County share of 13% of the 1% general property tax). In accordance with State law, the County Redevelopment Agency is expected to dissolve on February 1, 2012. In general, the County expects that the diversion of tax increment from redevelopment agencies to the local taxing entities according to the 2011 Budget Act would benefit the County’s general fund and fire, flood and library districts.

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 2009-10 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)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
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	<u>38,856</u>	<u>29,308</u>	<u>36,149</u>	<u>30,670</u>	<u>37,654</u>
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	<u>29,751</u>	<u>26,132</u>	<u>22,501</u>	<u>21,876</u>	<u>24,829</u>
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	<u>8,811</u>	<u>8,670</u>	<u>22,746</u>	<u>31,018</u>	<u>8,321</u>
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
Less:					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Reserved Fund Balance	88,233	84,466	91,196	90,374	-
Designated Fund Balance	<u>339,773</u>	<u>335,630</u>	<u>203,821</u>	<u>250,463</u>	<u>-</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$ 142,958</u>	<u>\$ 58,672</u>	<u>\$ 77,104</u>	<u>\$ 45,649</u>	<u>\$189,236</u>

(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)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
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	<u>263,390</u>	<u>263,566</u>	<u>252,084</u>	<u>296,543</u>	<u>283,095</u>
Total Assets	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>
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	<u>70</u>	<u>121</u>	<u>1,975</u>	<u>3,050</u>	<u>2,054</u>
Total Liabilities	<u>\$350,971</u>	<u>\$387,491</u>	<u>\$387,075</u>	<u>\$362,654</u>	<u>\$434,076</u>
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	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>	
Fund Balance	<u>\$570,964</u>	<u>\$478,768</u>	<u>\$372,121</u>	<u>\$386,486</u>	<u>\$343,562</u>
Total Liabilities and Fund Balance	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>

⁽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.

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 January 1, 2012, the County had \$668,647,450 in direct general fund obligations and \$366,945,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of January 1, 2012.

**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF JANUARY 1, 2012)**

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

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/12</u>
Metropolitan Water District	5.799%	\$ 13,067,177
Community College Districts	1.435-99.999	554,701,209
Unified School Districts	2.879-100.	2,033,680,870
Perris Union High School District	100.	53,032,260
Union School Districts	100.	56,208,493
City of Riverside	100.	15,915,000
Eastern Municipal Water District Improvement Districts	100.	42,780,000
Coachella County Water District Improvement Districts	100.	6,095,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,380,000
San Geronio Memorial Hospital District	100.	107,885,000
Community Facilities Districts	94.268-100.	2,602,060,521
Riverside County 1915 Act Bonds	100.	7,389,942
City and Special District 1915 Act Bonds (Estimated)	100.	244,516,778
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,739,712,250

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	100. %	\$ 668,647,450
Riverside County Pension Obligations	100.	366,945,000
Riverside County Board of Education Obligations	100.	5,055,000
School Districts General Fund and Lease Tax Obligations	2.879-100.	518,486,216
City of Corona General Fund Obligations	100.	64,415,000
City of Moreno Valley General Fund Obligations	100.	75,350,000
City of Murrieta General Fund Obligations	100.	13,955,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	121,448,620
City of Riverside Certificates of Participation	100.	209,595,000
City of Riverside Pension Obligations	100.	132,095,000
Other City General Fund and Special Tax Obligations	100.	113,733,800
Other Water District Certificates of Participation	98.511-100.	2,908,486
Other Special District Certificates of Participation	100.	3,180,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,295,814,572
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)		13,111,177
City of Corona Certificates of Participation supported by waste water revenues		2,395,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues		9,515,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$2,270,793,395
GROSS COMBINED TOTAL DEBT		\$8,035,526,822 (1)
NET COMBINED TOTAL DEBT		\$8,010,505,645

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

Ratios to 2011-12 Assessed Valuation:
 Overlapping Tax and Assessment Debt.....2.79%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt (\$1,035,592,450)0.70%
Combined Net Direct Debt (\$1,022,481,273)0.69%
 Gross Combined Total Debt.....5.41%
 Net Combined Total Debt5.39%

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

KD:(\$550)

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 January 1, 2012, the County's current outstanding lease obligations total \$672,196,248. The County's annual lease obligation is approximately \$75,733,843 and the maximum annual lease payment is \$83,790,021.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of January 1, 2012.

**COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of January 1, 2012)**

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental⁽¹⁾</i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 50,400,000	\$ 12,537,973 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,500,000	19,599,244 ⁽³⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	886,000 ⁽⁴⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	18,575,000	1,481,828
2008 Series A	2022	72,445,000	66,090,000	8,251,800
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	873,455
2005 Series B ⁽⁵⁾	2027	22,610,000	19,360,000	1,521,687
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,488
County of Riverside Certificates of Participation ⁽⁶⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,750
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	12,551,175	
Series 2002	2020	925,000	560,000	1,812,110 ⁽⁷⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,304,710
2008 Series A ⁽⁸⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project) ⁽⁹⁾	2031	38,075,000	31,365,000	2,532,031
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽¹⁰⁾	2018	8,685,000	2,470,000	401,540
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹¹⁾	2036	51,655,000	45,775,000	3,403,100
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,163,094
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	6,206,830
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,860,000	1,154,355
County of Riverside Certificates of Participation ⁽¹²⁾ (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	45,685,000	45,530,000	1,911,518
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	5,170,000	616,293
TOTAL		<u>\$1,037,310,073</u>	<u>\$ 672,196,248</u>	<u>\$ 75,733,843</u>

⁽¹⁾ Annual base rental for fiscal year 2011-2012 unless otherwise noted.

⁽²⁾ Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending January 23, 2012 was approximately 0.15%.

⁽³⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.

⁽⁴⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending January 24, 2012 was approximately 0.20%.

⁽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 Series 2012 Bonds will refund the 2001 Certificates of Participation (County Administrative Center Annex Project).

⁽¹⁰⁾ The 2003 Series B refunded the 1993 Master Refunding Project.

⁽¹¹⁾ 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).

⁽¹²⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

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 adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County’s risk related to its debt portfolio.

Simultaneously with the issuance of the County’s Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the “Counterparty”). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody’s, AA- by Standard & Poor’s and AA- by Fitch as of January 2012. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody’s), the County may opt, in its sole discretion, to post collateral in lieu of terminating the swap agreement.

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. The County’s regularly scheduled swap payments are insured by Assured Guaranty Corp. As of January 1, 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

<u>Year</u>	<u>Regular Employees⁽¹⁾</u>
2002	14,729 ⁽²⁾
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 6 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 74% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

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

The County's agreements with LEMU and LIUNA extend through June 30, 2012. The County imposed conditions on RSA in June 2011 and on SEIU in November 2011. A tentative agreement was reached with DDAA to extend its agreement to June 30, 2015. During the last 20 years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for Miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation. The benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement.

Included among the employees covered under the County's PERS contract are trial court employees of the State. The State is obligated to reimburse the County for the share of PERS costs associated with trial court employees, but the County remains primarily liable for such costs under the PERS contract.

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

In 2010, the County established a Pension Reform Advisory Committee (“PRAC”) to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee’s conclusions and recommendations included: (i) that current unfunded liability in the County’s pension resulted in part from the “pension contribution holidays” and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In April 2011, the Board of Supervisors approved the concept for a second tier level of benefits for new Miscellaneous employees with a benefit factor of 2% at age 60 and for new Safety employees with a benefit factor of 2% at age 55. In 2011, the County imposed provisions on several of its unions with respect to implementing pension reform changes. A second tier level of benefits for Miscellaneous and Safety employees is currently undergoing the PERS review process. The County intends to implement the changes immediately upon PERS approval, with a 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. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The members’ contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to collective bargaining arrangements to pay a portion of the employees’ required contribution to PERS (these payments by the County are referred to herein as the “County Offsets of Employee Contributions”).

In 2011, The County imposed conditions on RSA, SEIU and LIUNA and negotiated an agreement with DDAA, regarding employee pension contributions. Additionally, the County changed the pension contribution requirements for management and other unrepresented employees in 2011. These recent changes resulted in existing County employees paying between 2% to 9% of required employee contributions towards their pensions, with the employer paying the remaining percentage, if any. Currently, the total contribution for the Miscellaneous plan is 8% and for the Safety plan it is 9%. New or re-hired employees are required to pay the full cost of the pension contribution for the duration of their employment with the County, based on their hire/re-hire date, plan type, and specific bargaining unit or covered group. The County’s goal is to phase out the County’s offsets of employee contributions. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under “– Historical Funding Status.” In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$65.5 million for that fiscal year. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$102.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$15.1 million in County Offsets of Employee

Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2012-13 of approximately \$118.0 million.

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.

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 the County's actuary, Bartel & Associates ("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 \$13.1 million as of February 15, 2011. The County believes that it is reasonable to expect that over the remaining 24 years of the bond's life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS an estimated \$5.1 million from the Liability Management Fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. This prepayment generated a \$2 million cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007, on June 23, 2008, on May 4, 2010 and on June 29, 2010, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfers to PERS of \$6.5 million, \$6.5 million, \$6.1 million and \$8.3 million, respectively, from the Liability Management Fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. In 2009, pursuant to 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.

The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2006 through June 30, 2010 and the total employer contributions made by the County for fiscal year 2008-09 through fiscal year 2012-13. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$ 61,861,506	95.0%	2008-09	\$46,983,428	\$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,300,502 ⁽²⁾	13,909,396 ⁽²⁾
2010	184,737,814	89.8	2012-13	60,300,502 ⁽²⁾	0 ⁽²⁾⁽³⁾

- ⁽¹⁾ Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
 - ⁽²⁾ Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
 - ⁽³⁾ Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
- Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$142,160,688	94.8%	2008-09	\$95,930,361	\$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	102,873,745 ⁽²⁾	37,768,813 ⁽²⁾
2010	444,330,905	89.2	2012-13	102,873,745 ⁽²⁾	15,068,813 ⁽²⁾⁽³⁾

- ⁽¹⁾ Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
 - ⁽²⁾ Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.
 - ⁽³⁾ Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
- Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

**SCHEDULE OF FUNDING PROGRESS
(Safety Plan)**

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$1,231,954,415	\$1,170,092,909	\$61,861,506	95.0%	\$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7

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

**SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)**

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

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

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

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

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

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

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

assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The investment losses incurred by CalPERS in 2008 – 2009 impact the County’s contribution rates beginning in Fiscal Year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, stated that the County’s contribution rate under the Safety Plan for the Fiscal Year 2012-13 will be 22.459%, which would result in an approximate 1.173% increase in the contribution rate from Fiscal Year 2011-12 and projected a 0.34% increase for Fiscal Year 2013-14. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County’s contribution rate under the Miscellaneous Plan for the 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 7.75% 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.

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

Other Post Employment Benefits. The County provides certain post-retirement health insurance benefits to qualifying retired employees and their eligible dependents or survivors. Regular employees with a minimum service of five years and who are at least age 50 at retirement qualify to receive the post-retirement benefits.

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

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

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the “Health Benefits Valuation”), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%,

the present value of benefits was estimated to be \$49.1 million, the accrued actuarial liability was estimated to be \$40.2 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed an additional \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust.

According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$20.7 million most recently.

Medical Center

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

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

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

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

Insurance

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

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$610 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2011 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2011 was approximately \$144 million.

Litigation

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

BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from sources that the Corporation and the Underwriters believe to be reliable, but neither the Corporation nor the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS.”

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

Purchases of 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 confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 the 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's 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. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the 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 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 shall be sent to DTC. If less than all of the Series 2012 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the 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 Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the Series 2012 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriters are responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2012 Bonds or any error or delay related thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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APPENDIX C

**THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS 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
AUDITOR-CONTROLLER
County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802

AC | 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.

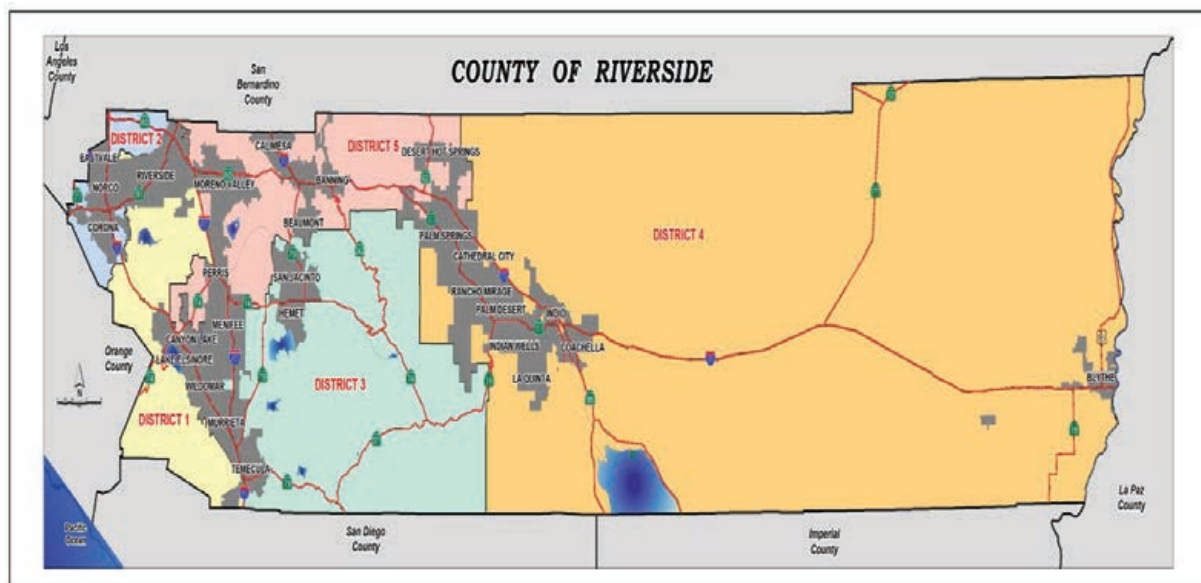
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, and Eastvale (the newest city as of October 1, 2010). The unincorporated communities consist of Jurupa Valley (incorporated July 1, 2011), Home Gardens, El Cerrito, Coronita, and Green River.

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

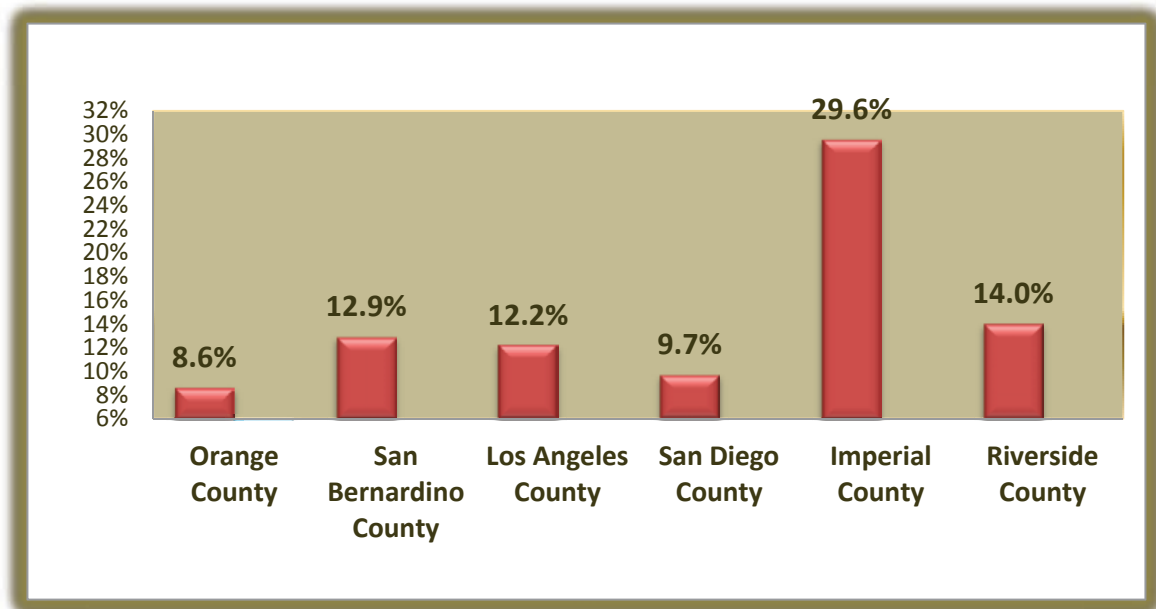
The California economy continues to work towards recovery. Weak real estate market conditions, depressed construction activity, and public sector fiscal problems remain the principal impediments to stronger job growth. The state budget includes a major realignment of the public safety programs from the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

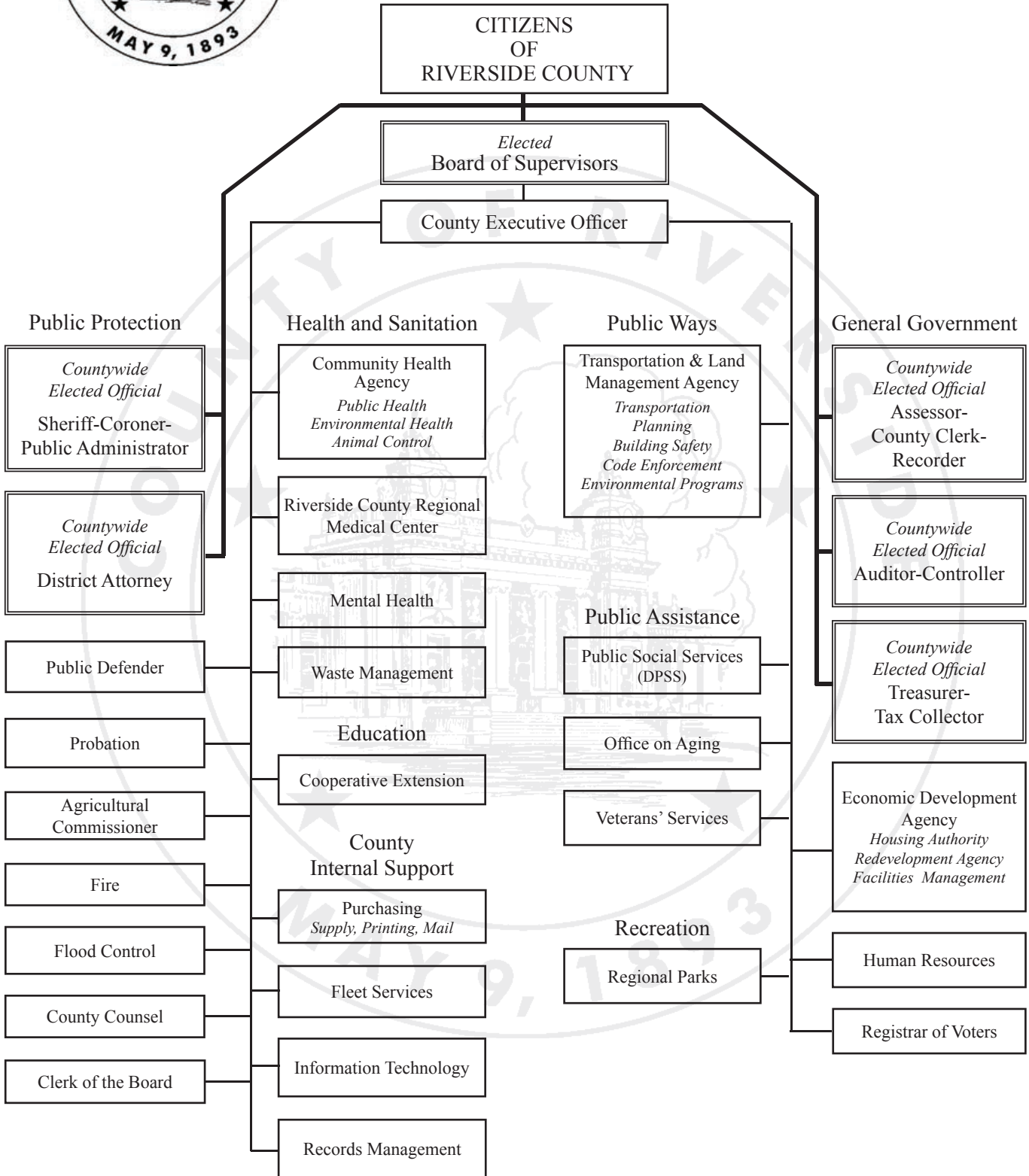
APPOINTED OFFICIALS

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

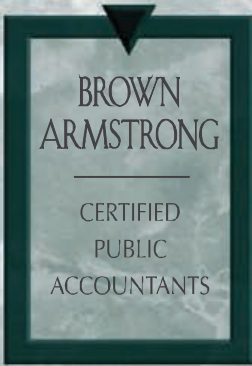


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FINANCIAL SECTION



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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.

MAIN OFFICE

4200 TRUXTUN AVENUE

SUITE 300
BAK RSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE

SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

8050 N. PALM AVENUE

SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

790 E. COLORADO BLVD.

SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922



REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

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

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

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and schedule of funding progress, listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
December 28, 2011

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**



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MANAGEMENT'S

DISCUSSION AND ANALYSIS

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

Management's Discussion & Analysis (Unaudited)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

The financial information for the Palm Desert Financing Authority (RCPDFA) and the Children and Families Commission (the Commission), both legally separate component units whose governing bodies are appointed by and serve at the will of the County, are presented separately from the financial information of the primary government.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation

Management's Discussion & Analysis (*Unaudited*)

- 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

Management's Discussion & Analysis (*Unaudited*)

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.

Management's Discussion & Analysis (Unaudited)

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, Historic 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

Management's Discussion & Analysis (*Unaudited*)

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

Management's Discussion & Analysis (Unaudited)

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%

Management's Discussion & Analysis (Unaudited)

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of 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.

Management's Discussion & Analysis (Unaudited)

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.

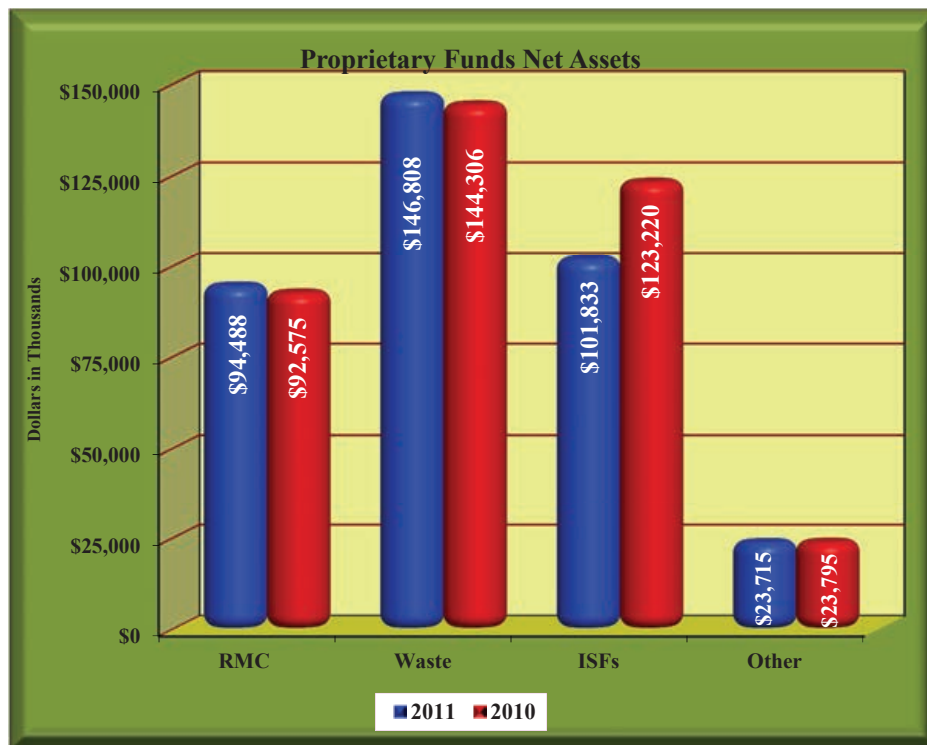
At the end of the fiscal year, total proprietary fund net assets were \$366.8 million, compared to \$383.9 million as restated for prior fiscal year. Total proprietary fund net assets decreased by 4.4% or \$17.1 million, compared to 0.1%, or \$0.3 million, decrease for the prior fiscal year.

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.



Management's Discussion & Analysis (Unaudited)

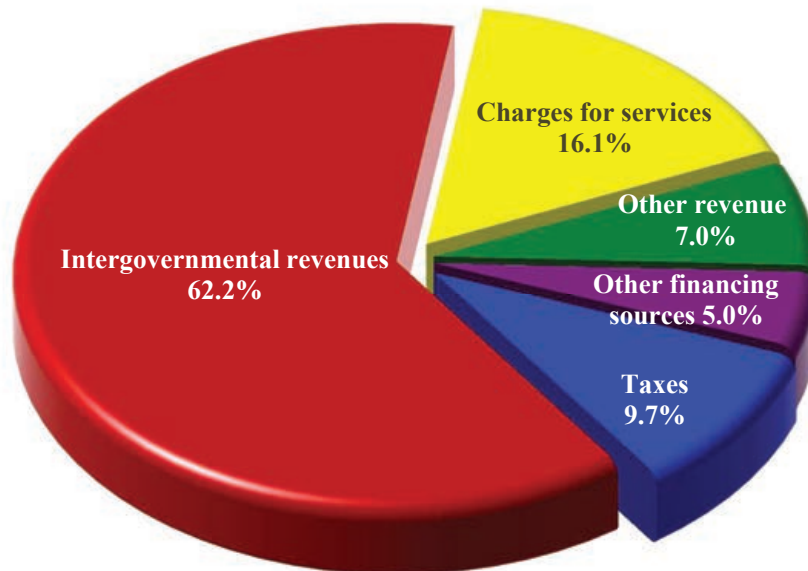
GENERAL FUND FINANCIAL ANALYSIS

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



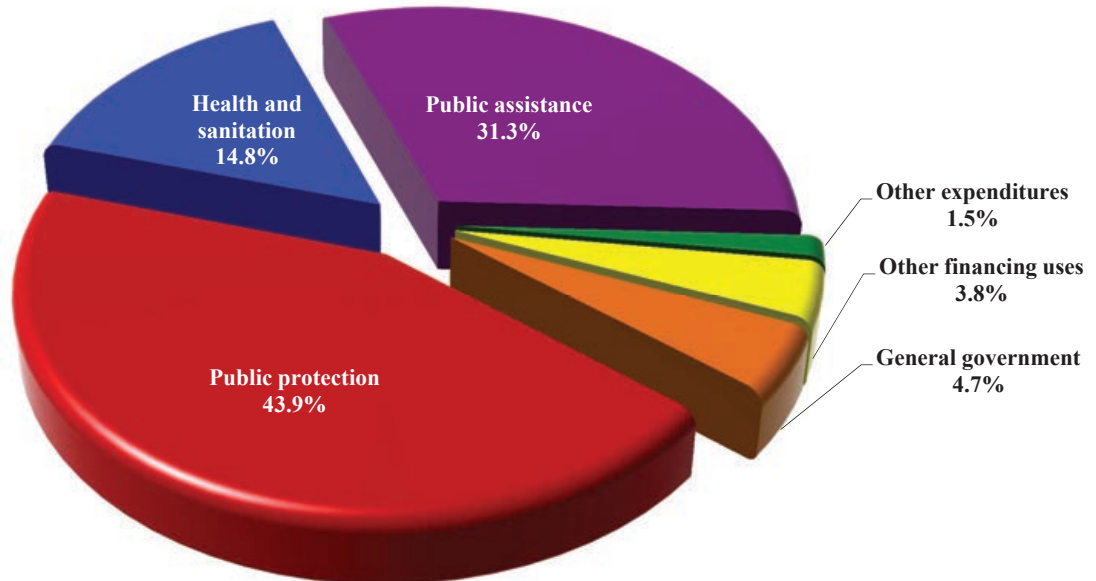
Management's Discussion & Analysis (Unaudited)

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

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



Management's Discussion & Analysis (*Unaudited*)

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

Management's Discussion & Analysis (*Unaudited*)

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:

Management's Discussion & Analysis (*Unaudited*)

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

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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

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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.

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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.

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- 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)						Increase/ (Decrease) %
	Governmental Activities		Business-type Activities		Total		
	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.

Management's Discussion & Analysis (Unaudited)

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:

	<u>Moody's Investors</u>	<u>Standard &</u>	<u>Fitch</u>
	<u>Service, Inc.</u>	<u>Poor's Corp.</u>	
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.

Management's Discussion & Analysis (Unaudited)

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	<u>\$ 584,403</u>

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	<u>6,784,196</u>	<u>595,277</u>	<u>7,379,473</u>	<u>48,794</u>	<u>83,803</u>
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	<u>3,145,064</u>	<u>379,152</u>	<u>3,524,216</u>	<u>34,495</u>	<u>85,194</u>
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	<u>\$ 3,639,132</u>	<u>\$ 216,125</u>	<u>\$ 3,855,257</u>	<u>\$ 14,299</u>	<u>\$ (1,391)</u>

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

COUNTY OF RIVERSIDE

Statement of Activities

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

FUNCTION/PROGRAM ACTIVITIES:	Program Revenues			Expenses
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 298,032	\$ 159,570	\$ 125,019	\$ 748
Public protection	1,021,288	326,237	214,328	1,190
Public ways and facilities	87,424	45,205	55,639	29,475
Health and sanitation	369,984	52,174	209,327	-
Public assistance	907,202	3,051	773,742	-
Education	15,816	726	10,027	701
Recreation and culture	9,364	4,775	4,934	-
Interest on long-term debt	88,998	-	-	-
Total governmental activities	<u>2,798,108</u>	<u>591,738</u>	<u>1,393,016</u>	<u>32,114</u>
Business-type activities:				
Regional Medical Center	401,120	386,533	-	-
Waste Management Department	56,688	51,206	-	-
Housing Authority	86,027	87,211	-	-
Flood Control	3,711	1,517	-	-
County Service Areas	383	393	-	-
Total business-type activities	<u>547,929</u>	<u>526,860</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 3,346,037</u>	<u>\$ 1,118,598</u>	<u>\$ 1,393,016</u>	<u>\$ 32,114</u>
Component units:				
Children and Families Commission	\$ 39,950	\$ -	\$ 24,049	\$ -
Palm Desert Financing Authority	9,590	9,030	-	-
Total Component Units	<u>\$ 49,540</u>	<u>\$ 9,030</u>	<u>\$ 24,049</u>	<u>\$ -</u>

General revenues:

 Taxes:

 Property taxes

 Sales and use taxes

 Other taxes

 Motor vehicle in-lieu of taxes

 Investment earnings

 Other

 Extraordinary Item -AB99

Transfers

 Total general revenues and transfers

 Changes in net assets

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

NET ASSETS, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority	
					FUNCTION/PROGRAM ACTIVITIES:
					Primary government:
					Governmental activities:
\$ (12,695)	\$ -	\$ (12,695)			General government
(479,533)	-	(479,533)			Public protection
42,895	-	42,895			Public ways and facilities
(108,483)	-	(108,483)			Health and sanitation
(130,409)	-	(130,409)			Public assistance
(4,362)	-	(4,362)			Education
345	-	345			Recreation and culture
(88,998)	-	(88,998)			Interest on long-term debt
<u>(781,240)</u>	<u>-</u>	<u>(781,240)</u>			Total governmental activities
					Business-type activities:
-	(14,587)	(14,587)			Regional Medical Center
-	(5,482)	(5,482)			Waste Management Department
-	1,184	1,184			Housing Authority
-	(2,194)	(2,194)			Flood Control
-	10	10			County Service Areas
<u>-</u>	<u>(21,069)</u>	<u>(21,069)</u>			Total business-type activities
<u>(781,240)</u>	<u>(21,069)</u>	<u>(802,309)</u>			Total primary government
			\$ (15,901)	\$ -	Component unit:
			<u>-</u>	<u>(560)</u>	Children and Families Commission
			<u>(15,901)</u>	<u>(560)</u>	Palm Desert Financing Authority
					Total Component Units
					General revenues:
					Taxes:
367,867	-	367,867	-	-	Property taxes
45,489	-	45,489	-	-	Sales and use taxes
9,004	-	9,004	-	-	Other taxes
235,153	-	235,153	-	-	Motor vehicle in-lieu of taxes
19,494	538	20,032	255	39	Investment earnings
142,966	6,617	149,583	107	-	Other
-	-	-	(30,091)	-	Extraordinary Item -AB99
<u>(10,355)</u>	<u>10,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	Transfers
<u>809,618</u>	<u>17,510</u>	<u>827,128</u>	<u>(29,729)</u>	<u>39</u>	Total general revenues and transfers
28,378	(3,559)	24,819	(45,630)	(521)	Changes in net assets
<u>3,610,754</u>	<u>219,684</u>	<u>3,830,438</u>	<u>59,929</u>	<u>(870)</u>	NET ASSETS, BEGINNING OF YEAR
<u>\$ 3,639,132</u>	<u>\$ 216,125</u>	<u>\$ 3,855,257</u>	<u>\$ 14,299</u>	<u>\$ (1,391)</u>	NET ASSETS, END OF YEAR

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



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**BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS**



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COUNTY OF RIVERSIDE

Balance Sheet
 Governmental Funds
 June 30, 2011
 (Dollars in Thousands)

	General	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects
ASSETS:				
Cash and investments (Note 5)	\$ 160,887	\$ 253,582	\$ -	\$ 298,646
Accounts receivable (Notes 1 and 7)	12,771	514	-	-
Interest receivable (Note 7)	1,119	197	45	214
Taxes receivable (Note 7)	17,790	4,124	114,632	-
Due from other governments (Note 7)	276,656	42	-	-
Inventories	1,564	-	-	-
Due from other funds (Note 8)	19,787	655	35	-
Prepaid items	277	9	-	-
Restricted cash and investments (Notes 5 and 6)	283,095	5,122	101,176	-
Advance to other funds (Note 8)	3,692	-	-	-
Notes receivable (Note 7)	-	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 777,638	\$ 264,245	\$ 215,888	\$ 298,860
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 84,116	\$ 7,110	\$ 23	\$ 5,025
Salaries and benefits payable	50,374	852	-	-
Due to other governments	34,550	222	-	-
Due to other funds (Note 8)	2,639	767	9,060	733
Deposits payable	2,054	-	-	-
Teeter notes payable (Note 12)	-	-	206,805	-
Advances from other funds (Note 8)	-	-	-	-
Deferred revenue (Note 7)	260,343	4,341	-	-
Total liabilities	434,076	13,292	215,888	5,758
Fund balances (Note 14):				
Nonspendable	2,214	1	-	-
Restricted	98,552	-	-	158,628
Committed	50,097	237,211	-	6,451
Assigned	3,463	13,741	-	128,023
Unassigned	189,236	-	-	-
Total fund balances	343,562	250,953	-	293,102
Total liabilities and fund balances	\$ 777,638	\$ 264,245	\$ 215,888	\$ 298,860

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	ASSETS:
\$ 207,556	\$ 450,995	\$ 1,371,666	Cash and investments (Note 5)
2,669	2,543	18,497	Accounts receivable (Notes 1 and 7)
265	402	2,242	Interest receivable (Note 7)
-	2,490	139,036	Taxes receivable (Note 7)
3	26,222	302,923	Due from other governments (Note 7)
-	1,073	2,637	Inventories
-	2,393	22,870	Due from other funds (Note 8)
-	577	863	Prepaid items
-	110,479	499,872	Restricted cash and investments (Notes 5 and 6)
-	1,300	4,992	Advance to other funds (Note 8)
17,642	44,357	61,999	Notes receivable (Note 7)
54,413	38,157	92,570	Land held for resale
<u>\$ 282,548</u>	<u>\$ 680,988</u>	<u>\$ 2,520,167</u>	Total assets
LIABILITIES AND FUND BALANCES:			
Liabilities:			
\$ 10,304	\$ 29,473	\$ 136,051	Accounts payable
-	4,348	55,574	Salaries and benefits payable
-	1,657	36,429	Due to other governments
691	7,598	21,488	Due to other funds (Note 8)
-	274	2,328	Deposits payable
-	-	206,805	Teeter notes payable (Note 12)
-	1,300	1,300	Advances from other funds (Note 8)
-	29,933	294,617	Deferred revenue (Note 7)
<u>10,995</u>	<u>74,583</u>	<u>754,592</u>	Total liabilities
Fund balances (Note 14):			
72,055	84,769	159,039	Nonspendable
-	410,787	667,967	Restricted
115,617	24,277	433,653	Committed
83,881	86,572	315,680	Assigned
-	-	189,236	Unassigned
<u>271,553</u>	<u>606,405</u>	<u>1,765,575</u>	Total fund balances
<u>\$ 282,548</u>	<u>\$ 680,988</u>	<u>\$ 2,520,167</u>	Total liabilities and fund balances



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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)
	<hr/>	
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.		<hr/>
		150,719
		<hr/>
Net assets of governmental activities (page 23)		<u>\$ 3,639,132</u>

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
REVENUES:				
Taxes	\$ 221,807	\$ 40,814	\$ -	\$ -
Licenses, permits, and franchise fees	18,187	-	-	-
Fines, forfeitures, and penalties	93,528	-	-	-
Use of money and property:				
Interest	8,196	1,387	1,611	1,562
Rents and concessions	3,669	123	-	209
Aid from other governmental agencies:				
Federal	490,088	76	-	-
State	856,327	635	-	-
Other	82,147	-	-	18,822
Charges for services	369,780	5,470	-	21,283
Other revenue	37,654	7,258	43	4,738
Total revenues	<u>2,181,383</u>	<u>55,763</u>	<u>1,654</u>	<u>46,614</u>
EXPENDITURES:				
Current:				
General government	109,146	-	686	44,335
Public protection	1,025,584	45,249	-	-
Public ways and facilities	-	-	-	310
Health and sanitation	345,649	-	-	-
Public assistance	731,017	-	-	-
Education	548	-	-	-
Recreation and culture	364	-	-	-
Debt service:				
Principal	17,005	-	-	760
Interest	7,824	-	1,724	-
Cost of issuance	-	-	-	-
Capital outlay	8,321	-	-	-
Total expenditures	<u>2,245,458</u>	<u>45,249</u>	<u>2,410</u>	<u>45,405</u>
Excess (deficiency) of revenues over (under) expenditures	(64,075)	10,514	(756)	1,209
OTHER FINANCING SOURCES (USES):				
Transfers in	106,047	-	845	6,959
Transfers out	(93,217)	(1,485)	(89)	(53,719)
Issuance of debt	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Capital leases	8,321	-	-	-
Total other financing sources (uses)	<u>21,151</u>	<u>(1,485)</u>	<u>756</u>	<u>(46,760)</u>
NET CHANGE IN FUND BALANCES	<u>(42,924)</u>	<u>9,029</u>	<u>-</u>	<u>(45,551)</u>
Fund balances, beginning of year, as previously reported	386,486	241,924	-	338,653
Adjustments to beginning fund balances (Note 4)	-	-	-	-
Fund balances, beginning of year, as restated	<u>386,486</u>	<u>241,924</u>	<u>-</u>	<u>338,653</u>
FUND BALANCES, END OF YEAR	<u>\$ 343,562</u>	<u>\$ 250,953</u>	<u>\$ -</u>	<u>\$ 293,102</u>

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

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	
\$ -	\$ 165,271	\$ 427,892	REVENUES:
-	2,107	20,294	Taxes
-	1,762	95,290	Licenses, permits, and franchise fees
			Fines, forfeitures, and penalties
			Use of money and property:
1,781	3,768	18,305	Interest
410	13,248	17,659	Rents and concessions
			Aid from other governmental agencies:
71	119,296	609,531	Federal
-	64,367	921,329	State
-	29,393	130,362	Other
-	62,211	458,744	Charges for services
1,721	43,865	95,279	Other revenue
<u>3,983</u>	<u>505,288</u>	<u>2,794,685</u>	Total revenues
			EXPENDITURES:
			Current:
87,329	69,529	311,025	General government
-	10,656	1,081,489	Public protection
-	175,874	176,184	Public ways and facilities
-	8,255	353,904	Health and sanitation
-	93,454	824,471	Public assistance
-	18,734	19,282	Education
-	18,391	18,755	Recreation and culture
			Debt service:
15,000	48,163	80,928	Principal
-	74,354	83,902	Interest
-	5,212	5,212	Cost of issuance
-	22,118	30,439	Capital outlay
<u>102,329</u>	<u>544,740</u>	<u>2,985,591</u>	Total expenditures
			Excess (deficiency) of revenues over (under) expenditures
(98,346)	(39,452)	(190,906)	
			OTHER FINANCING SOURCES (USES):
6,531	147,603	267,985	Transfers in
(22,930)	(106,503)	(277,943)	Transfers out
124,970	45,511	170,481	Issuance of debt
-	6	6	Proceeds from sale of capital assets
-	-	8,321	Capital leases
<u>108,571</u>	<u>86,617</u>	<u>168,850</u>	Total other financing sources (uses)
10,225	47,165	(22,056)	NET CHANGE IN FUND BALANCES
268,347	557,715	1,793,125	Fund balances, beginning of year, as previously reported
(7,019)	1,525	(5,494)	Adjustments to beginning fund balances (Note 4)
<u>261,328</u>	<u>559,240</u>	<u>1,787,631</u>	Fund balances, beginning of year, as restated
<u>\$ 271,553</u>	<u>\$ 606,405</u>	<u>\$ 1,765,575</u>	FUND BALANCES, END OF YEAR

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	<u>(105,650)</u>	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	<u>282</u>	(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	<u>1,550</u>	(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)

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance With
	<u>Original</u>	<u>Final</u>		Final Budget 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	<u>2,423,259</u>	<u>2,340,502</u>	<u>2,181,383</u>	<u>(159,119)</u>
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	<u>195,292</u>	<u>176,618</u>	<u>109,146</u>	<u>(67,472)</u>
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	<u>1,062,350</u>	<u>1,075,262</u>	<u>1,025,584</u>	<u>(49,678)</u>
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	<u>\$ 396,046</u>	<u>\$ 396,715</u>	<u>\$ 345,649</u>	<u>\$ (51,066)</u>

(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 Amounts	Variance With Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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
	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	<u>195,644</u>	<u>153,458</u>	<u>22,547</u>	<u>371,649</u>	<u>244,008</u>
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	<u>184,331</u>	<u>73,074</u>	<u>15,350</u>	<u>272,755</u>	<u>36,442</u>
Total assets	<u>379,975</u>	<u>226,532</u>	<u>37,897</u>	<u>644,404</u>	<u>280,450</u>
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	<u>96,448</u>	<u>11,814</u>	<u>5,566</u>	<u>113,828</u>	<u>74,301</u>
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	<u>189,039</u>	<u>67,910</u>	<u>8,616</u>	<u>265,565</u>	<u>104,316</u>
Total liabilities	<u>285,487</u>	<u>79,724</u>	<u>14,182</u>	<u>379,393</u>	<u>178,617</u>
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	<u>\$ 94,488</u>	<u>\$ 146,808</u>	<u>\$ 23,715</u>	<u>265,011</u>	<u>\$ 101,833</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(48,886)	
Net assets of business-type activities				<u>\$ 216,125</u>	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 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	<u>386,533</u>	<u>51,206</u>	<u>89,121</u>	<u>526,860</u>	<u>243,810</u>
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	<u>382,442</u>	<u>55,413</u>	<u>88,964</u>	<u>526,819</u>	<u>329,922</u>
Operating income (loss)	<u>4,091</u>	<u>(4,207)</u>	<u>157</u>	<u>41</u>	<u>(86,112)</u>
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)	<u>(13,013)</u>	<u>7,005</u>	<u>(53)</u>	<u>(6,061)</u>	<u>(403)</u>
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	<u>92,575</u>	<u>144,306</u>	<u>23,795</u>		<u>123,220</u>
NET ASSETS, END OF YEAR	<u><u>\$ 94,488</u></u>	<u><u>\$ 146,808</u></u>	<u><u>\$ 23,715</u></u>		<u><u>\$ 101,833</u></u>

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	<u>27,038</u>	<u>10,346</u>	<u>3,267</u>	<u>40,651</u>	<u>(58,240)</u>
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	<u>10,736</u>	<u>(296)</u>	<u>(184)</u>	<u>10,256</u>	<u>3,286</u>
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	<u>(45,470)</u>	<u>(865)</u>	<u>(863)</u>	<u>(47,198)</u>	<u>46,725</u>
Cash flows from investing activities					
Interest received on investments	188	372	114	674	1,377
Net cash provided by investing activities	<u>188</u>	<u>372</u>	<u>114</u>	<u>674</u>	<u>1,377</u>
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	<u>\$ 59,693</u>	<u>\$ 148,654</u>	<u>\$ 21,125</u>	<u>\$ 229,472</u>	<u>\$ 233,071</u>

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 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	<u>\$ 27,038</u>	<u>\$ 10,346</u>	<u>\$ 3,267</u>	<u>\$ 40,651</u>	<u>\$ (58,240)</u>
Noncash investing, capital, and financing activities:					
Capital lease obligations	<u>\$ 2,117</u>			<u>\$ 2,117</u>	<u>\$ 4,871</u>

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

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

	Pension Trust	Investment Trust	Private- Purpose Trust	Agency Funds
	<u>Trust</u>	<u>Trust</u>	<u>Trust</u>	<u>Funds</u>
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	<u>22,265</u>	<u>2,813,711</u>	<u>14,348</u>	<u>307,577</u>
LIABILITIES:				
Accounts payable	-	-	6,330	148,003
Salaries and benefits payable	-	-	-	5
Due to other governments	-	-	-	159,569
Total liabilities	<u>-</u>	<u>-</u>	<u>6,330</u>	<u>\$ 307,577</u>
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	<u>\$ 22,265</u>	<u>\$ 2,813,711</u>	<u>\$ 8,018</u>	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 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	<u>2,932</u>	<u>19,035,951</u>	<u>5,877</u>
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	<u>688</u>	<u>19,097,431</u>	<u>6,308</u>
Change in net assets	2,244	(61,480)	(431)
Net assets held in trust, beginning of the year	<u>20,021</u>	<u>2,875,191</u>	<u>8,449</u>
Net assets held in trust, end of the year	<u>\$ 22,265</u>	<u>\$ 2,813,711</u>	<u>\$ 8,018</u>

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.

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

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

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 contractals 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 XIII A 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Leases

The County leases various assets under both operating and capital lease agreements. For governmental funds, assets under capital leases and the related lease obligations are reported in the government-wide financial statements. For proprietary funds, the assets and related lease obligations are recorded in the appropriate enterprise or internal service fund and the government-wide financial statements.

Restricted Assets

The County maintains various restricted asset accounts as a result of debt agreements and certain State statutes. The agreements authorizing the issuance of CORAL and Housing Authority obligations include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and bond redemption purposes. Waste Management has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The General Fund has restricted assets for program money where use is legally or contractually restricted.

Land Held for Resale

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

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2011, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was \$180.6 million.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the Public Employee's Retirement System, unused accumulated sick leave for most employees with at least five (5) but less than 15 years of service shall be credited at the rate of fifty percent (50%) of current salary value thereof provided; however, that the total payment shall not exceed a sum equal to 960 hours of full pay. Unused accumulated sick leave for employees with more than fifteen or more years of service shall be credited at the rate of the current salary value provided; however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

Deferred Revenue/Unearned Revenue

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Long-term Debt

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

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

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

Bond Issuance Costs

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

Landfill Closure and Post-Closure Care Costs

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

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

Interfund Transactions

Interfund transactions are reflected as loans, services provided reimbursements, or transfers. Loans are reported as receivables and payables, as appropriate. These transactions are subject to elimination upon consolidation and are referred to as either “due to/due from other funds” (the current portion of interfund loans) or “advances to/advances from other funds” (the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are neither available for appropriation nor available as financial resources.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 57

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

Governmental Accounting Standards Board Statement No. 58

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

Governmental Accounting Standards Board Statement No. 59

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

Governmental Accounting Standards Board Statement No. 60

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

Governmental Accounting Standards Board Statement No. 61

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

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

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No.62

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

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 64

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

Each year the original budget, as published in a separate report the "Adopted Budget," is adjusted to reflect increases or decreases in revenues and changes in fund balance. These changes are offset by an equal change in available appropriations. The County Executive Officer is authorized by the Board to transfer appropriations between appropriation classes within the same budgetary unit. Transfers of appropriations between budgetary units require approval of the Board (legal level of control). Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act. All annual appropriations lapse at year-end.

Budgetary comparison statements are prepared for the general fund, special revenue funds, certain debt service funds, and certain capital project funds. The budgetary comparison statements are a part of the basic financial statements. Each budgetary comparison statement provides three separate types of information: (1) the original budget; (2) the final amended budget, which included legally authorized changes regardless of when they occurred; and (3) the actual amount of inflows and outflows in the budget-to-actual comparison.

Excess of expenditures over appropriations

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



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

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

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

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

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

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

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	<u>\$ 3,610,754</u>	<u>\$ 219,684</u>

Fund Financials:

Description	Governmental Funds		
	Major Fund	Non-Major Funds	
	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	<u>\$ 261,328</u>	<u>\$ 164,798</u>	<u>\$ 14,613</u>

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

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	<u>\$ 2,104,609</u>	<u>\$ 229,472</u>	<u>\$ 59,501</u>	<u>\$ 3,083,227</u>	<u>\$ 5,476,809</u>

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

Deposits	\$ 237,953
Investments	<u>5,238,856</u>
Total Cash and Investments	<u>\$ 5,476,809</u>

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

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

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	<u>4,942,333</u>						<u>100.00%</u>
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	<u>280,417</u>						<u>100.00%</u>
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	<u>16,106</u>						<u>100.00%</u>
Total Investments	<u>\$ 5,238,856</u>						

(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.

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

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.

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

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	
Remediation 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

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

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						Total
Governmental Activities:	Accounts	Interest	Taxes	Due From Other Govts	Notes	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	<u>\$ 21,139</u>	<u>\$ 2,409</u>	<u>\$139,036</u>	<u>\$ 304,275</u>	<u>\$ 61,999</u>	<u>\$ 528,858</u>

Receivables						Total
Business-type Activities:	Accounts	Interest	Taxes	Due From Other Govts	Allowance for uncollec- tibles	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	<u>\$ 1,479,247</u>	<u>\$ 121</u>	<u>\$ 12</u>	<u>\$ 66,810</u>	<u>\$(1,416,204)</u>	<u>\$ 129,986</u>

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:	<u>Unavailable</u>	<u>Unearned</u>
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	<u>\$ 45,781</u>	<u>248,836</u>
Government-wide activities:		
Redevelopment Agency		
Resources received that do not yet meet the criteria for revenue		7,326
Total unearned revenue Government-wide activities		<u>\$ 256,162</u>

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

NOTE 8 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

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

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

These interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, and (2) payments between funds are made.

Advances to/from other funds:

The General Fund advanced \$3.7 million to Economic Development Agency for their internal service fund start up costs.

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

NOTE 8 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund					
Regional Medical Center	Waste Management	Other Enterprise Funds	Internal Service Funds	Total Payable	
					General Fund
\$ -	\$ -	\$ -	\$ -	35	Delinquent property tax
-	-	-	2,433	2,604	Interfund activity
				<u>2,639</u>	Total General Fund
					Flood Control
-	-	-	-	499	Capital projects
-	-	5	263	268	Interfund activity
				<u>767</u>	Total Flood Control
					Teeter Debt Service
-	-	-	-	9,060	Delinquent property tax
				<u>9,060</u>	Total Teeter Debt Service
					Public Facilities Improvements Capital Projects
-	-	-	-	733	Capital projects
				<u>733</u>	Total Public Facilities Imprv Cap Prog
					Redevelopment Capital Projects
-	-	-	-	691	Capital projects
				<u>691</u>	Total Redevelopment Capital Projects
					Nonmajor Governmental Funds
-	-	-	-	6,844	Fire
-	-	-	-	719	Interfund activity
-	-	-	-	35	Transportation
				<u>7,598</u>	Total Nonmajor Governmental Funds
					Regional Medical Center
-	-	-	-	222	Law
				<u>222</u>	Total Regional Medical Center
					Other Enterprise Funds
-	-	5	-	19	Interfund activity
				<u>19</u>	Total Other Enterprise Funds
					Internal Service Funds
315	24	1	12	4,199	Interfund activity
				<u>4,199</u>	Total Internal Service Funds
<u>\$ 315</u>	<u>\$ 24</u>	<u>\$ 11</u>	<u>\$ 2,708</u>	<u>\$ 25,928</u>	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
<i>Operating or debt subsidy:</i>				
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
<i>Operating or debt subsidy:</i>				
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:						
<i>Capital assets, not being depreciated:</i>						
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
<i>Capital assets, being depreciated:</i>						
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:						
<i>Capital assets, not being depreciated:</i>						
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
<i>Capital assets, being depreciated:</i>						
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

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

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	<u>\$ 17,282</u>

Capital Leases

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

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

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)	<u>3,582</u>	72.3	10
	<u>\$ 70,613</u>		

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

In accordance with sections 18283 and 18290 of the CCR, 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.

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

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):

<u>Year Ending June 30</u>		
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	\$	<u>149,122</u>

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	<u>\$ 257,300</u>	<u>\$ 444,505</u>	<u>\$ (495,000)</u>	<u>\$ 206,805</u>

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

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):

<u>Year Ending June 30</u>	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	<u>\$ 66,574</u>	<u>\$ 44,554</u>	<u>111,128</u>	<u>\$ 15,830</u>

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

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

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<i>Certificates of Participation (Continued):</i>					
<u>CORAL</u>					
1990 Monterey Avenue:					
Serial Certificate	11/09 – 11/20	Variable	\$300 - \$800	\$ 8,800	\$ 5,600
				<u>8,800</u>	<u>5,600</u>
<u>CORAL</u>					
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
				<u>38,075</u>	<u>32,265</u>
<u>CORAL</u>					
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
				<u>13,190</u>	<u>11,830</u>
<u>CORAL</u>					
2003 B –Capital Facilities Refunding:					
Serial Certificates	11/09 – 11/18	2.00% - 4.20%	\$880 - \$395	8,685	2,770
				<u>8,685</u>	<u>2,770</u>
<u>CORAL</u>					
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
				<u>51,665</u>	<u>46,935</u>
<u>CORAL</u>					
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
				<u>22,610</u>	<u>19,955</u>
<u>CORAL</u>					
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
				<u>34,675</u>	<u>32,845</u>
<u>CORAL</u>					
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
				<u>111,125</u>	<u>67,110</u>
<u>CORAL</u>					
2009 Public Safety Communication and Woodcrest Library Refunding Projects:					
Series A	12/10 – 11/39	Variable	\$70 - \$420	45,685	45,615
				<u>45,685</u>	<u>45,615</u>

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

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

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
<i>Bonds Payable (Continued):</i>					
<u>RDA</u>					
2011 A-T Tax Allocation Housing Bonds	03/11- 03/22	2.73% - 6.25%		\$ 14,095	\$ 14,095
				<u>14,095</u>	<u>14,095</u>
<u>RDA</u>					
2011 B-T Tax Allocation Housing Bonds	03/11- 03/20	2.72% - 6.00%		11,525	11,525
				<u>11,525</u>	<u>11,525</u>
<u>RDA</u>					
2005 Tax Allocation Housing/Refunding	10/09 – 10/33	3.00% - 4.50%	\$395 - \$1,105	18,245	15,955
				<u>18,245</u>	<u>15,955</u>
<u>RDA</u>					
2007 A Tax Allocation Refunding Bonds	10/09 – 09/1/34	3.00% - 4.50%	\$1,795 - \$6,450	89,990	84,600
				<u>89,990</u>	<u>84,600</u>
<u>Taxable Pension Obligation Bond</u>					
Pension Obligation Bonds (Series 2005-A)	8/09 – 8/35	4.91% - 5.04%	\$3,425 - \$5,530	400,000	366,945
				<u>400,000</u>	<u>366,945</u>
<u>RDA</u>					
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
				<u>437,093</u>	<u>414,003</u>
<u>Inland Empire Tobacco Securitization Authority</u>					
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
				<u>294,084</u>	<u>276,319</u>
Total Bonds Payable				<u>\$ 1,663,743</u>	<u>\$ 1,551,323</u>
<i>Loans Payable:</i>					
<u>CORAL</u>					
2011 Monroe Park Building Refunding	2/11- 12/20	3.54%	\$180 - \$330	\$ 5,535	\$ 5,355
Total Loans Payable				<u>\$ 5,535</u>	<u>\$ 5,355</u>
Total Governmental Activities				<u>\$ 2,234,713</u>	<u>\$ 1,923,951</u>

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2011
Business-Type Activities					
<i>Bonds Payable:</i>					
<u>Regional Medical Center</u>					
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
<u>Regional Medical Center</u>					
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
<u>Regional Med Center 1997</u>					
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
<u>Housing Authority</u>					
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					
<i>Bonds Payable:</i>					
<u>Palm Desert Financing Authority</u>					
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

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

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 Year ending June 30	Loans Payable		Certificates of Participation	
	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 Year ending June 30	Bonds Payable	
	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

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

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 Year ending June 30	Bonds Payable		Other Long-term Liabilities	
	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	<u>\$ 137,212</u>	<u>\$ 100,180</u>	<u>\$ 6,795</u>	<u>\$ -</u>
Bond Discount/Premium, net	(11)	-		
Deferred Charges (Housing)	(486)	-		
Loss on Defeasance (net)	(1,732)	-		
Total	<u><u>\$ 134,983</u></u>	<u><u>\$ 100,180</u></u>		

Discretely Presented Component Unit Year ending June 30	Bonds Payable	
	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	<u>84,665</u>	<u>35,282</u>
Bond Discount/Premium, net	(668)	-
Total	<u><u>\$ 83,997</u></u>	<u><u>\$ 35,282</u></u>

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

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

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.

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

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%.

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

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.

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

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		Net Swap Payments	Total Interest
	Principal	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
	<u>\$ 76,300</u>	<u>\$ 15,747</u>	<u>\$ 44,596</u>	<u>\$ 60,343</u>

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	<u>1,939,341</u>	<u>189,208</u>	<u>(93,471)</u>	<u>2,035,078</u>	<u>86,753</u>
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	<u>324,248</u>	<u>111,011</u>	<u>(85,903)</u>	<u>349,356</u>	<u>125,640</u>
Total governmental activities – long-term liabilities	<u>\$ 2,263,589</u>	<u>\$ 300,219</u>	<u>\$ (179,374)</u>	<u>\$ 2,384,434</u>	<u>\$ 212,393</u>

- (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.

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

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
<u>Business-type activities:</u>					
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	<u>168,766</u>	<u>2,117</u>	<u>(20,070)</u>	<u>150,813</u>	<u>20,293</u>
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	<u>147,043</u>	<u>14,567</u>	<u>(7,073)</u>	<u>154,537</u>	<u>19,541</u>
Total business-type activities – long-term liabilities	<u>\$ 315,809</u>	<u>\$ 16,684</u>	<u>\$ (27,143)</u>	<u>\$ 305,350</u>	<u>\$ 39,834</u>
<u>Discretely Presented Component Unit</u>					
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	<u>\$ 89,229</u>	<u>\$ 101</u>	<u>\$ (5,062)</u>	<u>\$ 84,268</u>	<u>\$ 5,388</u>

(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.

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

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.

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

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
<u>Nonspendable:</u>				
Imprest cash	\$ 372	\$ 1	\$ -	\$ -
Inventories	1,565	-	-	-
Receivables	-	-	-	17,642
Permanent	-	-	-	-
Land held for resale	-	-	-	54,413
Prepays	277	-	-	-
Total nonspendable fund balances	2,214	1	-	72,055
<u>Restricted for:</u>				
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	-
<u>Committed to:</u>				
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
<u>Assigned to:</u>				
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
<u>Unassigned fund balances</u>	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)

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

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

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%.

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
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	<u>(80,223)</u>	<u>(83,375)</u>
Unpaid claims, end of year	<u>\$ 117,263</u>	<u>\$ 124,717</u>

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

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.

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

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

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

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 employee 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

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

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:

Contribution rates:	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
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)

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

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.

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

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 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	<u>111</u>
Total	<u><u>8,091</u></u>

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

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	<u>255</u>
Contributions made	<u>(425)</u>
Increase(decrease) in net pension obligation (asset)	(170)
Net pension obligation (asset) beginning of year	<u>(3,515)</u>
Net pension obligation (asset) end of year	<u><u>\$ (3,685)</u></u>

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.

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

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 EMPLOYMENT 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).

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

NOTE 20 – POST EMPLOYMENT 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):

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
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	<u>3,012</u>	<u>38</u>	<u>4</u>	<u>135</u>
Contributions made	<u>(6,115)</u>	<u>(192)</u>	<u>(42)</u>	<u>(24)</u>
Increase in net OPEB obligation	(3,103)	(154)	(38)	111
Net OPEB obligation (asset) beginning of year	<u>(18,015)</u>	<u>(275)</u>	<u>(233)</u>	<u>(62)</u>
Net OPEB obligation (asset) end of year	<u>\$ (21,118)</u>	<u>\$ (429)</u>	<u>\$ (271)</u>	<u>\$ 49</u>

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):

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
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

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

NOTE 20 – POST EMPLOYMENT 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):

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
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)	<u>\$ 28,886</u>	<u>\$ 475</u>	<u>\$ (3)</u>	<u>\$ 1,089</u>
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:

	<u>County</u>	<u>Flood Control</u>	<u>Park District</u>	<u>Waste Management</u>
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%

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

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 statute or regulations and other factors that could result in revisions to these estimates.

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

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.

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

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 Amounts	Variance with
	Original	Final		Final Budget Over (Under)
REVENUES:				
Interest	\$ -	\$ -	\$ 1,611	\$ 1,611
Other revenue	6,505	6,505	43	(6,462)
Total revenues	<u>6,505</u>	<u>6,505</u>	<u>1,654</u>	<u>(4,851)</u>
EXPENDITURES:				
Current:				
General government	1,089	1,000	686	(314)
Debt service:				
Interest	6,261	6,261	1,724	(4,537)
Total expenditures	<u>7,350</u>	<u>7,261</u>	<u>2,410</u>	<u>(4,851)</u>
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)	<u>845</u>	<u>756</u>	<u>756</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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	<u>239,285</u>	<u>237,823</u>	<u>46,614</u>	<u>(191,209)</u>
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	<u>292,688</u>	<u>272,589</u>	<u>45,405</u>	<u>(227,184)</u>
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)	<u>-</u>	<u>(46,760)</u>	<u>(46,760)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(53,403)	(81,526)	(45,551)	35,975
Fund balance, beginning of year	<u>338,653</u>	<u>338,653</u>	<u>338,653</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 285,250</u>	<u>\$ 257,127</u>	<u>\$ 293,102</u>	<u>\$ 35,975</u>

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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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	<u>\$ 470,872</u>	<u>\$ 151,941</u>	<u>\$ 57,711</u>	<u>\$ 464</u>	<u>\$ 680,988</u>
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	<u>71,725</u>	<u>536</u>	<u>2,322</u>	<u>-</u>	<u>74,583</u>
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	<u>399,147</u>	<u>151,405</u>	<u>55,389</u>	<u>464</u>	<u>606,405</u>
Total liabilities and fund balances	<u>\$ 470,872</u>	<u>\$ 151,941</u>	<u>\$ 57,711</u>	<u>\$ 464</u>	<u>\$ 680,988</u>

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	<u>408,522</u>	<u>89,945</u>	<u>6,796</u>	<u>25</u>	<u>505,288</u>
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	<u>348,141</u>	<u>160,178</u>	<u>36,421</u>	<u>-</u>	<u>544,740</u>
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)	<u>(19,932)</u>	<u>94,432</u>	<u>12,117</u>	<u>-</u>	<u>86,617</u>
NET CHANGE IN FUND BALANCES	<u>40,449</u>	<u>24,199</u>	<u>(17,508)</u>	<u>25</u>	<u>47,165</u>
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	<u>358,698</u>	<u>127,206</u>	<u>72,897</u>	<u>439</u>	<u>559,240</u>
FUND BALANCES, END OF YEAR	<u>\$ 399,147</u>	<u>\$ 151,405</u>	<u>\$ 55,389</u>	<u>\$ 464</u>	<u>\$ 606,405</u>

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
ASSETS:					
Cash and investments	\$ 149,619	\$ 43,411	\$ 106,951	\$ 18,984	\$ 11,573
Accounts receivable	262	413	4	-	252
Interest receivable	104	11	91	13	8
Taxes receivable	65	2,097	-	274	-
Due from other governments	11,316	12,435	-	460	434
Inventories	1,073	-	-	-	-
Due from other funds	770	150	160	-	50
Prepaid items	-	9	-	-	-
Advances to other funds	-	-	-	-	1,300
Notes receivable	-	-	44,357	-	-
Land held for resale	-	-	38,157	-	-
Total assets	<u>\$ 163,209</u>	<u>\$ 58,526</u>	<u>\$ 189,720</u>	<u>\$ 19,731</u>	<u>\$ 13,617</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	\$ 24,281	\$ 2,241	\$ 541	\$ 124	\$ 211
Salaries and benefits payable	2,048	1,353	-	110	382
Due to other governments	1,502	148	-	-	6
Due to other funds	9	6,963	-	-	-
Deposits payable	-	-	-	8	-
Deferred revenue	26,720	1,697	-	-	308
Total liabilities	<u>54,560</u>	<u>12,402</u>	<u>541</u>	<u>242</u>	<u>907</u>
Fund balances (Note 14):					
Nonspendable	1,085	133	82,514	1	5
Restricted	91,692	27,633	82,285	17,612	27
Committed	2,862	17,862	70	-	-
Assigned	13,010	496	24,310	1,876	12,678
Total fund balances	<u>108,649</u>	<u>46,124</u>	<u>189,179</u>	<u>19,489</u>	<u>12,710</u>
Total liabilities and fund balances	<u>\$ 163,209</u>	<u>\$ 58,526</u>	<u>\$ 189,720</u>	<u>\$ 19,731</u>	<u>\$ 13,617</u>

Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery	Other Special Revenue	Total	
\$ 886	\$ 1,245	\$ 862	\$ 22,111	\$ 355,642	ASSETS:
-	-	-	65	996	Cash and investments
1	1	1	14	244	Accounts receivable
-	-	29	25	2,490	Interest receivable
139	549	-	141	25,474	Taxes receivable
-	-	-	-	1,073	Due from other governments
-	-	-	-	1,130	Inventories
-	-	-	-	9	Due from other funds
-	-	-	-	1,300	Prepaid items
-	-	-	-	44,357	Advances to other funds
-	-	-	-	38,157	Notes receivable
\$ 1,026	\$ 1,795	\$ 892	\$ 22,356	\$ 470,872	Land held for resale
					Total assets
					LIABILITIES AND FUND BALANCES:
					Liabilities:
\$ 45	\$ -	\$ 19	\$ 1,270	\$ 28,732	Accounts payable
-	76	-	188	4,157	Salaries and benefits payable
-	-	-	1	1,657	Due to other governments
-	-	-	-	6,972	Due to other funds
-	-	266	-	274	Deposits payable
-	-	20	1,188	29,933	Deferred revenue
45	76	305	2,647	71,725	Total liabilities
					Fund balances (Note 14):
-	5	-	25	83,768	Nonspendable
981	1,355	-	16,773	238,358	Restricted
-	-	587	-	21,381	Committed
-	359	-	2,911	55,640	Assigned
981	1,719	587	19,709	399,147	Total fund balances
\$ 1,026	\$ 1,795	\$ 892	\$ 22,356	\$ 470,872	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Special Revenue Funds

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas	Regional Park and Open-Space
REVENUES:					
Taxes	\$ 24,329	\$ 47,597	\$ 17,508	\$ 866	\$ 3,930
Licenses, permits, and franchise fees	2,075	-	-	-	-
Fines, forfeitures, and penalties	-	810	-	-	-
Use of money and property:					
Interest	949	48	300	93	60
Rents and concessions	23	1,181	144	2	824
Aid from other governmental agencies:					
Federal	24,721	89,266	-	-	19
State	48,744	7,324	-	12	343
Other	8,244	19,335	349	1	67
Charges for services	36,675	1,092	4	8,815	2,898
Other revenue	9,993	23,187	508	108	103
Total revenues	<u>155,753</u>	<u>189,840</u>	<u>18,813</u>	<u>9,897</u>	<u>8,244</u>
EXPENDITURES:					
Current:					
General government	-	17,870	6,767	-	-
Public protection	6,064	-	-	1	41
Public ways and facilities	161,490	-	-	5,107	-
Health and sanitation	-	3,933	-	777	-
Public assistance	-	93,453	-	-	-
Education	-	18,734	-	-	-
Recreation and culture	-	-	-	711	10,345
Debt service:					
Principal	955	-	-	-	-
Interest	100	-	-	-	-
Total expenditures	<u>168,609</u>	<u>133,990</u>	<u>6,767</u>	<u>6,596</u>	<u>10,386</u>
Excess (deficiency) of revenues over (under) expenditures	(12,856)	55,850	12,046	3,301	(2,142)
OTHER FINANCING SOURCES (USES):					
Transfers in	30,266	20,800	-	1,735	2,763
Transfers out	(13,759)	(64,490)	(11,917)	(3,165)	(2,530)
Issuance of debt	-	-	24,252	-	-
Proceeds on sale of capital assets	-	-	-	-	6
Total other financing sources (uses)	<u>16,507</u>	<u>(43,690)</u>	<u>12,335</u>	<u>(1,430)</u>	<u>239</u>
NET CHANGE IN FUND BALANCES	<u>3,651</u>	<u>12,160</u>	<u>24,381</u>	<u>1,871</u>	<u>(1,903)</u>
as previously reported	104,998	33,964	163,554	17,618	14,332
Adjustments to beginning fund balances	-	-	1,244	-	281
Fund balances, beginning of year, as restated	<u>104,998</u>	<u>33,964</u>	<u>164,798</u>	<u>17,618</u>	<u>14,613</u>
FUND BALANCES, END OF YEAR	<u>\$ 108,649</u>	<u>\$ 46,124</u>	<u>\$ 189,179</u>	<u>\$ 19,489</u>	<u>\$ 12,710</u>

Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery	Other Special Revenue	Total	
\$ -	\$ -	\$ 207	\$ 805	\$ 95,242	REVENUES:
-	-	-	32	2,107	Taxes
-	-	-	952	1,762	Licenses, permits, and franchise fees
5	4	5	91	1,555	Fines, forfeitures, and penalties
-	-	-	5,876	8,050	Use of money and property:
-	1,310	-	3,232	118,548	Interest
611	585	3	2,243	59,865	Rents and concessions
-	-	-	2	27,998	Aid from other governmental agencies:
-	-	202	9,029	58,715	Federal
-	-	7	774	34,680	State
616	1,899	424	23,036	408,522	Other
					Charges for services
					Other revenue
					Total revenues
					EXPENDITURES:
					Current:
311	-	-	4,109	29,057	General government
-	-	377	4,173	10,656	Public protection
-	-	-	9,277	175,874	Public ways and facilities
-	2,084	-	1,461	8,255	Health and sanitation
-	1	-	-	93,454	Public assistance
-	-	-	-	18,734	Education
-	-	-	-	11,056	Recreation and culture
-	-	-	-	955	Debt service:
-	-	-	-	100	Principal
311	2,085	377	19,020	348,141	Interest
					Total expenditures
					Excess (deficiency) of revenues
305	(186)	47	4,016	60,381	over (under) expenditures
					OTHER FINANCING SOURCES (USES):
-	845	2	2,075	58,486	Transfers in
(382)	(300)	(51)	(6,082)	(102,676)	Transfers out
-	-	-	-	24,252	Issuance of debt
-	-	-	-	6	Proceeds on sale of capital assets
(382)	545	(49)	(4,007)	(19,932)	Total other financing sources (uses)
(77)	359	(2)	9	40,449	NET CHANGE IN FUND BALANCES
1,058	1,360	589	19,700	357,173	as previously reported
-	-	-	-	1,525	Adjustments to beginning fund balances
1,058	1,360	589	19,700	358,698	Fund balances, beginning of year, as restated
\$ 981	\$ 1,719	\$ 587	\$ 19,709	\$ 399,147	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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	<u>219,701</u>	<u>225,363</u>	<u>189,840</u>	<u>(35,523)</u>
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	<u>240,077</u>	<u>194,039</u>	<u>133,990</u>	<u>(60,049)</u>
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)	<u>-</u>	<u>(43,690)</u>	<u>(43,690)</u>	<u>-</u>
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	<u>\$ 13,588</u>	<u>\$ 21,598</u>	<u>\$ 46,124</u>	<u>\$ 24,526</u>

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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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	<u>14,269</u>	<u>13,251</u>	<u>8,244</u>	<u>(5,007)</u>
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	<u>16,140</u>	<u>16,456</u>	<u>10,386</u>	<u>(6,070)</u>
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)	<u>-</u>	<u>233</u>	<u>239</u>	<u>6</u>
NET CHANGE IN FUND BALANCE	(1,871)	(2,972)	(1,903)	1,063
Fund balance, beginning of year	<u>14,332</u>	<u>14,332</u>	<u>14,613</u>	<u>281</u>
FUND BALANCE, END OF YEAR	<u>\$ 12,461</u>	<u>\$ 11,360</u>	<u>\$ 12,710</u>	<u>\$ 1,350</u>

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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		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	<u>24,698</u>	<u>24,673</u>	<u>23,036</u>	<u>(1,637)</u>
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	<u>25,202</u>	<u>23,069</u>	<u>19,020</u>	<u>(4,049)</u>
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)	<u>-</u>	<u>(4,006)</u>	<u>(4,007)</u>	<u>(1)</u>
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	<u>\$ 19,196</u>	<u>\$ 17,298</u>	<u>\$ 19,709</u>	<u>\$ 2,411</u>

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
ASSETS:				
Cash and investments	\$ -	\$ 71,316	\$ -	\$ -
Accounts receivable	-	302	-	-
Interest receivable	78	61	-	-
Restricted cash and investments	43,419	-	1,270	6,700
Total assets	<u>\$ 43,497</u>	<u>\$ 71,679</u>	<u>\$ 1,270</u>	<u>\$ 6,700</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 235	\$ 53	\$ -	\$ -
Due to other funds	-	37	-	-
Total liabilities	<u>235</u>	<u>90</u>	<u>-</u>	<u>-</u>
Fund balances (Note 14):				
Restricted	43,262	43,934	1,270	6,700
Committed	-	1,206	-	-
Assigned	-	26,449	-	-
Total fund balances	<u>43,262</u>	<u>71,589</u>	<u>1,270</u>	<u>6,700</u>
Total liabilities and fund balances	<u>\$ 43,497</u>	<u>\$ 71,679</u>	<u>\$ 1,270</u>	<u>\$ 6,700</u>

Pension Obligation	Inland Empire Tobacco Securitization Authority	Total	
\$ 10,048	\$ -	\$ 81,364	ASSETS:
1,245	-	1,547	Cash and investments
10	-	149	Accounts receivable
-	17,492	68,881	Interest receivable
<u>\$ 11,303</u>	<u>\$ 17,492</u>	<u>\$ 151,941</u>	Restricted cash and investments
			Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
\$ 211	\$ -	\$ 499	Accounts payable
-	-	37	Due to other funds
<u>211</u>	<u>-</u>	<u>536</u>	Total liabilities
			Fund balances (Note 14):
10,460	17,492	123,118	Restricted
-	-	1,206	Committed
632	-	27,081	Assigned
<u>11,092</u>	<u>17,492</u>	<u>151,405</u>	Total fund balances
<u>\$ 11,303</u>	<u>\$ 17,492</u>	<u>\$ 151,941</u>	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Debt Service Funds

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation
REVENUES:			
Taxes	\$ -	\$ 70,029	\$ -
Use of money and property:			
Interest	781	226	24
Rents and concessions	513	-	2,391
Aid from other governmental agencies:			
Other	-	1,395	-
Charges for services	-	-	-
Other revenue	58	-	-
Total revenues	<u>1,352</u>	<u>71,650</u>	<u>2,415</u>
EXPENDITURES:			
Current:			
General government	1,352	24,147	3
Debt service:			
Principal	17,913	12,811	1,319
Interest	16,075	35,408	471
Cost of issuance	-	5,212	-
Capital outlay	-	-	585
Total expenditures	<u>35,340</u>	<u>77,578</u>	<u>2,378</u>
Excess (deficiency) of revenues over (under) expenditures	(33,988)	(5,928)	37
OTHER FINANCING SOURCES (USES):			
Transfers in	33,483	12,540	-
Transfers out	(464)	(2,194)	-
Issuance of debt	-	21,259	-
Total other financing sources (uses)	<u>33,019</u>	<u>31,605</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(969)	25,677	37
Fund balances, beginning of year	44,231	45,912	1,233
FUND BALANCES, END OF YEAR	<u>\$ 43,262</u>	<u>\$ 71,589</u>	<u>\$ 1,270</u>

Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Total	
\$ -	\$ -	\$ -	\$ 70,029	REVENUES:
				Taxes
2	677	207	1,917	Use of money and property:
2,294	-	-	5,198	Interest
				Rents and concessions
-	-	-	1,395	Aid from other governmental agencies:
-	2,266	-	2,266	Other
-	-	9,082	9,140	Charges for services
<u>2,296</u>	<u>2,943</u>	<u>9,289</u>	<u>89,945</u>	Other revenue
				Total revenues
				EXPENDITURES:
				Current:
2	6,371	123	31,998	General government
				Debt service:
875	8,155	6,135	47,208	Principal
571	18,114	3,615	74,254	Interest
-	-	-	5,212	Cost of issuance
921	-	-	1,506	Capital outlay
<u>2,369</u>	<u>32,640</u>	<u>9,873</u>	<u>160,178</u>	Total expenditures
				Excess (deficiency) of revenues
(73)	(29,697)	(584)	(70,233)	over (under) expenditures
				OTHER FINANCING SOURCES (USES):
-	30,005	-	76,028	Transfers in
-	(197)	-	(2,855)	Transfers out
-	-	-	21,259	Issuance of debt
<u>-</u>	<u>29,808</u>	<u>-</u>	<u>94,432</u>	Total other financing sources (uses)
(73)	111	(584)	24,199	NET CHANGE IN FUND BALANCES
6,773	10,981	18,076	127,206	Fund balances, beginning of year
<u>\$ 6,700</u>	<u>\$ 11,092</u>	<u>\$ 17,492</u>	<u>\$ 151,405</u>	FUND BALANCES, END OF YEAR

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 Amounts	Variance with Final Budget Over (Under)
	Original	Final		
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 Amounts	Variance with Final Budget
	Original	Final		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
ASSETS:			
Cash and investments	\$ -	\$ -	\$ 323
Interest receivable	-	-	-
Due from other governments	748	-	-
Due from other funds	23	-	500
Prepaid items	568	-	-
Restricted cash and investments	-	41,598	-
Advances to other funds	-	-	-
Total assets	<u>\$ 1,339</u>	<u>\$ 41,598</u>	<u>\$ 823</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 58	\$ 21	\$ -
Salaries and benefits payable	117	-	-
Due to other funds	153	-	402
Advances from other funds	-	-	-
Total liabilities	<u>328</u>	<u>21</u>	<u>402</u>
Fund balances (Note 14):			
Nonspendable	569	-	-
Restricted	-	40,321	-
Committed	-	1,256	421
Assigned	442	-	-
Total fund balances	<u>1,011</u>	<u>41,577</u>	<u>421</u>
Total liabilities and fund balances	<u>\$ 1,339</u>	<u>\$ 41,598</u>	<u>\$ 823</u>

Regional Park and Open-Space	CREST	Total	
\$ 9,683	\$ 3,519	\$ 13,525	ASSETS:
7	2	9	Cash and investments
-	-	748	Interest receivable
733	7	1,263	Due from other governments
-	-	568	Due from other funds
-	-	41,598	Prepaid items
-	-	-	Restricted cash and investments
-	-	-	Advances to other funds
<u>\$ 10,423</u>	<u>\$ 3,528</u>	<u>\$ 57,711</u>	Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
\$ 131	\$ 32	\$ 242	Accounts payable
-	74	191	Salaries and benefits payable
34	-	589	Due to other funds
1,300	-	1,300	Advances from other funds
<u>1,465</u>	<u>106</u>	<u>2,322</u>	Total liabilities
			Fund balances (Note 14):
-	-	569	Nonspendable
8,958	-	49,279	Restricted
-	13	1,690	Committed
-	3,409	3,851	Assigned
<u>8,958</u>	<u>3,422</u>	<u>55,389</u>	Total fund balances
<u>\$ 10,423</u>	<u>\$ 3,528</u>	<u>\$ 57,711</u>	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Fund

For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	<u>PSEC</u>	<u>CORAL</u>	<u>Flood Control</u>
REVENUES:			
Interest	\$ -	\$ 228	\$ 2
Aid from other governmental agencies:			
Federal	748	-	-
State	-	-	-
Charges for services	-	-	-
Other revenue	23	-	-
Total revenues	<u>771</u>	<u>228</u>	<u>2</u>
EXPENDITURES:			
Current:			
General government	4,556	-	-
Recreation and culture	-	-	-
Debt service:			
Principal	-	-	-
Capital outlay	-	19,266	1,346
Total expenditures	<u>4,556</u>	<u>19,266</u>	<u>1,346</u>
Excess (deficiency) of revenues over (under) expenditures	(3,785)	(19,038)	(1,344)
OTHER FINANCING SOURCES (USES):			
Transfers in	5,183	464	1,409
Transfers out	(460)	-	-
Total other financing sources (uses)	<u>4,723</u>	<u>464</u>	<u>1,409</u>
NET CHANGE IN FUND BALANCES	938	(18,574)	65
Fund balances, beginning of year	73	60,151	356
FUND BALANCES, END OF YEAR	<u>\$ 1,011</u>	<u>\$ 41,577</u>	<u>\$ 421</u>

Regional Park and Open-Space	CREST	Total	
\$ 47	\$ 16	\$ 293	REVENUES:
-	-	748	Interest
4,502	-	4,502	Aid from other governmental agencies:
-	1,208	1,208	Federal
15	7	45	State
<u>4,564</u>	<u>1,231</u>	<u>6,796</u>	Charges for services
			Other revenue
			Total revenues
			EXPENDITURES:
			Current:
-	3,918	8,474	General government
7,335	-	7,335	Recreation and culture
			Debt service:
-	-	-	Principal
-	-	20,612	Capital outlay
<u>7,335</u>	<u>3,918</u>	<u>36,421</u>	Total expenditures
			Excess (deficiency) of revenues
(2,771)	(2,687)	(29,625)	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
4,205	1,828	13,089	Transfers in
(446)	(66)	(972)	Transfers out
<u>3,759</u>	<u>1,762</u>	<u>12,117</u>	Total other financing sources (uses)
988	(925)	(17,508)	NET CHANGE IN FUND BALANCES
<u>7,970</u>	<u>4,347</u>	<u>72,897</u>	Fund balances, beginning of year
<u>\$ 8,958</u>	<u>\$ 3,422</u>	<u>\$ 55,389</u>	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
 Budgetary Comparison Schedule
 PSEC Capital Projects Fund
 For the Fiscal Year Ended June 30, 2011
 (Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		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 Amounts	Variance with Final Budget
	Original	Final		Over (Under)
REVENUES:				
Interest	\$ 3	\$ 3	\$ 2	\$ (1)
Charges for current services	1	1	-	(1)
Other revenue	5,440	4,031	-	(4,031)
Total revenues	5,444	4,035	2	(4,033)
EXPENDITURES:				
Capital outlay	5,440	5,440	1,346	(4,094)
Total expenditures	5,440	5,440	1,346	(4,094)
Excess (deficiency) of revenues over (under) expenditures	4	(1,405)	(1,344)	61
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,409	1,409	-
Total other financing sources (uses)	-	1,409	1,409	-
NET CHANGE IN FUND BALANCE	4	4	65	61
Fund balance, beginning of year	356	356	356	-
FUND BALANCE, END OF YEAR	\$ 360	\$ 360	\$ 421	\$ 61

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		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	<u>23,700</u>	<u>23,028</u>	<u>4,564</u>	<u>(18,464)</u>
EXPENDITURES:				
Current:				
Recreation and cultural services	6,726	8,441	7,335	(1,106)
Capital outlay	10,844	12,358	-	(12,358)
Total expenditures	<u>17,570</u>	<u>20,799</u>	<u>7,335</u>	<u>(13,464)</u>
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)	<u>-</u>	<u>3,759</u>	<u>3,759</u>	<u>-</u>
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	<u>\$ 14,100</u>	<u>\$ 13,958</u>	<u>\$ 8,958</u>	<u>\$ (5,000)</u>

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2011
(Dollars in Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		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	<u>259</u>	<u>16,822</u>	<u>5,466</u>	<u>22,547</u>
Noncurrent assets:				
Capital assets:				
Nondepreciable assets	-	4,206	-	4,206
Depreciable assets	27	11,094	23	11,144
Total noncurrent assets	<u>27</u>	<u>15,300</u>	<u>23</u>	<u>15,350</u>
Total assets	<u>286</u>	<u>32,122</u>	<u>5,489</u>	<u>37,897</u>
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	<u>52</u>	<u>2,230</u>	<u>3,284</u>	<u>5,566</u>
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	<u>-</u>	<u>8,534</u>	<u>82</u>	<u>8,616</u>
Total liabilities	<u>52</u>	<u>10,764</u>	<u>3,366</u>	<u>14,182</u>
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	<u>\$ 234</u>	<u>\$ 21,358</u>	<u>\$ 2,123</u>	<u>\$ 23,715</u>

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 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	<u>393</u>	<u>87,211</u>	<u>1,517</u>	<u>89,121</u>
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	<u>373</u>	<u>85,876</u>	<u>2,715</u>	<u>88,964</u>
Operating income (loss)	<u>20</u>	<u>1,335</u>	<u>(1,198)</u>	<u>157</u>
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)	<u>(9)</u>	<u>(90)</u>	<u>46</u>	<u>(53)</u>
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	<u>\$ 234</u>	<u>\$ 21,358</u>	<u>\$ 2,123</u>	<u>\$ 23,715</u>

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	<u>13</u>	<u>3,345</u>	<u>(91)</u>	<u>3,267</u>
Cash flows from noncapital financing activities				
Transfers paid	-	(184)	-	(184)
Net cash provided by (used in) noncapital financing activities	<u>-</u>	<u>(184)</u>	<u>-</u>	<u>(184)</u>
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	<u>(10)</u>	<u>(830)</u>	<u>(23)</u>	<u>(863)</u>
Cash flows from investing activities				
Interest received on investments	1	61	52	114
Net cash provided by investing activities	<u>1</u>	<u>61</u>	<u>52</u>	<u>114</u>
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	<u>\$ 247</u>	<u>\$ 15,815</u>	<u>\$ 5,063</u>	<u>\$ 21,125</u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

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	<u>\$ 13</u>	<u>\$ 3,345</u>	<u>\$ (91)</u>	<u>\$ 3,267</u>

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	<u>1,181</u>	<u>11,972</u>	<u>17,824</u>	<u>2,799</u>	<u>4,607</u>
Noncurrent assets:					
Capital assets:					
Non depreciable assets	-	913	366	-	-
Depreciable assets	276	24,060	4,706	1,087	198
Total noncurrent assets	<u>276</u>	<u>24,973</u>	<u>5,072</u>	<u>1,087</u>	<u>198</u>
Total assets	<u>1,457</u>	<u>36,945</u>	<u>22,896</u>	<u>3,886</u>	<u>4,805</u>
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	<u>115</u>	<u>9,067</u>	<u>8,050</u>	<u>393</u>	<u>1,174</u>
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	<u>51</u>	<u>4,553</u>	<u>2,843</u>	<u>130</u>	<u>22</u>
Total liabilities	<u>166</u>	<u>13,620</u>	<u>10,893</u>	<u>523</u>	<u>1,196</u>
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	<u>\$ 1,291</u>	<u>\$ 23,325</u>	<u>\$ 12,003</u>	<u>\$ 3,363</u>	<u>\$ 3,609</u>

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

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2011

(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
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	<u>1,934</u>	<u>31,967</u>	<u>25,199</u>	<u>6,656</u>	<u>11,221</u>
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	<u>1,657</u>	<u>28,092</u>	<u>32,646</u>	<u>6,966</u>	<u>11,521</u>
Operating income (loss)	<u>277</u>	<u>3,875</u>	<u>(7,447)</u>	<u>(310)</u>	<u>(300)</u>
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)	<u>(66)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>(60)</u>	<u>(1,426)</u>	<u>(131)</u>	<u>44</u>	<u>9</u>
Income (loss) before capital contributions and transfers	217	2,449	(7,578)	(266)	(291)
Premium contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	<u>(25)</u>	<u>(82)</u>	<u>(458)</u>	<u>(41)</u>	<u>(16)</u>
CHANGE IN NET ASSETS	192	2,367	(8,036)	(307)	(307)
Net assets, beginning of year	<u>1,099</u>	<u>20,958</u>	<u>20,039</u>	<u>3,670</u>	<u>3,916</u>
NET ASSETS, END OF YEAR	<u>\$ 1,291</u>	<u>\$ 23,325</u>	<u>\$ 12,003</u>	<u>\$ 3,363</u>	<u>\$ 3,609</u>

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
\$ 10,632	\$ 37,541	\$ 7,170	\$ 89,384	\$ 1,583	\$ 218,083	OPERATING REVENUES:
2	8,354	6,458	610	5,099	25,727	Charges for services
10,634	45,895	13,628	89,994	6,682	243,810	Other revenue
						Total operating revenues
-	-	-	1	32	1,665	OPERATING EXPENSES:
6,743	15,975	10,938	25,760	2,246	88,754	Cost of materials used
301	308	67	328	49	3,421	Personnel services
19	10,078	11	173	-	10,574	Communications
1,838	188	21	6,051	563	15,035	Insurance
-	90,065	-	-	-	90,105	Maintenance of building and equipment
97	3,919	175	1,729	1,071	28,443	Insurance claims
110	4,885	1,854	9,738	1,066	22,872	Supplies
1,091	311	2	61	1,002	15,265	Purchased services
720	1,169	230	43,074	4	47,053	Depreciation and amortization
48	77	18	966	-	1,538	Rents and leases of equipment
29	1,476	293	1,445	625	5,197	Utilities
10,996	128,451	13,609	89,326	6,658	329,922	Other
(362)	(82,556)	19	668	24	(86,112)	Total operating expenses
						Operating income (loss)
31	960	-	22	36	1,190	NONOPERATING REVENUES (EXPENSES):
(56)	-	-	-	-	(1,674)	Investment income
-	-	-	-	108	90	Interest expense
-	57	3	-	-	(9)	Gain (loss) on disposal of capital assets
(25)	1,017	3	22	144	(403)	Other nonoperating revenues / (expenses)
						Total nonoperating revenues (expenses)
(387)	(81,539)	22	690	168	(86,515)	Income (loss) before capital contributions and transfers
-	65,525	-	-	-	65,525	Premium contributions
-	2,048	-	1,990	75	4,113	Transfers in
(162)	(2,368)	(851)	(507)	-	(4,510)	Transfers out
(549)	(16,334)	(829)	2,173	243	(21,387)	CHANGE IN NET ASSETS
5,303	54,047	4,928	-	9,260	123,220	Net assets, beginning of year
\$ 4,754	\$ 37,713	\$ 4,099	\$ 2,173	\$ 9,503	\$ 101,833	NET ASSETS, END OF YEAR

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
Cash flows from operating activities					
Cash receipts from internal services provided	\$ 1,935	\$ 31,714	25,350	\$ 6,665	\$ 11,226
Cash paid to suppliers for goods and services	(640)	(13,703)	(6,032)	(4,819)	(11,492)
Cash paid to employees for services	(1,137)	(3,700)	(19,815)	(1,840)	(749)
Net cash provided (used) by operating activities	158	14,311	(497)	6	(1,015)
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	-	-
Transfers received	-	-	-	-	-
Transfers paid	(91)	(82)	(461)	(41)	(16)
Net cash provided (used) by noncapital financing activities	(91)	(82)	(461)	(41)	(16)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	700	-	-	1
Acquisition and construction of capital assets	(10)	(5,835)	(2,633)	(45)	-
Principal paid on capital leases	-	(7,173)	(255)	(183)	-
Premium contributions	-	-	-	-	-
Interest paid on long-term debt	-	(1,417)	(194)	(7)	-
Net cash provided (used) by capital and related financing activities	(10)	(13,725)	(3,082)	(235)	1
Cash flows from investing activities					
Interest received on investments	7	40	94	14	11
Net cash provided by investing activities	7	40	94	14	11
Net increase (decrease) in cash and cash equivalents	64	544	(3,946)	(256)	(1,019)
Cash and cash equivalents, beginning of year	1,105	10,576	19,649	2,735	5,163
Cash and cash equivalents, end of year	\$ 1,169	\$ 11,120	\$ 15,703	\$ 2,479	\$ 4,144
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 277	\$ 3,875	\$ (7,447)	\$ (310)	\$ (300)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	-	9,685	2,791	294	28
Decrease (Increase) accounts receivable	4	(14)	134	10	5
Decrease (Increase) due from other funds	(3)	-	-	-	-
Decrease (Increase) due from other governments	-	(239)	17	(1)	-
Decrease (Increase) inventories	-	(45)	128	-	148
Decrease (Increase) prepaid items and deposits	-	-	-	-	-
Increase (Decrease) accounts payable	(31)	1,067	(43)	(1)	(898)
Increase (Decrease) due to other funds	-	-	3,989	-	-
Increase (Decrease) due to other governments	-	-	10	-	2
Increase (Decrease) other liabilities	-	(20)	-	-	-
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(15)	5	208	(1)	(1)
Increase (Decrease) compensated absences	(74)	(3)	(284)	15	1
Net cash provided (used) by operating activities	\$ 158	\$ 14,311	\$ (497)	\$ 6	\$ (1,015)
Noncash investing, capital, and financing activities:					
Capital lease obligations		\$ 3,797	\$ 1,074		

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Managemet	Flood Control Equipment	Total	
\$ 10,633	\$ 45,567	\$ 13,628	\$ 86,974	\$ 6,514	\$ 240,206	Cash flows from operating activities
(2,866)	(103,488)	(2,671)	(62,794)	(3,405)	(211,910)	Cash receipts from internal services provided
(6,879)	(15,865)	(11,665)	(22,636)	(2,250)	(86,536)	Cash paid to suppliers for goods and services
888	(73,786)	(708)	1,544	859	(58,240)	Cash paid to employees for services
-	-	-	3,692	-	3,692	Net cash provided (used) by operating activities
-	2,105	-	1,990	75	4,170	Cash flows from noncapital financing activities
(162)	(2,368)	(848)	(507)	-	(4,576)	Advances from other funds
(162)	(263)	(848)	5,175	75	3,286	Transfers received
-	-	-	-	108	809	Transfers paid
(239)	(10)	-	(197)	(588)	(9,557)	Net cash provided (used) by noncapital financing activities
(767)	-	-	-	-	(8,378)	Cash flows from capital and related financing activities
-	65,525	-	-	-	65,525	Proceeds from sale of capital assets
(56)	-	-	-	-	(1,674)	Acquisition and construction of capital assets
(1,062)	65,515	-	(197)	(480)	46,725	Principal paid on capital leases
37	1,114	-	19	41	1,377	Premium contributions
37	1,114	-	19	41	1,377	Interest paid on long-term debt
(299)	(7,420)	(1,556)	6,541	495	(6,852)	Net cash provided (used) by capital and related financing activities
6,001	182,059	5,992	-	6,643	239,923	Cash flows from investing activities
\$ 5,702	\$ 174,639	\$ 4,436	\$ 6,541	\$ 7,138	\$ 233,071	Interest received on investments
						Net cash provided by investing activities
						Net increase (decrease) in cash and cash equivalents
						Cash and cash equivalents, beginning of year
						Cash and cash equivalents, end of year
\$ (362)	\$ (82,556)	\$ 19	\$ 668	\$ 24	\$ (86,112)	Reconciliation of operating income (loss) to net cash provided (used) by operating activities
1,091	311	2	61	1,002	15,265	Operating income (loss)
-	(328)	-	-	-	(189)	Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities
(1)	-	-	(2,433)	(185)	(2,622)	Depreciation and amortization
-	-	-	(587)	17	(793)	Decrease (Increase) accounts receivable
-	-	-	(148)	(66)	17	Decrease (Increase) due from other funds
-	(333)	-	(65)	-	(398)	Decrease (Increase) due from other governments
296	1,610	5	924	(104)	2,825	Decrease (Increase) inventories
-	-	(7)	-	210	4,192	Decrease (Increase) prepaid items and deposits
-	-	-	-	(35)	(23)	Increase (Decrease) accounts payable
-	(54)	-	-	-	(74)	Increase (Decrease) due to other funds
-	7,454	-	-	-	7,454	Increase (Decrease) due to other governments
28	51	(723)	979	14	545	Increase (Decrease) other liabilities
(164)	59	(4)	2,145	(18)	1,673	Increase (Decrease) estimated claims liability
\$ 888	\$ (73,786)	\$ (708)	\$ 1,544	\$ 859	\$ (58,240)	Increase (Decrease) salaries and benefits payable
						Increase (Decrease) compensated absences
						Net cash provided (used) by operating activities
						Noncash investing, capital, and financing activities:
						Capital lease obligations
					\$ 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	<u>\$ 85,359</u>	<u>\$ 10,753</u>	<u>\$ 152,289</u>	<u>\$ 59,176</u>	<u>\$ 307,577</u>
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	<u>\$ 85,359</u>	<u>\$ 10,753</u>	<u>\$ 152,289</u>	<u>\$ 59,176</u>	<u>\$ 307,577</u>

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)

Other	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<u>Assets</u>				
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	<u>82,894</u>	<u>4,429,928</u>	<u>4,427,463</u>	<u>85,359</u>
<u>Liabilities</u>				
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	<u>\$ 82,894</u>	<u>\$ 4,439,990</u>	<u>\$ 4,437,525</u>	<u>\$ 85,359</u>
<u>Payroll Deductions</u>				
<u>Assets</u>				
Cash and investments	\$ 10,312	\$ 1,701,550	\$ 1,701,109	\$ 10,753
Interest receivable	7	-	7	-
Total assets	<u>10,319</u>	<u>1,701,550</u>	<u>1,701,116</u>	<u>10,753</u>
<u>Liabilities</u>				
Accounts payable	10,319	1,206,956	1,206,522	10,753
Total liabilities	<u>\$ 10,319</u>	<u>\$ 1,206,956</u>	<u>\$ 1,206,522</u>	<u>\$ 10,753</u>
<u>Property Tax Assessments</u>				
<u>Assets</u>				
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	<u>179,624</u>	<u>4,291,476</u>	<u>4,318,811</u>	<u>152,289</u>
<u>Liabilities</u>				
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	<u>\$ 179,624</u>	<u>\$ 4,262,080</u>	<u>\$ 4,289,415</u>	<u>\$ 152,289</u>

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
<u>Warrants</u>				
<u>Assets</u>				
Cash and investments	\$ 81,007	\$ 9,072,675	\$ 9,094,507	\$ 59,175
Interest receivable	1	1	1	1
Total assets	<u>81,008</u>	<u>9,072,676</u>	<u>9,094,508</u>	<u>59,176</u>
<u>Liabilities</u>				
Accounts payable	81,008	5,087,096	5,108,928	59,176
Total liabilities	<u>\$ 81,008</u>	<u>\$ 5,087,096</u>	<u>\$ 5,108,928</u>	<u>\$ 59,176</u>
<u>Total Agency Funds</u>				
<u>Assets</u>				
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	<u>353,845</u>	<u>19,495,630</u>	<u>19,541,898</u>	<u>307,577</u>
<u>Liabilities</u>				
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	<u>\$ 353,845</u>	<u>\$ 14,996,122</u>	<u>\$ 15,042,390</u>	<u>\$ 307,577</u>

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.

Contents

Table(s)

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.

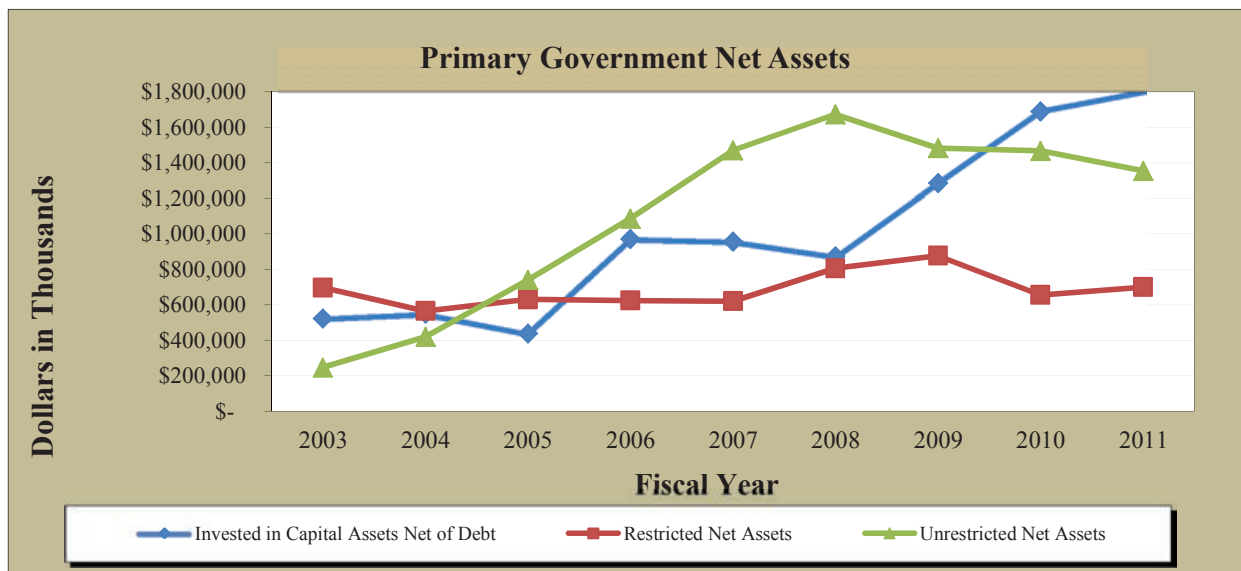
- Full-time Equivalent County Government Employees by Function/Program
- Operating Indicators by Function
- Capital Asset Statistics by Function

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)**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 1,687,128	\$ 1,594,275	\$ 1,204,971	\$ 802,981	\$ 903,076
Restricted	656,347	604,942	824,139	769,368	569,477
Unrestricted	<u>1,295,657</u>	<u>1,395,141</u>	<u>1,402,813</u>	<u>1,572,150</u>	<u>1,370,350</u>
Governmental activities, total net assets	<u>\$ 3,639,132</u>	<u>\$ 3,594,358</u>	<u>\$ 3,431,923</u>	<u>\$ 3,144,499</u>	<u>\$ 2,842,903</u>
Business-type Activities					
Invested in capital assets, net of related debt	\$ 113,489	\$ 96,901	\$ 81,512	\$ 69,441	\$ 53,321
Restricted	43,086	50,386	52,502	36,074	50,629
Unrestricted	<u>59,550</u>	<u>72,397</u>	<u>80,238</u>	<u>101,683</u>	<u>100,567</u>
Business-type activities, total net assets	<u>\$ 216,125</u>	<u>\$ 219,684</u>	<u>\$ 214,252</u>	<u>\$ 207,198</u>	<u>\$ 204,517</u>
Primary Government					
Invested in capital assets, net of related debt	\$ 1,800,617	\$ 1,691,176	\$ 1,286,483	\$ 872,422	\$ 956,397
Restricted	699,433	655,328	876,641	805,442	620,106
Unrestricted	<u>1,355,207</u>	<u>1,467,538</u>	<u>1,483,051</u>	<u>1,673,833</u>	<u>1,470,917</u>
Primary government, total net assets	<u>\$ 3,855,257</u>	<u>\$ 3,814,042</u>	<u>\$ 3,646,175</u>	<u>\$ 3,351,697</u>	<u>\$ 3,047,420</u>



Source: Auditor-Controller, County of Riverside

Table 1

Fiscal Year				
2006	2005	2004	2003	
				Governmental Activities
\$ 930,800	\$ 407,762	\$ 524,624	\$ 503,294	Invested in capital assets, net of related debt
582,037	584,441	521,143	662,446	Restricted
999,992	671,917	387,007	205,952	Unrestricted
<u>\$ 2,512,829</u>	<u>\$ 1,664,120</u>	<u>\$ 1,432,774</u>	<u>\$ 1,371,692</u>	Governmental activities, total net assets
				Business-type Activities
\$ 40,986	\$ 29,583	\$ 25,102	\$ 19,972	Invested in capital assets, net of related debt
41,287	45,362	43,232	33,740	Restricted
85,971	67,502	31,602	40,096	Unrestricted
<u>\$ 168,244</u>	<u>\$ 142,447</u>	<u>\$ 99,936</u>	<u>\$ 93,808</u>	Business-type activities, total net assets
				Primary Government
\$ 971,786	\$ 437,345	\$ 549,726	\$ 523,266	Invested in capital assets, net of related debt
623,324	629,803	564,375	696,186	Restricted
1,085,963	739,419	418,609	246,048	Unrestricted
<u>\$ 2,681,073</u>	<u>\$ 1,806,567</u>	<u>\$ 1,532,710</u>	<u>\$ 1,465,500</u>	Primary government, total net assets

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
Program Revenues					
Governmental Activities:					
Charges for services:					
General Government	\$ 159,570	\$ 140,723	\$ 143,644	\$ 171,403	\$ 171,070
Public Protection	326,237	331,162	311,565	316,719	307,288
Other Activities	105,931	95,438	100,819	123,483	130,837
Operating grants and contributions	1,393,016	1,384,791	1,344,611	1,315,716	1,210,941
Capital grants and contributions	32,114	31,112	29,771	25,333	48,186
Governmental activities program revenues	<u>2,016,868</u>	<u>1,983,226</u>	<u>1,930,410</u>	<u>1,952,654</u>	<u>1,868,322</u>
Business-type Activities:					
Charges for services:					
Regional Medical Center	386,533	367,273	360,584	333,414	337,905
Other Activities	140,327	134,257	139,206	146,065	137,706
Capital grants and contributions	-	1,165	310	306	261
Business-type activities program revenues	<u>526,860</u>	<u>502,695</u>	<u>500,100</u>	<u>479,785</u>	<u>475,872</u>
Primary government program revenues	<u>2,543,728</u>	<u>2,485,921</u>	<u>2,430,510</u>	<u>2,432,439</u>	<u>2,344,194</u>
Expenses					
Governmental Activities:					
General government	298,032	323,949	285,393	331,741	296,917
Public protection	1,021,288	1,062,213	1,095,587	1,122,370	935,550
Public ways and facilities	87,424	31,024	31,283	20,558	57,578
Health and sanitation	369,984	347,634	392,945	330,206	350,082
Public assistance	907,202	820,637	770,484	752,779	688,213
Education	15,816	19,866	15,954	17,977	14,847
Recreation and cultural	9,364	12,206	6,039	12,457	11,941
Interest on long-term debt	88,998	80,754	89,741	96,173	81,197
Governmental activities expenses	<u>2,798,108</u>	<u>2,698,283</u>	<u>2,687,426</u>	<u>2,684,261</u>	<u>2,436,325</u>
Business-type Activities:					
Regional Medical Center	401,120	389,991	379,278	353,481	329,128
Waste Management Department	56,688	49,956	61,116	64,538	60,772
Housing Authority	86,027	81,426	81,139	74,252	70,218
Flood Control	3,711	3,233	3,816	5,201	6,242
County Service Areas	383	454	457	343	329
Business-type activities expense	<u>547,929</u>	<u>525,060</u>	<u>525,806</u>	<u>497,815</u>	<u>466,689</u>
Primary government expenses	<u>3,346,037</u>	<u>3,223,343</u>	<u>3,213,232</u>	<u>3,182,076</u>	<u>2,903,014</u>
Net (expense)/revenue					
Governmental activities	(781,240)	(715,057)	(757,016)	(731,607)	(568,003)
Business-type activities	(21,069)	(22,365)	(25,706)	(18,030)	9,183
Primary government, net (expense) / revenue	<u>\$ (802,309)</u>	<u>\$ (737,422)</u>	<u>\$ (782,722)</u>	<u>\$ (749,637)</u>	<u>\$ (558,820)</u>

Source: Auditor-Controller, County of Riverside

Table 2

2006	2005	2004	2003	
				Program Revenues
				Governmental Activities:
				Charges for services:
\$ 174,781	\$ 125,937	\$ 105,248	\$ 118,494	General Government
286,877	235,873	237,681	192,179	Public Protection
113,413	97,182	93,100	82,809	Other Activities
1,100,674	983,290	1,086,456	1,050,230	Operating grants and contributions
31,001	64,252	33,041	32,537	Capital grants and contributions
<u>1,706,746</u>	<u>1,506,534</u>	<u>1,555,526</u>	<u>1,476,249</u>	Governmental activities program revenues
				Business-type Activities:
				Charges for services:
330,125	354,510	266,484	189,141	Regional Medical Center
135,266	125,945	118,544	110,278	Other Activities
227	-	125	9,712	Capital grants and contributions
<u>465,618</u>	<u>480,455</u>	<u>385,153</u>	<u>309,131</u>	Business-type activities program revenues
<u>2,172,364</u>	<u>1,986,989</u>	<u>1,940,679</u>	<u>1,785,380</u>	Primary government program revenues
				Expenses
				Governmental Activities:
259,993	187,911	232,322	183,132	General government
801,044	792,287	710,053	620,663	Public protection
61,443	79,649	93,529	87,092	Public ways and facilities
350,451	290,001	376,338	330,830	Health and sanitation
634,522	552,298	590,719	588,502	Public assistance
11,168	10,112	10,280	8,609	Education
7,188	8,617	9,666	8,842	Recreation and cultural
75,721	48,717	29,890	33,666	Interest on long-term debt
<u>2,201,530</u>	<u>1,969,592</u>	<u>2,052,797</u>	<u>1,861,336</u>	Governmental activities expenses
				Business-type Activities:
290,962	356,255	296,227	228,339	Regional Medical Center
66,453	55,563	40,056	36,579	Waste Management Department
62,909	62,206	61,599	57,977	Housing Authority
5,705	4,928	4,318	2,054	Flood Control
285	320	329	294	County Service Areas
<u>426,314</u>	<u>479,272</u>	<u>402,529</u>	<u>325,243</u>	Business-type activities expense
<u>2,627,844</u>	<u>2,448,864</u>	<u>2,455,326</u>	<u>2,186,579</u>	Primary government expenses
				Net (expense)/revenue
(494,784)	(463,058)	(497,271)	(385,087)	Governmental activities
39,304	1,183	(17,376)	(16,112)	Business-type activities
<u>\$ (455,480)</u>	<u>\$ (461,875)</u>	<u>\$ (514,647)</u>	<u>\$ (401,199)</u>	Primary government, net (expense) / revenue

Continued

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
Continued:					
Primary government, net (expense) / revenue	\$ (802,309)	\$ (737,422)	\$ (782,722)	\$ (749,637)	\$ (558,820)
General Revenues and					
Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property taxes	367,867	440,282	506,222	506,327	462,817
Sales tax and use tax	45,489	36,289	47,683	40,985	51,093
Other taxes	9,004	8,610	13,771	15,898	16,865
Intergovernmental revenue - not restricted to programs:					
Motor vehicle in-lieu taxes	235,153	246,493	273,825	274,282	245,723
Fines, forfeitures, and penalties	-	-	-	-	-
Investment earnings	19,494	29,026	87,041	138,071	122,517
Proceeds on sale of capital assets	-	-	-	-	-
Other	142,966	91,044	121,880	85,924	13,191
Transfers	(10,355)	(17,436)	(25,713)	(10,322)	(16,892)
Governmental activities	<u>809,618</u>	<u>834,308</u>	<u>1,024,709</u>	<u>1,051,165</u>	<u>895,314</u>
Business-type Activities:					
Investment earnings	538	1,442	6,142	10,389	10,198
Gain on sale of capital assets	-	-	-	-	-
Other	6,617	-	-	-	-
Transfers	10,355	17,436	25,713	10,322	16,892
Business-type activities	<u>17,510</u>	<u>18,878</u>	<u>31,855</u>	<u>20,711</u>	<u>27,090</u>
Total primary government	<u>827,128</u>	<u>853,186</u>	<u>1,056,564</u>	<u>1,071,876</u>	<u>922,404</u>
Change in net assets					
Governmental activities	28,378	119,251	267,693	319,558	327,311
Business-type activities	(3,559)	(3,487)	6,149	2,681	36,273
Primary government change in net assets	<u>\$ 24,819</u>	<u>\$ 115,764</u>	<u>\$ 273,842</u>	<u>\$ 322,239</u>	<u>\$ 363,584</u>

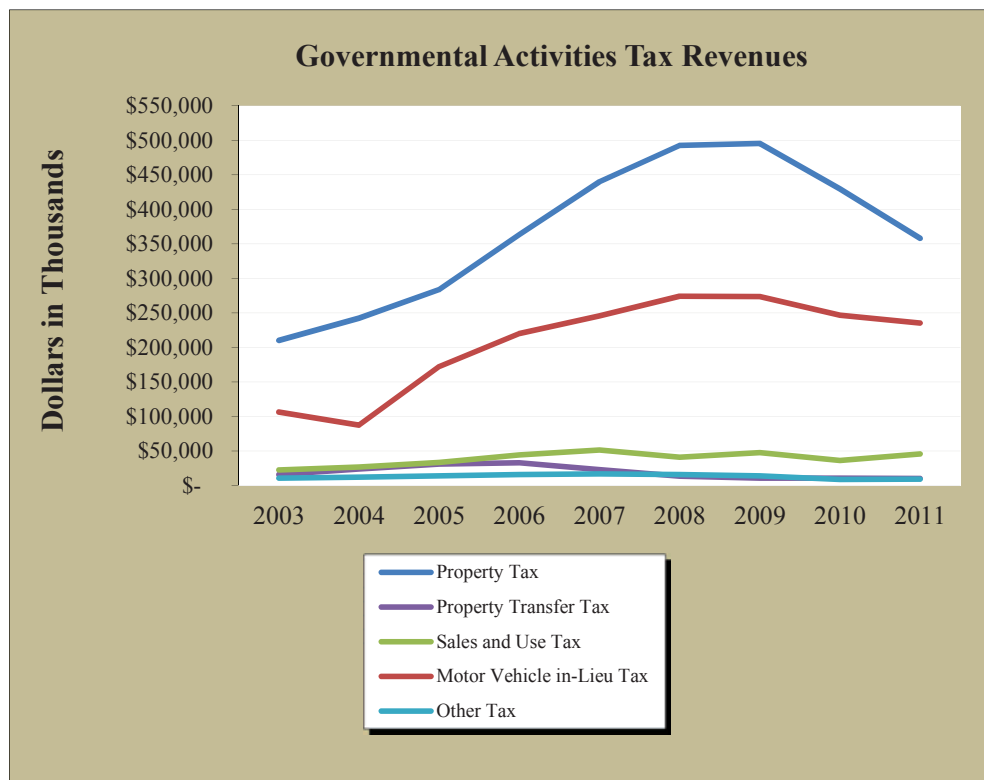
Table 2

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ (455,480)	\$ (461,875)	\$ (514,647)	\$ (401,199)	Continued: Primary government, net (expense) / revenue
				General Revenues and Other Changes in Net Assets
				Governmental Activities:
				Taxes:
396,167	314,666	266,391	225,775	Property taxes
44,286	33,091	26,633	22,444	Sales tax and use tax
15,603	13,885	12,108	10,377	Other taxes
				Intergovernmental revenue - not restricted to programs:
220,190	172,265	87,435	106,466	Motor vehicle in-lieu taxes
-	70,578	43,344	37,914	Fines, forfeitures, and penalties
78,288	39,907	16,835	24,909	Investment earnings
-	-	1,491	504	Proceeds on sale of capital assets
96,265	99,330	146,392	117,706	Other
19,888	(31,000)	(16,791)	(13,287)	Transfers
<u>870,687</u>	<u>712,722</u>	<u>583,838</u>	<u>532,808</u>	Governmental activities
				Business-type Activities:
6,381	4,234	2,505	3,235	Investment earnings
-	346	4,208	754	Gain on sale of capital assets
-	-	-	-	Other
(19,888)	31,000	16,791	13,287	Transfers
<u>(13,507)</u>	<u>35,580</u>	<u>23,504</u>	<u>17,276</u>	Business-type activities
<u>857,180</u>	<u>748,302</u>	<u>607,342</u>	<u>550,084</u>	Total primary government
				Change in net assets
375,903	249,664	86,567	147,721	Governmental activities
25,797	36,763	6,128	1,164	Business-type activities
<u>\$ 401,700</u>	<u>\$ 286,427</u>	<u>\$ 92,695</u>	<u>\$ 148,885</u>	Primary government change in net assets

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	<u>343,562</u>	<u>386,486</u>
Flood Control		
Nonspendable	1	1
Committed	237,211	222,944
Assigned	13,741	18,979
Total Flood Control	<u>250,953</u>	<u>241,924</u>
Public Facilities Improvements		
Restricted	158,628	200,501
Committed	6,451	10,850
Assigned	128,023	127,302
Total Public Facilities Improvements	<u>293,102</u>	<u>338,653</u>
Redevelopment Capital Projects		
Nonspendable	72,055	79,257
Committed	115,617	93,028
Assigned	83,881	96,062
Total Redevelopment Capital Projects	<u>271,553</u>	<u>268,347</u>
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	<u>606,405</u>	<u>557,715</u>
Total All Governmental Funds	<u>\$ 1,765,575</u>	<u>\$ 1,793,125</u>

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	<u>372,121</u>	<u>478,768</u>	<u>570,964</u>	<u>446,918</u>	<u>352,454</u>	<u>249,053</u>	<u>218,578</u>
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	<u>228,916</u>	<u>199,425</u>	<u>167,120</u>	<u>137,890</u>	<u>123,966</u>	<u>126,533</u>	<u>123,270</u>
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	<u>538,431</u>	<u>590,915</u>	<u>256,338</u>	<u>222,983</u>	<u>175,699</u>	<u>153,026</u>	<u>146,588</u>
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	<u>305,703</u>	<u>356,618</u>	<u>387,449</u>	<u>208,704</u>	<u>137,162</u>	<u>-</u>	<u>-</u>
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	<u>557,614</u>	<u>514,570</u>	<u>371,142</u>	<u>384,059</u>	<u>435,058</u>	<u>374,136</u>	<u>364,359</u>
Total All Governmental Funds	<u>\$ 2,002,785</u>	<u>\$ 2,140,296</u>	<u>\$ 1,753,013</u>	<u>\$ 1,400,554</u>	<u>\$ 1,224,339</u>	<u>\$ 902,748</u>	<u>\$ 852,795</u>

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
Revenues					
Taxes	\$ 427,892	\$ 439,435	\$ 525,238	\$ 553,158	\$ 523,028
Licenses, permits, and franchise fees	20,294	19,197	22,546	24,652	25,981
Fines, forfeitures, and penalties	95,290	114,320	108,572	92,029	82,946
Use of money and property:					
Interest	18,305	26,929	81,040	128,307	113,789
Rents and concessions	17,659	17,393	17,151	15,486	43,171
Aid from other governmental agencies:					
Federal	609,531	636,167	546,030	544,587	496,685
State	921,329	857,191	955,389	971,299	937,630
Other	130,362	172,598	140,757	103,858	89,111
Charges for services	458,744	469,340	460,439	447,889	431,676
Other revenue	95,279	65,711	84,348	102,132	115,863
Total revenues	<u>2,794,685</u>	<u>2,818,281</u>	<u>2,941,510</u>	<u>2,983,397</u>	<u>2,859,880</u>
Expenditures					
General government	311,025	554,315	430,712	409,336	320,254
Public protection	1,081,489	1,068,051	1,126,662	1,083,719	972,006
Public ways and facilities	176,184	130,310	148,544	152,603	157,055
Health and sanitation	353,904	341,244	390,668	375,259	348,921
Public assistance	824,471	812,848	766,407	747,576	686,295
Education	19,282	18,910	15,731	17,907	14,830
Recreation and culture	18,755	12,620	12,801	11,647	11,707
Debt service:					
Principal	80,928	73,378	54,587	46,483	44,222
Interest	83,902	78,689	86,768	91,126	78,204
Cost of issuance	5,212	1,819	2,436	3,868	5,565
Capital outlay	30,439	39,844	48,899	36,691	58,525
Total expenditures	<u>2,985,591</u>	<u>3,132,028</u>	<u>3,084,215</u>	<u>2,976,215</u>	<u>2,697,584</u>
Revenues over (under) expenditures	(190,906)	(313,747)	(142,705)	7,182	162,296
Other financing sources (uses)					
Transfers in	267,985	463,296	538,029	805,400	313,044
Transfers out	(277,943)	(479,143)	(562,345)	(814,607)	(328,624)
Issuance of debt	170,481	81,745	-	294,084	34,173
Issuance of refunding bonds	-	70,365	78,895	111,125	259,600
Discount on long-term debt	-	(626)	-	(2,898)	-
Premium on long-term debt	-	937	-	3,272	2,876
Payment to escrow agent	-	(65,713)	(76,300)	(24,290)	(103,396)
Proceeds from the sale of capital assets	6	-	-	1,159	916
Capital leases	8,321	31,018	22,746	8,670	8,811
Total other financing sources (uses)	<u>168,850</u>	<u>101,879</u>	<u>1,025</u>	<u>381,915</u>	<u>187,400</u>
Net change in fund balances	<u>\$ (22,056)</u>	<u>\$ (211,868)</u>	<u>\$ (141,680)</u>	<u>\$ 389,097</u>	<u>\$ 349,696</u>
Debt service as a % of non-capital expenditures	6.17%	5.85%	5.54%	5.28%	5.07%

Source: Auditor-Controller, County of Riverside

Table 5

2006	2005	2004	2003
\$ 457,117	\$ 346,248	\$ 305,132	\$ 258,596
21,733	22,343	26,418	25,677
62,984	70,578	43,297	37,241
73,838	37,624	16,145	23,331
41,798	39,831	31,952	39,833
451,036	446,628	430,970	428,433
830,634	705,289	713,146	696,466
69,042	55,661	46,750	46,099
439,594	383,497	368,497	327,918
110,870	146,800	100,404	132,900
2,558,646	2,254,499	2,082,711	2,016,494
270,340	250,568	217,416	204,861
855,133	1,039,822	677,798	613,781
141,017	111,088	133,973	120,490
346,738	339,444	365,727	339,123
629,553	652,069	576,267	570,458
11,108	9,889	10,241	9,261
12,727	20,058	9,242	10,722
45,516	34,452	32,118	37,643
73,707	46,439	24,523	31,220
4,925	9,283	504	-
25,639	9,680	1,604	22,489
2,416,403	2,522,792	2,049,413	1,960,048
142,243	(268,293)	33,298	56,446
294,835	203,411	163,383	58,661
(277,680)	(229,835)	(179,701)	(71,879)
178,750	596,330	21,645	-
-	74,200	-	-
-	-	-	-
857	4,827	-	-
(35,684)	(53,338)	-	-
2,064	35	494	-
7,929	6,616	1,008	8,435
171,071	602,246	6,829	(4,783)
\$ 313,314	\$ 333,953	\$ 40,127	\$ 51,663
5.47%	3.35%	2.86%	3.68%

Revenues

- Taxes
- Licenses, permits, and franchise fees
- Fines, forfeitures, and penalties
- Use of money and property:
 - Interest
 - Rents and concessions
- Aid from other governmental agencies:
 - Federal
 - State
 - Other
- Charges for services
- Other revenue
- Total revenues

Expenditures

- General government
- Public protection
- Public ways and facilities
- Health and sanitation
- Public assistance
- Education
- Recreation and culture
- Debt service:
 - Principal
 - Interest
 - Cost of issuance
- Capital outlay
- Total expenditures

Revenues over (under) expenditures

Other financing sources (uses)

- Transfers in
- Transfers out
- Issuance of debt
- Issuance of refunding bonds
- Discount on long-term debt
- Premium on long-term debt
- Payment to escrow agent
- Proceeds from the sale of capital assets
- Capital leases
- Total other financing sources (uses)

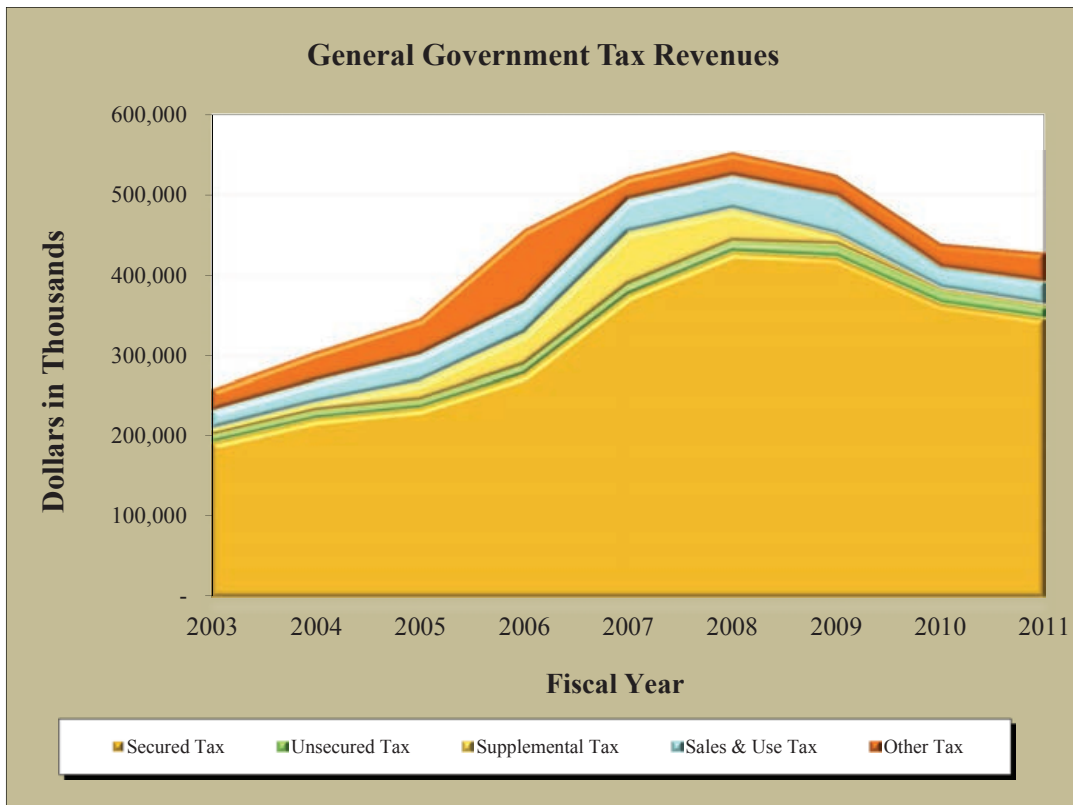
Net change in fund balances

Debt service as a % of non-capital expenditures

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Nine Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
2011	\$ 346,356	\$ 13,404	\$ 3,681	\$ 28,393	\$ 36,058	\$ 427,892
2010	364,810	15,270	3,778	25,762	29,815	439,435
2009	422,329	15,071	12,981	47,683	27,174	525,238
2008	428,790	13,193	40,815	40,985	29,375	553,158
2007	375,924	12,301	65,537	40,607	28,659	523,028
2006	277,266	11,405	39,661	37,532	91,253	457,117
2005	235,636	9,501	23,129	33,091	44,891	346,248
2004	222,635	9,600	10,411	26,633	35,853	305,132
2003	192,684	9,112	8,182	22,444	26,174	258,596



Source: Auditor-Controller, County of Riverside

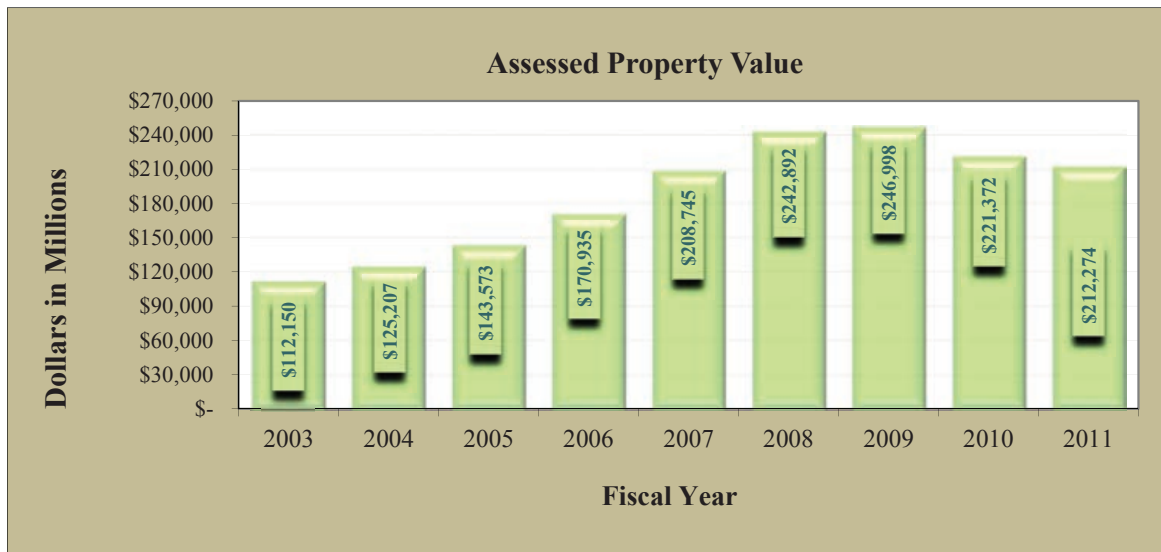


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Table 7

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

	Fiscal Year				
	2011	2010	2009	2008	2007
Real Property					
Secured property	\$ 204,153,163	\$ 213,144,336	\$ 238,312,506	\$ 235,351,116	\$ 202,009,520
Unsecured property	8,121,065	8,227,172	8,685,393	7,540,803	6,735,421
Total Gross Assessed Value	212,274,228	221,371,508	246,997,899	242,891,919	208,744,941
Less:					
Tax-exempt real property	6,673,229	6,424,030	6,111,231	5,574,813	5,125,567
Total Taxable Assessed Value	\$ 205,600,999	\$ 214,947,478	\$ 240,886,668	\$ 237,317,106	\$ 203,619,374
Total Direct Tax Rate	1.1254	1.1222	1.1095	1.0919	1.0772
Estimated Actual Taxable Value	\$ 274,134,665	\$ 286,596,637	\$ 321,182,224	\$ 316,422,808	\$ 271,492,499
Assessed Value as a % of Actual Value	77.43%	77.24%	76.90%	76.76%	76.89%



Source: Auditor-Controller, County of Riverside

Table 7

2006	2005	2004	2003	
\$ 164,618,837	\$ 137,784,611	\$ 119,840,527	\$ 107,159,352	Real Property
6,316,569	5,787,971	5,365,993	4,990,478	Secured property
170,935,406	143,572,582	125,206,520	112,149,830	Unsecured property
				Total Gross Assessed Value
5,014,256	4,730,573	4,301,937	3,878,514	Less:
				Tax-exempt real property
<u>\$ 165,921,150</u>	<u>\$ 138,842,009</u>	<u>\$ 120,904,583</u>	<u>\$ 108,271,316</u>	Total Taxable Assessed Value
1.0805	1.0866	1.0771	1.0787	Total Direct Tax Rate
\$ 221,228,200	\$ 185,122,679	\$ 161,206,111	\$ 144,361,755	Estimated Actual Taxable Value
77.27%	77.56%	77.67%	77.69%	Assessed Value as a % of Actual Value

Table 8

**COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Nine Fiscal Years**

Fiscal Year	County of Riverside	Range of Overlapping Rates			Total Direct & Overlapping Rates
	Total Direct Tax Rate	Total City Rate	Total School District Rate	Total Special District Rate	
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 assessments, and fixed charges.

Overlapping governments in the context of the statistical section, all local governments located wholly or in part within the geographic boundaries of the reporting government.

Overlapping rate in the context of the statistical section, an amount or percentage applied to a unit of a specific revenue base by governments that overlap geographically, at least in part, with the government preparing the statistical section information.

Source: Auditor-Controller, County of Riverside

Table 9

COUNTY OF RIVERSIDE
Principal Property Tax Payers
(Dollars in thousands)
Current Year and Nine Years Ago

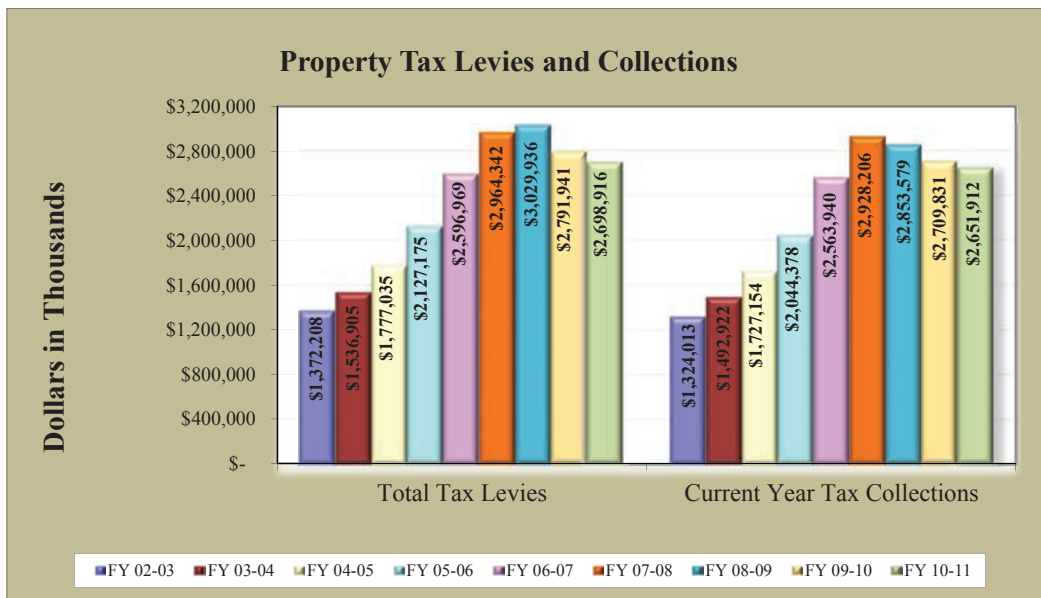
<u>Tax Payer</u>	<u>Fiscal Year</u>			
	<u>2011</u>		<u>2002</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total County Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total County Taxable Assessed Value</u>
So. California Edison Co.	\$ 18,359	0.65%	\$ 6,448	0.52%
Verizon 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)

Fiscal Year	Total Secured Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections as of 6/30	
		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

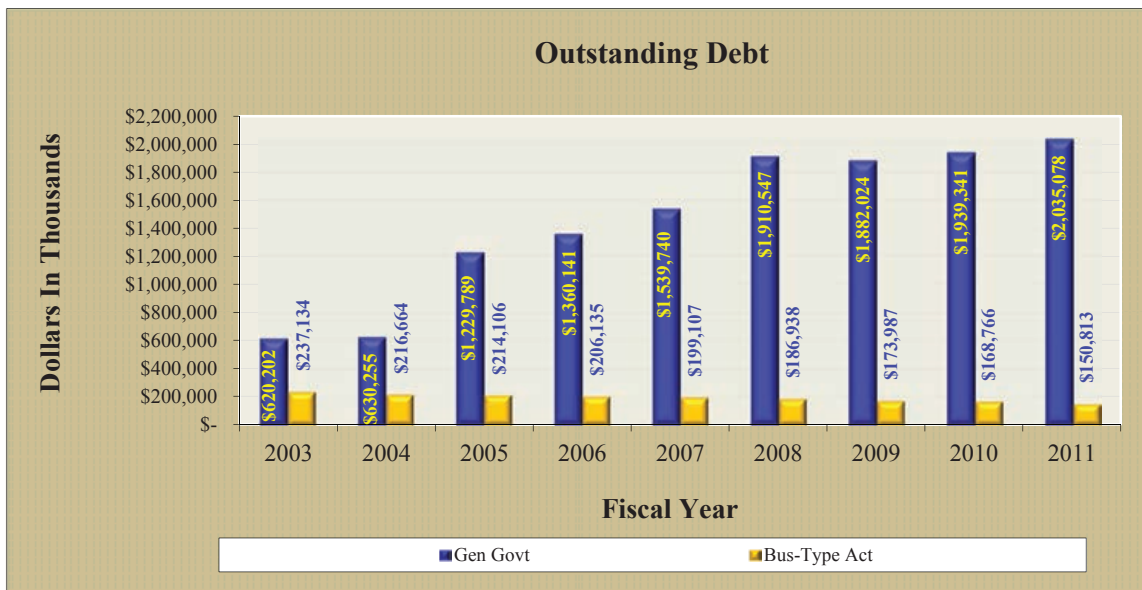


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Table 11

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
General Government					
Bonds	\$ 1,551,323	\$ 1,408,017	\$ 1,359,277	\$ 1,086,397	\$ 806,398
Certificates of participation	367,272	385,447	391,914	408,024	335,866
Note and loans	5,355	21,987	13,222	310,809	310,139
Capital leases	111,128	123,890	117,611	105,317	87,337
Business-Type Activities					
Bonds	134,983	147,924	159,959	170,814	181,263
Certificates of participation	-	-	-	-	-
Capital leases	15,830	20,842	14,028	16,124	17,844
Total Primary Government	\$ 2,185,891	\$ 2,108,107	\$ 2,056,011	\$ 2,097,485	\$ 1,738,847
Percentage of Personal Income	3.07%	3.13%	3.28%	3.25%	2.90%
Per Capita	\$ 986	\$ 985	\$ 975	\$ 1,004	\$ 856



Note: Per Capita is an estimate for fiscal years 2010 and 2011

Source: California State Department of Finance
 Auditor-Controller, County of Riverside
 Bureau of Economic Analysis

Table 11

	2006	2005	2004	2003	
					General Government
\$	814,443	\$ 678,028	\$ 91,758	\$ 91,758	Bonds
	348,486	325,572	387,869	357,855	Certificates of participation
	113,383	150,344	67,010	68,060	Note and loans
	83,829	75,845	83,618	102,529	Capital leases
					Business-Type Activities
	191,142	200,555	210,558	228,392	Bonds
	-	1,040	2,040	3,000	Certificates of participation
	14,993	12,511	4,066	5,742	Capital leases
\$	1,566,276	\$ 1,443,895	\$ 846,919	\$ 857,336	Total Primary Government
	2.81%	2.92%	1.88%	2.01%	Percentage of Personal Income
\$	807	\$ 769	\$ 477	\$ 499	Per Capita

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
Bonds	\$ 1,686,306	\$ 1,555,941	\$ 1,519,236	\$ 1,257,211	\$ 987,661
Less:					
Amounts available in debt service fund	151,405	127,206	147,568	119,597	73,308
Total Net Obligation Bonds Outstanding	\$ 1,534,901	\$ 1,428,735	\$ 1,371,668	\$ 1,137,614	\$ 914,353
Percentage of Estimated					
Actual Taxable Value of Property	0.56%	0.51%	0.43%	0.36%	0.34%
Per Capita	\$ 692	\$ 668	\$ 651	\$ 545	\$ 450

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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ 1,005,585	\$ 878,583	\$ 302,316	\$ 320,150	Bonds
				Less:
79,935	61,941	72,798	133,049	Amounts available in debt service fund
<u>\$ 925,650</u>	<u>\$ 816,642</u>	<u>\$ 229,518</u>	<u>\$ 187,101</u>	Total Net Obligation Bonds Outstanding
				Percentage of Estimated
0.43%	0.32%	0.46%	0.44%	Actual Taxable Value of Property
\$ 477	\$ 435	\$ 129	\$ 109	Per Capita

Table 13

**COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2011
(Dollars in Thousands)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Applicable Percentage</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes: County	\$ 8,159,288	86.96%	<u>\$ 7,095,708</u>
Subtotal, overlapping debt			7,095,708
County of Riverside direct debt			<u>1,063,580</u>
Total direct and overlapping debt			<u><u>\$ 8,159,288</u></u>

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 recognizes 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
Debt limit	\$ 2,570,012	\$ 2,686,843	\$ 3,011,083	\$ 2,966,464	\$ 2,598,369
Total net debt applicable to limit	<u>(1,534,901)</u>	<u>(1,428,735)</u>	<u>(1,211,709)</u>	<u>(966,800)</u>	<u>(733,090)</u>
Legal debt margin	<u>\$ 1,035,111</u>	<u>\$ 1,258,108</u>	<u>\$ 1,799,374</u>	<u>\$ 1,999,664</u>	<u>\$ 1,865,279</u>
Total net debt applicable to the limit as a percentage of debt limit	59.7%	53.2%	40.2%	32.6%	28.2%

Legal Debt Margin Calculated for Fiscal Year 2011

Assessed value	\$ 207,831,315
Less: Homeowners exemptions	<u>2,230,316</u>
Total assessed value	<u>205,600,999</u>
Debt limit (1.25% of total assessed value)	<u>2,570,012</u>
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	1,686,306
Less: Amount set aside for repayment of general obligation debt	<u>151,405</u>
Total net debt applicable to limit	<u>1,534,901</u>
Legal debt margin	<u>\$ 1,035,111</u>

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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
\$ 2,125,832	\$ 1,735,525	\$ 1,511,307	\$ 1,353,391	Debt limit
<u>(603,194)</u>	<u>(616,087)</u>	<u>(635,290)</u>	<u>(620,202)</u>	Total net debt applicable to limit
<u>\$ 1,522,638</u>	<u>\$ 1,119,438</u>	<u>\$ 876,017</u>	<u>\$ 733,189</u>	Legal debt margin
28.4%	35.5%	42.0%	45.8%	Total net debt applicable to the limit as a percentage of debt limit

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Nine Fiscal Years
(Dollars in Thousands)

Fiscal Year	Lease Revenue Bonds							Coverage
	Revenue from	Less:	Net	Debt Service				
	Lease Payments	Operating Expenses	Available Revenue	Principal	Interest			
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

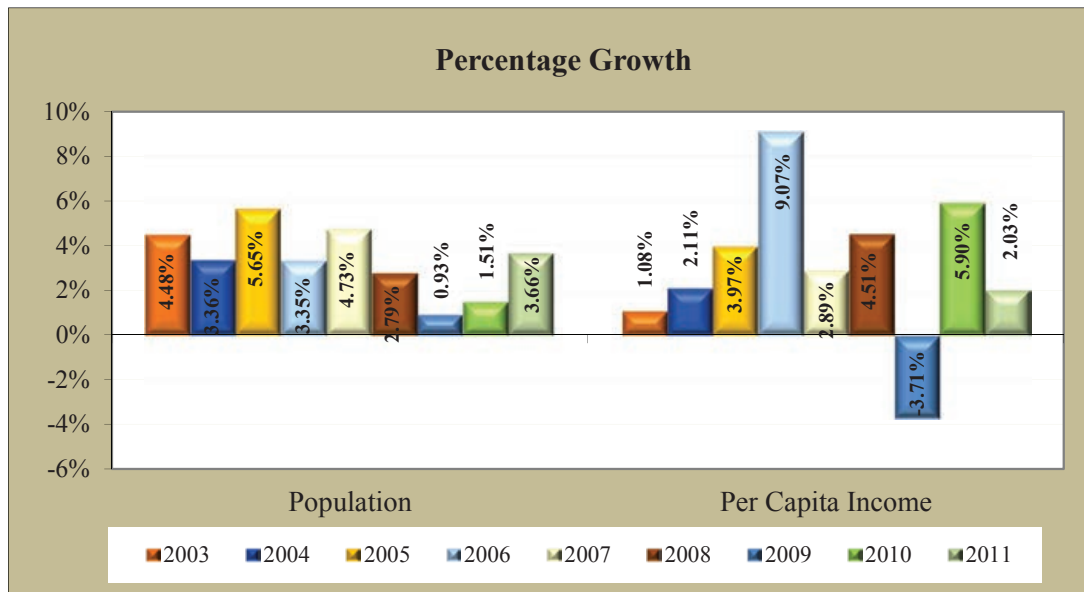
Table 15

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

Employer	Fiscal Year			
	2011		2002	
	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

Function/Program	Full-time Equivalent Employees				
	2011	2010	2009	2008	2007
General government					
Legislative and administrative	87	98	92	96	92
Finance	411	438	456	522	477
Counsel	64	70	69	69	69
Personnel	172	167	182	216	191
Elections	39	42	41	40	39
Communication	11	12	11	10	-
Property management	531	500	494	468	387
Promotion	139	180	186	177	168
Other general	32	36	36	39	-
Public protection					
Judicial	1,345	1,444	1,485	1,506	1,371
Police protection	2,408	2,449	2,586	2,474	2,354
Detention and correction	2,067	2,076	2,220	2,174	1,972
Fire protection	198	188	190	199	165
Protection/inspection	87	100	98	114	274
Other protection	615	669	737	778	541
Administration	62	65	58	60	50
Public ways and facilities					
Public ways	413	465	506	532	517
Parking Facilities	18	20	-	-	-
Health and sanitation					
Health	2,063	2,024	2,075	2,214	2,023
Hospital care	31	31	30	30	31
California children's services	138	143	148	168	159
Public assistance					
Aid programs	3,089	3,132	3,159	3,297	2,948
Veterans' services	12	12	12	13	12
Other assistance	355	348	285	305	302
Education, recreation and culture					
Library services	1	-	1	1	1
Agricultural extension	5	5	5	6	5
Cultural services	3	3	3	2	2
County business-type functions					
Hospital care	2,295	2,246	2,186	2,097	1,889
Sanitation	174	198	211	206	170
Internal service	2,315	2,418	1,723	2,202	2,934
Special districts/Component units	591	547	533	534	526
Total	19,771	20,126	19,818	20,549	19,669

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 18

2006	2005	2004	2003	
				Function/Program
				General government
93	87	92	93	Legislative and administrative
445	424	445	449	Finance
58	52	50	50	Counsel
179	160	153	144	Personnel
31	34	36	39	Elections
-	-	11	10	Communication
323	305	312	306	Property management
142	126	121	110	Promotion
-	1	1	1	Other general
1,204	1,150	1,213	1,260	Public protection
2,113	1,926	1,914	1,902	Judicial
1,811	1,748	1,803	1,832	Police protection
145	126	135	122	Detention and correction
254	233	216	206	Fire protection
523	441	446	419	Protection/inspection
39	36	37	35	Other protection
				Administration
497	488	491	476	Public ways and facilities
-	-	-	-	Public ways
				Parking Facilities
1,939	1,862	1,901	1,929	Health and sanitation
28	30	32	31	Health
152	143	127	119	Hospital care
				California children's services
2,841	2,796	2,744	2,720	Public assistance
11	10	10	11	Aid programs
283	309	338	452	Veterans' services
				Other assistance
1	1	1	1	Education, recreation and culture
5	4	4	5	Library services
2	2	2	-	Agricultural extension
				Cultural services
1,680	1,589	1,526	1,538	County business-type functions
158	149	130	94	Hospital care
2,538	2,147	2,305	2,058	Sanitation
540	528	528	514	Internal service
				Special districts/Component units
<u>18,035</u>	<u>16,907</u>	<u>17,124</u>	<u>16,926</u>	Total

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

<u>Function/Program</u>	<u>Fiscal year</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Agricultural Commissioner					
Export phytosanitary certificates	20,406	25,745	36,772	29,288	22,266
Pesticide use inspections	764	682	831	903	840
Weights and measures regulated	134,290	131,175	129,528	129,726	121,986
Agriculture quality inspections	693	643	668	643	1,061
Plant pest inspections	9,584	9,667	48,944	25,987	14,532
Nursery acreage inspected	6,338	6,923	7,627	7,851	9,226
Weights and measures inspected	56,751	77,278	80,862	83,269	97,039
Assessor-Clerk-Recorder					
Assessments	904,040	941,928	942,174	938,462	920,555
Official records recorded	612,804	673,674	682,708	773,308	957,123
Vital records copies issued	80,391	87,194	97,422	97,427	88,640
Official records copies issued	28,990	26,348	33,135	34,711	35,319
Auditor-Controller					
Invoices paid	412,374	488,192	522,097	504,866	449,367
Vendor warrants (checks) issued	265,979	300,428	320,613	255,767	237,645
Active vendors	65,090	64,761	59,685	75,575	68,358
Payroll warrants (checks) issued	506,870	532,904	532,202	522,215	496,386
Average payroll warrants (checks) per pay period	19,495	19,737	20,469	20,085	19,092
Audits per fiscal year	26	30	30	31	34
Tax Bills Levied	999,241	977,115	974,041	1,004,076	1,069,352
Tax Refunds/Roll Changes Processed	123,476	115,904	152,672	89,527	98,769
Community Action Partnership					
Utility assistance (households)	22,207	27,956	12,869	9,902	13,337
Weatherization (households)	1,375	2,083	1,033	853	465
Energy education attendees	13,807	11,725	10,775	19,396	14,590
Disaster relief (residents)	12,058	17,989	15,336	16,366	13,551
Income tax returns prepared	3,006	2,257	2,011	1,828	1,384
After school programs (students)	18,400	13,800	11,000	10,905	10,905
Homeless program (bed nights)	-	-	-	12,822	13,198
Homeless program (meals)	-	-	-	25,644	26,396
Leadership program enrollment	593	182	-	209	-
Mediation (cases)	2,178	2,237	1,821	2,144	2,133
Community Health Agency					
Facilities inspections	31,801	31,213	34,273	33,009	31,760
Patient visits	106,532	142,617	125,767	149,223	139,885
Patient services	390,607	313,409	466,800	601,889	438,639
Animal impounds	49,408	62,770	71,834	30,305	27,362
Spays and neuters	8,305	7,225	8,480	7,208	5,645

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

Table 19

2006	2005	2004	2003	
Function/Program				
Agricultural Commissioner				
21,746	20,037	14,692	15,623	e Export phytosanitary certificates
1,199	1,105	1,366	1,257	f Pesticide use inspections
120,211	114,529	102,780	95,334	Weights and measures regulated
541	1,067	1,251	1,202	Agriculture quality inspections
4,975	5,933	6,296	5,421	Plant pest inspections
7,382	7,431	5,355	6,501	Nursery acreage inspected
150,308	101,223	31,794	27,990	Weights and measures inspected
Assessor-Clerk-Recorder				
896,998	859,413	831,610	791,348	Assessments
1,082,688	1,039,166	1,019,271	794,257	Official records recorded
82,015	73,379	68,892	70,071	Vital records copies issued
35,691	36,480	36,231	33,506	Official records copies issued
Auditor-Controller				
457,439	472,942	492,675	563,252	Invoices paid
235,044	242,763	220,649	235,121	Vendor warrants (checks) issued
62,699	56,686	49,970	42,937	Active vendors
469,692	449,011	448,845	448,571	Payroll warrants (checks) issued
				Average payroll warrants (checks) per pay period
18,065	17,270	17,263	17,253	
37	20	13	12	Audits per fiscal year
1,039,358	988,487	896,814	856,951	Tax Bills Levied
124,973	93,718	155,115	61,164	Tax Refunds/Roll Changes
Community Action Partnership				
10,944	11,783	12,846	14,706	Utility assistance (households)
801	795	711	857	Weatherization (households)
10,389	11,508	1,953	37,445	a Energy education attendees
8,605	1,514	-	-	b Disaster relief (residents)
2,651	-	-	-	b Income tax returns prepared
537	51	271	51	After school programs (students)
31,328	40,245	30,316	63,703	c Homeless program (bed nights)
142,578	372,048	170,937	453,238	c Homeless program (meals)
113	11	-	-	b Leadership program enrollment
2,099	2,002	2,042	1,869	Mediation (cases)
Community Health Agency				
32,000	40,642	38,105	36,546	Facilities inspections
123,843	135,539	125,936	123,230	Patient visits
369,041	339,095	376,534	336,909	Patient services
29,206	20,467	21,307	21,661	Animal impounds
5,806	2,401	3,080	2,372	Spays and neuters

Continued

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

<u>Function/Program</u>	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

Table 19

2005	2004	2003	
			<u>Function/Program</u>
			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

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Nine Fiscal Years

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
Registrar of Voters					
Voting precincts	1,649	2,370	2,387	3,474	1,472
Polling places	746	1,158	1,205	2,017	610
Voters a	1,009,933	1,815,892	1,747,556	1,705,406	931,821
Poll workers	3,281	4,186	6,287	8,355	2,622
Sheriff					
Number of bookings	53,974	55,306	62,007	59,054	61,697
Coroner case load	10,555	10,027	9,582	9,394	9,212
Calls for services b	232,821	255,601	302,400	280,000	279,415
TLMA - Building & Safety					
Building permits issued	605	1,248	986	1,800	5,786
Building plans checked	595	1,241	918	1,507	5,151
Building structures inspected	890	1,321	1,780	3,158	8,580
Veterans' Services					
Phone inquiries answered	43,617	41,569	39,393	29,553	23,287
Client interviews	15,630	25,209	13,955	10,571	8,199
Claims filed	5,485	5,581	5,812	5,194	3,786
Waste Management					
Landfill tonnage	1,071,394	1,032,942	1,024,267	1,220,124	1,325,284
Recycling tonnage	2,499	1,803	2,356	3,385	3,048

Notes:

a - Number of voters that were mailed voting materials for all elections in the fiscal year

b - Unincorporated areas

c - Program not yet started / not tracked

Table 19

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	
<u>Function/Program</u>				
Registrar of Voters				
1,872	1,160	2,389	2,087	Voting precincts
1,060	613	1,299	1,136	Polling places
1,658,509	870,300	1,919,561	1,335,785	Voters
3,992	2,692	4,911	4,668	Poll workers
Sheriff				
56,926	55,375	52,497	49,617	Number of bookings
8,943	8,558	7,826	7,772	Coroner case load
250,000	240,182	219,145	206,122	Calls for services
TLMA - Building & Safety				
10,232	9,980	10,452	10,106	Building permits issued
8,759	8,251	9,128	8,776	Building plans checked
9,593	8,182	8,887	8,533	Building structures inspected
Veterans' Services				
21,917	25,276	-	-	c Phone inquiries answered
7,467	7,559	-	-	c Client interviews
3,372	3,503	-	-	c Claims filed
Waste Management				
1,423,469	1,328,935	1,231,767	1,148,312	Landfill tonnage
3,758	2,619	2,850	2,066	Recycling tonnage

Table 20

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

Function/Program	Fiscal Year				
	2011	2010	2009	2008	2007
County Libraries					
Branch libraries	33	33	33	33	29
Book mobiles	2	2	2	2	2
Books in collection	1,668,434	1,612,925	1,564,186	1,552,108	1,784,149
County Regional Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	30	30	30	30	30
Beds licensed	439	439	439	439	439
Fire					
Stations	46	49	49	49	49
Trucks	156	154	149	143	141
Parks and Recreation					
Regional parks	12	12	13	13	13
Historic sites	4	4	6	6	6
Nature centers	4	4	5	5	5
Archaeological sites	6	6	7	7	7
Wildlife reserves	9	9	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
Patrol vehicles	896	883	923	974	702
Waste Management					
Landfills	6	6	6	6	6
Capacity in tons	54,177,558	51,794,663	51,794,663	51,609,663	51,609,663

Table 20

2006	2005	2004	2003	Function/Program
				County Libraries
29	29	28	27	Branch libraries
2	2	2	2	Book mobiles
1,221,744	1,477,670	1,098,082	1,029,424	Books in collection
				County Regional Medical Center
4	4	4	4	Major clinics
30	30	30	30	Routine and specialty clinics
439	439	439	439	Beds licensed
				Fire
48	48	48	48	Stations
135	125	126	117	Trucks
				Parks and Recreation
13	13	13	13	Regional parks
6	6	6	6	Historic sites
5	5	5	5	Nature centers
7	7	7	7	Archaeological sites
16	16	16	16	Wildlife reserves
-	-	-	-	RV and Mobile Home Parks
-	-	-	-	Managed Areas
-	-	-	-	Recreational Facilities
				Sheriff
10	10	10	10	Patrol stations
598	583	576	550	Patrol vehicles
				Waste Management
7	7	8	8	Landfills
52,392,284	50,948,302	50,872,281	42,712,387	Capacity in tons



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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following are definitions of certain terms used in this Official Statement and a brief summary of certain provisions contained in the Master Trust Indenture, the First Supplemental Indenture, the Master Lease Agreement and the Master Site Lease. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to each of the Master Trust Indenture, the First Supplemental Indenture, the Master Lease Agreement and the Master Site Lease

CERTAIN DEFINITIONS

“Addition” means the addition of Property to the leasehold under the Master Lease, and the lease of additional real property and improvements under the Master Lease from the Corporation to the County, as provided in the Master Lease.

“Additional Bonds” means all lease revenue bonds or lease revenue refunding bonds of any Series authorized by and at any time Outstanding pursuant to the Indenture, as supplemented by Supplemental Indentures, thereto and executed, issued and delivered in accordance with the Indenture, excluding the Initial Bonds.

“Additional Payments” means the amounts payable by the County as summarized below under the caption “MASTER LEASE AGREEMENT—Additional Payments.”

“Annual Debt Service” means, for any Fiscal Year, the sum of: (a) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed or paid from the respective Sinking Account as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds); (b) the principal amount of all Outstanding Serial Bonds, if any, maturing by their terms in such Fiscal Year; and (c) the principal amount of all Outstanding Term Bonds, if any, required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

“Assignment Agreement” means the Assignment Agreement, dated as of February 1, 2012, by and between the Corporation and the Trustee, and recorded concurrently therewith, whereby the Corporation assigns to the Trustee for the benefit of the Owners the Corporation’s rights under the Master Site Lease and the Master Lease, including the right to receive Base Rental Payments.

“Authorized Denominations” means \$5,000 principal amount and integral multiples thereof.

“Authorized Representative” means with respect to the Corporation, , the Chairman of the Board and/or Vice Chairman of the Corporation and/or any officer or employee of the Corporation authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation, and, with respect to the County, the County Executive Officer, the Deputy County Executive Officer, the Finance Director of the County, and/or any

officer or employee of the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Supervisors of the County.

“*Base Rental Payment Date*” means the fifteenth day of April and October in each year during the Term of this Master Lease, commencing April 15, 2012.

“*Base Rental Payments*” means all amounts payable to the Corporation from the County as Base Rental Payments pursuant to the Master Lease.

“*Base Rental Payment Schedule*” means the schedule of Base Rental Payments payable to the Corporation from the County pursuant to the Master Lease.

“*Base Rental Period*” means each 12-month period during the Term of this Master Lease commencing on October 15 in any year and ending on October 14 in the next succeeding year; except that the first Base Rental Period during the term of this Master Lease shall commence on the Closing Date and end on October 14, 2012.

“*Beneficial Owner*” means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

“*Bond Counsel*” means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Indenture and acceptable to the Corporation and the County.

“*Bond Fund*” means the fund by that name established pursuant to the Indenture.

“*Bonds*” means any debt obligation of the Corporation issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Indenture, including, but not limited to, bonds, notes, bond anticipation notes and other instruments creating an indebtedness of the Corporation and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and any Series of Bonds issued, and at any time Outstanding pursuant to, the Indenture including the Series 2012 Bonds and all Additional Bonds.

“*Book-Entry Bonds*” means the Series 2012 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions the First Supplemental Indenture.

“*Business Day*” means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

“*Capitalized Interest*” means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee as may be described in a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

“*Certificate*,” “*Statement*,” and “*Requisition*” of the Corporation or of the County means, respectively, a written certificate, statement or requisition signed in the name of the Corporation

by an Authorized Representative or signed in the name of the County by an Authorized Representative. 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 February 29, 2012.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto and any regulations promulgated thereunder.

“*Continuing Disclosure Certificate*” means that certain Continuing Disclosure Certificate, dated as set forth in a Supplemental Indenture executed and delivered by the County in connection with the issuance of the respective Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“*Corporate Trust Office of the Trustee*” means the designated corporate trust office of the Trustee located at Wells Fargo Bank, National Association, 707 Wilshire Boulevard, 17th Floor, Los Angeles, California 90017, Attention: Corporate Trust Services or such other or additional offices as may be specified to the Corporation by the Trustee in writing.

“*Costs of Issuance*” means all costs and expenses incurred by the County or the Corporation relating to the issuance, sale and delivery of the Series 2012 Bonds and the execution and delivery of the Indenture, the Master Site Lease, the Master Lease, Assignment Agreement including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, including verification reports, costs of rating agencies for credit ratings, fees related to DTC, accounting fees, title insurance, fees for execution, transportation and safekeeping of the Bonds and any other charges and fees in connection or associated with the foregoing.

“*County*” means the County of Riverside, a political subdivision and body corporate and politic of the State.

“*Defeasance Securities*” means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof; and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities; and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest generic rating category by S&P or Moody’s.

“*DTC*” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“*Event of Default*” has the meaning contained in the Indenture summarized below under the caption “MASTER TRUST INDENTURE—Events of Default.”

“*Expiry Date*” means November 1, 2031, except as extended or sooner terminated pursuant to the Master Lease, or such other date or dates as set forth in an amendment to the Master Lease.

“*Federal Securities*” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal (including State and Local Government Securities (“SLGS”)), or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities, as well as pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P.

“*First Supplemental Indenture*” means the First Supplemental Trust Indenture, dated as of February 1, 2012, as amended, by and between the Corporation and the Trustee.

“*Fiscal Year*” means the fiscal year of the Corporation, which period of time begins on July 1 of each given year and ends on June 30 of the following year, or such other similar periods as the Corporation designates as its fiscal year.

“*Fitch*” means Fitch Ratings, New York, New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

“*Independent Counsel*” means an attorney duly admitted to the practice of law before the highest court of the State in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the County.

“*Initial Bonds*” the Series 2012 Bonds.

“*Insurance Proceeds and Condemnation Awards Fund*” means the Fund by that name established and held by the Trustee pursuant to the Indenture.

“*Interest Accounts*” means the accounts established pursuant to a Supplemental Indenture in accordance with the Indenture.

“*Lease Year*” means the period from each November 1 to and including the following October 31, during the term of the Master Lease.

“*Master Lease*” means that certain Master Lease Agreement, dated as of February 1, 2012, between the County and the Corporation under which the Corporation subleases to the County the Property, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“*Master Lease Payments*” means the Base Rental Payments and the Additional Payments.

“*Master Site Lease*” means the Master Site Lease dated as of February 1, 2012 by and between the County, as lessor, and the Corporation, as lessee, including any amendments thereto, pursuant to which the County leases the Property to the Corporation.

“*Master Trust Indenture*” or “*Indenture*” means the Master Trust Indenture, dated as of February 1, 2012, by and between the Corporation and the Trustee, as amended and supplemented.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

“*Net Proceeds*” means any insurance proceeds (including self-insurance proceeds) or condemnation award, paid with respect to any of the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

“*Official Statement*” means the Official Statement dated February 15, 2012 relating to the Series 2012 Bonds.

“*Opinion of Bond Counsel*” means a written opinion of Bond Counsel.

“*Outstanding*” means, when used as of any particular time with reference to Bonds, (subject to the provisions of the Indenture pertaining to disqualified bonds) all Bonds theretofore or thereupon executed by the Corporation and authenticated and delivered by the Trustee pursuant to the Indenture, except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Corporation and authenticated and delivered pursuant to the Indenture.

“*Owner*” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to the Indenture.

“*Permitted Encumbrances*” means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Master Lease, permit to remain unpaid; (b) the Master Site Lease; (c) the Master Lease (including any amendment thereto); (d) the pledge under the Indenture; (e) any encumbrance, indebtedness and leases permitted under the Master Lease; (f) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law or any mechanics or other liens permitted under the Master Lease; (g)

easements, rights of way, licenses, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date (or, in the case of any property added in connection with the issuance of Additional Bonds or any Substituted Property, which exist of record as of the date any such property is added to the description of Property) and which the County certifies in writing will not materially impair the County's right to use and occupy the Property or its ability to meet the requirement under the Master Lease summarized under the caption "MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Fair Rental Value*"; (h) restrictions arising under the terms of a redevelopment plan of any California redevelopment agency; (i) easements, rights of way and licenses granted to persons who develop or use the real property adjacent to the Property which the County certifies in writing will not damage, reduce the fair market value of or materially impair the use of the Property; and (j) right grants by the County pursuant to the Master Lease in the section summarized under the caption "MASTER LEASE AGREEMENT—Liens."

"*Permitted Investments*" means any of the following that at the time are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

(i) U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA): Certificates of Beneficial Ownership;

(iii) Federal Financing Bank;

(iv) Federal Housing Administration Debentures (FHA);

(v) General Services Administration Participation Certificates;

(vi) Government National Mortgage Association (GNMA or Ginnie Mae): GNMA—guaranteed mortgage-backed bonds GNMA—guaranteed pass-through obligations;

(vii) U.S. Maritime Administration: Guaranteed Title XI financing; and

(viii) U.S. Department of Housing and Urban Development (HUD): Project Notes, Local Authority Bonds, New Communities Debentures—

U.S. government guaranteed debenture U.S. Public Housing Notes and Bonds—
U.S. government guaranteed public housing notes and bonds;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

(i) Federal Home Loan Bank System: Senior debt obligations;

(ii) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): Participation Certificate Senior debt obligations;

(iii) Federal National Mortgage Association (FNMA or Fannie Mae): Mortgage-backed securities and senior debt obligations;

(iv) Student Loan Marketing Association (SLMA or Sallie Mae): Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) obligations; and

(vi) Farm Credit System: Consolidated systemwide bonds and notes;

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2” including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Trustee and its affiliates; provided that the collateral is held by a third party and the bondholders have a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF which may include those of the Trustee and its affiliates;

(g) investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such rating agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) Repurchase Agreements ("Repos") for 30 days or less meeting the following criteria:

(i) Repos must be between the Corporation and a dealer bank or securities firm:

(A) primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and "A2" or better by Moody's; or

(B) banks rated "A" or better by S&P and "A2" or better by Moody's;

(ii) the written repurchase agreement must include the following:

(A) securities which are acceptable for transfer are:

(1) direct obligations of the United States of America referred to in clause (a) above; or

(2) obligations of federal agencies referred to in clause (b) above; or

(3) obligations of FNMA and FHLMC;

(B) the term of the Repos may be up to 30 days;

(C) the collateral must be delivered to the Corporation, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee is (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); and

(D) valuation of Collateral:

(1) the securities must be valued weekly, marked to market at current market price plus accrued interest; and

(2) the value of collateral must be equal to 104% of the amount of cash transferred by the Corporation to the dealer bank or

security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Corporation, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%; and

(iii) a legal opinion must be delivered to the Corporation that states that the Repo meets guidelines under state law for legal investment of public funds;

(l) 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; and

(m) the Riverside County Investment Pool, managed by the Treasurer-Tax Collector of the County of Riverside, California.

“*Principal Accounts*” means the subaccounts established pursuant to a Supplemental Indenture in accordance with the Indenture.

“*Project Fund*” means any fund by that name established pursuant to the Indenture.

“*Property*” means that certain real property together with improvements located thereon that are owned by the County, which is the subject of the Master Site Lease comprising those parcels described in Exhibit A of the Master Lease, as the same may be changed from time to time by Removal, Addition or Substitution as provided in the Master Lease, summarized in the section below entitled “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property”; subject, however, to Permitted Encumbrances.

“*Rebate Fund*” means the fund created by the Corporation pursuant to a Supplemental Indenture in connection with the issuance of the Bonds or any Series of Bonds for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Redemption Fund*” means the fund by that name established pursuant to the Indenture.

“*Removal*” means the release of all or a portion of the Property from the leasehold of the Master Lease and of the Master Site Lease as provided in the Master Lease, summarized under the caption below entitled, “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property.”

“*Reserve Fund*” means any fund by that name, if any, established pursuant to the Indenture.

“*Reserve Fund Credit Facility*” means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Fund, if any, in lieu of or in partial substitution for cash or securities on deposit therein; in each case, the provider of which shall be

rated in one of the two highest long-term rating categories (without regard to subcategories) by Moody's and S&P at the time of substitution.

"Reserve Requirement" means, as of any date of calculation, the least of (a) 10% of the original principal amount of the Series 2012 Bonds, (b) the maximum Base Rental Payments payable by the County in any Lease Year between such date and the expiration of the Master Lease, and (c) 125% of the average annual Base Rental Payments on the Series 2012 Bonds Outstanding.

"Revenues" means all Base Rental Payments made pursuant to the Master Lease and interest or profits from the investment of money in any fund, account or subaccount (other than any Rebate Fund) deposited in the Bond Fund pursuant to the Indenture and as permitted by Supplemental Indenture with respect to a particular Series of Bonds.

"S&P" means Standard & Poor's Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

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

"Series" means, whenever used with respect to Bonds, all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided by the Indenture and any Supplemental Indenture.

"Series 2012 Bond Account" is defined as, collectively, the Series 2012 Interest Account and the Series 2012 Principal Account.

"Series 2012 Bonds" means the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Annex Refunding Project).

"Series 2012 Costs of Issuance Fund" means the fund of such designation established pursuant to the First Supplemental Indenture and into which money is deposited to pay Costs of Issuance of the Series 2012 Bonds.

"Series 2012 Interest Account" means the account within the Series 2012 Bond Account within the Bond Fund of that designation created pursuant to the First Supplemental Indenture and into which money is to be deposited to pay interest on the Series 2012 Bonds.

"Series 2012 Principal Account" means the account within the Series 2012 Bond Account within Bond Fund of that designation created pursuant to the First Supplemental Indenture and into which money is to be deposited to pay principal on the Series 2012 Bonds.

"Series 2012 Project Fund" means the fund of such designation established pursuant to the First Supplemental Indenture and into which money is deposited to pay Project Costs.

“*Series 2012 Rebate Account*” means the account within the Rebate Fund of that designation created pursuant to the First Supplemental Indenture.

“*Series 2012 Reserve Fund*” means the fund of that designation created pursuant to the First Supplemental Indenture.

“*Sinking Account*” means the account by that name established within the Series 2012 Principal Account pursuant to the First Supplemental Indenture.

“*Sinking Fund Installment*” means, with respect to any Series of Bonds, each amount so designated for the Term Bonds of such Series in the Indenture or in the Supplemental Indenture providing for the issuance of such Series of Bonds requiring payments by the Corporation to be applied to the retirement of such Series of Bonds on and prior to the stated maturity date thereof.

“*State*” means the State of California.

“*Substituted Property*” has the meaning as set forth in the Master Lease, summarized below under the caption entitled, “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property.”

“*Substitution*” means the release of all or a portion of the Property from the leasehold of the Master Lease and the Master Site Lease, and the lease of substituted real property and improvements under the Master Lease and the Master Site Lease as provided in the Master Lease, summarized below under the caption entitled, “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property.”

“*Supplemental Indenture*” means any indenture then in full force and effect which has been duly executed and delivered by the Corporation and the Trustee amendatory to the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

“*Tax Certificate*” means the Tax Compliance Certificate executed by the County and the Corporation at the time of the issuance and delivery of Bonds, as the same may be amended or supplemented in accordance with its terms.

“*Term Bonds*” means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“*Term of the Master Lease*” or “*Term*” means the time during which the Master Lease is in effect, as provided for in the Master Lease.

“*Trustee*” means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any other association or authority which may at any time be substituted in its place as provided in the Indenture.

“*Written Request of the Corporation*” means a written request, certificate or requisition signed in the name of the Corporation by an Authorized Representative of the Corporation.

“*Written Request of the County*” means a written request, certificate or requisition signed in the name of the County by an Authorized Representative of the County.

MASTER TRUST INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Trust Indenture.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Corporation and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, issued, executed and delivered under the Indenture and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, with respect to all Bonds which may from time to time be authorized, issued, executed and delivered under the Indenture, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth in the Indenture to be performed by or on behalf of the Corporation shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, issuance, execution or delivery thereof or for any cause whatsoever, except as to timing of interest and principal payments as expressly provided therein. Any Reserve Fund and any Reserve Credit Facility provided for at any time in satisfaction of all or a portion of the Reserve Requirement for a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds or one or more Series of Bonds and, therefore, shall not be included as security for all Bonds under the Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid and defeased under the Indenture shall be held solely for the payment of such specific Bonds.

Bonds Secured by a Pledge of Revenues

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues, including any other amounts (including proceeds of the sale of the Bonds) held in the Bond Fund, are thereby pledged to secure the payment of the principal of, premium, if any, purchase price, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture including the replenishment of draws upon the Reserve Fund, if any, established for a Series of Bonds. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of the principal of, premium, if any, purchase price and interest on the Bonds in accordance with the terms set forth in the Indenture. Said pledge shall constitute a first lien on and security interest in such assets

and shall attach, be perfected and be valid and binding from and after the date of issuance for the Initial Bonds, without any physical delivery thereof or further act.

The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee.

The Trustee agrees to provide written notice to the County at least five Business Days prior to each Base Rental Payment Date of the amount, if any, on deposit in the Bond Fund which shall serve as a credit against, and shall relieve the County of making, the Base Rental Payments due from the County on such Base Rental Payment Date.

Additional Bonds

Conditions for the Issuance of Bonds. The Corporation may at any time issue any Series of Bonds payable from the Revenues as provided in the Indenture and secured by a pledge of the Revenues as provided in the Indenture equal to the pledge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions, which are made conditions precedent (except as otherwise indicated) to the issuance of any such Series of Bonds:

(a) excepting the Initial Bonds, the Corporation shall be, as evidenced by a Certificate of the Corporation, in compliance with all agreements and covenants contained herein and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the issuance of such Series of Bonds shall have been authorized by the Corporation and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purpose for which such Series of Bonds are to be issued;

(ii) the authorized principal amount and designation of such Series of Bonds;

(iii) the dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Series of Bonds; provided, however, that (A) each maturity and sinking fund date shall occur on the date set forth in the Supplemental Indenture; (B) except as otherwise provided in the Supplemental Indenture, all such Series of Bonds of like maturity shall be identical in all respects, except as to number and denomination; and (C) 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 Series of Bonds on or before their respective longest maturity dates;

(iv) the interest payment dates for such Series of Bonds, which shall be Interest Payment Dates;

(v) the redemption premiums, if any, and the redemption terms, if any, for such Series of Bonds;

(vi) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the respective Interest Accounts;

(vii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in an escrow fund or a Project Fund or similar fund, account or subaccount;

(viii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Reserve Fund, if any, which amount shall be sufficient to cause the amount on deposit in the Reserve Fund, if any, to equal the Reserve Requirement for such Series of Bonds, if any, upon the issuance of such Series of Bonds;

(ix) the forms of such Series of Bonds; and

(x) such other provisions as are necessary or appropriate and not inconsistent herewith;

(c) excepting the Initial Bonds, the Master Lease shall have been further amended, if necessary, so as to increase the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least the equal projected Annual Debt Service, including debt service on the new Series of Bonds to be issued in each Fiscal Year;

(d) excepting the Initial Bonds, a Certificate of the County stating that (i) the total fair rental value of the Property, which may be based on, but not limited to, the construction or acquisition cost to the County of improvements to the Property funded from such Series of Bonds and the application of any Capitalized Interest after the issuance of such Series of Bonds, in each Fiscal Year during the remaining Term of the Lease, is at least equal to the maximum total Base Rental Payments payable in any future Fiscal Year under the Lease attributable to the Property after the issuance of such Series of Bonds, (ii) the fair market value of the Property is at least equal to the principal amount of Bonds which would be Outstanding upon the execution and delivery of the Series of Bonds, (iii) the Property has a remaining useful life of at least equal to the remaining term of the Master Lease, as amended and (iv) the Property is available for immediate use and occupancy by the County;

(e) the Corporation has been advised in writing by each Rating Agency then rating the Outstanding Series 2012 Bonds, and which Rating Agency shall have received notice of such the proposed issuance of such Series of Bonds, that the issuance of such Series of Bonds will not, in and of itself, result in a reduction of the ratings of the Series 2012 Bonds by such Rating Agency;

(f) no new property may be added to the description of Property in connection with the issuance of such Series of Bonds; and

(g) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

Nothing contained in the Indenture shall limit the issuance of any lease revenue bonds of the Corporation payable from the Revenues and secured by a pledge of the Revenues if, after the

issuance and delivery of such lease revenue bonds, none of the Bonds theretofore issued will be Outstanding.

Procedure for the Issuance of Bonds. The Corporation may, at any time, execute and deliver any Series of Bonds for issuance under the Indenture and deliver them to the Trustee, and thereupon such Series of Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Series of Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Series of Bonds and complying with the conditions set forth in the Indenture;

(b) a Written Request of the Corporation as to the delivery of such Series of Bonds;

(c) an Opinion of Bond Counsel to the effect that (i) the Corporation has the right and power to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and no other authorization for the execution and delivery thereof is required; (ii) the Indenture, as amended and supplemented by the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted by the Indenture; (iii) such Series of Bonds are valid and binding special obligations of the Corporation, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and the terms of the Indenture and entitled to the benefits of the Indenture, and such Series of Bonds have been duly and validly authorized, executed, issued and delivered in accordance with the Indenture and (iv) the amendments to the Master Lease and the Master Site Lease if required have been duly authorized, executed and delivered and the Master Lease and Master Site Lease, as amended, are valid and binding upon the Corporation and the County and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles); and (v) if applicable, the issuance of such Series of Bonds will not adversely affect the exclusion from gross income for federal tax purposes of interest on any Bonds then Outstanding;

(d) a Certificate of the Corporation certifying that the conditions for the issuance of such Series of Bonds contained in the Indenture have been complied with and satisfied; and

(e) such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds.

Establishment of Bond Fund; Receipt and Deposit of Revenues in the Bond Fund

The Indenture shall create a separate special trust designated the “Bond Fund.” In order to carry out and effectuate the pledge contained thereof and summarized below under the caption, “MASTER TRUST INDENTURE—Bond Secured by a Pledge of Revenues,” the Trustee agrees and covenants that all Revenues when and as received shall be received in trust thereunder for the benefit of the Owners of the Bonds and shall be deposited when and as received in the Bond Fund. All Revenues shall be accounted for and held in trust in the Bond Fund, and the Corporation shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Corporation.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

Subject to the allocation of money to any Rebate Fund, or any account therein, all money in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (created by Supplemental Indenture and each of which the Trustee covenants and agrees to maintain in the Indenture) and shall be set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(a) *Interest Accounts.* On or before each Interest Payment Date, the Trustee, after taking into account Capitalized Interest, shall set aside from any Base Rental Payments and deposit in the respective Interest Accounts, established pursuant to a Supplemental Indenture, that amount of money which, together with any money contained in the Interest Accounts, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Accounts if the amount contained in the Interest Accounts is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date. All money in the Interest Accounts shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) *Principal Account.* On or before the Principal Payment Dates, the Trustee shall set aside from the Bond Fund and deposit in the respective Principal Accounts, established pursuant to a Supplemental Indenture, an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made with respect to the Term Bonds on such Principal Payment Dates. No deposit need be made in the respective Principal Accounts if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Dates, for all Outstanding Term Bonds.

(c) *Reserve Fund.* The Trustee shall deposit in each Reserve Fund, if any, or any account therein, an amount, if any, required to cause the amount on deposit in such Reserve Fund, or any account therein, to equal the Reserve Requirement, if any, for such Bonds.

Any delinquent Base Rental Payments and any proceeds of rental interruption insurance with respect to the real property encumbered by the Master Lease shall be applied first to the respective Interest Accounts for the immediate payment of interest payments past due and then to the respective Principal Accounts for immediate payment of principal payments past due according to the tenor of any Bond, and then to any Reserve Fund, or account therein, pro rata among the Reserve Funds, to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, if any. Any remaining money representing delinquent Base Rental Payments and any proceeds of rental interruption insurance shall be deposited in the Bond Fund to be applied in the manner provided in the Indenture.

Authorization for Creation of Reserve Fund

The Corporation may, at the time of issuance of any Series of Bonds, provide by Supplemental Indenture for the creation of a Reserve Fund, or any account therein bearing the designation set forth in the Supplemental Indenture, as security for such Series, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Reserve Fund, or provide that such Series of Bonds participate in a Reserve Fund previously created for an Outstanding Series of Bonds when authorized by such Outstanding Series of Bonds' Supplemental Indenture. Any Reserve Fund established under a Supplemental Indenture shall be funded in an amount equal to the Reserve Requirement. The Corporation shall, by such Supplemental Indenture, provide for the manner of funding and replenishing of such Reserve Fund and shall establish such other terms with respect to such Reserve Fund as the Corporation may deem appropriate, including providing a Reserve Fund Credit Facility in lieu thereof.

Any moneys in the Reserve Fund, or any account therein, shall be used and withdrawn by the Trustee as provided in the Supplemental Indenture and may include one or more Reserve Fund Credit Facilities which may be substituted for the funds held by the Trustee in the Reserve Fund, and any account therein. All moneys in each Reserve Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created. Notwithstanding this provision, no Reserve Fund shall be required for a given Series of Bonds if the Corporation determines that there is no need to create a Reserve Fund for such Series.

Establishment of Certain Funds

The Trustee shall establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Series 2012 Bonds are Outstanding:

(a) the "County of Riverside Asset Leasing Corporation, Lease Revenue Refunding Bonds, Series 2012 Interest Account" (the "Series 2012 Interest Account") created within the Bond Fund created by the Indenture;

(b) the “County of Riverside Asset Leasing Corporation, Lease Revenue Refunding Bonds, Series 2012 Principal Account” (the “Series 2012 Principal Account” and together with the Series 2012 Interest Account, the “Series 2012 Bond Account”) created within the Bond Fund created by the Indenture;

(c) the “County of Riverside Asset Leasing Corporation, Lease Revenue Refunding Bonds, Series 2012 Costs of Issuance Fund” (the “Series 2012 Costs of Issuance Fund”) created by the First Supplemental Indenture;

(d) the “County of Riverside Asset Leasing Corporation, Lease Revenue Refunding Bonds, Series 2012 Rebate Account” (the “Series 2012 Rebate Account”) created within the Rebate Fund created by the Indenture; and

(e) the “County of Riverside Asset Leasing Corporation, Lease Revenue Refunding Bonds, Series 2012 Reserve Fund” (the “Series 2012 Reserve Fund”) created by the First Supplemental Indenture.

So long as any of the Series 2012 Bonds, or any interest thereon, remain unpaid, the moneys in the preceding funds shall be used for no purpose other than those required or permitted by the First Supplemental Indenture.

Investments

Moneys held by the Trustee in the funds and accounts created by means of the Indenture and under any Supplemental Indenture shall be invested and reinvested as directed by the Corporation, in Permitted Investments subject to restrictions set forth in the Indenture and First Supplemental Indenture and subject to the investment restrictions imposed upon the Corporation by the laws of the State. The Corporation shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Representative of the Corporation or by telephone instruction followed by written confirmation by close of the Business Day by an Authorized Representative of the Corporation; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Federal Securities.

The Trustee shall not be liable for any loss resulting from following the written directions of the Corporation or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The Corporation and the County acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the County the right to receive brokerage confirmations of securities transactions as they occur, the Corporation and the County specifically waive receipt of such confirmations to the extent permitted by law. Securities and investment transactions made by the Trustee under the Indenture will be set forth in the cash transaction statements provided by the Trustee to the Corporation and the County.

Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established by means of the Indenture and First Supplemental Indenture (except any Project Fund, the Reserve Fund and the Rebate Fund) shall be deposited by the Trustee in the Bond Fund, except that interest or gain derived from the investment of the amounts in: (a) any Reserve Fund, shall be retained therein to the extent required to maintain the Reserve Requirement thereof and if in excess of such Reserve Requirement, transferred on a pro rata basis to the Interest Account(s) for the Series of Bonds secured by such Reserve Fund; and (b) the Project Fund and any Rebate Fund, shall be retained therein.

Certain Covenants of the Authority and the Trustee

Punctual Payment and Performance. The Corporation will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Indenture in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained therein and in the Bonds.

Against Encumbrances. The Corporation will not make any pledge of or place any charge or lien upon the Revenues except as provided therein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds. Subject to this limitation, the Corporation expressly reserves the right to enter into one or more other indentures for any of its purposes, and reserves the right to issue other obligations for such purposes not having a pledge on Revenues. Nothing in this section shall in any way limit the Corporation's ability to (a) encumber its assets other than the Property or (b) encumber the Property in accordance with the terms of the Master Lease.

Against Sale or Disposition of the Property. Except as provided in the Master Lease, the Corporation will not sell or otherwise dispose of the Property, enter into any agreement which impairs the use of the Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Insurance. The Corporation will maintain or cause to be maintained insurance with respect to the Property as required by the Master Lease.

Insurance Proceeds and Condemnation Awards; Title Insurance.

(a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to the Master Lease and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and shall apply the proceeds of such insurance as provided therein. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the County, stating that the County or the Corporation has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such

moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Master 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 Master Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the County deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the County to the Trustee pursuant to the Master Lease, summarized below under the caption “MASTER LEASE AGREEMENT—Insurance—*Insurance Proceeds; Form of Policies.*”

(c) Proceeds of any policy of insurance, title insurance or condemnation award received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(i) if the County determines that the damage, title defect or taking giving rise to such proceeds has not materially affected the operation of the Property and will not result in an abatement of Base Rental Payments payable by the County under the Master Lease, such proceeds shall at the election of the County as set forth in a Written Request of the County, be deposited: (A) in the Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; (B) in the Project Fund (and applicable account and subaccounts therein) and utilized to improve or enhance any remaining Property; or (C) in the respective Principal and Interest Accounts for application to the next two successive Base Rental Payments;

(ii) if any portion of the Property has been affected by such damage, title defect or taking, and if the County determines that such title defect or taking will result in an abatement of Base Rental Payments payable by the County under the Master Lease, and the County has not within 90 days of such damage, defect or taking notified the Trustee of its intent to repair or replace the damaged, defective or taken Property, then the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; or

(iii) if the Trustee receives a Written Request of the County within 90 days of such damage, defect or taking to the effect that the County desires to repair or replace the damaged, defective or taken Property, accompanied by a Certificate of the County to the effect that such repair or replacement will take less than 24 months and, upon completion, the Property will have a fair rental value at least equal to the fair rental value of the Property prior to the damage,

defect or taking, the Trustee shall disburse the proceeds pursuant to the Indenture, as summarized under paragraph (a) of the section above entitled “MASTER LEASE AGREEMENT—Certain Covenants of the Corporation and the Trustee—*Insurance Proceeds and Condemnation Awards; Title Insurance.*”

Accounting Records and Reports. The Corporation will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to inspect), at reasonable hours and under reasonable conditions. The Corporation shall also keep or cause to be kept such other information as is required under the Tax Certificate.

Other Liens. The Corporation will keep the Property free from judgments, mechanics’ and materialmen’s liens (except those arising from the acquisition, construction and installation of the Property and except Permitted Encumbrances) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided therein will at all times be maintained and preserved free from any claim or liability which might hamper the Corporation in conducting its business or interfere with the County’s use and occupancy of the Property, and the Trustee at its option (after first giving the Corporation 10 days’ written notice to comply therewith and failure of the Corporation to so comply within such period) may defend against any and all actions or proceedings in which the validity thereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Corporation 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 thereof and the pledge of the Revenues made therein and to perform such agreements and covenants.

Continuing Disclosure. Pursuant to the Master Lease, the County has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the Owners or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission. The Trustee by means of the Indenture covenants and agrees that it will comply with and carry out all of its obligations under the provisions of the Master Lease. Notwithstanding any other provision of the Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under the Master Lease, or to cause the Trustee to comply with its obligations under this section.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), 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.

(b) So long as no Event of Default has occurred and is continuing, the Corporation may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Corporation and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Corporation, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee under the Indenture; but, nevertheless, at the written request of the Corporation or of the successor Trustee, such predecessor Trustee shall execute and

deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Corporation and the County shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first-class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under these provisions shall be a trust company, authority or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least \$100,000,000, and subject to supervision or examination by federal or state authority. If such bank authority 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 purpose of this paragraph the combined capital and surplus of such bank authority 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified as set forth in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Corporation, the County or any other party of any funds which the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall succeed to the rights and obligations of such Trustee

without the execution or filing of any paper or any further act, anything therein to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts therein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Indenture, the Master Site Lease, the Master Lease or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated thereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture or under the Master Lease unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee and may rely conclusively on the Certificates provided thereunder to establish the compliance with financial covenants thereunder.

(f) All indemnifications and releases from liability granted therein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(h) Before taking any action under the provisions of the Indenture summarized in the section entitled, “MASTER TRUST INDENTURE—Events of Default and Remedies” or in “MASTER TRUST INDENTURE—The Trustee—Liability of Trustee” hereinabove at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

In accepting the trust created by means of the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the County and the Corporation, having any claim against the Trustee arising from the Indenture shall look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in this section. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

Amendments of the Indenture

(a) The Indenture and the rights and obligations of the Corporation, the County and of the Owners may be modified and amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of at least 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 shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Corporation to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided therein without the express written consent of the Owner of such Bond; (ii) permit the creation by the Corporation of any pledge of the Revenues as provided therein superior to or on a parity with the pledge created thereby for the benefit of the Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) This Indenture and the rights and obligations of the Corporation, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Corporation and the Trustee may enter into with the consent of the County, but without the necessity of obtaining the consent of any Owners of the Bonds, for any purpose that will not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Corporation by means of the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Corporation or the Trustee may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such a manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Bonds;

(v) to provide for the issuance, execution, delivery and payment of any Series of Bonds and to provide the terms of such Series of Bonds, subject to the conditions and upon compliance with the procedure set forth in the Indenture;

(vi) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(vii) to permit the Trustee to comply with any duties imposed upon it by law;

(viii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(ix) to make any amendments appropriate or necessary to provide for or facilitate the delivery of any credit enhancement for any Bonds; or

(x) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the Owners of the Bonds then Outstanding.

The Trustee shall have the right to require such opinions of counsel as it deems necessary concerning the lack of material affect of the amendment on the Owners of the Bonds.

Events of Default

Any one or more of the following events shall be called an “Event of Default” under the Indenture:

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

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

(c) default by the Corporation or the County in the performance of any of the other agreements or covenants required therein to be performed by the Corporation or the County, respectively, and such default shall have continued for a period of 60 days after the Corporation and/or the County, as applicable, shall have been given notice in writing of such default by the Trustee;

(d) the Corporation or the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Corporation or the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or the County or of the whole or any substantial part of its property; or

(e) the occurrence and continuation of an event of default under and as defined in the Master Lease.

Proceedings by Trustee.

(a) Upon the happening and continuance of any Event of Default the Trustee in its sole discretion may, and at the written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding shall, do the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Corporation to enforce all rights of the Owners of Bonds, including the right to require the Corporation to receive and collect Revenues and to enforce its rights under the Master Lease and to require the Corporation to carry out any other covenant or agreement with Owners of Bonds and to perform its duties under the Indenture;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(iv) as a matter of right, have a receiver or receivers appointed for the Revenues and the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer; and

(v) take custody and control of any Project Fund, if in existence, which the County shall promptly turn over to the Trustee.

(b) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Application of Moneys.

(a) Any moneys received by the Trustee pursuant to this section, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts under the Indenture (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(i) unless the principal of all of the Outstanding Bonds shall be due and payable:

(A) FIRST, to the payment of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

(B) SECOND, to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

(C) THIRD, to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof;

(ii) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any

of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this section such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Defeasance

Discharge of Bonds.

(a) If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided therein, and all agreements, covenants and other obligations of the Corporation to the Owners of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Corporation all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Subject to the provisions of paragraph (a) above, when any of the Bonds shall have been paid and if, at the time of such payment, the Corporation shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the Corporation or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Corporation thereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

(c) Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the

foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Corporation.

(d) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in paragraphs (a), (b) and (c) above if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the redemption procedures of any Supplemental Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the relevant Supplemental Indenture; and (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be; or (B) the principal of and redemption premiums, if any, with respect to such Bonds. Defeasance Securities deposited with the Trustee may be replaced with other Defeasance Securities and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the County.

Unclaimed Money. Notwithstanding the foregoing, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Corporation, and thereafter the holders of such Bonds shall look only to the Corporation for payment and the Corporation shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any paying agent, if any, shall have any responsibility with respect to any of such moneys. The Corporation under the Indenture recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

FIRST SUPPLEMENTAL TRUST INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2012 BONDS,” “PLAN OF REFUNDING,” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the First Supplemental Trust Indenture and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the First Supplemental Trust Indenture.

Terms of the Series 2012 Bonds

The First Supplemental Indenture sets forth the terms of the Series 2012 Bonds, most of which terms are described in the forepart of this Official Statement under “DESCRIPTION OF THE SERIES 2012 BONDS.”

Establishment of Funds

Pursuant to the First Supplemental Indenture, the Trustee will establish the following special trust funds and accounts, which the Trustee agrees in the First Supplemental Indenture to maintain and keep separate and apart from all other funds, accounts and moneys held by the Trustee so long as the Series 2012 Bonds are Outstanding: the Series 2012 Interest Account within the Series 2012 Bond Account within the Bond Fund, the Series 2012 Principal Account within the Series 2012 Bond Account within the Bond Fund, the Series 2012 Costs of Issuance Fund, the Series 2012 Rebate Account within the Rebate Fund, the Series 2012 Reserve Fund and the Series 2012 Rebate Account within the Rebate Fund.

The Trustee shall make deposits into the Series 2012 Interest Account and Series 2012 Principal Account within the Bond Fund as follows:

Series 2012 Interest Account. The Trustee shall deposit into the Series 2012 Interest Account (a) amounts received from the Corporation to be used to pay interest on the Series 2012 Bonds. The Trustee shall also deposit into the Series 2012 Interest Account any other amounts deposited with the Trustee for deposit in the Series 2012 Interest Account or transferred from other funds and accounts for deposit therein including amounts designated for prepayment or redemption of the Series 2012 Bonds. Earnings on the Series 2012 Interest Account shall be retained in such account.

Series 2012 Principal Account. The Trustee shall deposit into the Series 2012 Principal Account amounts received from the Corporation to be used to pay principal of the Series 2012 Bonds at maturity. The Trustee shall also deposit into the Series 2012 Principal Account any other amounts deposited with the Trustee for deposit into the Series 2012 Principal Account or transferred from other funds and accounts for deposit therein, including amounts designated for the prepayment or redemption of the Series 2012 Bonds. All moneys remaining in the Series 2012 Principal Account fifteen (15) days following the Principal Payment Dates shall be transferred to the Series 2012 Interest Account for the payment of interest on the Series 2012 Bonds.

The Bond Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

Series 2012 Costs of Issuance Fund.

(a) The proceeds of the Series 2012 Bonds deposited in the Series 2012 Bonds will be disbursed by the Trustee from time to time upon receipt from the Corporation of a written requisition executed by an Authorized Representative of the Corporation, which requisition shall state, with respect to each amount requested thereby, (i) the Account, if any, within the Costs of Issuance Fund from which such amount is to be paid, (ii) that such amount is to be paid from such Account, if any, of the Costs of Issuance Fund, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity, if other than the Corporation, to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Costs of Issuance represented by such payment.

(c) Moneys held in the Costs of Issuance Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

(d) Earnings on the Series 2012 Costs of Issuance Fund shall be deposited into the Series 2012 Interest Account. Any amounts remaining in the Series 2012 Costs of Issuance Fund on August 28, 2012 shall be transferred to the Series 2012 Interest Account and the Series 2012 Costs of Issuance Fund shall be closed.

Series 2012 Costs of Project Fund.

(a) The proceeds of the Series 2012 Bonds deposited in the Series 2012 Bonds will be disbursed by the Trustee from time to time upon receipt from the Corporation of a written requisition executed by an Authorized Representative of the Corporation, which requisition shall state, with respect to each amount requested thereby, (i) the Account, if any, within the Project Fund from which such amount is to be paid, (ii) that such amount is to be paid from such Account, if any, of the Project Fund, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity, if other than the Corporation, to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Project Costs represented by such payment.

(c) Moneys held in the Project Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

(d) Earnings on the Series 2012 Project Fund shall be retained in the Series 2012 Project Fund. Any amounts remaining in the Series 2012 Project Fund on February 28, 2014 shall be transferred to the Series 2012 Interest Account and the Series 2012 Project Fund shall be closed.

Series 2012 Reserve Fund. Moneys held in the Series 2012 Reserve Fund shall be used for the purpose of paying principal and interest on the Series 2012 Bonds if, on any principal or interest payment date on any such Series 2012 Bonds, the amounts in the Series 2012 Principal Account and the Series 2012 Interest Account are insufficient to pay in full the amount then due on the Series 2012 Bonds. Except with respect to any guaranteed investment contract, if any,

used in funding the Series 2012 Reserve Fund, the Trustee shall annually, on or about July 1 of each year, commencing July 1, 2012 and at such other times at the written request of the Corporation, value the Series 2012 Reserve Fund on the basis of the lower of amortized cost or market value thereof, including accrued interest thereon and the basis of the cost thereof. For purposes of determining the amount on deposit in the Series 2012 Reserve Fund, any Reserve Fund Credit Facility held by, or the benefit of which is available to, the Trustee as security for the Series 2012 Bonds shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided except that, if the amount available under a Reserve Fund Credit Facility has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Credit Facility and not reinstated or another Reserve Fund Credit Facility provided, then, in valuing the Series 2012 Reserve Fund, the value of such Reserve Fund Credit Facility shall be reduced accordingly. Upon each such valuation, the Trustee shall prepare a written certificate setting forth the Reserve Requirement as of such valuation date and the value of the Series 2012 Reserve Fund and deliver a copy thereof to the Corporation. If, upon any valuation, the value of the Series 2012 Reserve Fund exceeds the Reserve Requirement, the excess amount, including investment earnings, shall be withdrawn and deposited by the Trustee into the Series 2012 Interest Account, unless otherwise directed by the Corporation.

Provided the Series 2012 Reserve Fund has been satisfied by both cash or securities and a Reserve Fund Credit Facility, any payment of principal or interest on the Series 2012 Bonds from the Series 2012 Reserve Fund shall first be made from any cash or securities then deposited in the Series 2012 Reserve Fund and only in the event no cash or securities remain in the Series 2012 Reserve Fund shall the Trustee be allowed to make a draw under the Reserve Fund Credit Facility. Additionally, in the event that two or more Reserve Fund Credit Facilities have been entered into, any payment of interest or principal to be made pursuant to any of the Reserve Fund Credit Facilities shall be made on a pro rata basis.

At such time as amounts in the Series 2012 Bond Fund are equal to all debt service payments remaining due on the Series 2012 Bonds, the amount in the Series 2012 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2012 Bonds and otherwise may be withdrawn and transferred to the County to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Series 2012 Bonds, there shall be delivered to the Trustee with the request for such fund an opinion of Bond Counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used and that such use shall not result in the inclusion of interest on any Series 2012 Bonds in the gross income of the recipient thereof for federal income tax purposes.

A Reserve Fund Credit Facility shall be acceptable in lieu of an initial deposit of cash or securities or in substitution of cash or securities on deposit in the Series 2012 Reserve Fund created hereunder only if at the time of such deposit such Reserve Fund Credit Facility extends to the final maturity of the Series 2012 Bonds.

If moneys have been withdrawn from the Series 2012 Reserve Fund or a payment has been made under a Reserve Fund Credit Facility constituting all or a portion of the Series 2012 Reserve Fund, and deposited into the Series 2012 Bond Fund to prevent a default on the Series 2012 Bonds, then the Corporation will pay to the Trustee, from Revenues, but only as provided

in the Indenture, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Credit Facility, or so much as shall be required to restore the Series 2012 Reserve Fund to the Reserve Requirement and to pay such interest, if any. If such repayment is with respect to a draw under a Reserve Fund Credit Facility, the Trustee shall pay to the provider of such Reserve Fund Credit Facility the amount received by the Trustee from the Corporation which is designated to be used to reimburse the provider of such Reserve Fund Credit Facility. The Trustee shall immediately notify the Trustee of such reimbursement, and the amount available to be drawn under the Reserve Fund Credit Facility shall increase by the amount of such reimbursement. Repayments owed to the provider of a Reserve Fund Credit Facility shall be paid prior to funding the unfunded cash portion of the Series 2012 Reserve Fund Requirement; provided, however, that the Corporation's obligation to fund the Series 2012 Reserve Fund shall be on the same priority as the Corporation's obligation to fund reserve funds for its other Bonds. Amounts provided by the Corporation to the Trustee to fund the Corporation's reserve fund obligations for its Bonds must be distributed between the Series 2012 Bonds and the Corporation's other Bonds on a pro rata basis without regard to the existence of a cash funded debt service reserve or a Reserve Fund Credit Facility.

Moneys in the Series 2012 Reserve Fund shall be invested and reinvested by the Trustee at the direction of the Corporation in Permitted Investments; provided, however, that moneys in the Series 2012 Reserve Fund may only be invested in the Riverside County Investment Pool described in paragraph (m) of the definition of Permitted Investments so long as such investment pool maintains a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2".

Series 2012 Rebate Account. The Corporation hereby agrees that it will enter into the Tax Certificate and will, pursuant to this First Supplemental Indenture, create the Series 2012 Rebate Account, within the Rebate Fund created and established by the Master Trust Indenture, which fund will be funded if so required under the Tax Certificate and amounts in such Series 2012 Rebate Account shall be held and disbursed in accordance with the Tax Certificate.

MASTER LEASE AGREEMENT

The following is a summary of certain provisions of the Master Lease Agreement and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Lease Agreement.

Master Lease of the Property; Title to the Property

(a) The Corporation by means of the Master Lease subleases the Property to the County, and the County by means of the Master Lease subleases the Property from the Corporation, on the terms and conditions set forth in the Master Lease. The County thereby agrees and covenants during the Term of the Master Lease that, except as therein expressly provided, it will use the Property solely for public and municipal purposes so as to afford the public the benefit contemplated by the Master Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it will not abandon or vacate the Property.

(b) During the Term of the Master Lease, the Corporation shall hold leasehold title to the Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Property by the County pursuant to the Master Lease.

(c) If both the Trustee's and the County's estate under the Master Lease or any other lease relating to the Property or any portion thereof shall at any time for any reason become vested in one owner, the Master Lease and the estate created thereby shall not be destroyed or terminated by the doctrine of merger unless the County and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the County and the Trustee so elect, the Corporation shall continue to have and hold a leasehold estate in the Property pursuant to the Master Site Lease throughout the Term thereof and the term of the Master Lease, and the Master Lease shall be deemed and constitute a sublease of the Property. The County by means of the Master Lease covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Term of Agreement

The term of the Master Lease shall commence on the Closing Date and shall end on the Expiry Date, unless such Expiry Date is otherwise terminated or extended as provided in the Master Lease. If on the Expiry Date, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under the Master Lease shall have been abated at any time and for any reason, then the Term of the Master Lease shall be extended until the Indenture shall be discharged by its terms (but not later than 10 years after the then existing Expiry Date). If prior to the Expiry Date, the Indenture shall be discharged by its terms, the Terms of the Master Lease shall thereupon end.

Possession

The County agrees to accept possession and use of the Property as the owner of the leasehold interest thereof on the Closing Date, and shall pay the first Base Rental Payment with respect to the Property following the commencement of use and occupancy of the same by the County.

Master Lease Payments, Base Rental Payments

Base Rental Payments. Subject to the provisions of the Master Lease, the County agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Base Rental Period, the Base Rental Payments for all of the Property in the respective amounts as set forth in the Base Rental Payment Schedule attached to the Master Lease as Exhibit B, to be due and payable on the respective Base Rental Payment Dates specified in Exhibit B, plus the Additional Payments required under of the Master Lease; and provided, further, no Base Rental Payment need be made to the extent any Capitalized Interest is used pursuant to the Indenture or Supplemental Indenture, as supplemented to make such Base Rental Payment. Any amount held in an Interest Account or a Principal Account of the Bond Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base

Rental Payments in part but not in whole pursuant to the Master Lease and other amounts required for payment of past due principal of or interest on any Bonds not presented for payment or otherwise) shall be credited towards the Base Rental Payment next due and payable; and no Base Rental Payment need be made on any Base Rental Payment Date if the amounts then held in an Interest Account and a Principal Account of the Bond Fund and available for such purpose are at least equal to the Base Rental Payment then required to be paid. The Master Lease Payments for the Property payable in any Base Rental Period shall be for the use of such Property for such Base Rental Period. Notwithstanding any dispute between the Corporation and the County, the County shall make all Base Rental Payments when due, without deduction or offset, and shall not withhold any Base Rental Payment pending final resolution of the dispute.

Rate on Overdue Payments. If the County should fail to make any of the Base Rental Payments required in the Master Lease, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid. The County by means of the Master Lease agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate equal to the applicable Bond Yield (or, if less, the maximum rate permitted by law).

Fair Rental Value. The Master Lease Payments for the Property for each Base Rental Period shall constitute the total rental for such Property for such Base Rental Period or portion thereof, and shall be paid by the County in each Base Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of the Property during such Base Rental Period. The parties under the Master Lease have agreed and determined that the total Master Lease Payments for the Property for any Base Rental Period is not greater than the total fair rental value of the Property for such Base Rental Period. In making such determination, consideration has been given to the appraised or market value of the Property, the cost of improvements made or to be made to the Property, the replacement costs of existing improvements on the Property, third party or County appraisals, and other obligations of the parties under the Master Lease, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public. The parties by the Master Lease acknowledge that the parties may amend the Master Lease from time to time to increase the Base Rental Payments payable thereunder so that Additional Bonds may be executed and delivered pursuant to the Master Lease and the Indenture. Notwithstanding anything to the contrary contained in the Master Lease, the Master Lease may not be amended in a manner such that the sum of the Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Rental with respect to Outstanding Bonds and Additional Bonds, in any Base Rental Period is in excess of the annual fair rental value of the Property and other land and improvements leased to the County thereunder for such Base Rental Period, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Budget and Appropriation. The County covenants to take such action as may be necessary to include all Master Lease Payments due thereunder in its annual budgets and to make the necessary annual appropriations for all such Master Lease Payments. In so providing for the payment of Master Lease Payments in its annual budgets, the County may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make Master Lease Payments. In addition, to the extent permitted by law, the

County covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under the Master Lease at any time and from time to time during any fiscal year in the event that the actual Master Lease Payments paid in any fiscal year exceeds the pro rata portion of the appropriations then contained in the County's budget. The covenants on the part of the County therein contained shall be deemed to be and shall be construed to be ministerial 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 official to enable the County to carry out and perform the covenants and agreements in the Master Lease agreed to be carried out and performed by the County. The obligations of the County to make Base Rental Payments or Additional Payments do not constitute obligations for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Bonds nor the obligation of the County to make Base Rental Payments or Additional Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Assignment. The County understands and agrees that the Master Lease and the right to receive all Base Rental Payments have been assigned by the Corporation to the Trustee in trust for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement and the Indenture, and the County by means of the Master Lease consents to such assignment. The Corporation by means of the Master Lease directs the County, and the County thereby agrees to pay to the Trustee at the Corporate Trust Office of the Trustee, all payments payable by the County pursuant to the provisions of the Master Lease summarized above under the caption "MASTER LEASE AGREEMENT —Master Lease Payments, Base Rental Payments" and all amounts payable by the County pursuant to article of the Master Lease related to the prepayment of the Master Lease Payments.

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

Quiet Enjoyment

During the Term of the Master Lease, the Corporation shall provide the County with quiet use and enjoyment of the Property, and the County shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Master Lease. The Corporation will, at the request of the County and at the County's cost, join in any legal action in which the County asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in the Master Lease.

Leasehold Interest

During the Term of the Master Lease, the Corporation shall hold a leasehold interest in the Property. If the County prepays the Master Lease Payments for all of the Property in full pursuant to the Master Lease or pays all Master Lease Payments for all of the Property during the Term of the Master Lease as the same become due and payable, all right, title and interest of the Corporation in the Property, respectively, shall be transferred to and vested in the County and the Master Site Lease and the Master Lease shall terminate with respect to such Property.

Additional Payments

In addition to the Base Rental Payments, the County shall pay as Additional Payments: (a) all taxes, fees or assessments levied upon the Property or upon any interest therein of the Corporation or the Trustee; (b) insurance premiums, if any, on insurance required under the Master Lease; (c) all fees and expenses of the Trustee, and expenses of the County required to comply with the Master Lease and the Indenture; (d) any other fee, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Master Lease or the Indenture, including any amounts necessary to indemnify and defend the Corporation; and (e) any amounts required to be paid to the United States government pursuant to Section 148 of the Internal Revenue Code.

Additional Payments due under this section shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or within 30 days after notice in writing from the Trustee to the County stating the amount of Additional Payments then due and payable and the purpose therefor.

Additional Bonds

In addition to the Series 2012 Bonds to be executed and delivered under the Indenture, the Corporation may, from time to time at the request of the County, but only upon satisfaction of the conditions to the execution and delivery of an additional Series of Bonds set forth in the Indenture, enter into a Supplemental Indenture to authorize such additional Series of Bonds the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of such Bonds, the County and the Corporation shall have entered into an amendment to the Master Lease providing for an increase in the Base Rental Payments to be made under the Master Lease to pay Annual Debt Service on such additional Series of Bonds, subject to the limitations set forth in the provisions of the Master Lease summarized above under the caption, "MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Fair Rental Value*."

Maintenance; Utilities, Taxes and Assessments

During the Term of the Master Lease, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County. In exchange for the Master Lease Payments provided under the Master Lease, the Corporation agrees to sublease the Property to the County. The County shall, at its own expense, during the Term of the Master Lease maintain the Property, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Property which is

destroyed; provided that the County shall not be required to repair or replace any such portion of the Property pursuant to Section 4.01 of the Master Lease if there shall be applied to the prepayment of Base Rental Payments insurance proceeds or other legally available funds sufficient to prepay (a) all of the Bonds Outstanding, or (b) any portion thereof relating to the Property or such portion thereof and the Base Rental Payments allocable to the remaining portion of the Property equals the pro rata portion of Base Rental Payments allocable to the Bonds Outstanding after such prepayment. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Property. It is understood and agreed that in consideration of the payment by the County of the rental provided for in the Master Lease, the County is entitled to occupy and use the Property, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Property during the Term of the Master Lease. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Property. The County by means of the Master Lease expressly waives the right to make repairs or to perform maintenance of the Property at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Property free and clear of all liens, charges and encumbrances, subject only to the provisions of the Master Lease summarized under the caption "MASTER LEASE AGREEMENT—Liens." The County shall pay for the furnishing of all utilities which may be used in or upon the Property during the Term of the Master Lease. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the County affecting the Property or the respective interests therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of the Master Lease as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

Modification of Property

The County shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All such additions, modifications and improvements, including those which comprise fixtures, repairs, replacements, additions or modifications to the Property

shall thereafter comprise part of the Property and be subject to the provisions of the Master Lease. The County shall have the right to conduct a survey of any parcel of land constituting any Property and to alter or change the boundaries of said parcel as a result of said survey so long as such change or alteration does not interfere with the improvements constructed on said parcel and so long as the remaining parcel together with the improvements thereon does not have a fair rental value less than the Base Rental Payments attributable to said Property. Additions, modifications and improvements shall not cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and such Property, upon completion of any additions, modifications and improvements made thereto pursuant to this section, shall have a fair rental value which is approximately equal to or greater than the fair rental value of the Property immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against any of the Property for labor or materials furnished in connection with any repair or replacements made by the County pursuant to this section; provided that if any such lien is established and the County shall first notify the Corporation (or cause the Corporation to be notified) of the County's intention to do so, the County may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

Liens

The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Property, except Permitted Encumbrances, and except those incident to the execution and delivery of Additional Bonds and the Initial Bonds as contemplated by the Indenture. The County and the Corporation will not sell or otherwise dispose of the Property or any property essential to the proper operation of the Property, except as otherwise provided in the Master Lease.

Notwithstanding anything to the contrary contained in the Master Lease, the County may assign, transfer or sublease any and all of the Property or its other rights thereunder; provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation thereunder; (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations thereunder; (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 Master Lease; (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Property for all purposes shall be first allocated to the Master 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 Property unless concurrently with granting such remedy the same shall be also granted thereunder by an amendment to the Master Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease. Except as expressly provided in the Master Lease, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge,

encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Substitution, Removal or Addition of Property

(a) The County may amend the Master Lease and the Master Site Lease to (i) substitute other real property and/or improvements (the “Substituted Property”) for all or any portion of the existing Property; (ii) remove all or a portion of real property (including undivided interests therein) and/or improvements (“Removal”) from the definition of Property; or (iii) add real property and/or improvements (“Added Property”) to the Property, upon compliance with all of the conditions set forth in paragraph (b) below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from under the leasehold of the Master Lease and the Master Site Lease.

(b) No Substitution, Addition or Removal shall take place under the Master Lease and under the Master Site Lease until the County delivers to the Corporation and the Trustee the following:

(i) executed counterparts (in proper recordable form) of amendments to the Master Site Lease and the Master Lease, containing: (A) in the event of a Removal, a legal description of all or part of the Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property;

(ii) a Certificate of the County (A) stating that the total fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining Term of the Master Lease, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the Term of the Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; and (B) stating that the useful life of the Property after Substitution or Removal equals or exceeds the remaining term of the Master Lease;

(iii) an Opinion of Bond Counsel to the effect that (A) the amendments to the Master Lease and to the Master Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and the Master Lease and the Master Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance

with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under the Master Lease;

(iv) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(v) in the event of a Substitution or Addition, an opinion of the County Attorney of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in clause (iv) above (A) constitute Permitted Encumbrances; and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(vi) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis 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 the Master Lease with respect to the Substituted Property or Added Property.

Damage; Eminent Domain

The County covenants that if the Property is damaged in a manner which substantially interferes with its use, such Property will be promptly repaired or replaced at the County's expense, unless (a) such damage would not result in the abatement of any portion of the Master Lease Payments; or (b) the County elects to apply the proceeds of insurance and any other legally available funds to the redemption of Bonds pursuant to Sections 6.07 and 2.03(b) of the Indenture such that the remaining Base Rental Payments for the undamaged Property will not be reduced pursuant to Section 5.03 of the Master Lease. If all of the Property shall be taken permanently under the power of condemnation or eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Master Lease shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (a) the Master Lease shall continue in force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary; and (b) there shall be a partial abatement of Master Lease Payments as a result of the application of the Net Proceeds of any condemnation or eminent domain award to the prepayment of the

Master Lease Payments under the Master Lease, in an amount to be agreed upon by the County and the Corporation such that the resulting Master Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any of the Property by fire or other casualty shall be deposited in the Insurance Proceeds and Condemnation Awards Fund by the Trustee promptly upon receipt thereof and applied as set forth in Section 6.07 of the Indenture.

From Eminent Domain Award. The Net Proceeds of any condemnation or eminent domain award resulting from any event described in Section 5.01 of the Master Lease shall be deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as set forth in Section 6.07 of the Indenture.

Abatement of Rent

Except to the extent of (a) amounts held by the Trustee in the Bond Fund or in a Reserve Fund, if any; (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, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Property, Master Lease Payments due under the Master Lease with respect to the Property shall be abated to the extent that the total fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and end with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned. For purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Payments, annual fair rental value of the Property shall first be allocated to the Master Lease as summarized in the section above entitled, “MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Application of Master Lease Payments.*”

Any abatement of Master Lease Payments pursuant to this section shall not be considered an Event of Default as defined in the Master Lease, but shall result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payments have not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payments for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Master Lease by virtue of any such interference and the Master 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 Property so damaged, destroyed, defective or condemned.

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

The County under the Master Lease acknowledges and agrees that during any period of abatement with respect to all or any part of the Property, the Trustee on behalf of the County shall use the proceeds of use and occupancy insurance and moneys on deposit in the Reserve Fund, if any, to make payments of principal and interest on the Bonds.

The County has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Property pursuant to the Master Lease, as summarized below under the caption entitled, “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property,” during any period of abatement.

Insurance

Fire and Extended Coverage Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, a policy or policies of property insurance against loss or damage to the Property known as “all risk,” including earthquake (as scheduled) and flood. Such insurance shall be maintained with respect to the Property at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to the Property. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance; (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100-year flood plain (as defined by FEMA), subject to a minimum of \$100,000 and a maximum of \$500,000 per occurrence; and (iii) 5% of total value per structure per occurrence subject to a \$100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance under this clause is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the provisions of the Master Lease; provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost.

Liability Insurance. Except as hereinafter provided, the County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Property. Such insurance shall afford protection with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County’s risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however,

that the County's obligations with respect to liability insurance may be satisfied by self-insurance.

Rental Interruption or Use and Occupancy Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the insurance required with respect to fire and extended coverage insurance described above in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations under this paragraph shall not be satisfied by self insurance.

Title Insurance. The County shall obtain, for the benefit of the Corporation and the Trustee, upon the execution and delivery of the Master Lease, a CLTA title insurance policy on the Property in an amount equal to the aggregate principal amount of the Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Boiler and Machinery Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, 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 Premises in an amount not less than \$2,000,000 per accident.

Insurance Proceeds; Form of Policies. All policies or certificates of insurance issued by the respective insurers or insurance with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee. A certificate executed by an Authorized Representative of the County certifying that such policies required or self-insurance permitted by the Master Lease have been obtained and that the requirements of the Master Lease have been fulfilled shall be deposited with the Trustee by the County before December 31 of each calendar year. To the extent to which the County self-insures, the County's risk manager, or an independent insurance consultant, shall certify to the Trustee before December 31 of each calendar year, the sufficiency of such self-insurance. Certificates of commercial general liability and workers' compensation insurance shall be furnished by applicable insurers, unless the County chooses to self-insure against such liability (in which case the County shall provide the Trustee evidence of such self-insurance), and, at least 10 days prior to the expiration dates of such policies, if any, evidence of renewals or self-insurance shall be deposited with the Trustee.

All policies or certificates of insurance provided for herein shall name the County as a named insured, and the Corporation and its directors and the Trustee as additional insureds. All insurance policy claims payments received with respect to fire and extended coverage insurance, rental interruption insurance, title insurance or boiler and machinery insurance shall be deposited with the Trustee for application pursuant to the Indenture. All proceeds of liability insurance and worker's compensation, other than self-insurance, shall be deposited with the County.

Notwithstanding the foregoing, the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above..

Assignment by the Corporation

The Corporation's rights under the Master Lease, including the right to receive and enforce payment of the Master Lease Payments to be made by the County under the Master Lease have been pledged and assigned to the Trustee pursuant to the Assignment Agreement and the Indenture, to which pledge and assignment the County consents.

Amendment

The Master Lease and the Master Site Lease may be amended in writing as may be mutually agreed by the Corporation 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 and Additional 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 and Additional Bond so affected; or (b) reduce the percentage of the principal amount of the Bonds and Additional Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Master Lease.

Notwithstanding the foregoing, the Master Lease and the Master Site Lease may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the County or the Corporation, other agreements, conditions, covenants and terms thereafter to be observed or performed by the County or the Corporation, or to surrender any right reserved therein to or conferred therein on the County or the Corporation, 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 therein or in regard to questions arising thereunder which the County or the Corporation may deem desirable or necessary and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Property to add or delete the description of Property, or to provide for any Substitution, Addition and/or Removal;

(d) to make any modifications or changes to the Master Lease or the Master Site Lease including any increase or decrease in Base Rental Payments resulting therefrom in order to enable the execution and delivery of any Series of Additional Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with the Indenture and to make any modifications or changes necessary or appropriate in

connection with the execution and delivery of any Series of Additional Bonds, and which shall not materially adversely affect the interests of the Owners;

(e) to make any modifications or amendments related to any Substitution, Addition and/or Removal under the Master Lease, summarized below under the caption entitled, “MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property”; or

(f) to make any other modification or change to the provisions of the Master Lease or the Master Site Lease which does not materially adversely affect the interests of the Owners of the Bonds.

Events of Default and Remedies

Events of Default. The following shall be “events of default” under the Master Lease and the terms “events of default” and “default” shall mean, whenever they are used in the Master Lease, with respect to the Property, any one or more of the following events:

(a) failure by the County to pay any Base Rental Payment or other payment required to be paid thereunder at the time specified therein, and the continuation of such failure for a period of 10 days; provided, that failure to deposit any Base Rental Payments abated pursuant to the Master Lease shall not constitute an event of default; or

(b) failure by the County to observe and perform any covenant, condition or agreement in the Master Lease or the Indenture on its part to be observed or performed, other than as referred to in clause (a) above, for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation and the Trustee shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from an Authorized Representative of the County to the effect that corrective action is being instituted by the County within the applicable period and is being diligently pursued to correct the default; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may thereafter be enacted.

Remedies on Default. Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Corporation pursuant to the Assignment Agreement, may exercise those remedies granted to it pursuant to law or thereunder, subject to the terms of the Master Lease. The Trustee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) to terminate the Master Lease in the manner provided by the Master Lease on account of default by the County, notwithstanding any retaking of possession or re-letting of the Property as thereafter provided for in clause (b), and to retake possession of the Property. In the event of such termination, the County agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Property. Neither notice to pay rent nor to deliver up possession of the Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Master Lease shall of itself operate to terminate the Master Lease, and no termination of the Master Lease on account of default by the County shall be or become effective by operation of law or acts of the parties thereto, unless and until the Trustee shall have given written notice to the County of the election on the part of the Trustee to terminate the Master Lease; or

(b) without terminating the Master Lease, (i) to collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision thereof to be kept or performed by the County, and/or (ii) to exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate the Master Lease in the manner provided for in clause (b) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions therein contained to be kept or performed by the County and to pay the Base Rental Payments to the end of the term of the Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments under the Master Lease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments therein specified and notwithstanding any retaking of possession of the Property by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property. Should the Trustee elect to retake possession of the Property as provided in the Master Lease, the County thereby irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the County thereby indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the provisions therein contained. The County agrees that the terms of the Master Lease constitute full and sufficient notice of the right of the Trustee to re-let the Property in the event of such reentry without effecting a surrender of the Master Lease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender or termination of the Master Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event

of such default by the County, the right to terminate the Master Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in clause (a). The County further waives the right to Base Rental Payments obtained by the Trustee in excess of the Base Rental Payments therein specified and thereby conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Property or any items thereof.

The County by means of the Master Lease waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Property as therein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be on or about the Property. Notwithstanding anything to the contrary contained in the Master Lease, the Trustee shall not re-enter or re-let the Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the County's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder.

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

Prepayment of Master Lease Payments

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Master Lease, all of the obligations of the County under the Master Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if any Outstanding Bonds and Additional Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments thereunder pursuant to the section of the Indenture summarized above under the caption, "DEFEASANCE—Discharge of Bonds," then the obligation of the County under the Master Lease to make Base Rental Payments under the Master Lease shall continue in full force and effect until the Outstanding Bonds and Additional Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments. The time period for giving notice by the County to the Corporation and the Trustee specified in the second paragraph of the caption below shall not apply to the payment to the Owners of all Outstanding Bonds and Additional Bonds in accordance with the caption, "DEFEASANCE—Discharge of Bonds."

Prepayment of Base Rental Payments. If the Corporation is permitted to redeem Bonds pursuant to the Indenture, the County may prepay (together with any premium), from any source of available moneys, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Master Lease then unpaid.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of principal payments 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 Corporation and the Trustee. In the event of prepayment in full, by depositing cash in an amount, which, together with amounts then on deposit in the Reserve Fund(s), the Insurance Proceeds and Condemnation Awards Fund and the Bond Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit B of the Master Lease, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing with cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by \$5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Base Rental Payments in such manner as the County shall determine and if the County shall fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit B of the Master Lease taking into account said partial prepayment.

Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain Award.

The County shall be obligated to prepay the Master Lease Payment allocable to any portion of the Property, in whole or in part, on any Base Rental Payment Date, from and to the extent of any Net Proceeds of an insurance award or a condemnation or eminent domain award with respect to such portion of the Property theretofore deposited with the Trustee for such purpose pursuant to the Master Lease and the Indenture. Net Proceeds of an insurance award or condemnation or eminent domain award shall be applied in the manner permitted under the Master Lease. The County and the Corporation by means of the Master Lease agree that such Net Proceeds, to the extent remaining after payment of any delinquent Master Lease Payments and not used to repair or replace the damaged or taken Property, shall be credited towards the County's obligations under this section.

Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Master Lease Payments in full for all of the Property under the Master Lease, such that the Indenture shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Bond Fund (including a Reserve Fund, if any) and the Insurance Proceeds and Condemnation Awards Fund shall be credited towards the amounts then required to be so prepaid.

MASTER SITE LEASE

The following is a summary of certain provisions of the Master Site Lease and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Site Lease.

Term of the Master Site Lease

The term of the Master Site Lease shall commence on the Closing Date for the Series 2012 Bonds and shall end on November 1, 2031 (the "Term"), unless such term is otherwise

terminated or extended as set forth in the Master Site Lease, or such other date or dates as set forth in an amendment to the Master Site Lease (the “Expiry Date”). If on November 1, 2031, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under the Master Lease shall have been abated at any time and for any reason, then the Term of the Master Site Lease shall be extended until the Indenture shall be discharged by its terms (but not later than November 1, 2041). If prior to November 1, 2031, the Indenture shall be discharged by its terms, the Term of the Master Site Lease shall thereupon end.

Assignments and Subleases

Except as provided in the Master Lease and the Indenture, as security for the Bonds, the Corporation shall not assign, mortgage, hypothecate or otherwise encumber the Master Site Lease or any rights under the Master Lease or the leasehold created under the Master Site Lease, by indenture or deed of trust or otherwise or sublet the Property without the written consent of the County (unless a default or Event of Default under the Master Lease or the Indenture shall have occurred and be continuing, in which case the consent of the County shall not be required), except that the County expressly approves and consents to the Master Lease, the Assignment Agreement, dated as of February 1, 2012, and recorded concurrently with the Master Site Lease, by and between the Corporation and Wells Fargo Bank, National Association, as Trustee, the Indenture, and the pledge and assignment to the Trustee of, and the granting to the Trustee of a security interest in and lien on, all of the Corporation’s right, title and interest in and to the Property, including the Corporation’s right to receive Lease Payments, pursuant to the Indenture.

Termination

Upon the termination or expiration of the Master Site Lease, the Corporation shall quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term under the Master Site Lease, except for acts of God and reasonable wear and tear and any actions taken by the County that may affect the condition of the Property, and agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of the Master Site Lease shall remain thereon and title thereto shall vest in the County.

Default

In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Master Site Lease, which default continues for 30 days following notice and demand by the County for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Master Site Lease and the Master Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the County shall have no power to terminate the Master Site Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Master Site Lease then in effect between the Corporation and the Trustee.

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APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINION

_____, 2012

County of Riverside Asset Leasing Corporation
Riverside, California

County of Riverside
Riverside, California

\$33,360,000
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds
(2012 County Administrative Center Refunding Project)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the County of Riverside Asset Leasing Corporation (the "Corporation") of \$33,360,000 aggregate principal amount of its Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the "Series 2012 Bonds"). The Series 2012 Bonds have been issued by the Corporation to provide funds to finance the current refunding and defeasing of the County of Riverside Refunding Certificates of Participation, Series 2001 (the "Series 2001 Certificates") executed and delivered by the County of Riverside (the "County") and to finance the acquisition of certain County administration facilities.

The Series 2012 Bonds are being issued pursuant to a Master Trust Indenture, dated as of February 1, 2012 (the "Master Indenture"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee") as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012 (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), by and between the Corporation and the Trustee. Issuance of the Series 2012 Bonds has been authorized by Resolution No. C2012-001, adopted by the Corporation on February 1, 2012 (the "Resolution").

The Series 2012 Bonds are payable from revenues consisting of primarily rental payments received by the Corporation from the County under a Master Lease Agreement, dated as of February 1, 2012 (the "Master Lease"), by and between the Corporation and the County, for the right to use and occupy certain real property and improvements (the "Property") subsequent to the County leasing the Property to the Corporation pursuant to a Master Site Lease, dated as of February 1, 2012 (the "Master Site Lease"), by and between the County and the Corporation. The Series 2012 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California or any political

subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing are pledged to the payment of the principal and interest on the Series 2012 Bonds.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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 events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In our role as Bond Counsel, we have examined the Master Indenture, the First Supplemental Indenture, the Master Lease, the Master Site Lease, a Tax Compliance Certificate, dated this date relating to the Series 2012 Bonds (the "Tax Certificate"), opinions of counsel to the Corporation, the County and the Trustee, certificates of the Corporation, the County, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the County and the Corporation for the authorization and issuance of the Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

From such examination, our reliance on the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Master Indenture and the First Supplemental Indenture have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the Trustee, represent valid and binding agreements of the Corporation enforceable in accordance with their terms.

2. The Series 2012 Bonds have been validly authorized, executed and issued in accordance with the Resolution, the Master Indenture and the First Supplemental Indenture. The Series 2012 Bonds represent a valid and binding special obligation of the Corporation payable solely from and secured by an assignment and pledge by the Corporation to the Trustee of the Revenues and certain funds and accounts created under the Master Indenture and the First Supplemental Indenture, and not out of any other fund or money of the Corporation or the County. The Series 2012 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California or any political

subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing are pledged to the payment of the principal and interest on the Series 2012 Bonds.

3. The Master Lease and the Master Site Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Corporation and the County. The obligation of the County to make Base Rental Payments during the term of the Master Lease constitutes a valid and binding obligation of the County, payable from funds of the County legally available therefore.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2012 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2012 Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations.

5. Under existing law, the interest on the Series 2012 Bonds is exempt from all present State of California personal income taxes.

The opinions set forth in paragraphs 4 and 5 regarding the exclusion of interest from gross income of the recipient is subject to the accuracy of certain representations and the continuing compliance by the Corporation with covenants regarding federal tax law contained in the Master Indenture, the First Supplemental Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2012 Bonds to be included in gross income retroactive to the date of issuance of the Series 2012 Bonds. Although we are of the opinion that interest on the Series 2012 Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2012 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Respectfully submitted,

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APPENDIX F

PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the County of Riverside, California (the “County”), in connection with the issuance, execution and delivery of \$33,360,000 aggregate principal amount of Lease Revenue Bonds (2012 County Administrative Center Refunding Project) (the “Bonds”). The Bonds are being delivered pursuant to a Master Trust Indenture dated as of February 1, 2012 (the “Master Trust Indenture”), between the Corporation and Wells Fargo Bank, National Association, as trustee (the “Trustee”), as supplemented by the First Supplemental Trust Indenture, dated as of February 1, 2012, by and between the Corporation and Trustee (the “First Supplemental Indenture,” and together with the Master Trust Indenture the “Indenture”). The County is executing this Disclosure Certificate as the “Obligated Person” in connection with the Series 2012 Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County, as the “Obligated Person” under the Rule (as hereinafter defined) for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

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

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the County or, any successor Dissemination Agent designated in writing by the County, and which has filed with the County a written acceptance of such designation.

“Holder” shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Official Statement” shall mean the official statement relating to the Series 2012 Bonds, dated February 15, 2012.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2012 Bonds required to comply with the Rule in connection with the offerings of the Series 2012 Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the 2011-2012 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided.

Section 4. Content of Annual Reports. The County’s Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Series 2012 Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County’s beneficial use and possession of the Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payment; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

- (i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;
- (ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;
- (iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;
- (iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;
- (v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and
- (vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Series 2012 Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

- (a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds:
 - (i) principal or interest payment delinquencies;
 - (ii) non-payment related defaults, if material;
 - (iii) modifications to the rights of the Holders of the Series 2012 Bonds, if material;
 - (iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Bonds or other material events affecting the tax status of the Series 2012 Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the Series 2012 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the Corporation or the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(b) An event described in item 12 above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all

of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the Series 2012 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2012 Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: COUNTY OF RIVERSIDE, CALIFORNIA
Name of Bond Issue: County of Riverside Asset Leasing Corporation Lease Revenue Bonds (2012 County Administrative Center Refunding Project)
Date of Delivery: February 29, 2012

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by _____.

Dated: _____

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed] _____
Authorized Officer

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272