NEW ISSUE
BOOK-ENTRY ONLY **RATINGS: See "Ratings" herein**

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the County and the Corporation described herein, interest on the Series 2008A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that the interest on the Series 2008A Bonds is exempt from personal income taxes of the State of California under present State law. See "TAX MATTERS" herein regarding certain other tax considerations.

$78,895,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
VARIABLE RATE DEMAND LEASEHOLD REVENUE REFUNDING BONDS, SERIES 2008A
(SOUTHWEST JUSTICE CENTER REFUNDING)
CUSIP: 768903ED4

Dated: Date of delivery **Due: November 1, 2032**

The County of Riverside Asset Leasing Corporation Variable Rate Demand Leasehold Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding) (the "Series 2008A Bonds") are issued to provide funds to (a) refund and redeem all the the outstanding County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Adjustable Rate Series 2000B (Southwest Justice Center Project) (the "Series 2000B Bonds"); (b) pay the premium for a Surety Policy (as defined herein) to provide the reserve requirement for the Series 2008A Bonds; and (c) pay for the costs of issuance of the Series 2008A Bonds. The Series 2008A Bonds are issued pursuant to an Indenture of Trust, dated as of December 1, 2008 (the "Indenture"), between the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee and tender agent (the "Trustee" or "Tender Agent").

Proceeds of the Series 2000B Bonds, along with proceeds of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Fixed Rate Series 2000A (Southwest Justice Center Project) (the "Series 2000A Bonds") were issued to provide funds to finance the acquisition and construction of a jail facility, a new court facility and a juvenile detention center collectively known as the Southwest Justice Center (the "Justice Center"), to fund capitalized interest on the Series 2000A Bonds and Series 2000B Bonds, to purchase a reserve surety policy for the Series 2000A Bonds and the Series 2000B Bonds, and to pay costs of issuance with respect to the Series 2000A Bonds and the Series 2000B Bonds.

The Series 2008A Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Series 2008A Bonds may be purchased in book-entry form only. See "APPENDIX C—Book-Entry-Only System." Principal of, premium, if any, and interest on the Series 2008A Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Series 2008A Bonds.

The Series 2008A Bonds will be payable from revenues which consist primarily of Base Rental (as defined herein) payments to be made to the Corporation by the County for the Leased Premises (as defined herein) pursuant to its Facilities Lease, dated as of December 1, 2008 (the "Facilities Lease") by and between the County and the Corporation. The Base Rental Payments to be made by the County are for the use and possession by the County of the Leased Premises, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Leased Premises caused by damage, destruction or taking by eminent domain or condemnation with respect to the Leased Premises. See "BONDHOLDERS' RISKS" herein. The County has covenanted in the Facilities Lease to take such action as may be necessary to include Base Rental and Additional Rental payments due under the Facilities Lease in its annual budget and to make necessary annual appropriations therefor.

Payment of the principal of and interest on, and the purchase price with respect to, the Series 2008A Bonds is supported by and payable from amounts drawn by the Trustee under an irrevocable letter of credit (the "Initial Credit Facility") issued by

UNION BANK OF CALIFORNIA, N.A.

The Initial Credit Facility will be issued in an amount equal to the aggregate principal amount of the Series 2008A Bonds plus up to 50 days' interest thereon calculated at the rate of 12% per annum. The Initial Credit Facility, unless extended, will initially expire on December 9, 2013, and will permit the Trustee to draw thereunder amounts sufficient to pay (a) the principal of the Series 2008A Bonds when due at maturity, upon earlier redemption or upon acceleration, (b) regularly scheduled interest on the Series 2008A Bonds or payment of interest on a date established for the redemption of the Series 2008A Bonds, and (c) the purchase price of Series 2008A Bonds tendered or subject to mandatory tender and not remarketed. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS — The Credit Facility; Provision of Alternate Credit Facilities" and "THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" herein.

The Series 2008A Bonds are subject to mandatory and optional redemption and optional tender and mandatory tender as described herein.

From and including the date of initial authentication and delivery thereof, the Series 2008A Bonds will bear interest at a rate which is determined on a weekly basis (the "Weekly Interest Rate") by Citigroup Global Markets Inc., as Remarketing Agent. The Series 2008A Bonds are subject to optional purchase while the Series 2008A Bonds bear a Daily Interest Rate (as defined herein) or a Weekly Interest Rate and mandatory tender for purchase upon the occurrence of certain events. The Series 2008A Bonds will continue to bear interest at a Weekly Interest Rate unless, at the option of the Corporation and upon the satisfaction of certain conditions, the interest rate on the Series 2008A Bonds is converted to a Daily Interest Rate or a Term Interest Rate (as defined herein). While bearing a Weekly Interest Rate or a Daily Interest Rate, the Series 2008A Bonds are subject to purchase on demand of the Registered Owners thereof as described herein.

While bearing a Weekly Interest Rate or a Daily Interest Rate, the Series 2008A Bonds are issuable in fully registered form in denominations of $100,000 or any multiple of $5,000 in excess thereof. While bearing a Weekly Interest Rate or a Daily Interest Rate, interest on the Bonds is computed on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed. While bearing a Weekly Interest Rate, interest on the Bonds is payable on the first Wednesday of each month, commencing January 7, 2009. See "THE SERIES 2008A BONDS–General" herein.

The Series 2008A Bonds are special, limited obligations of the Corporation, payable from and secured solely by Revenues (as defined herein) and certain funds and accounts established by the Indenture. The obligation of the County to make Base Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the County nor any public agency (other than the Corporation) shall be obligated to pay the principal or redemption price of, or interest on, the Series 2008A Bonds. Neither the faith and credit nor the taxing power of the County or any public agency is pledged to the payment of the principal, premium, if any, or interest on the Series 2008A Bonds. The Corporation has no taxing power.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2008A Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Nixon Peabody LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by County Counsel, and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, San Francisco, California. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about December 10, 2008 in New York, New York against payment therefor.

UNDERWRITER AND REMARKETING AGENT

Citi

Dated: December 9, 2008

No dealer, broker, salesperson or other person has been authorized by the County, the Corporation or the Underwriter 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 the County, the Corporation or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

The information set forth herein has been obtained from official and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2008A 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 facts.

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

IN CONNECTION WITH THIS INITIAL OFFERING THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2008A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2008A BONDS TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME-TO-TIME BY THE UNDERWRITER.

The Bond Insurer makes no representation regarding the Series 2008A Bonds or the advisability of investing in the Series 2008A Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information under the heading “BOND INSURANCE” and APPENDIX G–“SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY.”

COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

William Luna, County Executive Officer
Don Kent, Treasurer-Tax Collector
Robert Byrd, CGFM, Auditor-Controller
Joe Rank, County Counsel

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President
Bernard Simon, Secretary and Vice President
Stu Baily, Vice President
Fernando Kish, Vice President

SPECIAL SERVICES

Bond Counsel

Nixon Peabody LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

OFFICIAL STATEMENT

$78,895,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
VARIABLE RATE DEMAND LEASEHOLD REVENUE REFUNDING BONDS
SERIES 2008A
(SOUTHWEST JUSTICE CENTER REFUNDING)

INTRODUCTION

The purpose of this Official Statement, including the cover and the Appendices attached hereto, is to provide information in connection with the offering of $78,895,000 aggregate principal amount of County of Riverside Asset Leasing Corporation Variable Rate Demand Leasehold Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding) (the "Series 2008A Bonds" or the "Bonds"). The Series 2008A Bonds will be issued pursuant to an Indenture of Trust (the "Indenture"), dated as of December 1, 2008, by and between the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2008A Bonds are being issued to provide funds to refund and redeem all the the outstanding County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Adjustable Rate Series 2000B (Southwest Justice Center Project) (the "Series 2000B Bonds"), as described below under "PLAN OF FINANCE." A portion of the proceeds of the Series 2008A Bonds will also be used to pay the premium for a Reserve Fund Credit Facility provided by Assured Guaranty Corp. (the "Surety Policy") to provide the reserve requirement for the Series 2008A Bonds, and to pay costs of issuance of the Series 2008A Bonds. Proceeds of the Series 2000B Bonds, along with proceeds of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Fixed Rate Series 2000A (Southwest Justice Center Project) (the "Series 2000A Bonds") were issued to provide funds to finance the acquisition and construction of a jail facility, a new court facility and a juvenile detention center collectively known as the Southwest Justice Center (the "Justice Center"), to fund capitalized interest on the Series 2000A Bonds and Series 2000B Bonds, to purchase a reserve surety policy for the Series 2000A Bonds and the Series 2000B Bonds, and to pay costs of issuance with respect to the Series 2000A Bonds and the Series 2000B Bonds.

Pursuant to a Site Lease, dated as of December 1, 2008 (the "Site Lease"), by and between the County and the Corporation, the County will lease certain real property and existing improvements thereon comprising the Justice Center (the "Leased Premises") to the Corporation. Pursuant to a Facilities Lease, dated as of December 1, 2008, by and between the Corporation and the County (the "Facilities Lease"), the Leased Premises will be leased by the Corporation to the County. See "THE JUSTICE CENTER."

The Bonds are special, limited obligations of the Corporation, payable from Revenues and certain funds and accounts established by the Indenture. Revenues consist primarily of base rental payments (the "Base Rental") to be made to the Corporation by the County as rental for the Leased Premises pursuant to the Facilities Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." The County is also required under the Facilities Lease to pay as Additional Rental certain other costs and expenses relating to the Leased Premises and the Trustee. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS." The Base Rental Payments to be made by the County are for the use and possession by the County of the Leased Premises, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Leased Premises caused by material damage, destruction or taking by eminent domain or condemnation or defect in title with respect to the Leased Premises. See "BONDHOLDERS' RISKS" herein. The County will covenant in the Facilities Lease to take such action as may be necessary to include all rental payments for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor.

The Series 2008A Bonds will be supported by an irrevocable direct-pay letter of credit (the "Initial Credit Facility") issued by Union Bank of California, N.A. (the "Initial Credit Provider"). Under the Initial Credit Facility, the Trustee will be permitted to draw an amount not exceeding the stated amount indicated in the Initial Credit Facility (the "Stated Amount") for the payments of principal of, purchase price of and interest on, the Series 2008A Bonds (other than Series 2008A Bonds owned by or for the account of the Corporation or the Initial Credit Provider ("Purchased Bonds")), whether at maturity, prior redemption, upon acceleration, purchase, on an Interest Payment Date (as defined below) or otherwise. The Stated Amount of the Initial Credit Facility on any date will be based upon the aggregate principal amount of the Outstanding Series 2008A Bonds on or prior to such date and interest on such Series 2008A Bonds for up to 50 days calculated at a rate of 12% per annum based on a 365 day year for the actual number of days elapsed. In consideration for issuing the Initial Credit Facility, the County will enter into a Reimbursement Agreement, dated as of December 1, 2008 (the "Credit Agreement"), with the Initial Credit Provider. For a further description of the Initial Credit Facility and the terms of the Credit Agreement, see "THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT."

Brief descriptions of the Bonds, the Facilities Lease, the Site Lease, the Indenture, the Continuing Disclosure Certificate, the Credit Facility, the County and the Corporation are provided below. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee in Los Angeles, California. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings set forth in the Facilities Lease or the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS OF CERTAIN TERMS."

PLAN OF FINANCE

The Corporation has obtained financial guaranty insurance policies from Assured Guaranty Corp. (the "Bond Insurer") to insure the Corporation's obligations with respect to the Swap Agreement (as defined herein) and the Series 2008A Bonds in order to fulfill its collateral obligations under the Swap Agreement (see "SWAP AGREEMENT" herein). Due to current market conditions as well as uncertainty regarding the future ratings of the Bond Insurer, the County has also obtained the Initial Credit Facility to support the Series 2008A Bonds.

As a result, in addition to the support provided with respect to the payment of the principal of, interest on and Purchase Price with respect to the Series 2008A Bonds by the Initial Credit Facility, the payment of scheduled principal of and interest on the Series 2008A Bonds is also guaranteed under a financial guaranty insurance policy (the "Bond Insurance Policy") issued concurrently with the delivery of the Series 2008A Bonds by the Bond Insurer. See "BOND INSURANCE" herein.

The Series 2008A Bonds will finance (i) the refunding of the Series 2000B Bonds, which were used to finance a portion of the Justice Center; (ii) the premium for a Surety Policy to provide the reserve requirement for the Series 2008A Bonds; and (iii) costs of issuance of the Series 2008A Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE JUSTICE CENTER" herein.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Principal Amount of Series 2008A Bonds	$78,895,000.00
County Contribution	299,926.23
Total	$79,194,926.23
USES OF FUNDS	
Deposit to 2000B Redemption Fund	$76,599,926.23
Costs of Issuance[(1)]	2,595,000.00
Total	$79,194,926.23

(1) Includes underwriter's discount, legal fees, printing costs, fees of the Initial Credit Provider, the Trustee, the rating agencies, bond insurance policy premium, Surety Policy premium, and other miscellaneous expenses associated with the issuance of the Series 2008A Bonds.

THE JUSTICE CENTER

The Justice Center is located approximately five miles east of the City of Temecula on a site (the "Site") of approximately 52 acres purchased by the County in 1987 for $2.5 million. The Site includes a Sheriff's station, completed in 1992 and consisting of approximately 33,000 square feet, and a jail facility, containing approximately 124,000 square feet and capable of housing 535 inmates. The total cost of the Sheriff's station and existing jail facility was approximately $24 million, which was funded from development mitigation fees, state grants and the County's general fund. The Sheriff's station and jail are part of the Leased Premises leased from the County to the Corporation pursuant to the Site Lease, and leased back from the Corporation to the County pursuant to the Facilities Lease.

The Justice Center includes three components: a jail facility expansion, a new court facility and a new juvenile detention facility. The Justice Center was completed in July 2003. The jail facility expansion added approximately 92,000 square feet to the prior jail facility, which provided an additional 283 cells and 535 jail beds, including 27 for violent offenders. The new court facility provides 12 courtrooms (each capable of accommodating criminal cases), court support functions and administrative support functions, such as offices for the District Attorney, Public Defender, Office of Probation, etc. The facility contains approximately 188,000 square feet. The new juvenile detention facility, containing approximately 63,000 square feet, provides approximately 100 beds, classroom modules, medical and school staff, and a fully functional kitchen/dining service. The juvenile detention facility represents the first phase of a master-planned 200-bed facility.

The Justice Center was financed with proceeds of the Series 2000A Bonds, the Series 2000B Bonds, development mitigation fees, State grants and Proposition 172 sales tax moneys.

THE SERIES 2008A BONDS

The following is a summary of certain provisions of the Series 2008A Bonds. Reference is made to the Series 2008A Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto.

This Official Statement provides certain information as of its date with respect to the Series 2008A Bonds prior to a Conversion to any Interest Rate Period other than a Daily Interest Rate Period or a Weekly Interest Rate Period and is not intended to describe the Series 2008A Bonds after such a Conversion. There are significant changes in the terms of the Series 2008A Bonds not described in this Official Statement when the Series 2008A Bonds are not in a Daily Interest Rate Period or a Weekly Interest Rate Period. Purchasers of the Series 2008A Bonds should not rely on this Official Statement for information concerning the Bonds in connection with any Conversion of the Series 2008A Bonds.

General

The Series 2008A Bonds will initially bear interest at a Weekly Interest Rate for a Weekly Interest Rate Period. The Series 2008A Bonds may bear interest from time to time at (i) a Daily Interest Rate during a Daily Interest Rate Period, (ii) a Weekly Interest Rate during a Weekly Interest Rate Period, or (iii) a Long-Term Interest Rate during a Long-Term Interest Rate Period, as more fully described below. All of the Series 2008A Bonds must be in the same Interest Rate Period. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of a Daily Interest Rate Period or a Weekly Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed. When the Series 2008A Bonds bear interest at a Daily Interest Rate or Weekly Interest Rate, the authorized denominations will be $100,000 or any multiple of $5,000 in excess thereof, and when the Series 2008A Bonds bear interest at a Long-Term Interest Rate, the authorized denominations will be $5,000 or any integral multiple of $5,000 (the "Authorized Denominations").

"Weekly Interest Rate Period" means each period during which Weekly Interest Rates are in effect; and "Weekly Interest Rate" means a variable interest rate on the Series 2008A Bonds established in accordance with the Indenture which will initially be determined by the Remarketing Agent at that interest rate which would enable the Remarketing Agent to sell all the 2008A Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof, and thereafter by the Remarketing Agent by no later than 5:00p.m., New York City time, on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. "Daily Interest Rate Period" means each period during which a Daily Interest Rate is in effect; and "Daily Interest Rate" means a variable interest rate on the Series 2008A Bonds established in accordance with the Indenture which will be the rate of interest per annum determined by such Remarketing Agent (based on an examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2008A Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2008A Bonds, would enable such Remarketing Agent to sell all such 2008A Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. "Long-Term Interest Rate Period" means each period during which a Long-Term Interest Rate is in effect; and "Long-Term Interest Rate" means a term, non-variable interest rate on the Series 2008A Bonds established in accordance with the Indenture which will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2008A Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase the 2008A Bonds on such effective date for resale at a price (without regarding accrued interest) equal to the principal amount thereof. Interest on the Series 2008A Bonds or the principal portion thereof called for redemption will cease to accrue on the date fixed for redemption of such Series 2008A Bonds. At no time shall any Series 2008A Bond (other than Series 2008A Bonds held by the Initial Credit Provider) bear interest at a rate in excess of 12% per annum (the "Maximum Rate").

Interest on the Series 2008A Bonds will be payable by the Trustee (i) during any Daily Interest Rate Period, on the first Business Day of each calendar month; (ii) during any Weekly Interest Rate Period, on the first Wednesday of each calendar month commencing the first Wednesday of January 2009, provided that if any such Wednesday is not a Business Day, interest accrued through the immediately preceding Tuesday shall be paid on the next succeeding Business Day; (iii) during any Long-Term Interest Rate Period, on each May 1 and November 1, or, if any such May 1 or November 1 is not a Business Day, on the next succeeding Business Day; (iv) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (v) any date specified in the Liquidity Facility as a date on which interest is to be paid (each, an "Interest Payment Date"). "Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which banking institutions located in Los Angeles, California, New York, New York and St. Paul, Minnesota are authorized or required to remain closed for commercial bank purposes. "Interest Rate Period" shall mean any Daily Interest Rate Period, Weekly Interest Rate Period or Long-Term Interest Rate Period.

The term of the Series 2008A Bonds shall be divided into consecutive Interest Rate Periods selected by the Corporation. At any time, all Series 2008A Bonds (other than Series 2008A Bonds held by the Liquidity Provider) shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate. For any Daily Interest Rate Period, interest shall accrue from the first day thereof and thereafter from the first day of each calendar month during such Daily Interest Rate Period. For any Weekly Interest Rate Period, interest shall accrue at the Weekly Interest Rate from the first Wednesday of each calendar month, to and including the Tuesday preceding the first Wednesday of the next calendar month. For any Long-Term Interest Rate Period, interest shall accrue from the first day thereof and thereafter from each Interest Payment Date in respect thereof (other than the last such Interest Payment Date), to and including the day immediately preceding the next succeeding Interest Payment Date.

Within each Interest Rate Period, the applicable interest rate shall be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2008A Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2008A Bonds, would enable the Remarketing Agent to sell such Series 2008A Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof.

Interest Rate Provisions

Daily Interest Rate. The Daily Interest Rate with respect to any Series 2008A Bonds (other than Purchased Bonds) bearing interest for a Daily Interest Rate Period shall be determined by the Remarketing Agent on each Business Day for such Business Day during a Daily Interest Rate Period.

The Daily Interest Rate for any day during a Daily Interest Rate Period which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day. If the Remarketing Agent shall not have determined a Daily Interest Rate for any Business Day, the Daily Interest Rate for such Business Day shall be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of the day the Remarketing Agent determines a new Daily Interest Rate or the seventh day succeeding the first day on which the Daily Interest Rate was not determined by the Remarketing Agent.

If the Remarketing Agent does not determine a Daily Interest Rate by the seventh day succeeding the first day on which the Remarketing Agent has not determined the Daily Interest Rate, or if for any reason a Daily Interest Rate determined by the Remarketing Agent for any day shall be held to be invalid or unenforceable by a court of law, the interest rate applicable to the Series 2008A Bonds shall be the interest rate per annum equal to 110% of the SIFMA Swap Index recently made available prior to the date of determination, or if such index is no longer available, or no such index was made available for the week preceding the date of determination, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal for each Business Day and for the next preceding Business Day for each day which is not a Business Day until the Daily Interest Rate is again validly determined by the Remarketing Agent.

Weekly Interest Rate. The Weekly Interest Rate shall be determined by the Remarketing Agent by no later than 5:00 p.m., New York City time, on Tuesday of each week during a Weekly Interest Rate Period or the next succeeding Business Day if such Tuesday is not a Business Day. The first Weekly Interest Rate determined for each Weekly Interest Rate Period shall be determined on or prior to the first day of such Weekly Interest Rate Period and shall apply to the period commencing on the first day of such Weekly Interest Rate Period and ending on the next succeeding Tuesday. Thereafter, each Weekly Interest Rate shall apply to the period commencing on Wednesday and ending on the next succeeding Tuesday, unless such Weekly Interest Rate Period shall end on a day other than Tuesday, in which event the last Weekly Interest Rate shall apply to the period commencing on the Wednesday preceding the last day of such Weekly Interest Rate Period and ending on the last day of such Weekly Interest Rate Period.

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week during a Weekly Interest Rate Period, the interest rate for such week shall be deemed to be the same as the Weekly Interest Rate for the immediately preceding week, if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. If for any reason the Remarketing Agent did not determine the Weekly Interest Rate for the immediately preceding week, or if a Weekly Interest Rate determined by the Remarketing Agent for any week shall be held to be invalid or unenforceable by a court of law, the interest rate for such week shall be equal to 110% of the SIFMA Swap Index most recently made available prior to the date of determination, or if such index is no longer available, or no such index was so made available~~,~~ for the week preceding the date of determination, 70% of the interest rate on 30 -day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in the *Wall Street Journal* on the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent.

Adjustment to an Alternate Interest Rate Period. The Corporation may elect at any time to adjust the Interest Rate Period on the Series 2008A Bonds to an alternate Interest Rate Period, subject to certain conditions specified in the Indenture, including delivery of an opinion of bond counsel nationally recognized in the field of municipal finance law to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of California and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2008A Bonds (an "Opinion of Bond Counsel").

If the Corporation elects to adjust the Series 2008A Bonds to an alternate Interest Rate Period, all of the Series 2008A Bonds will be subject to such alternate Interest Rate Period. The written direction by which the Corporation makes such election shall specify (i) in the case of an adjustment to a Long-Term Interest Rate Period, the duration of such Long-Term Interest Rate Period; and (ii) the effective date of the adjustment to any alternate Interest Rate Period, which effective date shall be a Business Day not earlier than the thirtieth day following the second Business Day after receipt by the Trustee of such direction from the Corporation. A change to an alternate Interest Rate Period may not take place unless an Opinion of Bond Counsel is delivered to the Trustee on the effective date of such change.

The Trustee is required to give notice to DTC of any adjustment to a new Interest Rate Period not less than 30 days prior to the effective date of such new Interest Rate Period. DTC is expected to in turn give such notice to the DTC Participants for distribution to the beneficial owners. Such notice will state (i) that the interest rate on the Series 2008A Bonds will be adjusted to a Daily Interest Rate, a Long-Term Interest Rate or a Weekly Interest Rate, as appropriate, unless (a) Bond Counsel fails to deliver an Opinion of Bond Counsel on the effective date of such adjustment, or (b) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period, the Corporation shall elect, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause such adjustment, in which case the Series 2008A Bonds, if being adjusted from a Daily Interest Rate Period or a Weekly Interest Rate Period, shall continue to bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect prior to such proposed adjustment in the Interest Rate Period, or, if being adjusted from a Long-Term Interest Rate Period, shall bear interest at a Weekly Interest Rate, provided that Series 2008A Bonds that were to continue in a Long Term Interest Rate Period shall bear interest at a Weekly Interest Rate; (ii) the effective date of such alternate Interest Rate Period, and in the case of an adjustment to a Long-Term Interest Rate Period, the day on which such Long-Term Interest Rate Period shall end; and (iii) that the Series 2008A Bonds are subject to mandatory tender for purchase on the effective date of the new Interest Rate Period and the purchase price applicable thereto.

Upon the failure of an adjustment to an alternate Interest Rate Period, the Series 2008A Bonds will bear interest as provided in clause (i) of the notice described above. If notice of such adjustment has been mailed as provided in the Indenture and Bond Counsel fails to deliver an Opinion of Bond Counsel on the effective date as therein described, the Series 2008A Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment. If the Corporation has not made a timely election prior to the end of any Long-Term Interest Rate Period that, during the next succeeding Interest Rate Period, the Series 2008A Bonds shall bear interest at a specified interest rate, the next succeeding Interest Rate Period for the Series 2008A Bonds shall be a Weekly Interest Rate Period until properly adjusted otherwise.

In connection with an adjustment to any Interest Rate Period that would require the mandatory tender for purchase of the Series 2008A Bonds at a purchase price greater than the principal amount thereof under the circumstances described under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period,” the Corporation must deliver to the Trustee, prior to the Trustee’s mailing of notice to DTC of such adjustment, Available Moneys (as hereinafter defined) to pay the portion of such purchase price corresponding to the premium, unless the Credit Facility then in effect provides for payment of the premium.

Rescinding Election to Adjust to Long-Term Interest Rate. If the Corporation elects to rescind its election to adjust the interest rate on the Series 2008A Bonds to a Long-Term Interest Rate, then the Series 2008A Bonds shall bear interest at a Daily Interest Rate or a Weekly Interest Rate as in effect prior to such election, or if the Series 2008A Bonds were to be adjusted from another Long-Term Interest Rate, then the Series 2008A Bonds shall bear interest at a Weekly Interest Rate for the period commencing on the date which would have been the effective date of such Long-Term Interest Rate Period. In either such case, the Series 2008A Bonds shall continue to be subject to mandatory tender for purchase on the day that would have been the effective date of such Long-Term Interest Rate Period.

Optional and Mandatory Purchase

Optional Tender for Purchase During Daily Interest Rate Period. During any Daily Interest Rate Period, any Series 2008A Bond (other than a Purchased Bond) shall be purchased (in whole) at the option of the holder on any Business Day at a purchase price equal to the principal amount thereof, plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices, by no later than 11:00 a.m. New York City time on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by tested telex, telecopy or other writing, which states the principal amount of such 2008A Bonds and the date of purchase. For payment of such purchase price on the date specified in such notice, such Bond must be delivered, at or prior to 12:00 noon New York City time on such Business Day, to the Tender Agent for such 2008A Bonds at the Delivery Office of the Tender Agent, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Registered Owner thereof or his duly-authorized attorney, with such signature guaranteed by an eligible guarantor institution.

Optional Tender for Purchase During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2008A Bond (other than a Purchased Bond) shall be purchased (in whole) from the holder thereof at the option of such holder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase shall be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of notices and to the Remarketing Agent of an irrevocable written notice which states the principal amount of such 2008A Bond and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m. New York City time shall be deemed to have been received on the next succeeding Business Day. The purchase price of any 2008A Bond so purchased shall be payable only upon surrender of such 2008A Bond to the Tender Agent at its Principal Office for delivery of 2008A Bonds, accompanied by an instrument of transfer thereof, in form satisfactory to the Tender Agent, executed in blank by the holder thereof or his duly authorized attorney, with such signature guaranteed by an eligible guarantor institution. Purchased Bonds may not be tendered for purchase at the option of the holder thereof.

Notice of Election Deemed To Be Irrevocable Tender. The giving of notice by a owner of its election to have its Series 2008A Bond purchased during a Weekly Interest Rate Period or Daily Interest Rate Period shall constitute an irrevocable tender for purchase of such Series 2008A Bond. From and after the relevant purchase date, no interest shall accrue on the Series 2008A Bonds and the holder shall have no right except to receive the purchase price of such Series 2008A Bonds.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2008A Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event that resulted in the interest rate on the Series 2008A Bonds not being adjusted), at a purchase price equal to the principal amount of the Series 2008A Bonds or, in the case of a purchase on the first day of an Interest Rate Period which shall be preceded by a Long-Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a purchase price equal to the principal amount thereof, plus accrued interest, if any.

Mandatory Tender for Purchase Upon Occurrence of Certain Events Under the Credit Facility. If at any time the Trustee shall give notice that any Series 2008A Bond or Series 2008A Bonds which, at such time, are subject to purchase under the Credit Facility as then in effect, shall on the date specified in such notice cease to be subject to purchase from the Credit Facility as a result of (i)(A) the termination or expiration of the term of such Credit Facility or (B) such Credit Facility being replaced with the effect that the purchase price of such Series 2008A Bond or Series 2008A Bonds is no longer payable from such Credit Facility (in each case, whether or not any Alternate Credit Facility has been obtained), or (ii)(A) the Credit Facility Provider notifying the Trustee that it is requesting a mandatory tender as a consequence of an "Event of Default" having occurred under the Credit Facility or (B) the Credit Facility Provider notifying the Trustee that it is not reinstating the interest component under the Credit Facility; then (x) on the second Business Day preceding any such termination, expiration or replacement of the Credit Facility or (y) no later than the fifth calendar day following its receipt from the Credit Facility Provider of its notice of an "Event of Default" under the Credit Facility or of a nonreinstatement of the interest component under the Credit Facility, each such Series 2008A Bond shall be purchased or deemed purchased as provided in the Indenture and in the Credit Facility. See "THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT."

Delivery of Tender Notices. Notices in respect of tenders for purchase at the election of owners during a Daily Interest Rate Period or Weekly Interest Rate Period and Series 2008A Bonds subject to mandatory tender for purchase as described above must be delivered to the Tender Agent.

Mandatory Tender for Purchase of 2008A Bonds at Direction of Corporation. In addition to the provisions relating to the mandatory tender for purchase of 2008A Bonds described above, the 2008A Bonds, or any of them, shall be subject to mandatory tender for purchase by the Corporation, with the prior written consent of the Bond Insurer, in whole or in part (such that the portion that is subject to such mandatory tender for purchase and the portion not subject to such mandatory tender shall each be in an Authorized Denomination), at the applicable Optional Purchase Price on each Optional Purchase Date. In the event that the Corporation determines to purchase any 2008A Bonds on any Optional Purchase Date, the Corporation shall provide the Trustee and the Remarketing Agent with written notice of such determination at least thirty-five (35) days prior to the Optional Purchase Date, which notice shall specify the Series of 2008A Bonds and the principal amount of such 2008A Bonds of each maturity that are to be purchased and the Optional Purchase Date on which such purchase is to occur.

When the Trustee shall receive such notice from the Corporation, the Trustee shall give notice of the mandatory tender for purchase of such 2008A Bonds, which notice shall be mailed, by first class mail, postage prepaid, not more than sixty (60) nor less than thirty (30) days before the Optional Purchase Date to the Owners of any 2008A Bonds or portions of 2008A Bonds to be purchased at their addresses appearing in the Bond Register, with a copy to the Remarketing Agent. Such notice shall specify the maturities of such 2008A Bonds to be purchased, the Optional Purchase Date, the Optional Purchase Price and the place or places where the Optional Purchase Price due upon such tender for purchase shall be payable and, if less than all of the 2008A Bonds of like maturity are to be purchased, the letters and numbers or other distinguishing marks of such 2008A Bonds so to be purchased, and, in the case of 2008A Bonds to be purchased in part only, such notice shall also specify the respective portions of the principal amount thereof to be purchased.

If at the time the Trustee sends any such notice of mandatory tender for purchase of the 2008A Bonds, the Corporation has not deposited with the Trustee an amount sufficient to pay the full Optional Purchase Price of the 2008A Bonds, or the portions thereof, to be purchased, such notice shall state that such mandatory tender for purchase is conditional upon the receipt by the Trustee on or prior to the Optional Purchase Date fixed for such purchase of moneys sufficient to pay the Optional Purchase Price of such 2008A Bonds, or the portions thereof to be purchased, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Corporation shall not be required to purchase such 2008A Bonds. In the event that such notice of mandatory tender for purchase contains such a condition and such moneys are not so received, no purchase of the 2008A Bonds identified in the notice of mandatory tender for purchase shall be made and the Trustee shall, within a reasonable time thereafter, give notice, to the Remarketing Agent and to the persons and in the manner in which the notice of tender was given, that such moneys were not so received and that there will be no purchase of 2008A Bonds pursuant to the notice of mandatory tender for purchase.

Redemption

Extraordinary Redemption of Bonds. The Series 2008A Bonds are subject to extraordinary redemption prior to maturity, in whole or in part on any date, upon notification from the County to the Corporation that insurance proceeds and other legally available moneys are sufficient to provide for the redemption of (i) all Outstanding Bonds or (ii) the Outstanding Bonds relating to the portion of the Leased Premises damaged, destroyed or taken by eminent domain, provided that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Bonds Outstanding after such redemption, in which case the Bonds shall be so redeemed.

Optional Redemption of Series 2008A Bonds. On any Business Day during a Weekly Interest Rate Period or a Daily Interest Rate Period, the Series 2008A Bonds will be subject to optional redemption by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof.

During any Long-Term Interest Rate Period, the Series 2008A Bonds shall be subject to optional redemption by the Corporation from Available Money on the dates and at the redemption prices set forth in the Indenture.

Mandatory Sinking Fund Redemption of Series 2008A Bonds. The Series 2008A Bonds will be subject to mandatory sinking fund redemption, on the first Wednesday of November in the years and principal amounts shown below, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption (the final amount to be paid rather than redeemed):

Year	***Principal***
2014	$2,480,000
2015	2,585,000
2016	2,690,000
2017	2,895,000
2018	3,000,000
2019	3,205,000
2020	3,410,000
2021	3,620,000
2022	3,825,000
2023	4,035,000
2024	4,135,000
2025	4,445,000
2026	4,655,000
2027	4,965,000
2028	5,170,000
2029	5,480,000
2030	5,790,000
2031	6,100,000
2032*	6,410,000

* Maturity.

The principal amount of the Series 2008A Bonds required to be redeemed on each mandatory sinking fund redemption date may be reduced by the principal amount of the Series 2008A Bonds theretofore redeemed (otherwise than by mandatory sinking fund redemption) or delivered to the Trustee for cancellation, and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Any such reduction shall be applied as a credit against the mandatory sinking fund obligation for the year or years selected by the Corporation.

Selection of Bonds for Redemption. If less than all of the Bonds are to be redeemed, other than mandatory sinking fund redemption, the Trustee shall select Bonds for redemption among series and maturities of such Bonds in a manner provided by the Corporation at the direction of the County; provided that Debt Service in any given year shall not exceed the fair rental value of the Leased Premises in such year. If less than all of the Bonds of like maturity are to be redeemed, the particular Bond or portions of such Bond to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its sole discretion shall deem appropriate and fair.

Notice of Redemption. Notice of redemption of Bonds shall be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption, to the respective Owners of Bonds designated for redemption, to the Bond Insurer and to one or more Information Services. From and after the date fixed for redemption interest shall cease to accrue. Failure by the Trustee to give notice to any one or more of the Information Services or failure of DTC to receive notice or any defect in any notice shall not affect the sufficiency of the proceedings for redemption.

CERTAIN CONSIDERATIONS RELATING TO THE SERIES 2008A BONDS

The Remarketing Agent is Paid by the County

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008A Bonds that are optionally or mandatorily tendered by the owners thereof (subject to the terms of the Remarketing Agreement), as described above in this Official Statement. The Remarketing Agent is appointed by the County and is paid by the County for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Series 2008A Bonds.

The Remarketing Agent May Purchase Series 2008A Bonds for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, has routinely purchased such obligations for its own account in order to achieve a successful remarketing of such obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008A Bonds for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series 2008A Bonds by routinely purchasing and selling Series 2008A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series 2008A Bonds. The Remarketing Agent may also sell any Series 2008A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008A Bonds. The purchase of Series 2008A Bonds by the Remarketing Agent may create the appearance that there is greater third-party demand for the Series 2008A Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008A Bonds being tendered in a remarketing.

The Series 2008A Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series 2008A Bonds bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008A Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Series 2008A Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2008A Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2008A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2008A Bonds at the remarketing price. In the event a Remarketing Agent owns any Series 2008A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2008A Bonds on any date, including an interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Series 2008A Bonds other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell Series 2008A Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Series 2008A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008A Bonds other than by tendering the Series 2008A Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2008A Bonds, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Special Obligation of Corporation

THE BONDS ARE SPECIAL OBLIGATIONS OF THE CORPORATION PAYABLE FROM AND SECURED BY A PLEDGE OF THE REVENUES DERIVED BY THE CORPORATION FROM THE FACILITIES LEASE AND LEASED PREMISES AND FROM MONEYS DEPOSITED IN CERTAIN FUNDS AND ACCOUNTS PLEDGED UNDER THE INDENTURE. NEITHER THE COUNTY NOR ANY PUBLIC AGENCY (OTHER THAN THE CORPORATION) SHALL BE OBLIGATED TO PAY THE PRINCIPAL OR REDEMPTION PRICE OF THE BONDS OR THE INTEREST THEREON. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY OR ANY PUBLIC AGENCY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THE BONDS. THE CORPORATION HAS NO TAXING POWER.

The Credit Facility; Provision of Alternate Credit Facilities

The payment of principal of, interest on and purchase price of the Series 2008A Bonds tendered for purchase and not remarketed will be made by the Initial Credit Provider through a direct-pay letter of credit (the "Credit Facility") pursuant to the provisions of a Reimbursement Agreement, dated as of December 1, 2008 (the "Credit Agreement"), among the County, the Corporation and the Initial Credit Provider.

So long as the Credit Facility or an Alternate Credit Facility is in place and the Credit Facility Provider is honoring timely draws made thereunder, the Trustee will draw upon the Credit Facility and apply the moneys therefrom to the payment of each installment of principal of and interest and premium, if any on the Series 2008A Bonds, including upon any redemption thereof, and to the payment of the Purchase Price of each tendered Series 2008A Bond. Funds provided to the Trustee constituting (i) Base Rental payments by the County, including the proceeds from rental interruption insurance, (ii) the net proceeds of any insurance or condemnation award, (iii) remarketing proceeds and (iv) amounts held in the Debt Service Reserve Fund, shall be applied timely by the Trustee to the reimbursement of the Credit Facility Provider pursuant to the terms of the Credit Agreement so long as the Credit Facility Provider is honoring timely draws made on the Credit Facility. To the extent the Credit Facility Provider is not honoring timely draws made on the Credit Facility, the Trustee shall pay such funds as otherwise set forth in the Indenture to the payment of each installment of principal of and interest on the 2008A Bonds, including upon any redemption thereof.

The Trustee is required to make a demand for payment under the Credit Facility subject to and in accordance with its terms, in order to receive payment thereunder not later than the time payment is due on the Series 2008A Bonds on the following dates in the following amounts:

(i) On each Interest Payment Date, in an amount which will be sufficient to pay all interest due and payable on the Outstanding Series 2008A Bonds on such Interest Payment Date;

(ii) On any date fixed for payment (whether by acceleration or otherwise), defeasance or redemption of the Series 2008A Bonds in an amount which, together with amounts demanded for payment pursuant to paragraph (i) above, will be sufficient to pay the amount due on the Series 2008A Bonds, including accrued interest and premium, if any (if a demand for payment is permitted for premium under the terms the Credit Facility); and

(iii) On each Purchase Date, in an amount sufficient to pay the Purchase Price of any Series 2008A Bonds tendered or deemed tendered pursuant to the Indenture and which have not been remarketed in accordance with the Indenture, or for which sufficient remarketing proceeds have not been received as provided in the Indenture.

Each such demand for payment will be made not later than the time required by the Credit Facility in order to receive payment thereunder not later than the time payment is required to be made to the Holders of the Series 2008A Bonds pursuant to the Indenture. The proceeds of each such demand will be deposited in the Credit Facility Revenue Account in the Revenue Fund or the Purchase Account in the 2008A Bond Purchase Fund, as appropriate, and used in the order of priority established by the Indenture. At the time of the receipt of proceeds of any demand under a Credit Facility pursuant to (i) or (ii) above, the Trustee will deposit the proceeds of such demand directly in the Credit Facility Revenue Account in the Revenue Fund. At the time of the receipt of proceeds of any demand under a Credit Facility pursuant to (iii) above, the Trustee will deposit the proceeds of such demand directly in the Purchase Account in the 2008A Bond Purchase Fund. The Trustee will comply with all provisions of each Credit Facility in order to realize upon any demand for payment thereunder, and will not demand payment under any Credit

Facility of any amounts for payment of: (A) Purchased Bonds (unless for any reason a separate CUSIP number has not been assigned to the Purchased Bonds); or (B) Series 2008A Bonds held by the Issuer or the Corporation or actually known by the Trustee to be held by any affiliate of the Corporation or any nominee of the Issuer unless the Credit Facility specifically permits such demand.

The Credit Agreement currently expires on December 9, 2013 and unless extended, the Series 2008A Bonds will be subject to mandatory tender and purchase on the first Business Day which is at least five (5) Business Days prior to the expiration date.

Under the Indenture, the Corporation has the right to cause an Alternate Credit Facility to be delivered to the Trustee for the Series 2008A Bonds. In such event, the Series 2008A Bonds would be subject to mandatory tender and purchase on the effective date of the Alternate Credit Facility.

See "THE INITIAL CREDIT PROVIDER" and "THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT" herein.

Source of Payment

Generally. The Bonds are payable solely from (a) the proceeds of the sale of the Bonds; (b) Revenues, and (c) all funds and accounts established by the Indenture (other than the Excess Earnings Fund) including the investment earnings, if any, thereon. "Revenues" is defined in the Indenture as (i) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to its leasehold interest in the Leased Premises, including all revenues attributable to the Leased Premises or to the payment of the costs thereof received or to be received by the Corporation under the Leases or any part thereof or any contractual arrangement with respect to the use of the Leased Premises, including payments of Base Rental; (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Leased Premises; (iii) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund); (iv) all damage payments received from the County; and (v) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Leases or in accordance with the Indenture.

Rental Payments. The Base Rental payments paid by the County under the Facilities Lease are the Corporation's primary source of Revenues and secure all Bonds on parity. Base Rental payments are made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from proceeds of the Bonds, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Debt Service Reserve Fund established under the Indenture.

The County is required under the Facilities Lease to make semiannual Base Rental payments from legally available funds, and Base Rental payments are scheduled to be sufficient to pay, when due, principal and interest on the Bonds. Additional Rental payments due from the County under the Facilities Lease include amounts sufficient to pay certain taxes and assessments, insurance premiums and certain administrative costs.

Except to the extent of (i) amounts received in respect of rental interruption insurance or title insurance; and (ii) amounts, if any, otherwise legally available to the Trustee for payments on the Bonds, Base Rental and Additional Rental payments will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Premises, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Premises 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 with the use and right of possession by the County. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE" herein.

The County has covenanted in the Facilities Lease to take such action as may be necessary to include all rental payments for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor. So long as the County has the use and occupancy of the Leased Premises, the obligation of the County to make Base Rental payments, Additional Rental payments and all other amounts provided for in the Facilities Lease, and to perform its obligations thereunder will be absolute and unconditional, except for the right of abatement under certain circumstances as described herein, and such Base Rental payments and other amounts will not be subject to setoff, counterclaim or recoupment.

The Facilities Lease provides that the covenants of the County thereunder are deemed ministerial duties imposed by law, and it further provides that it will be the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in the Facilities Lease.

Should the County default under the Facilities Lease, the Trustee may exercise any and all remedies available at law or in equity or granted pursuant to the Facilities Lease and may elect, without terminating the County's rights under the Facilities Lease, to continue the Facilities Lease in effect and enforce all of its rights and remedies thereunder, including the right to recover Base Rental payments as they become due. In no event will the Corporation have the right to accelerate the payment of Base Rental. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE FACILITIES LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

Debt Service Reserve Fund

A Debt Service Reserve Fund for the Series 2008A Bonds has been established under the Indenture. The County is required under the Indenture to deposit or cause to be deposited in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement. Debt Service Reserve Requirement is defined in the Indenture as $6,750,520, equal to the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any Fiscal Year. For purposes of this definition, interest payable on the Series 2008A Bonds shall be calculated at an assumed Swap Fixed Rate of 5.20%.

Pursuant to the Indenture, at the option of the Corporation as directed by the County, a Credit Facility may be used to satisfy all or a portion of the Debt Service Reserve Fund Requirement provided that:

(i) at the time of issuance of the Reserve Fund Credit Facility, the Reserve Fund Credit Facility is issued by a bank or other financial institution and the issuer of the Reserve Fund Credit Facility has long-term obligations rated "A" or higher by Fitch, S&P and Moody's or, if issued by an insurance company, such company is rated at least A+ by Alfred M. Best in Best's Insurance Reports and its claims paying rating or obligations insured by such insurance company are rated within the two highest rating categories by S&P and Moody's;

(ii) such Reserve Fund Credit Facility is renewable or extendable on an annual basis and such Reserve Fund Credit Facility unconditionally permits the Trustee to draw funds thereunder in an amount equal to not less than the Debt Service Reserve Requirement not less than 10 days prior to the expiration of the Reserve Fund Credit Facility in the event the term of the Reserve Fund Credit Facility (not including any optional renewals thereof) is less than the final maturity date of the Outstanding Bonds;

(iii) such Reserve Fund Credit Facility is issued for at least an initial five-year term; and

(iv) such Reserve Fund Credit Facility provides for a reimbursement term of not less than three years from the date of any draw thereunder.

Debt Service Reserve Fund Surety Bond

Assured Guaranty (the "Surety Bond Insurer") has made a commitment to issue a financial guaranty insurance policy for the reserve fund with respect to the Series 2008A Bonds (the "Reserve Fund Insurance Policy"), effective as of the date of issuance of the Series 2008A Bonds. Under the terms of the Reserve Fund Insurance, the Surety Bond Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the Series 2008A Bonds that becomes due for payment but shall be unpaid by reason of nonpayment by the Corporation (the "Insured Payments").

The Surety Bond Insurer will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Corporation to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Obligations on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which the Surety Bond Insurer receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of $6,750,520 (the "Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by the Surety Bond Insurer under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to the Surety Bond Insurer, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Insurance

The Facilities Lease requires the County to maintain rental interruption insurance to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the "all risk" insurance described below in an amount sufficient at all times to pay the total rent payable under the Facilities Lease for a period adequate to cover the period of repair or reconstruction. Such policy provides that the amount payable thereunder shall not be less than an amount equal to two years' maximum Base Rental and Additional Rental.

The Facilities Lease also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises known as "all risk" insurance, including earthquake and flood. Such insurance is required to be maintained with respect to the Leased Premises at all times, and in an amount not less than the lesser of the full replacement value of the Leased Premises or the aggregate principal amount of Bonds at such time Outstanding. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (a) $50,000, in the case of all risk insurance; (b) $200,000, in the case of flood insurance; and (c) 5% of the loss per unit and per occurrence subject to a $500,000 maximum 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 Leased Premises in accordance with the provisions of the Facilities Lease. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

Additional Bonds

The Corporation may at any time, by Supplemental Indenture, provide for the issuance of Additional Bonds subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from Base Rental Payments and other 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 Bonds therefore issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE."

THE INITIAL CREDIT PROVIDER

The following information concerning the Initial Credit Provider has been provided by representatives of the Initial Credit Provider and has not been independently confirmed or verified by the Underwriter, the County or the Corporation. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

Union Bank of California, N.A. (the "Initial Credit Provider") is the primary banking subsidiary of Union BanCal Corporation, a bank-holding company based in San Francisco with assets of $60.6 billion as of September 30, 2008. The Initial Credit Provider is among the 25 largest commercial banks in the United States, with 330 branch offices in California, Washington and Oregon and facilities in 6 other states, as well as 2 international facilities. Union BanCal Corporation is a wholly owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd. ("BTMU"). BTMU is part of the Mitsubishi UFJ Financial Group, Inc., one of the world's leading financial companies with assets of more than $1.8 trillion at March 31, 2008.

As of September 31, 2000, Union BanCal Corporation had loans totaling $48.3 billion, total assets of $62.6 billion and total deposits of $42.4 billion. For the twelve months ending December 31, 2007, net income was $608.1 million, compared to $753.0 million for the same period last year. For the first nine months ending September 30, 2008, net income was $354.8MM compared with $442.4MM for the same period last year. Copies of the latest annual report and the most recent quarterly report may be obtained at www.uboc.com or at the Initial Credit Provider's Los Angeles office, located at 445 Figueroa Street, Los Angeles, California 90071.

THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT

The following is a summary of certain provisions of the Initial Credit Facility and the Credit Agreement. This summary is not to be considered a full statement of the terms of either the Initial Credit Facility or the Credit Agreement and accordingly, is qualified by reference thereto and is subject to the full text thereof. Unless otherwise defined, capitalized terms used herein shall have the same meanings given such terms in the Credit Agreement.

The following are brief outlines of certain provisions contained in the Initial Credit Facility established by the Initial Credit Provider in favor of the Trustee and the Credit Agreement and are not to be considered a full statement pertaining thereto. Reference is made to the Initial Credit Facility and the Credit Agreement on file with the Trustee for the complete texts thereof. Capitalized terms used in this section and not otherwise defined shall have the meanings given such terms in the Credit Agreement.

The Initial Credit Facility

The purchase price of, and principal and interest evidenced by the Series 2008A Bonds (other than the Bank Bonds or Series 2008A Bonds owned by the County or the Corporation) will be payable from amounts available to be drawn by the Trustee under an irrevocable, transferable direct-pay letter of credit issued by the Initial Credit Provider. Ratings on the Series 2008A Bonds will therefore by based primarily on the credit of the Initial Credit Provider rather than the credit of the County. See "THE INITIAL CREDIT PROVIDER" herein for a description of the Initial Credit Provider. Concurrently with the execution and delivery of the Series 2008A Bonds, the Initial Credit Provider will deliver the Initial Credit Facility to the Trustee. The Trustee will be permitted to draw an aggregate amount not to exceed the principal amount of the Series 2008A Bonds plus interest calculated at an assumed rate of 12% for up to 50 days, based upon a 365-day year, subject to reductions and reinstatements as provided in the Initial Credit Facility. The Initial Credit Facility provides that the Trustee may draw upon the Initial Credit Facility up to the Available Amount (subject to reduction as provided in the Initial Credit Facility) for any of the following purposes:

(a) "Payment Drawing" in the form of (i) an "Interest Drawing" representing the payment of interest due with respect to the Series 2008A Bonds; (ii) a "Partial Prepayment Drawing" representing the payment of principal plus accrued and unpaid interest upon redemption or prepayment of less than all of the Series 2008A Bonds Outstanding (as defined in the Indenture) and (iii) a "Final Drawing" representing the payment of the unpaid principal and interest on Series 2008A Bonds either at a stated maturity, upon acceleration, or as a result of prepayment, redemption, or mandatory tender of the Series 2008A Bonds (other than Series 2008A Bonds presently held of record by the County or the Corporation or by the Trustee for the account of the County or the Corporation) which Series 2008A Bonds are not to be remarketed again with the support of the Initial Credit Facility; and

(b) "Tender Drawing" representing the payment of unpaid principal and interest due with respect to all or less than all of the Series 2008A Bonds Outstanding upon tender to the Trustee for purchase pursuant to the Indenture (other than Series 2008A Bonds presently held of record by the County or the Corporation or by the Trustee for the account of the County or the Corporation).

The Initial Credit Facility shall terminate (the "Stated Termination Date") upon the earliest to occur of: (i) the date on which the Initial Credit Provider receives written notice from the Trustee that there are no longer any Series 2008A Bonds Outstanding (as defined in the Indenture); (ii) the date on which the Initial Credit Provider honors a "Final Drawing" with respect to all of the Series 2008A Bonds; (iii) the close of Initial Credit Provider's business at the Initial Credit Provider's Los Angeles, California office on December 9, 2013 (the "Maturity Date"). The Maturity Date may be extended from time to time by amendment to the Initial Credit Facility at the sole discretion of the Initial Credit Provider.

The Credit Agreement

The Credit Agreement, among other things, sets the terms and conditions whereby the County is required to repay to the Initial Credit Provider any amounts drawn by the Trustee under the Initial Credit Facility. The Initial Credit Provider has certain rights and the County has certain obligations under the Credit Agreement. These rights of the Initial Credit Provider do not extend to the owners of the Series 2008A Bonds. In addition, the County's compliance with its obligations under the Credit Agreement can be waived solely at the behest of the Initial Credit Provider. The Credit Agreement provides for, among other things, repayment by the County of amounts drawn under the Initial Credit Facility. Although certain aspects of the Credit Agreement are summarized herein, this summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Credit Agreement. The occurrence of any of the following events shall be an "Event of Default" under the Credit Agreement:

(a) The County and the Bond Insurer shall fail to pay any amount payable under the Credit Agreement when due; or

(b) Any representation or warranty made, or deemed made, by or on behalf of the County (or any of its officials) in connection with the Credit Agreement or any of the Related Documents shall prove to have been incorrect in any material respect when made or deemed made; or

(c) The County shall fail to perform or observe any term, covenant or agreement contained in Section 5.02 (Negative Covenants) of the Credit Agreement on its part to be performed or observed; or

(d) The County shall fail to perform or observe any other term, covenant or agreement contained in any other section of the Credit Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten (10) days after written notice thereof shall have been given to the County by the Initial Credit Provider; or

(e) The County shall default in the payment of any Debt (other than Debt arising under the Credit Agreement), whether such Debt now exists or shall hereafter be created, and any period of grace with respect thereto shall have expired, or an event of default as defined in any mortgage, indenture or instrument, under which there may be issued, or by which there may be secured or evidenced, any Debt, whether such Debt now exists or may be hereafter created, shall occur, which default in payment or event of default shall result in such Debt becoming or being declared due and payable prior to the date on which it would otherwise become due and payable; or

(f) An order for relief shall have been entered against the County under the Bankruptcy Code or any other similar applicable Federal or State law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, trustee, liquidator or custodian of the County of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(g) The County shall institute a voluntary case, or shall consent to the institution of an involuntary case against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the Bankruptcy Code or any other similar applicable Federal or State law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, trustee, liquidator or custodian of it or of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the County in furtherance of any of the aforesaid purposes; or

(h) Any provision of the Credit Agreement or any of the Related Documents to which the County is a party shall at any time for any reason cease to be valid and binding on the County, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the County, or the County shall deny that it has any or further liability or obligation under the Credit Agreement; or

(i) Any "Event of Default" under and as defined respectively in the Indenture, the Facilities Lease, the Site Lease or any other Related Document shall have occurred and be continuing; or

(j) Any event which materially and adversely affects the financial condition of the County or the ability of the County to observe and perform the terms of the Credit Agreement shall have occurred and be continuing.

If any Event of Default shall have occurred and be continuing, the Initial Credit Provider may (but shall not be obligated to) by notice to the County, declare the obligation of the Initial Credit Provider to issue the Initial Credit Facility to be terminated, whereupon the same shall forthwith terminate, or, if the Initial Credit Facility shall have been issued, (i) give notice to the Trustee pursuant to the Indenture requesting the Trustee to declare a mandatory tender of all Series 2008A Bonds then outstanding and all interest accrued and unpaid thereon to be due and payable, (ii) take such action as may be necessary to cure such Event of Default on behalf and for the account of the County, (iii) require immediate payment in full by the County of any payment or amount owed or to be owed to the Initial Credit Provider under the Credit Agreement, (iv) exercise any and all of the rights available to it under the Indenture or any Related Documents, and (v) exercise any other rights and remedies available to it at law or in equity or under any other agreement; provided, however, that if the Bond Insurer is not in default under the Bond Insurance Policy, UBOC shall not accelerate any payment hereunder or with respect to the 2008A Bonds without the written consent of the Bond Insurer.

It is understood that, upon the occurrence of an Event of Default, the Initial Credit Provider may exercise its rights with respect to remedies available to it under the Indenture or any of the other Related Documents, all without limiting or restricting the Initial Credit Provider's ability, at a later date, to exercise its rights with respect to any remaining revenues for payment of any remaining indebtedness of the County to the Initial Credit Provider; provided that the Initial Credit Provider agrees that it will take no action with respect to the security interest granted under the Initial Credit Facility without the prior written consent of the Bond Insurer while the Bond Insurance Policy (as such terms are hereinafter defined) remains in effect and the Bond Insurer is not in default with respect to its obligations thereunder. It is understood that the Bond Insurer is only obligated under the Bond Insurance Policy to pay regularly scheduled principal and interest on the Series 2008A Bonds and any Bank Bonds, regardless of the occurrence of an Event of Default. Payments made in respect of Bank Bonds by the Bond Insurer shall be credited to interest and principal due on the Bank Bonds as if such payments were made by the County but such payment by the Bond Insurer shall not extinguish the obligation of the County to reimburse the

Bond Insurer therefore. In the Credit Agreement, "Related Document" is defined as the Initial Credit Facility, the Series 2008A Bonds, the Indenture, the Facilities Lease, the Site Lease, the Custody Agreement, the Remarketing Agreement, the Bond Purchase Agreement, or any other agreement or instrument relating thereto.

BOND INSURANCE

The following information concerning the Bond Insurer and the Bond Insurance Policy has been provided by representatives of the Bond Insurer and has not been independently confirmed or verified by the Underwriter, the County or the Corporation. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date. The following information is not complete and reference is made to APPENDIX G for a specimen of the financial guaranty insurance policy of Assured Guaranty Corp.

The Insurance Policy

Assured Guaranty Corp. (the "Bond Insurer") has made a commitment to issue a financial guaranty insurance policy (the "Bond Insurance Policy") relating to the Series 2008A Bonds, effective as of the date of issuance of the Series 2008A Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Series 2008A Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Corporation solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Bond Insurance Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Series 2008A Bonds, the stated maturity date thereof, or the date on which such Series 2008A Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless the Bond Insurer in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on the Series 2008A Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Corporation to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Series 2008A Bonds. It is further understood that the term Nonpayment in respect of a Series 2008A Bond also includes any amount previously distributed to the Holder (as such term is defined in the Bond Insurance Policy) of such Series 2008A Bond in respect of any Insured Payment by or on behalf of the Corporation, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

The Bond Insurer will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which the Bond Insurer shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Bond Insurance Policy.

The Bond Insurer shall be fully subrogated to the rights of the Holders of the Series 2008A Bonds to receive payments in respect of the Insured Payments to the extent of any payment by the Bond Insurer under the Bond Insurance Policy.

The Bond Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Bond Insurer

The Bond Insurer is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. The Bond Insurer commenced operations in 1988. The Bond Insurer is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of the Bond Insurer or any claims under any insurance policy issued by the Bond Insurer.

The Bond Insurer is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit the Bond Insurer's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by the Bond Insurer, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to the Bond Insurer Guaranty is subject also require the approval of policy rates and forms.

The Bond Insurer's financial strength is rated "AAA" (stable) by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" (stable) by Fitch, Inc. ("Fitch") and "Aa2" (stable) by Moody's Investors Service, Inc. ("Moody's"). Each rating of the Bond Insurer should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by the Bond Insurer. The Bond Insurer does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Recent Developments

Agreement to Acquire FSA. On November 14, 2008, AGL announced that it had entered into a definitive agreement with Dexia SA to purchase Financial Security Assurance Holdings Ltd. ("FSA"), the parent of financial guaranty insurance company, Financial Security Assurance, Inc. For more information regarding the proposed acquisition by AGL of FSA, see Item 1.01 of the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on November 17, 2008.

Ratings. On July 21, 2008, Moody's issued a press release stating that it had placed under review for possible downgrade the "Aaa" insurance financial strength rating of the Bond Insurer. In a press release dated November 14, 2008, Moody's responded to AGL's announcement of its agreement to acquire FSA, stating that "the potential impact of the proposed transaction on the ratings of [the Bond Insurer] and FSA will be considered in the context of its ongoing rating reviews of both companies; those reviews are now expected to conclude in the near term." Reference is made to the press releases for the complete text of Moody's comments; copies of such documents are available at www.moodys.com.

On November 21, 2008, Moody's issued a press release announcing that it had downgraded the insurance financial strength rating of the Bond Insurer to "Aa2" from "Aaa" and that the status of the Bond Insurer's insurance financial strength rating had been changed to "outlook stable" from "on review for possible downgrade." In the release, Moody's stated that "Today's rating action concludes a review for possible downgrade that was initiated on July 21, 2008, and primarily reflects Moody's updated views on [the Bond Insurer]'s exposure to weakness inherent in the financial guaranty business model. The outlook for the ratings is stable, and the announced acquisition of FSA's financial guaranty business is not expected to have a meaningful impact on the credit profile of [the Bond Insurer]…. The rating agency added that the acquisition of FSA by [AGL] will, if completed as planned, create a combined entity with substantial financial resources and a strong market position." Reference is made to such release for the complete text of Moody's comments; a copy of such document is available at www.moodys.com.

The Bond Insurer's "AAA" (stable) financial strength ratings by S&P and by Fitch were affirmed on June 18, 2008 and December 12, 2007, respectively. On November 14, 2008, Fitch issued a press release responding to AGL's announcement of its agreement to acquire FSA, indicating that they do not expect the acquisition, as presented, to have a negative impact on the Bond Insurer's rating. Reference is made to the press release for the complete text of Fitch's comments; a copy of such press release is available at www.fitchratings.com. On November 17, 2008, S&P issued a press release responding to AGL's announcement of its agreement to acquire FSA, stating that the agreement "appears to pose limited rating risk" for the Bond Insurer. Reference is made to the press release for the complete text of S&P's comments; a copy of such press release is available at www.ratingsdirect.com. There can be no assurance as to what impact, if any, Moody's downgrade or the proposed acquisition will have on the company's financial strength ratings from Fitch or S&P.

For more information regarding the Bond Insurer's insurance financial strength ratings, see AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008).

Capitalization of the Bond Insurer. As of September 30, 2008, the Bond Insurer had total admitted assets of $1,767,134,629 (unaudited), total liabilities of $1,341,373,221 (unaudited), total surplus of $425,761,408 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,106,199,863 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, the Bond Insurer had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to the Bond Insurer are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (which was filed by AGL with the SEC on August 8, 2008);
- The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008 (which was filed by AGL with the SEC on November 7, 2008); and
- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to the Bond Insurer.

All consolidated financial statements of the Bond Insurer and all other information relating to the Bond Insurer included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Series 2008A Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE–The Bond Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of the Bond Insurer incorporated by reference herein and of the statutory financial statements filed by the Bond Insurer with the Maryland Insurance Administration are available upon request by contacting the Bond Insurer at 1325 Avenue of the Americas, New York, New York 10019 or by calling the Bond Insurer at (212) 974-0100. In addition, the information regarding the Bond Insurer that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

The Bond Insurer makes no representation regarding the Series 2008A Bonds or the advisability of investing in the Series 2008A Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "BOND INSURANCE."

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2008A Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2008A Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.

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 on 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 deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A–"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Expiration of the Initial Credit Facility

The Initial Credit Facility expires on December 9, 2013 (the "Stated Expiration Date"), subject to extension or earlier termination in certain circumstances as described therein. If the Initial Credit Facility is not extended or an Alternate Credit Facility is not obtained by the County, the Series 2008A Bonds will be subject to mandatory redemption. There can be no assurance that the Corporation will be able to obtain an extension of the Initial Credit Facility or an Alternate Credit Facility. The Initial Credit Provider is under no obligation to extend the Initial Credit Facility beyond the scheduled expiration thereof. See "THE SERIES 2008A BONDS—Optional and Mandatory Purchase" and "THE INITIAL CREDIT FACILITY AND THE CREDIT AGREEMENT— Initial Credit Facility" herein. The Stated Expiration Date for the Initial Credit Facility should not adversely affect any Registered Owners during any Interest Period that does not extend beyond the Stated Expiration Date.

Initial Credit Provider's and Bond Insurer's Obligations Unsecured

The ability of the Initial Credit Provider to honor draws upon the Initial Credit Facility is based solely upon the Initial Credit Provider's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. The ability of the Bond Insurer to make payments under the Bond Insurance Policy is based solely upon the Bond Insurer's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Initial Credit Facility or the Bond Insurance Policy in the event of any deterioration in the financial condition of the Initial Credit Provider or the Bond Insurer, respectively. None of the County, the Corporation, the Initial Credit Provider or the Bond Insurer assumes any liability to any purchaser of the Series 2008A Bonds as result of any deterioration of the financial condition of the Initial Credit Provider or the Bond Insurer. Upon any insolvency of the Initial Credit Provider or the Bond Insurer, any claim by the Trustee against the Initial Credit Provider or the Bond Insurer, respectively, would be subject to bank receivership proceedings.

General Factors Affecting the Initial Credit Provider

The Initial Credit Provider is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Initial Credit Provider which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Initial Credit Provider specifically. The banking industry is highly competitive in many of the markets in which the Initial Credit Provider operates. Such competition directly impacts the financial performance of the Initial Credit Provider. Any significant increase in such competition could adversely impact the Initial Credit Provider.

Prospective purchasers of the Series 2008A Bonds should evaluate the financial strength of the Initial Credit Provider based upon the information contained in and referred to under the caption "THE INITIAL CREDIT PROVIDER" and other information available upon request from the Initial Credit Provider and should not rely upon any governmental supervision by any regulatory entity.

Limitation on Enforcement of Remedies

Enforcement of the remedies under the Indenture and the Initial Credit Facility may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Series 2008A Bonds relating to the enforceability of the Indenture and the Initial Credit Facility will contain an enforceability exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principles of equity.

Abatement

Except to the extent of (a) amounts held by the Trustee in the Bond Fund or the Debt Service Reserve Fund; (b) amounts received in respect of rental interruption insurance or title insurance; and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, Base Rental payments due hereunder with respect to any Leased Premises subject to the Site Lease or portion thereof shall be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to such Leased Premises or portion thereof, there is substantial interference with the use or right of possession by the County of such Leased Premises or portion thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental do not exceed fair rental value for the use and possession of such Leased Premises and the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination shall be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental does not exceed such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of such Leased Premises to tenantable condition.

In the event that casualty insurance proceeds are unavailable because there is no coverage for the hazard or such proceeds are insufficient in amount to provide for complete repair or reconstruction or replacement of the Leased Premises, or in the event the Leased Premises is not repaired or replaced during the period of time that proceeds of the County's rental interruption insurance may be available in lieu of Base Rental payments (a period of approximately 24 months) and the period for which funds are available from the Reserve Fund, the Base Rental payments may be insufficient to cover payment to Owners of Bonds. See Appendix D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

Seismicity

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to property located at or near the center of such seismic activity. During the past 150 years, the Southern California area has experienced several major and numerous minor earthquakes. A number of known fault lines cross the County. The most recent major earthquake in the Southern California area was the Northridge earthquake, which occurred on January 17, 1994 in Los Angeles County. The Northridge earthquake measured 6.5 on the Richter scale, with an epicenter approximately 75 miles west of the County. On June 28, 1992, an earthquake measuring 7.3 on the Richter scale occurred in the town of Landers in San Bernardino County, approximately 100 miles north of the County.

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 less.

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 Leased Premises and the abatement of the Base Rental payments.

Risk of Uninsured Loss

The County covenants under the Facilities Lease to cause to be maintained certain insurance policies on the Leased Premises. These insurance policies do not cover all types of risk. For instance, the

County does not covenant to maintain earthquake insurance if such insurance is not available at reasonable cost from reputable insurance carriers. The County may self-insure in certain circumstances. Moreover, the insurance maintained by the County may provide for deductible amounts. The Leased Premises could be damaged or destroyed due to earthquake or other casualty for which the Leased Premises are uninsured. Under these circumstances an abatement of Base Rental could occur and could continue indefinitely. There can be no assurance that the providers of the County's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Leased Premises will be sufficient to prepay the Bonds.

Default and Limitations on Remedies

In the event of a default, there is no remedy of acceleration of the Base Rental payments due over the term of the Facilities Lease. The County will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's Base Rental payments. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

The remedies provided for in the Facilities Lease include, in addition to all other remedies provided at law, (a) terminating the Facilities Lease and reletting the Leased Premises, and (b) retaining the Facilities Lease and holding the County liable for each installment of Base Rental payments as it becomes due.

The enforcement of any remedies provided in the Facilities Lease and Indenture may be limited by law (including limitations on a lessor's rights under real property leases and limitations on the rights of real property secured creditors) or could prove both expensive and time consuming. Although the Facilities Lease provides that if the County defaults the Trustee may re-enter the Leased Premises and re-let them, the Leased Premises may not be easily recoverable and, even if recovered, could be of little value to others because of their specialized nature, regulatory restrictions, limitations related to maintaining tax-exempt status of interest with respect to the Series 2008A Bonds or other legal limitations as to the persons by whom and the circumstances under which the Leased Premises can be used. Moreover, due to the essential governmental nature and use of the Leased Premises, it is not certain whether a court would permit the exercise of a remedy removing the County from them.

The Leased Premises may be substituted as more fully described in APPENDIX D "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITIES LEASE."

Limitation on Sources of Revenues

There are limitations on the ability of the County to increase revenues payable to the County General Fund. The ability of the County to increase the ad valorem property taxes (which has historically been a primary source of revenues for counties in California) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. California voters in 1986 approved an initiative statute which attempts to limit the imposition of new or higher taxes by local agencies, including the County. In addition on November 5, 1996 the voters of the State approved Proposition 218, which further affects the ability of local agencies to levy and collect existing and future taxes, assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS."

At the same time as limitations have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. The annual increase in mandated expenditures has exceeded the annual increase in County revenues. In the event the County's revenue sources are less than its total obligations, the County could choose, or be required by federal or State law, to fund other municipal services before Base Rental payments.

Additional Bonds

Under the terms of the Indenture, the County, the Corporation and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the execution and delivery of Additional Bonds representing additional Base Rental; and the Trustee may execute and deliver such Additional Bonds subject to satisfying certain conditions set forth in the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE."

Bankruptcy

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County was to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding, and an owner of a Certificate would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy might be: (a) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (b) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (c) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Series 2008A Bonds; and (d) the possibility of the adoption of a plan for the adjustment of the County's debt without the consent of all of the owners of Series 2008A Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners if the Bankruptcy Court finds that such a plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Facilities Lease or the Series 2008A Bonds that makes the bankruptcy or insolvency of the County an event of default.

SWAP AGREEMENT

The Indenture provides that the Corporation may enter into a Qualified Swap which is payable on a pro rata basis and whose regularly scheduled payments are secured by a parity lien on Revenues with the Bonds. Any termination payments on the Swap are subordinate to the payment of Debt Service on the Bonds.

The Corporation has entered into an interest rate swap agreement (the "Swap Agreement") with Citigroup Financial Products Inc. (formerly known as Salomon Brothers Holding Company Inc.) (the "Swap Counterparty"), in order to hedge the Corporation's obligations with respect to the payment of interest on the Series 2000B Bonds. In connection with the redemption of the Series 2000B Bonds, the Corporation and the Swap Counterparty expect to enter into an amendment to the Swap Agreement (the "Amended Swap Agreement"). In general, the Amended Swap Agreement will provide, subject to the terms thereof, that the Corporation will make payments to Swap Counterparty calculated on the basis of a fixed rate and Swap Counterparty will make payments to the Corporation calculated on the basis of a floating rate based on a percentage of the London Interbank Offered Rate (LIBOR), in each case based on a notional amount equal to the principal amount of the Series 2008A Bonds.

Under certain circumstances, the Amended Swap Agreement is subject to termination prior to its scheduled termination date and prior to the maturity of the Series 2008A Bonds. In the event of an early termination of the Amended Swap Agreement, there can be no assurance that (i) the Corporation will receive any termination payment payable to it by the Swap Counterparty, (ii) the Corporation will have sufficient amounts to pay a termination payment payable by it to the Swap Counterparty, and (iii) the Corporation will be able to obtain a replacement swap agreement with comparable terms. Payment due upon early termination may be substantial.

The agreement by the Swap Counterparty to pay certain amounts to Corporation pursuant to the Swap Agreement does not alter or affect the Corporation's obligation to pay the principal of, interest on, and redemption price of, any of the Series 2008A Bonds. The Swap Counterparty has no obligation to make any payments with respect to the principal of, interest on, or redemption price of, the Series 2008A Bonds. Neither the holders of the Series 2008A Bonds nor any other person shall have any rights under the Amended Swap Agreement or against the Swap Counterparty. The Corporation's obligation under the Amended Swap Agreement to make periodic fixed rate payments to the Swap Counterparty will be on a parity with the Corporation's obligation to pay principal of and interest on the Series 2008A Bonds. Payments from the Swap Counterparty under the Amended Swap Agreement have been assigned by the Corporation to the County and are not pledged to the payment of the Series 2008A Bonds.

Certain of the Corporation's payment obligations pursuant to the Amended Swap Agreement are expected to be insured by Assured Guaranty Corp.

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 Los Angeles 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 24 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,034,840 as of January 1, 2008, reflecting a 2.6% increase over January 1, 2007.

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 of Supervisors.

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

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the deserts. 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 County Board of Supervisors 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

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. The County is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other ad valorem property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In May 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits 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 annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-1979 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in May 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The County's appropriations limit for the Fiscal Year 2007-08 was $1,846,492,463 and the amount shown in its budget for that year as the appropriations subject to limitation was $1,044,313,275. The County's appropriations limit for Fiscal Year 2008-09 is $1,977,836,053 and the amount subject to the limitation is $903,395,447.

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's general fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

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

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government 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; and (f) requires 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 the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino*, upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of ½ of 1% was a special tax that, under Section 53722 of the Government Code, and was held invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the Guardino decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Right To Vote on Taxes Initiative-Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. The County is unable to predict whether and to what extent Proposition 218 may be held to be constitutional or how its terms will be interpreted and applied by the courts. Proposition 218 could substantially restrict the County's ability to raise future revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the potential impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to pay Base Rental as and when due and its other obligations payable from the General Fund.

Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes, including special taxes deposited into the County's General Fund. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Certain assessments, including assessments of landscape maintenance districts, taxes and fees of the County could be subject to this initiative power. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the Federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property-related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected.

Article XIII D adds several new requirements making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas ("CSAs") and in special districts. Parcel charges in 38 of the County's 57 CSAs have been classified as fees and charges, assessments or special taxes under either Article XIII C or Article XIII D. Thirty-two CSAs require the approval of local property owners or voters for the County to continue to collect such charges. Two of the 32 CSAs which require an election to continue collecting parcel charges voted not to continue the charges and services have terminated. Accordingly, the County anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay Base Rental as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (a) generate revenues exceeding the funds required to provide the property related service; (b) are used for any purpose other than those for which the fees and charges are imposed; (c) are for a service not actually used by, or immediately available to, the owner of the property in question; or (d) 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. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase of such property based fee, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. Accordingly, presently the County does not anticipate that any impact Proposition 218 may have on future fees and charges will adversely affect the ability of the County to pay its outstanding obligations as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

The fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

On September 20, 2006, an action was filed against the County challenging the validity of certain annual assessments imposed by the County. The action was entitled *Beutz v. County of Riverside* and challenged an annual assessment on certain residential property in the Wildomar area of the County within Wildomar Landscape Maintenance District 2006-1. The annual assessment of approximately $195,000 was levied to pay, in part, the costs of maintenance of four county parks in the Wildomar area of the County. The plaintiff in the *Beutz v. County of Riverside* action was challenging the engineer's report supporting the assessment and claiming that the challenged assessment levy was void due to procedural violations of California's Landscape and Lighting Act (California Government Code Sections 22500 et seq.) and Articles XIII C and XIII D of the California Constitution. On March 11, 2008 the Superior Court granted summary judgment in favor of the County and against plaintiff Beutz. Judgment was entered against plaintiff Beutz on May 6, 2008. On July 1, 2008 the Wildomar Landscape Maintenance District 2006-1 and the four associated parks became part of the newly incorporated City of Wildomar. Any future assessments will be imposed by the City of Wildomar on behalf of the Wildomar Landscape Maintenance District 2006-1.

On June 11, 2008, an action was filed against the County challenging the validity of the County's Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan Local Development Mitigation Fee. The action was entitled *Justice v. County of Riverside* (RIC 501194). The challenged Local Development Mitigation Fee is used to finance the acquisition of lands to protect natural ecosystems and covered species and to conserve lands necessary to implement the Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan. With certain exceptions, the fee is imposed on each residential unit or development project or portion thereof to be constructed within the fee plan area in the eastern part of the County. The plaintiff claims that imposition of the fee is unauthorized by law and violates Prop 218 and Prop 62. Although the County denies these allegations and is actively defending the suit, the parties are engaged in settlement negotiations to resolve the litigation. No trial date has been set.

In addition, the same plaintiff has also filed an action against the County challenging an increase in the County's Coachella Valley Fringe-Toed Lizard Habitat Mitigation Fee. This action was entitled *Justice v. County of Riverside* (RIC 464890). The challenged increased mitigation fee is used to acquire, preserve and protect natural habitat necessary to implement the Coachella Valley Fringe-Toed Lizard Habitat Conservation Plan. With certain exceptions, the fee is imposed on all development, construction, and grading projects to be constructed within the fee plan area in the eastern part of the County. The plaintiff claims that the increase in the fee is unauthorized by law and violates Prop 218 and Prop 62. Although the County denies these allegations and is actively defending the suit, the parties are engaged in settlement negotiations to resolve the litigation. No trial date has been set.

The County does not expect that the *Justice* litigations will have a material adverse effect on the County's finances or its ability to conduct its business even if adverse judgments were to be rendered in these actions.

Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time-to-time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A (SCA 4) ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, 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 State 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. 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 vehicle license fee rate below 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.

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 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 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 of or interest due with respect to the Certificates is payable from any funds of the State.

Fiscal Year 2007-08. The 2007-08 Budget Act (the "State 2007 Budget Act") was adopted by the Legislature on August 21, 2007 and signed by the Governor, after using his line item veto authority to reduce State General Fund appropriations by $703 million, on August 24, 2007. The State 2007 Budget projects $102.3 billion in budget-year revenues, an increase of 6.5% from Fiscal Year 2006-07; authorizes expenditures of an equal amount (an increase of 0.6% from Fiscal Year 2006-07); and leaves the State General Fund with a year-end reserve of $4.1 billion (the same as assumed for Fiscal Year 2006-07), comprised of $2.6 billion in the State's Special Fund for Economic Uncertainties and $1.5 billion in the Budget Stabilization Account, which Account was established when voters approved Proposition 58 in March 2004.

The State 2007 Budget Act proposes a major redirection of transportation funds, reductions in social services, and a variety of other actions to eliminate a significant shortfall in Fiscal Year 2007-08, including among other things, (i) increases in funding for county Medi-Cal administration costs; (ii) a partial repayment of Proposition 42 transportation suspensions that occurred in Fiscal Years 2003-04 and 2004-05 as required by Proposition 1A; (iii) an assumption that $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency will be received; and (iv) a suspension of a California Work Opportunity and Responsibility to Kids cost-of-living adjustment (a "COLA") for one year and permanently delays the State Supplemental Security income/State Supplementary Program COLA for five months.

Based on the policies contained in the State 2007 Budget Act, according the State Legislative Analyst's Office (the "LAO"), the nonpartisan fiscal and policy advisor to the State, the State will face operating shortfalls of more than $5 billion in both Fiscal Year 2008-09 and Fiscal Year 2009-10 because many of the solutions enacted in the State 2007 Budget Act are of a one-time nature.

Fiscal Year 2008-09. The 2008-09 Budget Act (the "2008 State Budget Act") was adopted by the Legislature on September 16, 2008 and signed by the Governor on September 23, 2008, reflecting a reduction of $850 million from the amounts proposed budget bill adopted by the Legislature due to the line item veto by the Governor of $510 million in State General Fund appropriations and $340 million in

State General Fund savings due to the delay in enacting the 2008 State Budget Act and the effect of Executive Order S-09-08 (which terminated the services of temporary employees and reduced overtime).

The 2008 State Budget Act resolves the $24.3 billion budget deficit identified in the 2008 May Revision, provides a modest reserve of $1.7 million and projects a deficit of $1.0 billion in Fiscal Year 2008-09.

Budget Reform. The 2008 State Budget Act, includes budget reform measures, which, if approved by the voters of the State, will authorize the California State Lottery to adopt changes that will help to improve its financial performance, with the State General Fund ultimately benefiting from this improved performance; protect education funding by increasing the Proposition 98 minimum guarantee to offset the loss of lottery revenue to K-14 education, thereby giving schools a more stable and growing source of funds to replace the historically unreliable lottery revenues; and authorize the securitization of a portion of future lottery revenues, with the securitization proceeds deposited into a newly created Debt Retirement Fund and available for various purposes that will help offset future State General Fund expenditures. The first $5 billion of securitized revenue is expected to be available in Fiscal Year 2009-10.

Expected Revenues. State General Fund revenues are expected to be $103.027 billion in Fiscal Year 2007-08 and $101.991 billion in Fiscal Year 2008-09, representing an increase of $1.837 billion in Fiscal Year 2007-08 (due to higher than projected year-end collections) and a decrease of $996 million in Fiscal Year 2008-09, compared to the 2008 May Revision.

Tax Law Changes. The 2008 State Budget Act also includes revisions to certain tax provisions to: (i) improve compliance by corporate taxpayers with taxes by establishing a 20% penalty for understatement of corporate tax liability by $1 million, effective for tax years beginning on and after 2003 (expected to increase Fiscal Year 2007-08 revenues by $1.435 billion, Fiscal Year 2008-09 revenues by $75 million and 2009-10 revenues by $45 million); (ii) extend the period of time for which use taxes are assessed on vehicles, vessels and aircraft shipped or brought into the State from 90 days to 12 months ($16 million in Fiscal year 2008-09 and $21 million in Fiscal Year 2009-10); (iii) permit certain non-resident partners and directors to fulfill their State income tax obligation through group tax returns filed by their partnerships or corporations, with the partner's or director's income taxed at the highest income tax rate for that income (the expected increase Fiscal Year 2008-09 revenues is $2 million and $2 million in Fiscal Year 2009-10); (iv) suspend the Net Operating Loss (an "NOL") deduction for tax years 2008 and 2009 for taxpayers with income that is less than or equal to $500,000, commencing in 2008, increase the time limit on the carrying forward of NOLs from 10 years to 20 years, permit taxpayers to carry back losses for two years, with a phase in period commencing in 2011, to bring the State law in conformity with federal law (expected to increase revenues by $1.265 billion in Fiscal Year 2008-09 and $695 million in Fiscal Year 2009-10 and revenue loss is projected to be $265 million in Fiscal Year 2010-11 and $485 million in Fiscal Year 2011-12); (v) limit business incentive tax credits for corporate and individual taxpayers from tax credits to 50% of tax liability, effective for tax years 2008 and 2009 for corporate and individual taxpayers, permit corporations to share unitary credits within a unitary group if the receiving member of the group was in the group when the credit was earned (expected to increase revenues by $615 million in Fiscal Year 2008-09 and $260 million in Fiscal Year 2009-10, and reduce revenues by $385 million in 2010-11 and $480 million in 2011-12); (vi) accelerate the payment of the required fee by limited liability companies (an "LLC") to the 15th day of the sixth month of the LLC year, generally June 15 (expected to accelerate $360 million in Fiscal Year 2008-09 and $36 million in Fiscal Year 2009-10); (vi) require taxpayers to pay 30% each of the estimated payments for personal income and corporate with the first two estimated payments, and 20% each for the last two estimated payments (expected to accelerate $1.270 billion in Fiscal Year 2008-09 and $240 million in Fiscal Year 2009-10); (viii) require that taxpayers make prepayments based on their current income eliminating the "safe harbor" for personal income tax taxpayers with adjusted gross income equal to or greater than $1 million or $500,000 if filing single (expected to accelerate $1.035 billion to Fiscal Year 2008-09 and increase revenues by $135 million in Fiscal Year 2009-10); and (ix) implement accrual changes to more properly measure tax receipts from income earned in the prior year and to implement appropriate accounting principles (expected to increase revenues by $416 million in Fiscal Year 2007-08, $1.440 billion in Fiscal Year 2008-09, and $133 million in Fiscal Year 2009-10).

Expenditures. The 2008 State Budget Act includes expenditures of: (i) $41.9 billion General Fund in funding for K-12 education and community colleges to fund the minimum Proposition 98 guarantee in Fiscal Year 2008-09, resulting in total Proposition 98 funding for K-14 education programs increasing year over year by $1.5 billion, including $244.3 million for a 0.68% cost-of-living adjustment (COLA) for school apportionments, per pupil spending of $12,152 (compared to $12,042 for Fiscal Year 2007-08), $14.4 billion in school district and county office of education property tax revenues in Fiscal Year 2008-09, an increase of $1.0 billion over Fiscal Year 2007-08, $180 million in federal Title I Set-Aside funds for State and local educational agencies to implement a variety of improvements and reforms aimed at improving student achievement under the federal No Child Left Behind Act, $3.3 billion for the various child care programs administered by the State Department of Education, including funding for preschool, general child care centers, family child care homes, CalWORKs child care and before and after-school programs, deferral of $150 million in settle□up payments that have traditionally been appropriated to reduce prior years outstanding K-14 unfunded reimbursable costs for mandated programs, $402 million in settle-up funds to continue the Quality Education Investment Act of 2006 to improve the quality of academic instruction and the learning environment at the lowest performing schools; (ii) approximately $17.3 billion for the transportation programs (including full Proposition 42 funding of $1.4 billion and $1.9 billion for local streets and roads maintenance, of which $250 million is from bonds authorized by the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 ("Proposition 1B"), representing a 10% decrease of $222 million from Proposition 42 funding Fiscal Year 2007-08), a decrease of $212 million over funding available in Fiscal Year 2007-08, due to a one-time influx of local Proposition 1B funds for local road maintenance and transit projects appropriated in the 2007 State Budget Act; (iii) $1.0 billion ($15.1 million General Fund) and 622.7 positions to fund State housing assistance programs, a decrease of $425.6 million from Fiscal Year 2007-08 resulting from higher Fiscal Year 2007-08 Proposition 1C expenditures due to program accelerations and one-time allocations; (iv) $807.8 million from the Disaster preparedness and Flood Prevention Bond Act of 2006 ("Proposition 1E") and Proposition 84 bond funds and 52.1 new positions for the Flood SAFE California Program to provide subventions to help local governments protect their communities from flooding, enhance emergency preparedness and flood response, and provide grants to local governments for urgent repairs and improvements of levees in the Central Valley and the Delta, $126.5 million and 31.3 positions for levee evaluations and the repair of critical levee erosion sites, $264.7 million and 4.7 positions for 10 flood control capital projects in the Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, West Sacramento Project, Merced County Streams, Sutter Bypass, Yuba River Basin, Marysville Ring, American River Common Elements, Natomas Project, Folsom Dam Modification Project, and for feasibility studies on additional projects, $2.8 million ($1.8 million General Fund and $1 million Proposition 1E) and 16.1 new positions to establish the Central Valley Flood Protection Board within the Department of Water Resources (the "DWR") which board will assume the responsibilities of the former State Reclamation Board, approve a Central Valley Flood Protection Plan by July 1, 2012, and ensure that cities and counties consider flood risks when making land use and development decisions; (v) $2.9 billion in funding for Human Services programs that provide medical, dental, mental health, and social services to many of State's most vulnerable and at-risk residents; and (vi) $20.7 billion form all sources for higher education funding.

Budget Risks and Structural Deficit. For Fiscal Year 2008-09, the State faces a number of issues and risks that may impact the State General Fund, and reduce or eliminate the budget reserves included in the 2008 State Budget Act (originally $1.7 billion). The LAO, in its November 2008 report, projects a 2008-09 year-end deficit of $8.4 billion if no actions are taken.

The 2008 State Budget Act utilizes revenue projections made at the time of the 2008 May Revision was prepared in early May. However, as a result of the continuing weakness in the economy, in preparing the 2008 State Budget Act, the Administration reduced the sales tax revenue projection for Fiscal Year 2007-08 by $287 million, and for Fiscal Year 2008-09 by $250 million. Economic growth is expected to continue to slow in 2009. The August 2008-09 Proposed Compromise issued by the Governor during the negotiations on the Fiscal Year 2008-09 budget noted that: "If, in fact, the economy does not grow at the rates forecast in the 2008-09 May Revision, revenues could decline significantly in 2008-09 and 2009-10, possibly on the order of $5 billion over the two years."

Based on the Controller's September cash report, revenue receipts in the month of September were approximately $814 million below projections for the three major tax revenues (for a total of approximately $814 million below projections for the three major tax revenues (for a total of approximately $1.1 billion below projections for the fiscal year to date). A preliminary review of revenue receipts and other factors would indicate that State General Fund budgetary revenues could be adjusted downward by $3 billion, $1.3 billion more than the Fiscal Year 2008-09 budget reserve of $1.7 billion. An update of Fiscal Year 2008-09 revenues will be prepared in connection with the release of the Fiscal Year 2009-10 Governor's Budget. Given the potential budgetary gap which may result from these revenue declines, on December 1, 2008 the Governor declared a State fiscal emergency, requiring the legislature to develop solutions to bridge the projected Fiscal Year 2008-09 budget gap within 45 days. If the Legislature fails to do so by that time, it will be barred from doing any other legislative work until such solutions are developed.

In light of current developments in the worldwide and national financial markets, and continuing weak performance in the State economy in the first three months of the Fiscal Year 2008-09, there can be no assurance that revenues will not decline significantly below the levels assumed in the 2008 State Budget Act. In addition, the LAO projects continuing significant shortfalls in future years.

Future State Budgets

The County receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the County and other counties in the State. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in this and future fiscal years is uncertain at this time.

The County cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Years, and, 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 its 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, including the current economic downturn, over which the County has no control.

Additional information concerning the State's Budget and financial condition may be found on the website of the State of California Department of Finance at http://www.dof.ca.gov, and of the State Legislative Analyst's Office at http://www.lao.ca.gov; however, information on these websites is not incorporated into this Official Statement.

Triple Flip

The County anticipates that property tax revenue could be an increasingly significant portion of County revenues, and that sales tax revenue could be an increasingly smaller portion of County revenues, at least over the next few fiscal years, because of legislation commonly referred to as the "Triple Flip," which was approved by the voters on March 2, 2004 as part of a bond initiative formally known as the "California Economic Recovery Act" ("Proposition 57"). This act authorized the issuance of $15 billion in bonds (the "Economic Recovery Bonds") to finance State budget deficits. The Economic Recovery Bonds are payable from a fund established by the redirection of tax revenues through the Triple Flip. In 2004, the State sold $11.3 billion of the $15 billion authorization, with the remaining authorization being held in reserve to assist in defraying any future State budget deficits. Under the "Triple Flip" one-quarter of local governments' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact on local governments of the sales tax revenue redirection, the legislation provides for property taxes in the "educational revenue augmentation funds" (ERAFs) to be redirected to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the Economic Recovery Bonds are repaid. The County does not expect that the transfers authorized under the Triple Flip will have a material adverse effect on the County's ability to pay Base Rental payments under the Facilities Lease.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2008A Bonds. Pursuant to the Indenture and the Tax and Nonarbitrage Certificate to be executed by the County and the Corporation on the date of issuance of the Series 2008A Bonds (the "Tax Certificate") the County and the Corporation have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2008A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the County and the Corporation have made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the County and the Corporation described above, interest on the Series 2008A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2008A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2008A Bonds is except from State personal income taxes. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2008A Bonds nor as to the taxability of the Series 2008A Bonds or the income therefrom under the laws of any state other than California.

Ancillary Tax Matters

Ownership of the Series 2008A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2008A Bonds.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Series 2008A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2008A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinion attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2008A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2008A Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2008A Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2008A Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2008A Bonds may occur. Prospective purchasers of the Series 2008A Bonds should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2008A Bonds may affect the tax status of interest on the Series 2008A Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2008A Bonds, or the interest thereon, if any action is taken with respect to the Series 2008A Bonds or the proceeds thereof upon the advice or approval of other counsel.

RATINGS

The County expects that the Series 2008A Bonds will be rated "Aaa/VMIG1" (a long-term rating of "Aaa" and a short-term rating of "VMIG1") by Moody's Investors Service ("Moody's") and "AAA/A-1" (a long-term rating of "AAA" and a short-term rating of "A-1") by Standard & Poor's, A Division of The McGraw-Hill Companies, Inc. ("S&P"). The long-term rating reflects Moody's and S&P's assessment of the likelihood of repayment of the Series 2008A Bonds to maturity based primarily on the credit of the County and the credit support of the Initial Credit Provider. The short-term rating reflects the likelihood of repayment based on the availability of the Initial Credit Facility during the "put" period. The above ratings reflect only the views of such rating agencies. Any explanation of the significance of such ratings may only be obtained from such rating agencies. The County has furnished to the rating agencies certain information and materials not included in this Official Statement. Generally, the rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered, suspended or withdrawn entirely by a rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward change in or withdrawal of any such rating may have an adverse effect on the market price of the Series 2008A Bonds.

UNDERWRITING

The County has agreed to sell, and the Underwriter has agreed to purchase, the Series 2008A Bonds at a price equal to the aggregate principal amount thereof. The Underwriter will be paid a fee in the amount of $265,960.15. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter does not have the right to purchase less than all the Series 2008A Bonds. The Underwriter intends to offer the Series 2008A Bonds to the public initially at the offering price set forth on the cover page hereof and may subsequently change such offering price and other selling terms from time to time without prior notice. The Series 2008A Bonds may be offered by the Underwriter and sold to certain dealers (including dealers depositing such Series 2008A Bonds into investment trusts, accounts or funds) and others at prices lower than the public offering price set forth on the cover page hereof.

FINANCIAL ADVISOR

Fieldman Rolapp & Associates, Irvine, California, has served as the Financial Advisor to the County in connection with the offering of the Series 2008A Bonds. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness, of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, pertinent sections of which are included in APPENDIX B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP, independent certified public accountants, as stated in their report appearing in APPENDIX B. Vavrinek, Trine, Day & Co., LLP, has not consented to the inclusion of its report as APPENDIX B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP, with respect to any event subsequent to its report dated December 14, 2007. See APPENDIX B—"COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2007" attached hereto.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Series 2008A Bonds to provide certain annual financial information and operating data relating to the County by not later than February 15 of each year (the "Annual Report"), commencing with the report for the County's June 30, 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with each Nationally Recognized Municipal Securities Information Repository and with the State Depository, if any. Any notice of material events will be filed by the County with the Municipal Securities Rulemaking board and with the

State Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in the Continuing Disclosure Certificate, dated as of December 1, 2008, a copy of which is attached hereto in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The County has not failed to comply with any prior such undertaking under the Rule.

CERTAIN LEGAL MATTERS

The validity of the Series 2008A Bonds and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Los Angeles, California, Bond Counsel. The opinion of Bond Counsel will be delivered with the Series 2008A Bonds in substantially the form set forth in APPENDIX F hereto. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, and for the County by County Counsel.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Site Lease, Facilities Lease and the Indenture are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2008A Bonds.

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

COUNTY OF RIVERSIDE

By /s/ Bill Luna
County Executive Officer

APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 2,088,322 as of January 1, 2008, reflecting a 2.6% increase over January 1, 2007.

The largest cities in the County are the cities of Riverside, Moreno Valley, Corona, Hemet, Indio, Temecula, Murrieta and Cathedral City. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of the County and the southwestern unincorporated region of the County between Sun City and Temecula.

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

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

CITY	1990	2000	2006	2007	2008
Banning	20,570	23,562	28,128	28,293	28,348
Beaumont	9,685	11,384	23,145	28,271	31,477
Blythe	8,428	12,155	22,179	22,636	21,695
Calimesa	-	7,139	7,415	7,420	7,536
Canyon Lake	-	9,952	10,939	10,979	11,051
Cathedral City	30,085	42,647	51,081	52,151	52,465
Coachella	16,896	22,724	35,207	38,515	40,517
Corona	76,095	124,966	144,661	146,147	147,428
Desert Hot Springs	11,668	16,582	22,011	24,907	26,068
Hemet	36,094	58,812	69,544	73,299	74,185
Indian Wells	2,647	3,816	4,865	4,945	5,025
Indio	36,793	49,116	71,654	77,208	81,512
Lake Elsinore	18,285	28,928	40,985	47,669	49,807
La Quinta	11,215	23,694	38,340	41,125	42,958
Moreno Valley	118,779	142,381	174,565	180,603	183,860
Murrieta	-	44,282	92,933	97,329	100,173
Norco	23,302	24,157	27,263	27,375	27,255
Palm Desert	23,252	41,155	49,539	49,789	50,907
Palm Springs	40,181	42,807	46,437	46,893	47,251
Perris	21,460	36,189	47,139	50,701	53,605
Rancho Mirage	9,778	13,249	16,672	16,957	17,057
Riverside	226,505	255,166	287,820	291,611	296,842
San Jacinto	16,210	23,779	31,066	34,371	35,672
Temecula	27,099	57,716	93,923	98,009	101,057
TOTALS					
Incorporated	785,027	1,116,358	1,437,511	1,497,203	1,533,751
Unincorporated	385,386	429,029	515,819	537,637	554,571
County-Wide	1,170,413	1,545,387	1,953,330	2,034,840	2,088,322
California	29,473,000	33,871,648	37,172,015	37,559,440	38,049,462

Source: U.S. Census Bureau, except that 2006, 2007 and 2008 data is from the State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

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 2002 through 2007.

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
2002			
Riverside County	$ 23,617,301	$37,480	31.9%
California	$650,521,407	$43,532	41.9%
2003			
Riverside County	$ 25,180,040	$38,691	34.8%
California	$647,879,427	$42,484	40.5%
2004			
Riverside County	$ 27,623,743	$39,321	36.0%
California	$674,721,020	$42,924	41.2%
2005			
Riverside County	$ 29,468,208	$40,275	37.1%
California	$705,108,410	$43,915	42.5%
2006			
Riverside County	$ 32,004,418	$41,326	38.9%
California	$720,799,048	$44,681	43.7%
2007			
Riverside County	$ 35,656,620	$43,490	41.8%
California	$765,120,982	$46,275	45.6%

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

Source: "Survey of Buying Power," Sales & Marketing Management Magazine, 2002, 2003 and 2004 and 2005, and Demographics USA, Trade Dimensions for 2006 and 2007.

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 MSA
ANNUAL AVERAGE EMPLOYMENT(1)
(IN THOUSANDS)

INDUSTRY	2003	2004	2005	2006	2007
Agriculture	20.3	18.7	18.3	17.2	16.8
Construction	99.0	111.8	123.3	129.5	112.8
Finance Activities	42.6	45.7	49.0	51.8	50.1
Government	211.6	212.5	220.4	224.2	225.7
Manufacturing:	116.1	120.1	121.0	124.0	118.9
Nondurables	33.7	34.6	35.0	36.4	36.4
Durables	82.4	85.5	86.1	87.6	82.5
Natural Resources and Mining	1.2	1.2	1.4	1.4	1.4
Retail Trade	142.7	153.8	165.7	171.5	175.4
Professional, Educational and other Services	378.6	399.9	416.5	436.2	446.3
Transportation, Warehousing and Utilities	50.1	55.5	60.2	63.8	66.7
Wholesale Trade	43.5	45.6	49.9	53.8	56.4
Information, Publishing and Telecommunications	13.9	14.0	14.5	15.2	15.2
Total, All Industries	1,119.4	1,178.7	1,240.3	1,288.4	1,285.5

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

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

The following table sets forth the major employers located in the County as of 2008:

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[(1)]
(2008)

Company Name	Product/Service	No. of Local Employees[(2)]
The County of Riverside	County Government	19,595
March Air Reserve Base	Government/Military	8,400
University of California, Riverside	College/University	6,657
Stater Brothers Markets	Grocery Retailer	6,425
Pachanga Resort & Casino	Casino/Resort	4,800
Abbott Vascular	Medical Device Manufacturer	4,500
Riverside Unified School District	Education	4,041
Riverside Community College District	Higher Education	3,753
Kaiser Permanente Riverside Med. Center	Health Care	3,200
Temecula Valley Unified School District	Education	2,952

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

Source: The Business Press 2008 Book of Lists

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

	2002	2003	2004	2005	2006	2007	October 2008
County[(1)]	6.4%	6.3%	5.7%	5.1%	5.0%	6.2%	10.0%[(2)]
California[(1)]	6.7	6.8	6.2	5.4	4.9%	5.4%	8.0%[(2)]
United States	5.9	6.0	5.5	5.1	4.6%	4.6%	6.5%[(3)]

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) Preliminary.
(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 ten regional shopping malls in the County: Riverside Plaza, Galleria at Tyler (Riverside), Palm Springs Mall, Desert Fashion Mall, Indio Fashion Mall, Hemet Valley Mall, Palm Desert Town Center, Moreno Valley Mall at Towngate, Temecula Promenade Mall and The Promenade Shops at Dos Lagos. 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 2002 through 2006, and the first three quarters of the 2007 calendar year:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2002	2003	2004	2005	2006	2007*
Apparel Stores	$ 610,388	$ 746,015	$ 867,276	$ 990,129	$ 1,080,385	$ 814,885
General Merchandise Stores	2,237,605	2,427,411	2,756,019	3,021,908	3,250,377	2,266,816
Drug Stores	221,441	244,560	270,316	282,566	303,177	234,307
Food Stores	967,171	1,028,392	1,079,972	1,197,438	1,309,782	997,315
Packaged Liquor Stores	58,459	61,514	66,728	74,828	78,895	60,831
Eating and Drinking Places	1,559,215	1,713,632	1,940,610	2,157,801	2,316,422	1,796,804
Home Furnishing and Appliances	594,049	691,051	862,551	964,629	948,217	619,432
Building Materials & Farm Implements	1,581,792	1,868,995	2,476,092	2,756,280	2,738,153	1,548,878
Auto Dealers Supplies	3,314,133	3,662,151	4,179,940	4,474,566	4,326,040	3,327,714
Service Stations	1,249,646	1,536,240	1,855,263	2,277,082	2,630,716	2,096,277
Other Retail Stores	1,856,834	2,050,991	2,427,910	2,641,985	2,860,181	1,954,064
Retail Stores Total	$14,250,733	$16,030,952	$18,715,949	$20,839,212	$21,842,345	$15,717,323
All Other Outlets	5,248,261	5,678,183	6,521,199	7,417,279	7,973,892	5,929,218
Total All Outlets	$19,498,994	$21,709,135	$25,237,148	$28,256,491	$29,816,237	$21,646,541

*Note: Reflects Taxable Sales Transactions for the period of January 1, 2007 through September 30, 2007.

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2003.

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

	2003	2004	2005	2006	2007
RESIDENTIAL					
New Single-Family	$4,665,678.0	$5,997,514.0	$6,243,790.0	$4,409,675.8	$2,209,586.7
New Multi-Family	406,483.0	404,616.0	407,429.0	431,864.8	237,887.0
Alterations and Adjustments	106,855.0	135,178.0	164,312.0	157,167.9	141,952.4
Total Residential	$5,179,016.0	$6,537,308.0	$6,815,531.0	$4,998,708.5	$2,589,426.1
NON-RESIDENTIAL					
New Commercial	$ 360,709.0	$ 580,058.0	$ 552,665.0	$ 647,460.4	$ 682,416.6
New Industry	112,707.0	203,311.0	120,366.0	288,352.6	151,994.4
New Other(1)	261,795.0	334,002.0	344,702.0	288,768.2	239,835.3
Alterations & Adjustments	173,166.0	222,496.0	274,339.0	305,262.6	400,604.5
Total Nonresidential	$ 908,377.0	$1,339,867.0	$1,292,072.0	$1,529,843.8	$1,474,850.8
TOTAL ALL BUILDING	$6,087,393.0	$7,877,175.0	$8,107,603.0	$6,528,552.3	$4,064,276.9

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and no-residential alterations and additions.

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2003	2004	2005	2006	2007	2008(1)
Single Family	25,137	29,478	29,994	20,692	9,763	2,305
Multi-Family	5,224	4,748	4,140	4,519	2,690	1,232
TOTAL	30,361	34,226	34,134	25,211	12,453	3,537

(1) For January 1, 2008 through June 30, 2008 only.

Source: Construction Industry Research Board

Agriculture

Agriculture remains a leading 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 2003 through 2007 is presented in the following table.

COUNTY OF RIVERSIDE

Value of Agricultural Production

	2003	2004	2005	2006	2007
Citrus Fruits	$ 84,900,100	$ 123,574,100	$ 138,244,700	$ 107,897,000	$ 121,387,100
Trees and Vines	216,566,200	211,936,500	188,553,200	191,321,200	181,802,100
Vegetables, Melons, Miscellaneous	179,001,900	174,866,300	261,019,500	213,643,300	234,854,700
Field and Seed Crops	73,692,000	75,219,000	77,687,300	68,611,700	94,492,000
Nursery	205,846,300	211,271,200	229,210,200	270,992,800	272,326,200
Apiculture	3,520,600	2,951,300	2,736,800	3,554,300	3,948,900
Aquaculture Products	15,931,600	15,579,100	13,367,300	13,367,300	9,829,200
Total Crop Valuation	$ 779,458,700	$ 815,397,500	$ 910,819,000	$ 869,387,600	$ 918,640,200
Livestock and Poultry Valuation	287,908,600	316,207,700	257,852,100	234,903,400	338,938,600
Grand Total	$1,067,367,300	$1,131,605,200	$1,168,671,100	$1,104,291,000	$1,257,578,800

Source: Riverside County Agricultural Commissioner

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of 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. The Moreno Valley Freeway (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 Sun Line Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Authority provided 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. Plans for joint military and civilian use of the base are presently being formulated by the March AFB Joint Powers Authority, comprised of the County and the Cities of Riverside, Moreno Valley and Perris.

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 Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco 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 County is also served by the San Gorgonian Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District.

The uncertainty associated with the long-term availability of imported water from the Colorado River or the State Water Project is a concern of local and regional water agencies in southern California. Long-term water supply will be addressed in the next few years with the CalFed process and approval of the Quantification Settlement Agreement, and water districts' efforts toward the following: expanded water conservation and recycling; conjunctive use of local basins to store imported water; management plans to protect local groundwater; desalination of brackish groundwater; and improved coordination and joint planning with Metropolitan Water District available imported water supplies.

On June 4, 2008, the Governor of the State issued an Executive Order proclaiming a statewide drought, citing below normal rainfall in 2007 and 2008, and called on all Californians to conserve water. The Governor is currently promoting an $11.9 billion bond proposal to address population growth, climate change, water supply reliability and environmental needs.

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 the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County makes adjustments during the course of the fiscal year to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, many counties have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the end of the first, second and third quarters.

Fiscal Year 2007-2008 Final Budget

The County adopted its Fiscal Year 2007-08 Final Budget (the "Final Budget") on June 26, 2007. The Final Budget approved total General Fund appropriations of $2.5 billion. Such appropriations are for basic County services including public protection, health and sanitation and public assistance. These three areas comprise approximately 78% of the County's total anticipated General Fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs, including certain mandated programs. For Fiscal Year 2007-08, approximately 38% of the County's General Fund revenue consists of payments from the State and 18% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 30% of the County's General Fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of General Fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were $81.7 million in Fiscal Year 2001-02, $89.9 million in Fiscal Year 2002-03, $101.5 million in Fiscal Year 2003-04, $116.0 million in Fiscal Year 2004-05, $135.7 million in Fiscal Year 2005-06 and $146.1 in Fiscal year 2006-07. Public safety sales tax receipts for the County are budgeted at $155.0 million in Fiscal Year 2007-08, although current estimates are that about $145 million will be received.

As of June 30, 2007, fund balance for the General Fund was $423 million, or 17% of the total General Fund expenditures. This amount includes $89.4 million of reserved fund balance and $333.6 million of designated fund balance.

Fiscal Year 2008-09 Final Budget

The County adopted its Fiscal Year 2008-09 Final Budget on July 1, 2008. This budget approved total General Fund appropriations of $2.6 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 88.4% of the County's total anticipated General Fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2008-09, approximately 40% of the County's General Fund revenue consists of payments from the State and 19% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 29% of the County's General Fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of General Fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy have increased an average of 10% per year, for the last five years, and are estimated to reach $158.7 million in fiscal year 2008-09. Sales tax receipts for the County are estimated at $38.0 million in fiscal year 2008-09.

As of June 30, 2008, fund balance for the General Fund was $382 million or 15% of the total General Fund expenditures. This amount includes $75 million of reserved fund balance and $307 million of designated fund balance.

Although the County budget for the 2008-09 fiscal year reflects a 4.7% reduction in discretionary revenues over the prior fiscal year, due in part to decreased anticipated property tax revenue for the 2008-09, the County's General Fund budget expenses for the fiscal year 2007-08 increased 2.2% from the prior fiscal year, supported by transfers from reserves and designations. The County has built up its reserves and designations balance over the past several years, to approximately $308.3 million for the 2008-09 fiscal year.

On October 28, 2008, the Board of Supervisors of the County adopted the County Executive Officer's Fiscal Year 2008-09 First Quarter Budget Report (the "Budget Report"). The Budget Report acknowledges the challenging financial climate confronting the nation, the State and the County. Specifically, the Budget Report estimates that the County will experience a net property tax reduction of approximately $2.9 million from the budget adopted by the County at the start of the current fiscal year. Other measures of economic activity in the County such as building permits and sales tax receipts are also declining from year earlier figures. To address future revenue reductions, the County Executive Officer has requested detailed budget projections from department heads with the objective of reducing general fund expenditures in future years. To mitigate future revenue shortfalls, the County plans to reduce general fund expenditures by 25% over a four year period, commencing with a 5% reduction in Fiscal Year 2008-09, 10% in Fiscal Year 2009-10, 6.3% in Fiscal Year 2010-11, and approximately 3.4% in Fiscal Year 2011-12. The County's projections are subject to revision in light of future economic conditions and budgetary issues faced by the State. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the Official Statement.

The Budget Report also makes various appropriation and expenditure adjustments based on changes since the adoption of the County's budget. Following such adjustments, the County's contingency fund balance is approximately $34.7 million, which is approximately $9.3 million higher than the Board's contingency target of 4% of discretionary revenue.

Final Budget Comparison. The following table compares the final 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, the final budget is amended to reflect actual receipts and expenditures.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS[(1)]
FISCAL YEARS 2004-05, 2005-06, 2006-07, 2007-08 AND 2008-09
(IN MILLIONS)

	Final 2004-05 Budget	Final 2005-06 Budget	Final 2006-07 Budget	Final 2007-08 Budget	Final 2008-09 Budget
REQUIREMENTS					
General Government	$ 143.9	$ 175.5	$ 217.58	$ 279.30	$ 238.6
Public Protection	751.7	815.5	947.66	1,032.48	1,132.0
Public Ways and Facilities	--	4.5	6.62	6.79	2.1
Health and Sanitation	392.9	394.3	381.17	410.68	392.3
Public Assistance	575.5	640.7	663.05	721.38	791.1
Education	.3	.3	0.39	0.49	0.6
Recreation and Cultural	.2	.2	0.31	0.29	0.3
Debt Retirement-Capital Leases	61.3	34.9	10.87	14.82	22.3
Contingencies	16.5	20.0	32.08	32.15	34.8
Increase Reserves	15.2	23.8	6.15	8.92	5.0
Total Requirements[(4)]	$1,957.5	$ 2,109.7	$ 2,265.88	$ 2,507.30	$2,619.1
AVAILABLE FUNDS					
Beginning Unrestricted Fund Balance	$ 59.3[(3)]	$ 62.1[(3)]	$ 22.66	$ 33.43	$ 107.1[(3)]
Estimated Revenues:					
Property Taxes[(2)]	118.8	165.6	214.16	262.61	287.2
Other Taxes[(2)]	41.3	58.6	77.54	71.06	49.1
Licenses, Permits and Franchises	23.9	23.1	29.71	31.63	24.9
Fines, Forfeitures and Penalties	46.2	46.1	48.26	51.99	60.6
Use of Money and Properties	15.2	24.3	53.51	53.16	29.7
Aid from Other Governmental Agencies:					
State	681.3	755.1	842.83	938.46	991.8
Federal	380.2	418.9	415.25	444.70	465.4
Charges for Current Services	336.3	361.0	424.61	462.26	385.1
Other Revenues	255.0	194.9	137.33	158.01	217.9
Total Available Funds[(4)]	$1,957.5	$2,109.7	$2,265.86	$2,507.30	$2,619.1

(1) Excludes mid-year amendments or adjustments.
(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2004-05 Budget, the 2005-06 Budget and the 2008-09 Budget, and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.
(3) Includes reserves used.
(4) Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Pooled Investment Fund

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the District or the Remarketing Agent. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of September 30, 2008, the portfolio assets comprising the PIF had a market value of $4,871,056,515.74.

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, 2008, 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 84% of the funds on deposit in the County Treasury, while approximately 16% 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 2007 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 investments in the Pooled Investment Fund as of September 30, 2008, were as follows:

	Market Value	% of Pool
Federal Agency Securities	$ 3,375,455,911	69.30%
Cash Equivalents & Money Market Funds	470,513,514	9.66
Commercial Paper	362,920,925	7.45
Negotiable Certificates of Deposit	284,873,595	5.85
Medium Tem Notes	238,845,947	4.90
Municipal Bonds	131,726,625	2.70
Certificates of Deposit[(1)]	0	0.00
Local Agency Obligations [(2)]	6,720,000	0.14
Total	$4,871,056,516	100.00%
Weighted Average Yield:	3.04 %	
Weighted Average Maturity:	1.06 years	

(1) Not rated; all other investments are government securities or rated investments.
(2) Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and March Joint Powers Redevelopment Agency.

Source: County Treasurer-Tax Collector

As of September 30, 2008, the market value of the PIF was 99.89% 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 ten dollar 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.

In addition, 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 tables describe the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 1997-98 through Fiscal Year 2007-08.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1997-98 THROUGH 2008-09

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
1997-98	947,845,458	43,413,279	4.58%	989,979,458	104.45%
1998-99	964,844,205	39,123,776	4.05%	1,015,412,511	105.24%
1999-00	1,020,377,070	34,509,599	3.38%	1,076,947,278	105.54%
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[4]	8.62%[4]	2,928,205,634[4]	98.78%[4]
2008-09	3,029,936,136	N/A	N/A	N/A	N/A

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.
(3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(4) Estimate only.
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
1997-98	29,470,141	32,449,742	110.11
1998-99	34,146,467	34,811,411	101.95
1999-00	37,937,325	38,540,297	101.59
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[3]	95.33[3]
2008-09	88,531,578	N/A	N/A

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

The following table describes the supplemental tax roll of the County for Fiscal Year 1997-98 through Fiscal Year 2007-08.

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1997-98 THROUGH 2007-08

Fiscal Year	Tax Levy for Increased Assessments[(1),(2)]	Refunds for Decreased Assessments[(1)]	Net Tax Levy	Collections[(1),(2)]
1997-98	21,720,736	8,089,710	13,631,026	19,755,383
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	4,387,767	44,314,821	49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
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[(3)]	171,506,667	9,019,397	162,487,270	214,671,863

(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) Estimates only.

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 2003-2004 through Fiscal Year 2008-09.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[(1)]
FISCAL YEARS 2003-04 THROUGH 2008-09
(IN MILLIONS)

Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
SECURED PROPERTY:						
Land	$ 38,580	$ 44,284	$ 52,819	$ 66,302	$ 77,403	$ 82,908
Structures	77,044	89,242	107,234	130,830	155,847	152,908
Personal Property	720	810	783	803	1,476	1,510
Utilities	2,076	2,080	2,286	2,614	2,807	3,154
Total Secured	$118,420	$136,416	$163,122	$200,549	$237,173	$240,480
UNSECURED PROPERTY:						
Land	$ 6	$ 5	$ 4	$ 3	$ 3	$ 3
Improvements	2,263	2,465	2,709	2,839	3,195	3,682
Personal Property	2,736	3,050	3,308	3,571	3,976	4,338
Total Unsecured[(2)]	$ 5,005	$ 5,520	$ 6,021	$ 6,413	$ 7,174	$ 8,023
Grand Total	$123,425	$141,936	$169,143	$206,962	$244,347	$248,503

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

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

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and are expected to continue to decline in 2008. During calendar year 2007, mortgage holders had sent 29,874 notices of default with respect to properties located within the County compared to 11,776 during calendar year 2006, and 12,000 trustee deeds had been recorded during calendar year 2007 (indicating that the property has been lost to foreclosure), compared to 1,727 during calendar year 2006.

During the first three quarters (January though September) of calendar year 2008, mortgage holders sent 39,341 notices of default and recorded 26,208 trustee deeds compared to 20,532 notices of default sent and 7,479 trustee deeds recorded in the first three quarters of calendar year 2007.

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.

In response to these conditions, for FY 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 budget incorporates these Prop 8 reductions. The total Fiscal Year 2008-09 reductions of $16.2 billion have offset a majority of the value increases recorded during the prior year.

After giving affect to the foregoing adjustments, as well as to projected collections under the Teeter Plan (described below) and to the stabilizing effects of Proposition 13, the County projects no growth in assessed value for Fiscal Year 2008-09, and an assessed valuation reduction of 5% for Fiscal Year 2009-2010.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2007-08 totaling approximately $2 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 $393 million of assessed value, representing $3.93 million in general purpose taxes, was reduced from the County tax roll for Fiscal Year 2005-06 and Fiscal Year 2006-07. The majority of appeals applicable to Fiscal Year 2005-06 have been completed. The remainder of the Fiscal Year 2006-07 and the Fiscal Year 2007-08 assessment appeals are expected to be completed by June 1, 2009.

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 2007-08 budget will be determined primarily by three components: (i) the remainder of the Fiscal Year 2006-07 and Fiscal Year 2007-08 assessment appeals still to be completed; (ii) approximately 36% of the Fiscal Year 2007-08 appeals being completed during Fiscal Year 2007-08; and (iii) additional assessment revenue which the County Assessor projects will billed during a Fiscal Year and reduce the impact of the appeals related to such Fiscal Year.

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.

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 2006-07, approximately 74% 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 $22.1 million as of June 30, 2008. 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 is anticipated to be accomplished through the sale, prior to or contemporaneously with the sale of the Series 2008A Bonds, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of $186.0 million and County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series C (the "C Notes") in the amount of $81.0 million. The total amount of $267 million is comprised of approximately $197.0 million representing fiscal year 2007-2008 delinquent property taxes and $70 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 the annual repayment. The letter of credit will expire on November 5, 2012. The C Notes are expected to be privately placed with the County Treasurer in the County Pooled Investment Fund.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for Fiscal Year 2007-08.

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2007-08
SECURED AND UNSECURED ASSESSMENTS

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
CENTEX HOMES	$13,896,175.63	0.46%
SOUTHERN CALIF EDISON COMPANY	12,523,657.60	0.42
VERIZON CALIFORNIA INC	8,944,490.24	0.30
KB HOME COASTAL INC	7,971,552.14	0.27
LENNAR HOMES OF CALIF INC	6,106,115.84	0.20
PULTE HOME CORP	4,704,578.45	0.16
STANDARD PACIFIC CORP	4,682,700.17	0.16
SOUTHERN CALIF GAS COMPANY	4,446,401.60	0.15
KSL DESERT RESORT	4,442,154.44	0.15
WESTERN PACIFIC HOUSING INC	3,605,023.03	0.12
PARDEE HOMES	3,270,678.61	0.11
RYLAND HOMES OF CALIF INC	3,100,833.89	0.10
ASHBY USA	3,020,337.70	0.10
DS HOTEL	2,931,909.08	0.10
BEAZER HOMES HOLDINGS CORP	2,631,284.28	0.09
BLYTHE ENERGY LLC	2,569,619.16	0.09
INLAND EMPIRE ENERGY CTR LLC	2,530,155.20	0.08
COSTCO WHOLESALE CORP	2,341,669.36	0.08
TYLER MALL LTD PARTNERSHIP	2,305,759.94	0.08
BRE PROP INC	2,205,843.56	0.07
LOWES HIW INC	2,162,051.04	0.07
MW HOUSING PARTNERS III	2,109,148.28	0.07
DOS LAGOS LIFESTYLE CENTER	1,994,553.94	0.07
WALGREEN CO	1,980,317.80	0.07
WAL MART REAL ESTATE BUS. TRUST	1,944,580.42	0.06
TOTAL	**$108,421,591.40**	**3.63%**

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the Fiscal Year 2007-08 are shown below.

COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2007-08
BY ASSESSED VALUE

ASSESSEE	ASSESSED VALUE
Centex Homes	$ 659,709,523
KSL Desert Resort	381,014,226
KB Home Coastal Inc.	334,953,028
Lennar Homes of California Inc.	316,585,434
Pulte Home Corp.	306,626,601
DS Hotel	257,455,433
Standard Pacific Corp.	251,748,931
Kaiser Foundation Hospitals	235,645,113
Western Pacific Housing Inc.	213,138,412
Eisenhower Memorial Hospital	208,109,780
Subtotal	$3,164,986,481
All Others	239,779,403,010
Total	$242,944,389,491†

† 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 2006-07, the County retained approximately 12.3% of the total amount collected (and is budgeted to retain 12.2% in Fiscal Year 2007-08). 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.

Redevelopment Agencies

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

The 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 1997-98 THROUGH 2008-09

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
1997-98	$ 8,999,886,482	$14,615,580,607	$146,573,738
1998-99	9,198,183,768	15,066,118,043	152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
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[4]	66,035,834,187	634,702,096[3]

(1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Includes general purpose and debt.
(4) County 100 report value for FY 2007-08.

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 38 unincorporated communities. As of June 30, 2008, the County Redevelopment Agency had a total land area of 71,718 acres and a base year assessed value, including State-owned land, of $2,966,434,812. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in Fiscal Year 2008-09 is estimated at approximately $11,631,453 (based on average county share of 13% of the 1% general property tax).

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 2006-07 were audited by Vavrinek, Trine, Day and Co., LLP. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

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 new 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 new 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 now 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, 2007, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2002-03 THROUGH 2006-07

(In Thousands)

	2002-03	2003-04	2004-05	2005-06	2006-07
BEGINNING FUND BALANCE	$ 216,561[(1)]	$ 220,209[(1)]	$ 249,053	$ 339,321[(1)]	$ 446,918
REVENUES					
Taxes	160,220	193,329	219,420	273,493	301,573
Licenses, permits and franchises	15,411	19,964	22,157	21,569	25,803
Fines, forfeitures and penalties	36,899	42,905	70,023	62,305	81,148
Use of money and property – Interest	12,893	8,724	21,126	42,826	62,848
Use of money and property – Rents and concessions	966	1,359	4,253	4,131	2,805
Government Aid – State	657,085	673,403	660,761	785,390	893,390
Government Aid – Federal	373,766	373,146	395,655	395,105	430,606
Governmental Aid-Other	46,099	46,750	55,661	69,042	81,703
Charges for current services	237,987	263,107	293,581	326,066	319,198
Other revenues	56,504	55,260	82,334	13,936	38,856
TOTAL REVENUES	$1,597,830	$1,677,947	$1,824,971	$1,993,863	$2,237,932
EXPENDITURES					
General government	$ 133,476	$ 101,429	$ 105,992	123,716	119,365
Public protection	611,014	674,389	742,550	798,035	916,524
Public ways and facilities	--	--	3,430	3,930	4,405
Health and sanitation	338,265	362,010	279,472	337,139	341,467
Public assistance	520,345	536,275	569,412	588,928	644,912
Education	343	337	332	349	394
Recreation and cultural	194	181	175	203	203
Capital Outlay	8,435	1,008	6,616	7,929	8,811
Debt service	9,527	14,454	36,119	33,576	29,751
TOTAL EXPENDITURES	$1,621,599	$1,690,083	$1,744,098	$1,893,805	$2,065,932
Excess (deficit) of revenues over (under) expenditures	(23,769)	(12,136)	80,873	100,058	172,000
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 35,523	$ 60,999	$ 69,014	$ 103,586	$ 89,449
Transfer to other funds	(18,172)	(21,027)	(53,102)	(104,172)	(146,214)
Capital Leases	8,435	1,008	6,616	8,125	8,811
Total other Financing Sources (Uses)	25,786	40,980	22,528	7,539	(47,954)
NET CHANGE IN FUND BALANCES	2,017	28,844	103,401	107,597	124,046
Residual Equity Transfer In (Out)	--	--	--	--	--
FUND BALANCE, END OF YEAR	218,578	249,053	352,454	446,918	570,964
Less:					
Reserved Fund Balance	103,489	100,940	121,249	100,436	88,233
Designated Fund Balance	89,011	70,361	185,014	277,833	339,773
UNDESIGNATED UNRESERVED FUND BALANCE	$ 26,078	$ 77,752	$ 46,191	$ 68,649	$ 142,958

(1) Beginning unreserved fund balance does not equal prior year ending unreserved fund balance due to an equity restatement.

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2003 THROUGH JUNE 30, 2007

(In Thousands)

	2003	2004	2005	2006	2007
ASSETS:					
Cash & Marketable Securities	$ 44,433	$ 65,681	$184,723	$257,077	$283,080
Taxes Receivable	4,336	4,367	20,679	19,939	40,766
Accounts Receivable	4,534	21,472	37,177	43,255	60,621
Interest Receivable	3,026	4,078	9,214	9,124	14,673
Advances to Other Funds	7,766	5,646	40	20	37
Due from Other Funds	12,369	8,892	8,435	5,895	5,417
Due from Other Governments	172,459	214,319	195,064	206,270	252,411
Inventories	865	2,979	1,801	1,806	1,540
Restricted Assets	189,143	230,390	436,555	228,897	263,390
Total Assets	$438,931	$557,824	$893,688	$772,283	$921,935
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts Payable	$ 47,834	$ 70,790	$ 86,713	$85,857	$82,441
Salaries & Benefits Payable	35,670	46,367	52,805	63,119	70,585
Due To Other Funds	3,627	945	4,928	1,189	288
Due to Other Governments	15,248	19,663	45,057	35,017	41,432
Due to Third Parties	--(1)	--(1)	--(1)	--(1)	--(1)
Deferred Revenue	117,954	170,981	133,742	140,101	156,155
Deposits Payable	20	25	67	82	70
Bonds & Notes Payable	--1)	--(1)	217,922	--(1)	--(1)
Total Liabilities	$220,353	$308,771	$541,234	$325,365	$350,971
FUND BALANCE:					
Reserved	$103,489	$100,940	$121,249	$100,436	$ 88,233
Unreserved	115,089	148,113	231,205	346,482	482,731
Fund Balance	$218,578	$249,053	$352,454	$446,918	$570,964
Total Liabilities and Fund Balance	$438,931	$557,824	$893,688	$772,283	$921,935

(1) No activity to report.

Source: County Auditor-Controller.

Long-Term Obligations of County

During its 115 years of existence, 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 October 1, 2008, the County had $701,119,356 in direct general obligation bonded indebtedness and $387,995,000 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 October 1, 2008.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF OCTOBER 1, 2008)

RIVERSIDE COUNTY

2008-09 Assessed Valuation:	$239,495,914,020	(includes unitary utility valuation)
2007-08 Adjusted Assessed Valuation:	$176,550,233,143	(includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 10/1/08	
Metropolitan Water District	7.223%	$ 23,634,739	
Community College Districts	1.422-99.999	486,033,075	
Unified School Districts	2.879-100.	1,553,308,661	
Perris Union High School District	100.	57,412,260	
Union School Districts	100.	41,513,493	
City of Corona	100.	1,150,000	
City of Riverside	100.	17,940,000	
Eastern Municipal Water District Improvement Districts	100.	17,635,000	
Elsinore Valley Municipal Water District Improvement District No. U2	100.	815,000	
Coachella County Water District Improvement Districts	100.	9,105,000	
Rancho California Water District, Rancho and Santa Rosa Divisions	100.	4,250,000	
Riverside County Flood Control, Zones 4-2 B and 3-B Benefit Assessment Districts	100.	3,225,000	
San Gorgonio Memorial Hospital District	100.	50,000,000	
Other Special Districts	100.	2,500	
Community Facilities Districts	94.268-100.	2,961,713,510	
Riverside County 1915 Act Bonds	100.	34,505,317	
City and Special District 1915 Act Bonds (Estimated)	100.	278,481,831	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,540,725,386	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 701,119,356**	(2)
Riverside County Pension Obligations	**100.**	**387,995,000**	
Riverside County Board of Education Obligations	100.	9,275,000	
School Districts General Fund and Lease Tax Obligations	2.879-100.	615,583,190	
City of Corona General Fund Obligations	100.	74,250,000	
City of Moreno Valley General Fund Obligations	100.	83,070,000	
City of Murrieta General Fund Obligations	100.	17,255,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.	130,713,588	
City of Riverside Certificates of Participation	100.	197,665,000	
City of Riverside Pension Obligations	100.	142,170,000	
Other City General Fund and Special Tax Obligations	100.	118,624,800	
Other Water District Certificates of Participation	0.312-100.	8,393,704	
Other Special District Certificates of Participation	100.	3,975,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,490,089,638	
Less: **Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)**		**17,504,083**	
Perris Union High School District and Hemet Unified School District self-supporting obligations		5,551,500	
Other Special District self-supporting bonds (self-supporting from enterprise revenues)		7,020	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,467,027,035	
GROSS COMBINED TOTAL DEBT		$8,030,815,024	(3)
NET COMBINED TOTAL DEBT		$8,007,752,421	

(1) Excludes issue to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2007-08 Assessed Valuation:
Overlapping Tax and Assessment Debt..2.31%

Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt ($1,089,557,556)	**0.62%**
Combined Net Direct Debt ($1,071,610,273)	**0.61%**
Gross Combined Total Debt	4.55%
Net Combined Total Debt	4.54%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc.

Lease Obligations

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

As of June 30, 2008, the County's current outstanding lease obligations total $699,551,036. The County's annual lease obligation is approximately $62,733,423 and the maximum annual lease payment is $74, 803,967.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of June 30, 2008.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of June 30, 2008)

	Final Maturity Year	Original Lease Amount	Obligations Outstanding	Annual Base Rental[1]
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	$148,500,000	$82,900,000	$10,775,000[2]
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	2,881,881	998,340
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	53,650,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	69,275,000	
2003 Series A & B	2009	60,180,000	11,030,000	18,907,729[3]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	6,500,000	871,500[4]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds, 2003 Series A	2033	22,310,000	20,365,000	1,479,110
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	12,670,000	873,445
2005 Series B[5]	2027	22,610,000	21,470,000	1,436,652
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	12,680,000	1,446,890
County of Riverside Certificates of Participation[6] (1998 Larson Justice Center Refunding)	2021	36,100,000	25,000,000	2,488,775
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	16,784,082	
Series 2002	2020	925,000	700,000	1,802,478[7]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project Series 2000 A/B	2032	94,245,000	88,120,000	6,281,691
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	34,710,000	2,532,406
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[8]	2018	8,685,000	5,405,000	1,018,620
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) [9]	2036	51,655,000	50,225,000	3,413,238
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	34,675,000	2,164,444
County of Riverside Certificates of Participation) [10] (2007 A/B Public Safety Communication and Refunding Projects	2022	111,125,000	109,340,000	6,243,105
TOTAL		$966,335,073	$699,551,036	$62,733,423

Source: County Executive Office.
(1) Annual base rental for Fiscal Year 2008-2009 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 June 30, 2008 was approximately 2.79%.
(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 June 30, 2007 was approximately 4.26%.
(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
(6) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project.
(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(8) The 2003 Series B refunded the 1993 Master Refunding Project.
(9) 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).
(10) The 2007 Series B refunded the 1997 Lease Refunding Projects

Additional Obligations

The County has current plans to enter into a lease agreement with the Southwest Communities Financing Authority pursuant to which the County will be obligated to pay up to an aggregate principal amount of $17.5 million, in connection with lease revenue bonds to be issued to finance the construction of an animal shelter in the County. In addition, the County currently plans to enter into a lease agreement with the Riverside County Palm Desert Financing Authority pursuant to which the County will be obligated to pay up to an aggregate principal amount of $80.0 million, in connection with lease revenue bonds to be issued to finance the construction, installation, acquisition, development and rehabilitation of certain public capital improvements within the County, including the Palm Desert sheriff's station facilities. The County currently expects to enter into such lease agreements prior to December 31, 2008.

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.

On May 24, 2000, the County entered into a rate swap agreement with Citigroup Financial Products Inc. in connection with the issuance of the County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) Series 2000B in the amount of $76.3 million. See "SWAP AGREEMENT" in the Official Statement.

As of June 30, 2008, the swap agreement had a negative fair value of $13,002,751.

Employees

A summary of County employment levels follows. Some employees are hired under various federally funded programs.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
1997 THROUGH 2008

Year	Regular Employees[1]
1997	11,304
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	14,729[2]
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008[3]	18,912

---

(1) As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 953 employees in 1997, 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007 and 1,895 employees in 2008.

(2) Reduction in regular employees due to court employees becoming State employees.

(3) As of August 13, 2008.

Source: County Human Resources Department

County employees comprise 11 bargaining units, plus another 7 unrepresented employee groups. Eleven of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 70% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

The County's law enforcement employees (non-management), Deputy Probation Officers and Group Counselors 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 prosecuting attorneys of the District Attorney's Office are represented by the Deputy District Attorney's Association ("DDAA").

The agreement with SEIU will extend through June 30, 2009. The agreement with LIUNA will extend through June 30, 2010. The agreement with RSA for the Law Enforcement Unit will extend through January 31, 2011. The County's agreement with RSA for the Public Safety Unit will expire on January 31, 2009. The County's agreement with DDAA will extend through March 31, 2009, and its agreement with LEMU extends through June 30, 2012. During the last twenty years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its California Public Employees' Retirement System ("PERS") Contract (as amended to date, and as may further be amended from time to time, the "PERS Contract"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of 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 ages 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 2% per year after retirement.

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

The County established in 2003 a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions about 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 12, 2008 (the "PARC Report"). See "– Retirement Program – Funding Status" and "– Retirement Program – Projected County Contributions and UAAL" herein for a description of the PARC Report.

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 annually an 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 2008 covered PERS' Fiscal Year 2006-07). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2007, which was prepared in October 2008, will be effective during the County's Fiscal Year 2009-10). 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 fund 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 PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund 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 of 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 fund under the PERS Plans to retirees and active employees upon their retirement and 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 smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Prior to April 2005, one-third of the gain or loss realized was recognized in a given Fiscal Year. Under the rate stabilization policy effective as of

April 2005, one-fifteenth 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 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%; (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 the collective bargaining arrangements with the County's employee unions 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"). The County pays the employee share of safety retirement to the Safety Plan for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement to the Miscellaneous Plan for all miscellaneous members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying the entire employee share under certain conditions.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share for all years. **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, 2007, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 18.605% be implemented as the required rate for Fiscal Year 2009-10, which the County anticipates will result in a contribution to PERS of approximately $43.96 million for that Fiscal Year. In addition, the County will pay to PERS approximately $18.73 million in County Offsets of Employee Contributions for Fiscal Year 2009-10, which will result in a total contribution by the County to PERS for the Safety Plan for Fiscal Year 2009-10 of approximately $62.69 million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2007, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 11.999% be implemented as the required rate for Fiscal Year 2009-10, which the County anticipates will result in a contribution to PERS of approximately $99.60 million for that Fiscal Year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $41.08 million in County Offsets of Employee Contributions for Fiscal Year 2009-10, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2009-10 of approximately $140.68 million.

The amount of the County's contribution rates under the PERS Plans increased substantially in Fiscal Years 2003-04 and 2004-05 due in part to the significant investment losses during Fiscal Years 2000-01 through 2002-03 and the benefit improvements for both Safety and Miscellaneous plans. While the investment gains experienced in Fiscal Year 2003-04 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"), the issuance of the 2005 Pension Obligation Bonds helped improve funding status and reduce rates and resulted in an economic benefit to the County of over $125 million since 2005. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of 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 $2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007 and again on June 23, 2008, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the second and third transfer to PERS of $6.5 million for each transfer from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability.

In 2008, the County issued $232.8 million in Tax and Revenue Anticipation Notes through the California Statewide Communities Development Authority Pool, plus an additional $82.2 of tax-exempt Tax and Revenue Anticipation Notes (the "2008 Tax-Exempt TRANS"), the proceeds of which will be used to prepay a portion of the County's PERS contributions for Fiscal Year 2008-09.

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, 2003 through June 30, 2007 and the total employer contributions made by the County for Fiscal Year 2005-06 through Fiscal Year 2009-10. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount[1]	County Offsets of Employee Contributions
2003	$ 94,526,520	89.6%	2005-06	$ 31,142,344[2]	$ 13,414,052[2]
2004	133,684,051	86.9	2006-07	36,722,257	14,719,343
2005	58,201798	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	95.0	2008-09	46,983,428[3]	17,839,488[3]
2007	78,113,619	94.3	2009-10	49,372,599[3]	18,731,462[3]

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.
(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Year 2008-09.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007 (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,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount[1]	County Offsets of Employee Contributions
2003	$ 330,444,892	83.5%	2005-06	$ 73,074,464[2]	$ 33,122,091[2]
2004	397,462,924	82.2	2006-07	79,679,334	35,086,123
2005	106,958,141	95.7	2007-08	88,824,408	37,106,508
2006	142,160,688	94.8	2008-09	95,930,361[3]	40,075,029[3]
2007	135,212,288	95.5	2009-10	98,328,620[3]	41,076,905[3]

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.
(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Year 2008-09.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007 (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)
2003	907,018,000	814,074,000	92,944,000	89.6	147,519,000	63.0
2004	1,021,085,045	887,401,000	133,684,051	86.9	161,598,000	82.7
2005	1,127,240,234	1,069,038,436	58,201,798	94.8	168,806,459	34.5
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

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

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)
2003	1,998,882,000	1,669,502,000	329,380,000	83.5	542,056,000	60.8
2004	2,231,623,980	1,834,161,056	397,462,924	82.2	571,677,315	69.5
2005	2,471,523,205	2,364,565,064	106,958,141	95.7	592,531,095	18.1
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

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2005-06 through Fiscal Year 2009-10 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
2003	2005-06	17.095%[(1)]	11.829%[(1)]
2004	2006-07	18.031	11.916
2005	2007-08	18.625	12.051
2006	2008-09	19.033	12.164
2007	2009-10	18.605	11.999

(1) Provided by the County; rates reflect adjustment due to the receipt of $396,874,938 on February 17, 2005 in connection with the issuance of the 2005 Pension Obligation Bonds.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

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 PERS actuary, in its June 30, 2007 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the Fiscal Year 2009-10 will be 18.605%, which would result in an approximately 0.428% decrease in the contribution rate from Fiscal Year 2008-09. The PERS actuary, in its June 30, 2007 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2009-10 will be 11.999%, which would result in an approximately 0.165% decrease in the contribution rate from Fiscal Year 2008-09. No projections beyond Fiscal Year 2009-10 have been prepared by PERS.

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 smooth 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 above the assumed rate, the PERS Plans will realize a gain for actuarial purposes. Any such actuarial gain will be smoothed such that the PERS Plans will only be impacted by one-fifteenth of that gain in one Fiscal Year, which will act to gradually reduce pressure on contribution rates in succeeding Fiscal Years. For a discussion of the smoothing policy of PERS, see "– The County's PERS Contract" above.

According to the PARC Report dated May 12, 2008, Bartel forecasted that as of June 30, 2008, the County will have a UAAL of $138.7 million for the Miscellaneous Plan and $63.6 million for the Safety Plan, which are expected to contribute to the projected funding status, on a net basis (which includes the County's outstanding pension obligation bond liability), of 98.0% for the Miscellaneous Plan and 97.8% for the Safety Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2008 which is greater than the assumed actuarial rate of return of 7.75%.

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, 2007 the County's contribution level is 1.80%. The County's contribution to the Plan was $1,378,547 for Fiscal Year 2007-08 and is estimated to be $745,031 for Fiscal Year 2008-09. The Plan's unfunded liabilities as of June 30, 2007 are approximately $6,689,956.

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 50 years of age 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 January 1, 2006 (the "Health Benefits Valuation"), prepared by Aon Consulting. Based on the combination of plans and contribution levels that the County offers, assuming a 4.5% interest rate, the present value of benefits was estimated to be $237 million, the accrued actuarial liability was estimated to be $142 million and the annual normal cost was $10 million. If the accrued actuarial liability of $142 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $16 million. Approximately 70% of the County's OPEB liability was attributable to the "implicit subsidy" of allowing pre-65 retirees to receive coverage at the active premium rates instead of the normally higher retiree rates.

For that reason the Board of Supervisors took action on September 12, 2006 to end this implicit subsidy of pre-65 retirees by separately rating early retiree medical plans as of January 1, 2011. In addition, action was taken 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. 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.

The County of Riverside obtained its most recent Post-Employment Health Benefits Valuation, calculated in accordance with GASB 45 standards as of January 1, 2008, prepared by Aon Consulting. Based on the actions mentioned above and the plans and contribution levels that the County offers, assuming a blended 7.24% interest rate, the present value of future benefits was estimated to be $58.4 million, the accrued actuarial liability was estimated to be $46.7 million and the annual normal cost was $1.9 million. Assuming that the County continues to fully pre-fund its contributions, if the accrued actuarial liability of $46.7 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be $3.92 million.

Overall, the actions of the Board reduced the County's OPEB liability from $237 million to $58 million.

Medical Center

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as an "open door safety net provider" due to declining and inadequate federal and State health care reimbursement and non-payment by the uninsured coupled with rising service needs and costs of an older and sicker population which has placed 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 adult and pediatric facility, licensed for a total of 439 beds. There are 362 licensed beds in the main acute-care hospital and 77 licensed beds in a separate psychiatric facility. 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, the State Medi-Cal program, the County Medially Indigent Service Program and the County Indigent Adult program.

RCRMC is reimbursed for cost reimbursable items at a tentative rate until final settlement is determined after submission of annual cost reports by RCRMC and audit thereof by Medicare.

At June 30, 2008, RCRMC reflected unrestricted net assets of approximately $86 million for Fiscal Year 2007-08. RCRMC had a cash balance of approximately $79 million as of June 30, 2008. In Fiscal Year 2007-08, RCRMC had an increase in net assets of $15 million. RCRMC continued to experience growth in patient collections in Fiscal Year 2007-08. Future cash balance may be reduced as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06. The exact cash balance at the end of Fiscal Year 2008-09 will depend upon the State's meeting certain Waiver requirements and timely cash payments thereunder.

One significant element of Fiscal Year 2007-08 was the securitization of tobacco settlement revenue to fund jail construction. The $16.6 million tobacco settlement revenue that the hospital was to receive for debt service and operations was reduced to $10 million. The remaining $6.6 million will be used to fund jail bed construction, through securitization. RCRMC management is aware of this financing plan, which protects revenue needed for debt service while also providing for jail bed construction. The Medical Center's management team is concerned that the continuing downturn in the economic outlook for the federal and state budget and the cap on the Section 1115 waiver which will have a direct impact on the medical center's ability to meet projected targets during the next two years under the current Medi-Cal Waiver program.

The Board's approved budget includes a General Fund contribution of $24.4 million to address potential future shortfalls. This contribution is $6.7 million less than the prior year's contribution. Due in part to changes to federal and State funding, RCRMC is expected to indefinitely require some degree of general fund contribution. The County and RCRMC management teams continue to improve new procedures designed to improve cash flow and control costs.

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 a claims basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance (currently $200 million per occurrence) 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 deductible; flood coverage is subject to a 2% 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 $600 million in limits. Earthquake coverage (covering scheduled locations equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of $60 million with an additional $232.5 million excess rooftop limit available to any one tower. Earthquake is subject to a deductible equal to 5% of replacement cost value subject to a $100,000 maximum. Boiler and machinery provides up to $100 million in limits, with various deductibles. 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, 2007 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 January 31, 2008 was approximately $169.6 million.

Litigation

General

There is no action, suit or proceeding known to the Authority or the County to be pending or threatened, restraining or enjoining the execution or delivery of the 2008 Series A Bonds, the Indenture or the Lease, the Sublease or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the County taken with respect to any of the foregoing.

Litigation Relating to the County's General Plan

The County has been named and served in two pending lawsuits filed in Riverside County Superior Court challenging the County's Comprehensive General Plan approved on October 7, 2003. The lawsuits allege that the County did not comply with CEQA and/or violated various planning and zoning statutes in adopting the Comprehensive General Plan.

If settlement negotiations are not successful with respect to these lawsuits, future residential development in the County could be affected by an adverse ruling, although the County's capital improvement projects are exempt from the County's zoning and General Plan requirements.

On June 17, 2003, the Board of Supervisors approved the Western Riverside County Multiple Species Habitat Conservation Plan (the "MSHCP") which encompasses the western portion of the County of Riverside and fourteen incorporated cities within the boundaries of the MSHCP. The MSHCP is intended to assist land owners and participating public entities in addressing the need to mitigate public and private development projects that may have direct or indirect impacts to listed species. Additionally, the MSHCP provides an expedited review process for obtaining incidental take authorization pursuant to the state and federal Endangered Species Acts allowing take of the species covered by the MSHCP. Each proposed development project within the boundaries of the MSHCP must be reviewed to determine project consistency with the requirements of the MSHCP. However, the MSHCP provides a coordinated, efficient and quicker process for mitigating project impacts as well as for obtaining incidental take authorization pursuant to the state and federal Endangered Species Acts.

With regard to the MSHCP, the County has been named as a respondent and served in a lawsuit that has been filed in the Superior Court for Riverside County challenging the MSHCP on CEQA grounds.

If plaintiffs prevail and the MSHCP is set aside by the court, development projects would no longer have the benefit of MSHCP's coordinated, efficient and quicker processes for mitigating project impacts and obtaining incidental take authorization. Accordingly, development projects, including future capital improvement construction projects of the County, in the plan area could experience greater delay and expense in obtaining final government approvals.

[This Page Intentionally Left Blank]

APPENDIX B

COMBINED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

[This Page Intentionally Left Blank]

COUNTY OF RIVERSIDE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

MAY 9, 1893

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Robert E. Byrd, CGFM
County Auditor-Controller

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED): Page

INTRODUCTORY SECTION

Photographer
RICHARD PAUL
"Brother & Sister"

OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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

AUDITOR-CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, CPA
ASSISTANT AUDITOR-CONTROLLER

December 17, 2007

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 the County of Riverside:

The Comprehensive Annual Financial Report of the County of Riverside for the Fiscal Year Ended June 30, 2007 is hereby submitted in accordance with Section 25253 of the Government Code of the State of California. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The County of Riverside is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings, questioned costs, and the independent auditor's report on internal control and compliance, are included in a separate annual publication.

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 compliment 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 ten independent fiscal entities that are considered blended component units and one discretely presented component unit. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the notes to the basic financial statements.

PROFILE OF THE GOVERNMENT

Riverside County, the State's fourth largest county by area, encompasses 7,303 square miles and extends nearly 200 miles across Southern California, from the Arizona border west to within 14 miles of the Pacific Ocean. It is situated immediately east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties. There are 24 incorporated cities located within the County. The largest cities in the County are the cities of Riverside (the County seat) with a population of 291,398, Moreno Valley with a population of 180,466, and Corona with a population of 146,164.

Total County population was 2,031,625 on January 1, 2007, an increase of 4.7% as compared to the revised estimate for 2006 from the California State Department of Finance. Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Approximately 26.5% of the residents live in the unincorporated area. The County is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), which includes all of Riverside and San Bernardino Counties. The MSA has large and rapidly expanding construction, professional and business services, and trade, transportation and utilities industries.

Total nonfarm employment in the MSA rose 28.0% from March 2001 to March 2007, while the population increased by 27.8% in the County from January 1, 2001 to January 1, 2007. As of September 2007, unemployment in the MSA was 6.1% (revised on an annual basis by the California Employment Development Department Labor Market Information Division) as compared to 4.5% for the United States.

PLANNING AND GROWTH MANAGEMENT

Economic Perspective

The economy still appears to be good throughout the United States, California and the County. While growth in the United States economy has slowed, the California economic growth rate was stronger than the United States. Locally, given current markets and trends, our economic perspective for the remainder of 2007 or in 2008 is modest. Impacts from reductions in residential construction and sales are being offset by continued growth in non-resident construction. The permit volume in Building and Safety is trending lower and starting to resemble similar declines experienced in the mid-90's. The Assessor expects next year's construction rate to drop 15 percent. Mortgage delinquencies are on the rise. The County's fiscal foundation is strong, but requires careful management.

The Riverside County Integrated Project

The County continues to develop and implement components of the Riverside County Integrated Project (RCIP). The RCIP is a multi-year comprehensive planning project that includes the following components: the County's General Plan of Land Use, a Western Riverside County Multi-Species Habitat Conservation Plan (MSHCP), a Community and Environmental Transportation Acceptability Plan (CETAP), and a Special Area Management Plan (SAMP). The RCIP is closely coordinated with regional councils of government, state and federal government agencies, and private stakeholders.

Following a series of public hearings, the Board of Supervisors adopted the MSHCP on June 17, 2003. The Regional Conservation Authority to implement the MSHCP was formed on June 22, 2004. Work is continuing on the CETAP and SAMP. The General Plan was adopted by the Board of Supervisors on October 7, 2003 and requires updates every five years. The next update is due in 2008.

Trial Court Facilities

On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation transfers the governance of California's more than 450 courthouse facilities from the counties to the state. Although the bill became effective on January 1, 2003, it is expected that the transition time will take up to seven years. The County and the Judicial Council of the State of California have been negotiating transfer agreements since July 1, 2003, and will continue through December 31, 2008. The transfer of courthouse facilities to the Judicial Council must be completed by December 31, 2008.

The County transfer plan includes the transfer of the court facilities and associated parking. During fiscal year ending June 30, 2007, the Hall of Justice and Banning Court were transferred. In October 2005, the Moreno Valley Court was transferred. Prior to June 30, 2005, the Larson Justice Center was the first court facility in the County to be transferred and the second court transfer throughout the State. Some important areas to consider with each facility to be transferred are bonded indebtedness, deferred maintenance, and capital projects. Once each facility is transferred, the County's financial obligation to court facilities is capped as a maintenance-of-effort amount established under the legislation. Although the County continues to contribute to trial court funding through maintenance of effort obligations, the restructuring of court funding ends a dual system of County and state funding. These funds are accounted for in the agency funds.

Development Agreement Fees

In December 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code Section 65864 et al. for consideration of development agreements. As a legal contract between the County and a developer, a development agreement was intended to strengthen the public planning process, encourage private participation in comprehensive planning, reduce the economic costs of development, and promote the maximum efficient utilization of resources at the least economic cost to the public. In February 1988, the Board of Supervisors adopted a schedule of development agreement fees payable on residential projects prior to issuance of building permits, in the amount of $5,784 per residential unit. Since that date, a number of Development Agreements have expired. Effective January 1, 2007, the fee, based on an adjusted consumer price index, was $3,898 and consisted of the following components:

		Development Agreement Fee
Public Facilities		$ 3,067
Public Services Offset		831
	Total	$ 3,898

With the exception of the public services offset, development agreement revenue will be used to help the County construct capital facilities and acquire parkland, trails, habitat, and open space to meet the demand caused by new growth and development. The public services offset is intended to help defray the cost of providing governmental services, such as sheriff's patrol services. As of June 30, 2007, the total of unexpended and uncommitted development agreement money available in capital project funds is $1.1 million.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an interim open space mitigation fee. This ordinance was amended on November 26, 2002, and again on July 22, 2003. The most recent amendment was due to implementation of the Western Riverside County Multiple Species Habitat and Conservation Plan. Collection of the fee is performed by both the County and cities within the County. Responsibility for accounting has been transferred to the Riverside Conservation Authority. Riverside Conservation Authority is a joint powers authority formed between the County and various cities in the western county area. Reporting of the Ordinance 810 fees in this section references those collected before June 22, 2004, which was when Ordinance 810.2 went into effect. Fees are no longer collected for Ordinance 810.1.

As of June 30, 2007, the total amount of unexpended, uncommitted, interim open space mitigation funds related to Ordinance 810 and 810.1 is about $425,000.

Ordinance 659

In July 1988, the Board of Supervisors adopted Ordinance No. 659 establishing a county-wide (unincorporated area only) development mitigation fee for residential development. The purpose of this fee was to finance the construction of county facilities necessary to accommodate future residential growth in the County. Fee revenues will also be used for the procurement of parklands and the development of recreational trails. In addition, fee revenues will be used for the preservation of habitat, open space, and for the preservation of specifically-listed plants and animals as outlined in the general plan. Development mitigation fees are no longer collected and have been superseded with the passage of Ordinance 659.6, development impact fees.

As of June 30, 2007, the total of unexpended, uncommitted, development mitigation funds related to Ordinance 659 in capital project funds is about $276,000.

Development Impact Fees

In September 2001, the Board of Supervisors adopted Ordinance 659.6 establishing a county-wide (unincorporated area only) development impact fee for residential development. Ordinance 659.6 replaced and superseded those fees associated with Ordinance 659. Ordinance 659.6 became effective 60 days after adoption.

Development impact fees are collected to address impacts associated with residential, commercial, and industrial development throughout the unincorporated county region and are used for the purpose of constructing or acquiring needed facilities and preserving open space, wildlife and their habitats.

Fees are assessed by unit for single-family and multiple-family residential development, and by acre for commercial and industrial development. Fees vary according to the area plan under development. There are 20 area plans. The range for single-family residential development impact fees is from $3,598 to $7,280 per unit. The range for multiple-family residential development impact fees is $3,039 to $5,815 per unit. Commercial development impact fees range from $20,737 to $34,873 per acre. The range for industrial development impact fees is from $10,577 to $17,440 per unit. The range for surface mining development impact fees is from $4,195 to $9,197 per acre.

Fees collected under Ordinance 659.6 can only be used for those projects identified and listed within the public facilities needs list through the year 2010. Changes to the list may occur on an annual basis and are subject to approval by the Board of Supervisors. Annual inflationary adjustments are authorized through Ordinance 659.6 and are subject to published indices of the consumer price index, the building cost index, and the construction cost index. An update of the development impact fees was approved by the Board of Supervisors on September 12, 2006, resulting in an increase of development impact fees effective November 11, 2006. As of June 30, 2007, the total unexpended, uncommitted, development impact fees is about $68.0 million.

FINANCIAL INFORMATION

Internal Control

The management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse. Management is also responsible for ensuring that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state assistance, the County is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to on-going evaluations by management and the County's internal audit staff.

As part of the single audit, tests were made to obtain reasonable assurance about whether the County met the compliance requirements of OMB Circular A-133. The single audit for fiscal year ending June 30, 2006, reported that the County complied, in all material respects, with the requirements of OMB Circular A-133 applicable to each of its major federal programs. The single audit for fiscal year ending June 30, 2007, is in process and will be issued in a separate report.

Budgetary Controls

The objective of budgetary controls is to ensure that the annual appropriated budget approved by the County Board of Supervisors is in compliance with the legal provisions of Section 29088-29091 of the Government Code. The County budget is prepared and adopted on or before October 2 of each fiscal year, except as provided by state statutes and Board of Supervisors resolutions. The budget for fiscal year 2006-07 was adopted on June 27, 2006. Activities of the general fund, all special revenue funds, certain debt service, and capital projects funds are included in the annually appropriated budget. The level of budgetary control, or the level that cannot be exceeded without action by the Board of Supervisors, is the appropriation level of the budget unit. The budget unit represents an organization within a department or an agency. The Board of Supervisors must approve transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues. Transfers of appropriations between appropriation classifications within the same budget unit are approved by the County Executive Officer. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and fund balances are reserved for encumbrances outstanding at that time. As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

For a more detailed overview and analysis of the County of Riverside's financial position see the MD&A preceding the basic financial statements.

General Fund Cash Balance and Fund Balance

The cash balance of the general fund increased from \$257.1 million at June 30, 2006 to \$283.1 million at June 30, 2007. This increase is attributable primarily to a favorable real estate market that generated more property tax and related documentary transfer fee revenue, than expected, increase in motor vehicle in-lieu tax, and improved yield on investments. The fund balance of the County's general fund represents the equivalent of 69 working days of expenditures.

Cash Management

Per State law, the County Treasurer holds and manages the County's cash and investments. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law. The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal, second to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. In accordance with its investment policy, the County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than 1.5 years. The weighted average maturity as of June 30, 2007 was 1.14 years. To provide sufficient liquidity to meet daily expenditures, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less. Securities maturing in less than one year totaled 56%. The Treasurer's pooled investment fund is currently rated Aaa/MR1 by Moody's Investor Services and AAA/V1+ by Fitch ratings.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Pools, school district and special district external investment pools are reported as investment trust funds. Of the Treasurer's total cash and investments pool of \$5.0 billion at June 30, 2007, \$2.8 billion relates to the external investment pool participants, which includes mandatory and discretionary depositors.

Restrictive investment policies are in place to minimize credit and market risks while maintaining a competitive yield on the portfolios. The County Treasurer's selection of investments is more restrictive than those authorized in Sections 53601 and 53635 of the California Government Code and gives primary consideration to the safety and preservation of the principal amounts invested. On-going cash flow projections are maintained for the coming 12 months to assure that adequate funds are available to meet daily cash expenditure requirements. The investment policies are reviewed and updated annually.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

State statutes, specific debt financing indentures, and contractual arrangements generally determine the investment restrictions of County cash and investments not held in the County Treasury.

Retirement Plan

The County of Riverside contributes to the California Public Employees Retirement System (PERS). PERS is a public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All full-time, and some part-time and seasonal benefited County employees are eligible to participate in the system. Generally, temporary hourly employees, and part-time employees working less than 20 hours per week, cannot participate in the system unless 1,000 hours are worked in a fiscal year. Certain other employees, such as per diem medical and dental personnel, crossing guards, and service aides, are specifically excluded from participation in the system, regardless of the number of hours worked. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit payable monthly for life. Miscellaneous member (non-prosecution unit) employees hired after January 9, 1992 make their own contributions for the first five years. With some exceptions, safety member employees hired after June 25, 1992, make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date.

The employee contribution rate for the 401(a) defined benefit retirement plan for part-time/temporary employees is 3.75%. The employer's contribution rate is currently 5.78% of base earnings (excludes overtime and earnings exceeding the social security base of $90,000 for calendar year 2005, $94,200 for calendar year 2006, and $97,500 for 2007).

Risk Management

The County maintains a comprehensive risk management program under the full-time direction of a professional risk manager. The County self-insures the primary layers for general liability (including auto), medical malpractice, and workers' compensation. The County purchases all-risk property insurance that includes flood, a level of earthquake, boiler, and machinery coverage subject to various deductibles. The County records estimated liabilities for claims filed, and for incurred but not reported (IBNR) claims. Additionally, the County self-insures unemployment insurance and short-term disability income benefits.

The County purchases policies of excess insurance for general liability, including auto and workers' compensation, and medical malpractice. Medical malpractice utilized a policy that provided annual coverage on a claims-made basis prior to FY 1998-99. Effective July 1, 1998, the County's medical malpractice coverage changed to an occurrence basis with all prior acts coverage. Effective October 2002, the medical malpractice insurance program returned to a claims-made basis. In addition, the County purchases specialty coverage for aviation and watercraft liabilities, fidelity crime bond, and long-term disability benefits.

The County participates in the California State Association of Counties (CSAC) Excess Insurance Authority's (CSAC-EIA, a Joint Powers Authority) programs for excess liability, medical malpractice, worker's compensation, and primary and excess property programs. CSAC-EIA provides some support services for selected programs, such as: excess disability, medical malpractice annual audits, risk management in-services for medical malpractice, as well as loss prevention resources for general liability. Additionally, CSAC-EIA subsidizes participating counties for actuarial studies on a two year basis.

The activities related to the County's programs are accounted for in internal service funds (ISF). Accordingly, estimated liabilities for claims filed or to be filed for incidents that have occurred through June 30, 2007, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the County has provided a funding plan or the County may elect to increase charges. However, when funding exceeds the approved confidence level, departments are given a rate holiday or a reduced rate charge. Revenues of these internal service funds primarily originate from user charges to departments/agencies/special districts and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

OTHER INFORMATION

Independent Audit

The County of Riverside contracted for its annual audit with the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. In addition to meeting its contractual requirements for the audit of the basic financial statements, the audit is also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information is included in the financial section of this report. A separate report relating to the single audit is available in the County Auditor-Controller's Office.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Riverside for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the nineteenth consecutive year that 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 comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not be accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office. My particular appreciation to staff that spent many late nights and weekends working on the preparation of this report. I would also like to thank the staff of the contributing component units and departments for their participation in the preparation of this report.

I would also like to express my appreciation to the Board of Supervisors and County Executive Officer for their vision and support in the planning and administration of the financial operations of the County of Riverside. Their exemplary leadership has kept the County on sound financial footing and well positioned as we address the challenges of the 21st century.

Finally, I would like to thank our independent auditors, Vavrinek, Trine, Day & Co., LLP, for their efforts throughout this audit engagement.

Respectfully yours,

Robert E Byrd

ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER

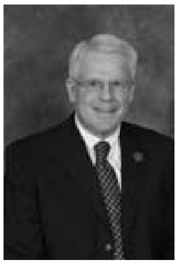
(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2007

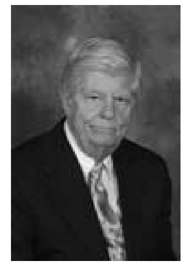
ELECTED OFFICIALS

Board of Supervisors



BOB BUSTER
First District

JOHN F. TAVAGLIONE
Chairman
Second District



ROY WILSON
Vice Chairman
Fourth District

JEFF STONE
Third District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

ROD PACHECO
District Attorney

BOB DOYLE
Sheriff
Coroner
Public Guardian

ROBERT E. BYRD
Auditor – Controller

LARRY WARD
Assessor
County Clerk
Recorder

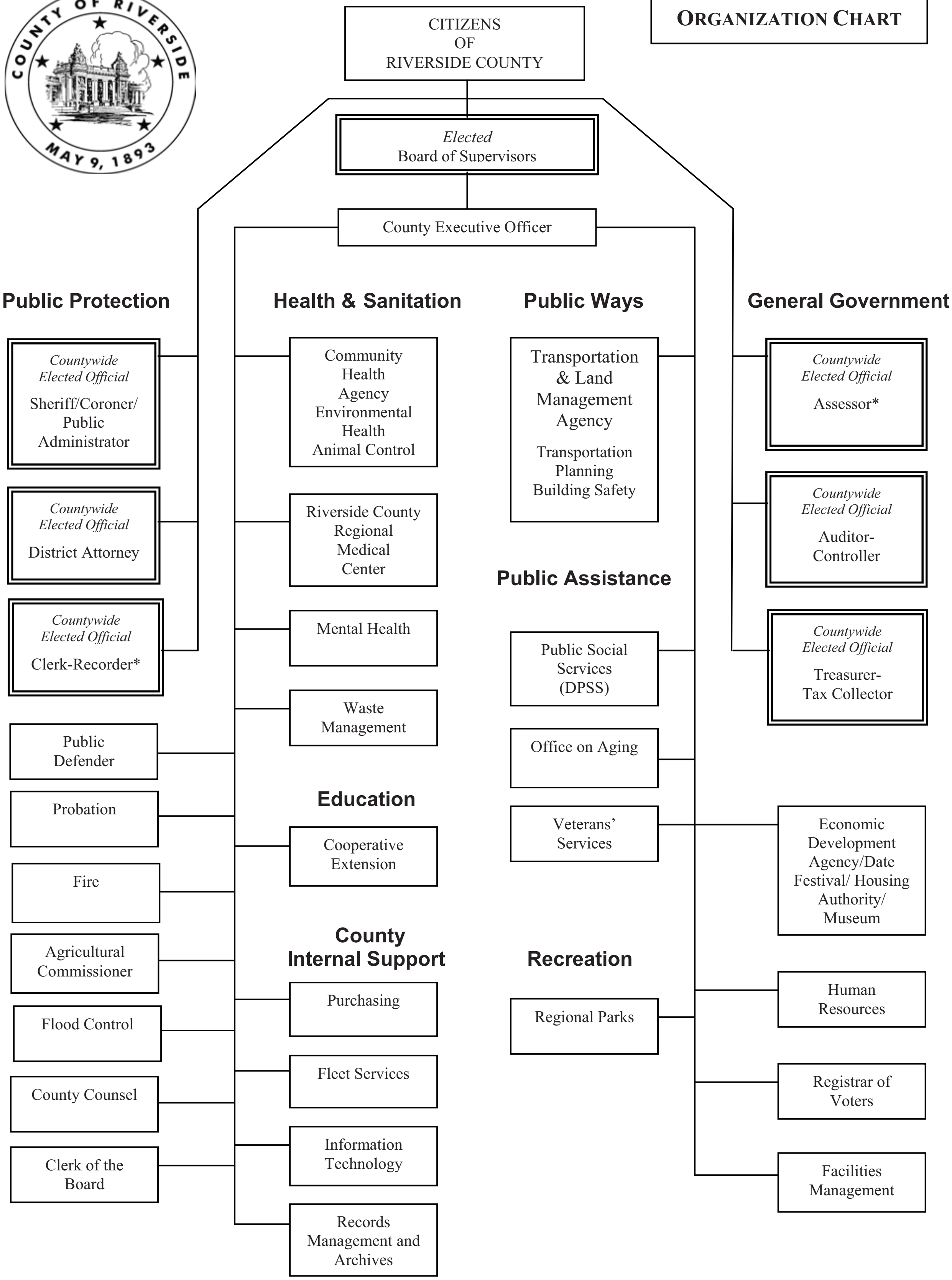
PAUL MCDONNELL
Treasurer
Tax Collector

APPOINTED OFFICIALS

LARRY PARRISH
County Executive Officer

JOE S. RANK
County Counsel

COUNTY OF RIVERSIDE ORGANIZATION CHART



** Assessor/Clerk-Recorder is a single elected position that falls under two functional categories in the County financial statements.*

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, 2006

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

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

President

Executive Director

(This Page Intentionally Left Blank)

FINANCIAL SECTION

Photographer
CONSTANCE REID
"Aztec Dancers"

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Riverside, California (the County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), and County of Riverside Redevelopment Agency (the RDA), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	28%	9%
Business-type Activities	7%	15%
Aggregate Remaining Fund Information	9%	1%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, Housing Authority, Park District, and RDA 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2007, 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 14, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedules of funding progress listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 14, 2007

Independent Auditor’s Report

goes here

MANAGEMENT'S DISCUSSION AND ANALYSIS

Photographer
FLO RICHARDS
"Young Dancer – Pow Wow"

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, 2007. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

- Other Required Supplementary Information – Retirement Plan Schedules of Funding Progress
- Combining Statements for Nonmajor Governmental, Nonmajor Enterprise and Fiduciary funds
- Combining Statements and Schedules for Special Revenue, Debt Service, Capital Projects, Internal Service, and Fiduciary funds
- Statistical Section

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services. Governmental activities include four major funds, twenty-one nonmajor funds, and a representative allocation of the County's internal service funds. The four major Governmental funds are the General 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 Children and Families Commission, a legally separate component unit that is appointed by and serves at the will of the County, is discretely presented separately from the financial information of the primary government. The Commission is shown as a discretely presented component unit due to the financial benefit/burden relationship with the County.

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- County of Riverside Bankruptcy Court Corporation
- Housing Authority of the County of Riverside
- In-Home Supportive Services Public Authority
- Redevelopment Agency for the County of Riverside
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (no activity for fiscal year 2006-07)
- Riverside County Service Areas

Fund Financial Statements provide information regarding the three major categories of County funds – governmental, proprietary and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in GASB Statement No. 34. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses, and balances of current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. 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 and capital projects funds). The governmental fund statements present the financial information of each major fund (the General 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, and Bankruptcy Court. The budgetary comparison statements have been provided to demonstrate compliance with the budget.

Proprietary funds are used to account for services for which the County charges customers – either outside customers or internal departments of the County. Proprietary funds statements provide the same type of information as shown in the government-wide financial statements, in more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the Supplementary Information section.

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

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore 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 $5.7 billion exceeded its liabilities of $2.7 billion, by $3.0 billion (net assets). Of this amount $1.5 billion (unrestricted net assets*)* may be used to meet the County's ongoing obligations to citizens and creditors; $620.1 million (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and $956.4 million is invested in capital assets, net of related debt.

- During fiscal year 2006-07, the County's net assets increased by $363.6 million. Of this amount, $327.3 million was from governmental activities and $36.3 million was from business-type activities. Countywide expenses of $2.9 billion were substantially offset by program revenues of $2.3 billion leaving an operating deficit of $558.8 million. The operating deficit was offset by general revenues of $922.4 million resulting in the increase in net assets.

- As of June 30, 2007, the total fund balances of the governmental funds were $1.8 billion. This represents an increase of 25.2% or $352.5 million, in comparison with the prior year. Approximately 16.6% or $291.3 million of the combined fund balances was available to meet the County's current and future needs (*unreserved-undesignated fund balance*).

- As of June 30, 2007, fund balance for the General Fund was $571.0 million or 27.6% of the total General Fund expenditures. This amount includes $88.2 million of reserved fund balance and $339.8 million of designated fund balance.

- The County's long-term debt showed a net increase of 9.7% or $188.4 million compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation and loans payable.

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 assets balances for both governmental and business-type activities, with total assets exceeding liabilities by $3.0 billion.

The County's total net assets increased by 13.6%, or $363.6 million, during fiscal year 2006-07 compared to the prior year's increase of 17.6%, or $401.7 million. $327.3 million of the increase in net assets was from governmental activities and $36.3 million was from business-type activities. For the prior year, $375.9 million of the increase in net assets was from governmental activities and $25.8 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 31.4%, or $956.4 million, of the County's total net assets for fiscal year 2006-07 compared to 36.3%, or $971.8 million, for fiscal year 2005-06. The component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net assets** account for 20.4%, or $620.1 million of the County's total net assets for fiscal year 2006-07 compared to 23.3% or $623.3 million for fiscal year 2005-06. 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 48.3%, or $1.5 billion of the County's total net assets for fiscal year 2006-07 compared to 40.5%, or $1.1 billion, for fiscal year 2005-06. 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 2006-07, $1.4 billion is from governmental activities and $100.6 million is for business-type activities compared to $1.0 billion for governmental activities and $86.0 million for business-type activities for the prior year.

The table below provides summarized data from the Statement of Net Assets of the County for June 30, 2007 as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		%
	2007	2006	2007	2006	2007	2006	Variance
Current and other assets	$ 2,925,165	$ 2,454,916	$ 314,998	$ 279,401	$ 3,240,163	$ 2,734,317	18%
Capital assets	2,201,178	2,060,660	257,095	249,474	2,458,273	2,310,134	6%
Total assets	5,126,343	4,515,576	572,093	528,875	5,698,436	5,044,451	13%
Other liabilities	480,284	387,261	40,840	34,589	521,124	421,850	24%
Long-term liabilities	1,803,156	1,615,486	326,736	326,042	2,129,892	1,941,528	10%
Total liabilities	2,283,440	2,002,747	367,576	360,631	2,651,016	2,363,378	12%
Net assets:							
Invested in capital assets, net of related debt	903,076	930,800	53,321	40,986	956,397	971,786	-2%
Restricted	569,477	582,037	50,629	41,287	620,106	623,324	-1%
Unrestricted	1,370,350	999,992	100,567	85,971	1,470,917	1,085,963	35%
Total net assets	$ 2,842,903	$ 2,512,829	$ 204,517	$ 168,244	$ 3,047,420	$ 2,681,073	14%

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 2006-07 with a total of $1.2 billion being earned. Public Assistance received 56.0% of the governmental activity funding for fiscal year 2006-07 compared to 54.7% of the governmental activity funding from this source in the prior year. Public Protection received 20.8% of the governmental activity funding for fiscal year 2006-07, compared with 23.4% for fiscal year 2005-06.

- A total of $609.2 million was earned as governmental activity charges for services compared to $558.7 million for fiscal year 2005-06. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Public Protection, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 50.4% of this revenue source, compared to 51.3% from the prior year. General government generated 28.1% compared to 31.3% for prior year.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $48.2 million earned for fiscal year 2006-07 compared to $31.0 million earned for fiscal year 2005-06. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2006-07, 96.9% of the revenue, or $46.7 million, as compared to 96.8%, or $30.0 million, for fiscal year 2005-06, 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 $462.8 million earned during the year, an increase of 16.8% or $66.7 million, as compared to the $396.2 million earned in fiscal year 2005-06. This increase is primarily attributable to higher assessed property values combined with a significant increase in new development. Motor vehicle in-lieu of taxes revenue increased 11.6% from $220.2 million in fiscal year 2005-06 to $245.7 million in fiscal year 2006-07.

Expenses: Total program expenses for governmental activities were $2.4 billion for the current fiscal year as compared to $2.2 billion for the prior fiscal year, an increase of 10.7% or $234.8 million. 38.4%, or $935.6 million of total governmental activities expenses were for Public Protection; 28.3% or $688.2 million for Public Assistance; 14.4% or $350.1 million for Health and Sanitation and 12.2% or $296.9 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%, $475.6 million, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, $337.9 million, was received by RMC as compared to $330.1 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $466.7 million for the fiscal year compared to $426.3 million for the prior fiscal year. This represents an increase of 9.5% or $40.4 million. 70.5%, or $329.1 million, of total expenses were incurred by RMC compared to 68.3%, or $291.0 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.1% of total expenses for business-type activities or $70.2 million compared to 14.8% or $63.0 million for the prior fiscal year; Waste Management Department was 13.0% or $60.8 million compared to 15.6% or $66.5 million the prior fiscal year. Flood Control and County Service Areas account for the remaining 1.4% of expenses, a percentage consistent with the prior fiscal year.

Management's Discussion & Analysis *(Unaudited)*

The following table provides information from the Statement of Activities of the County for the fiscal year 2006-07, as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		
	2007	2006	2007	2006	2007	2006	Variance (%)
Revenues:							
Program revenues:							
Charges for services	$ 609,195	$ 575,071	$ 475,611	$ 465,391	$ 1,084,806	$ 1,040,462	4%
Operating grants and	1,210,941	1,100,674	-	-	1,210,941	1,100,674	10%
Capital grants and contributions	48,186	31,001	261	227	48,447	31,228	55%
General revenues:							
Property taxes	462,817	396,167	-	-	462,817	396,167	17%
Sales and use taxes	51,093	44,286	-	-	51,093	44,286	15%
Other taxes	16,865	15,603	-	-	16,865	15,603	8%
Motor vehicle in-lieu taxes	245,723	220,190	-	-	245,723	220,190	12%
Investment earnings	122,517	78,288	10,198	6,381	132,715	84,669	57%
Other	13,191	96,265	-	-	13,191	96,265	-86%
Total revenues	2,780,528	2,557,545	486,070	471,999	3,266,598	3,029,544	8%
Expenses:							
General government	296,917	259,993	-	-	296,917	259,993	14%
Public protection	935,550	801,044	-	-	935,550	801,044	17%
Public ways and facilities	57,578	61,443	-	-	57,578	61,443	-6%
Health and sanitation	350,082	350,451	-	-	350,082	350,451	0%
Public assistance	688,213	634,522	-	-	688,213	634,522	8%
Education	14,847	11,168	-	-	14,847	11,168	33%
Recreation and culture	11,941	7,188	-	-	11,941	7,188	66%
Interest on long-term debt	81,197	75,721	-	-	81,197	75,721	7%
Regional Medical Center	-	-	329,128	290,962	329,128	290,962	13%
Waste Management Department	-	-	60,772	66,453	60,772	66,453	-9%
Housing Authority	-	-	70,218	62,909	70,218	62,909	12%
Flood Control	-	-	6,242	5,705	6,242	5,705	9%
County Service Areas	-	-	329	285	329	285	15%
Total expenses	2,436,325	2,201,530	466,689	426,314	2,903,014	2,627,844	10%
Excess (deficiency) before Transfers	344,203	356,015	19,381	45,685	363,584	401,700	-9%
Transfers in (out)	(16,892)	19,888	16,892	(19,888)	-	-	0%
Change in net assets	327,311	375,903	36,273	25,797	363,584	401,700	-9%
Net Assets, Beginning of Year, as Restated	2,515,592	2,136,926	168,244	142,447	2,683,836	2,279,373	18%
Net Assets, End of Year	$ 2,842,903	$ 2,512,829	$ 204,517	$ 168,244	$ 3,047,420	$ 2,681,073	14%

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of current financial resources. Such information is useful in assessing the County's short-term financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, capital project funds, and debt service funds. As of June 30, 2007, the County's governmental funds reported combined fund balances of $1.8 billion, an increase of $352.5 million, in comparison with the prior year. Of this total amount, $946.6 million constitutes *unreserved fund balance,* which is available for spending at the County's discretion. The remainder of fund balance, $806.4 million is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County program: $86.1 million
- Outstanding debt service: $44.8 million
- Liquidation of current contractual commitments: $539.3 million
- Other smaller restrictions: $136.2 million

Total governmental fund revenue increased by 11.8% or $301.2 million from the prior fiscal year with $2.9 billion being earned for the fiscal year-ended June 30, 2007. Expenditures increased by 11.6% or $281.2 million, from the prior fiscal year with $2.7 billion being expended for governmental functions during fiscal year 2006-07, compared to $2.4 billion for the prior fiscal year. Therefore, governmental fund balance increased by 25.1% or $352.5 million. In comparison, fiscal year 2005-06 had an increase in governmental fund balance of 28.8% or $313.3 million, over fiscal year 2004-05.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $482.7 million, compared to $346.5 million for the prior fiscal year, while total fund balance was $571.0 million for the current year and $446.9 million for the prior year. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance is 23.4% of the total General Fund expenditure of $2.1 billion for the current year as compared to 18.3% of the prior year total of $1.9 billion. The total fund balance of the General Fund for the current year is 27.6% of the total General Fund expenditure as compared to 23.6% for the prior year.

Teeter Debt Service fund taxes receivable balance increased from $21.9 million in the prior fiscal year to $37.0 million in the current fiscal year due to higher actual buyout in fiscal year 2006-07. Teeter notes payable increased in the current fiscal year to $86.2 million compared to $58.4 million in fiscal year 2005-06 due to increase in actual borrowing based on delinquency property tax analysis. Each year the Teeter notes payable balance will change depending on the amount of delinquent property taxes incurred by the County.

Public Facilities Improvements Capital Projects fund balance increased from $223.0 million to $256.3 million, 15.0%, or $33.4 million. The change resulted from increase in other revenue, $35.0 million due to increase in property values over the base year assessed values, increase in interest revenue, $11.7 million, decrease in charges for services, $36.5 million due to slower development and project services, and transfers in, $67.1million. This was offset by increases in general government expenditures of $82.4 million and transfers out, $34.6 million.

Redevelopment Capital Projects fund had a $177.9 million increase in fund balance. The increase resulted from the sale of bonds for $199.3 million, increases in interest revenue of $13.0 million due to higher tax increment, charges for services, $2.2 million, and other revenue of $2.5 million. This was offset by expenditures for general government in the amount of $40.6 million.

Proprietary Funds

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

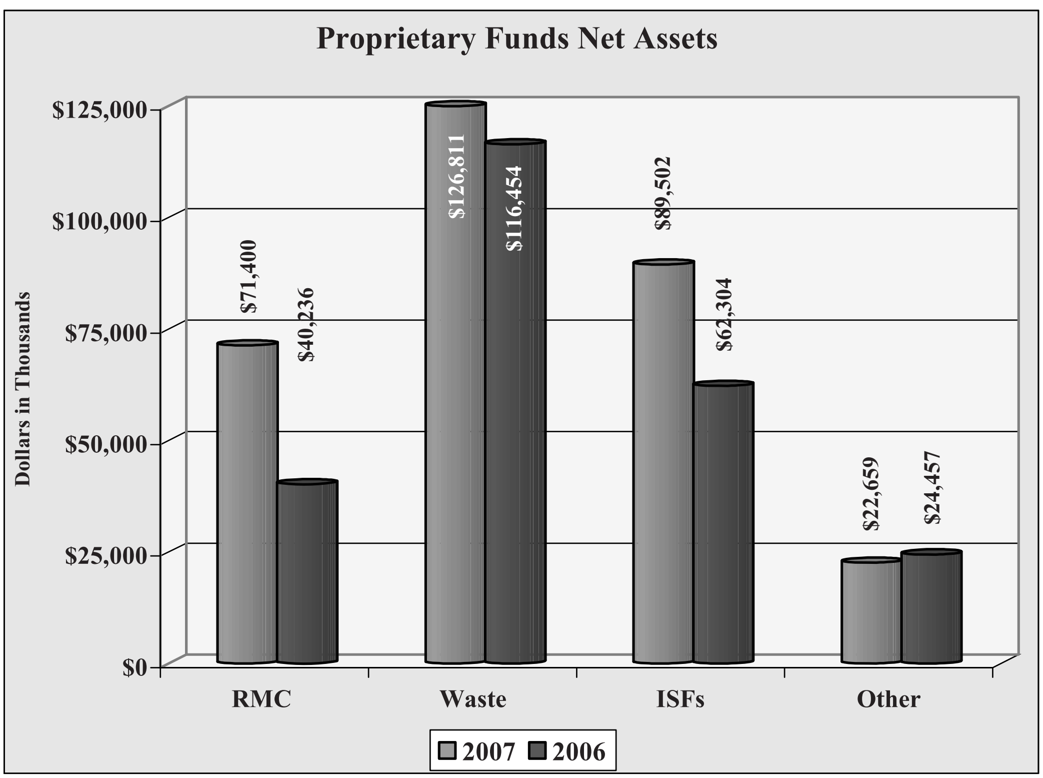
At the end of the fiscal year, total proprietary fund net assets were $310.4 million, compared to $243.5 million for prior fiscal year. Total proprietary fund net assets increased 27.5% or $66.9 million, compared to a 31.2% or $57.9 million increase for the prior fiscal year.

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

- Riverside County Regional Medical Center: $64.9 million
- Waste Management: $42.2 million
- Other enterprise fund activities: $9.8 million
- Internal service fund activities: $71.2 million

RMC's net assets increased from $40.2 million to $71.4 million, 77.5%, or $31.2 million. The change resulted from a 10% increase in patient volume along with one time additional revenues in various third parties programs. The major increases over last year were the Medi-Cal FFS and Waiver Program, $10.0 million, Private Insurance Payors, $3.0 million, California Department of Corrections, $4.0 million, Medicare Cost Report Settlements, $3.0 million, Section 1011, $3.0 million, and SB 1732 (Medi-Cal Capital Construction Fund), $7.0 million.

Waste Management's net assets increased from $116.5 million to $126.8 million, 8.9%, or $10.4 million. The change resulted from a decrease in closure/post-closure expenses, $10.6 million.



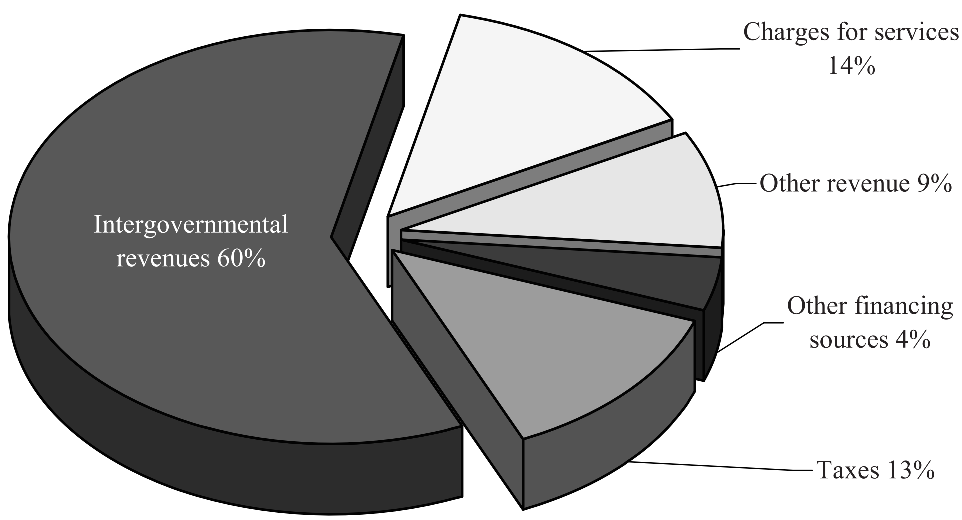
GENERAL FUND FINANCIAL ANALYSIS

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

Revenues and Other Financing Sources	Fiscal Year 2006-07	Percent of Total	Fiscal Year 2005-06	Percent of Total
Taxes	$ 301,575	13%	$ 273,493	13%
Intergovernmental revenues	1,405,699	60%	1,249,537	59%
Charges for services	319,198	14%	326,066	15%
Other revenue	211,460	9%	144,767	8%
Other financing sources	98,260	4%	111,711	5%
Total	$ 2,336,192	100%	$ 2,105,574	100%

The increase in tax revenue was attributable to collections on penalties and interest on delinquent property taxes tied to all teeter plan participants. This revenue is seasonal, dependent upon economical conditions, and will likely continue into fiscal year 2007-08. The increase in tax revenue is also due to the 22.47% increase in the assessed values of property. The increase in intergovernmental revenue was primarily attributable to growth in public safety sales tax and vehicle license fee revenue from the State, an increase in realignment revenue due to economic growth, and growth in reimbursement based programs. The overall decrease in charges for services was primarily the result of decreased revenue from building permit, recording, and modernization fees due to the real estate market slow down.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2007

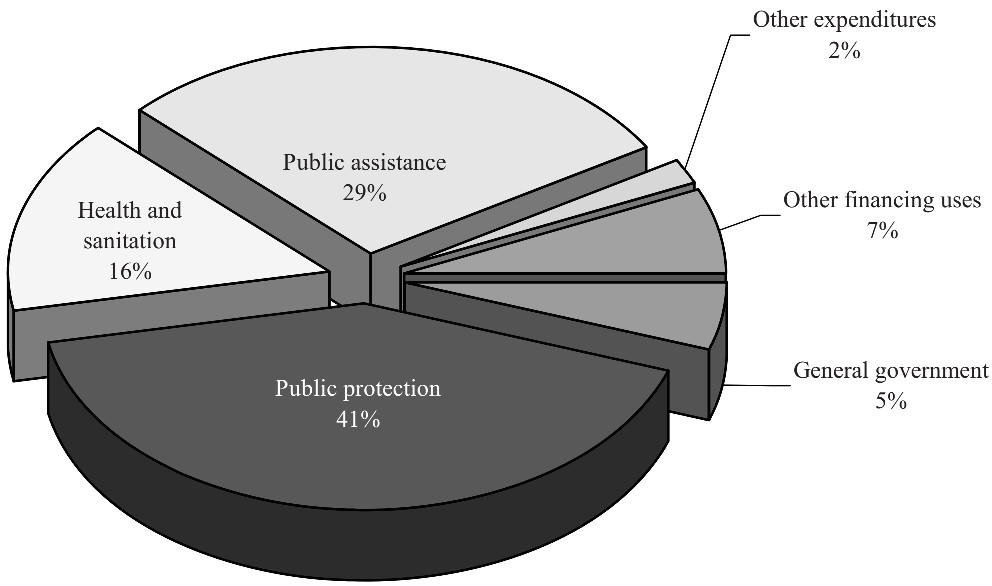


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2006-07	Percent of Total	Fiscal Year 2005-06	Percent of Total
General government	$ 119,365	5%	$ 123,716	6%
Public protection	916,524	41%	798,035	40%
Health and sanitation	341,467	16%	337,139	18%
Public assistance	644,912	29%	588,928	29%
Other expenditures	43,664	2%	45,987	2%
Other financing uses	146,214	7%	104,172	5%
Total	$ 2,212,146	100%	$ 1,997,977	100%

The decrease of expenditures in general government was attributable to CORAL rent and COWCAP expenditures decreasing due to the charges being distributed to more departments outside of the general government and the installment payments for the new Edge II voting equipment were paid for in fiscal year 2005-06. The increase of expenditures in public protection was attributable to additional staffing, increases in salaries and benefits, and the conversion of fire stations to medic stations which were all needed to more efficiently serve the public. The increase of expenditures in health and sanitation was attributable to additional staffing in Mental Health and Public Health departments, increases in administrative cost and TAP services, and increases in computer software and hardware purchases. The increase in public assistance was attributable to caseload growth of reimbursable programs in categorical assistance, increases in salaries and benefits, and increases in COWCAP charges, costs of the new C-IV Statewide Welfare System, computer/equipment upgrades, contractual leases, and service contracts.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2007



GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the original and the final amended budget and 2) the final amended budget and the actual revenue and expenditure amounts. The budgetary comparison statement displays the details of the comparison and is included in the governmental fund statements section.

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variance

The original general fund estimated revenue budget increased by 4.5%, or $104.4 million, from $2.3 billion to the final amended revenue budget of $2.4 billion. The increase represents $38.0 million from taxes, $5.2 million from fines, forfeitures and penalties, $1.4 million from use of money and property, $99.5 million from aid from other governmental agencies, and $17.4 million from other revenue. Revenue from charges for current services had a decrease of $57.0 million offsetting other revenue increases.

Taxes: The budget for property tax had a net increase of $38.0 million, or 13.0%, which primarily consisted of a $22.6 million increase in current secured property taxes, a $16.7 million increase in teeter overflow, a $3.0 million increase in supplemental property tax, and a $4.3 million decrease in documentary transfer taxes.

Fines, Forfeitures and Penalties: The budget for fines, forfeitures, and penalties had a net increase of $5.2 million, or 10.7%, primarily due to an increase in AB233 Realignment revenue for trial court funding.

Use of Money and Property: The budget for interest revenue had a net increase of $1.4 million, or 2.7%, from invested funds. This revenue is based on economist estimates of Federal Reserve activity, the forecasted level of interest rates, and ending balances of the General Fund and its share of pool interest earnings. The original budgeted amount of $51.8 million was raised by $1.4 million in May 2007 resulting in a final amended budget of $53.5 million.

Aid Received from Other Governmental Agencies: Aid received from other governmental agencies increased by $99.5 million, or 7.9%, and consisted of the following: Federal aid increased by $26.3 million and State aid increased by $73.0 million. Increases in Federal aid were the result of Probation having an increase of $9.8 million for the Temporary Assistance to Needy Families (TANF) program and an increase of $1.0 million for the National School Lunch program. Mental Health had an increase of $4.8 million due to the Mental Health Services Act (MHSA) agreement. Federal Grant Revenue increased for the Department of Health by $3.4 million, the Department of Public Social Services by $3.3 million, the Fire Department by $2.0 million, and the Sheriff by $1.5 million. Increases in State aid were primarily the result of an increase from the Department of Public Social Services by $27.4 million, Mental Health by $26.0 million related to the Mental Health Services Act (MHSA), $9.8 million due to SB90 revenue, and an increase in motor-vehicle tax of $8.5 million.

Charges for Current Services: The budget for charges for services had a net decrease of $57.0 million, or 12.8%. The Sheriff's Department had an increase of $5.6 million mainly due to contract city revenue, the Assessor's Department increased $5.4 million, the Fire Department increased by $3.3 million and Facilities Management Department increased by $3.4 million. The Health Department increased revenue for SB 12 or the School Nutrition Standards by $3.0 million while Registrar of Voters increased by $1.5 million. This was all offset by $72.7 million to account for the allocation related to the increase of intergovernmental activities.

Other Revenue: The increase in other revenue of $17.4 million, or 12.3%, was primarily the result of an increase in contractual revenue from Redevelopment of $21.8 million and from the Auditor-Controller of $7.0 million for secured tax revenue. This was offset by a decrease of $16.6 million for the allocation related to the increase of intergovernmental activities.

Expenditure Appropriation Variances

The original general fund appropriation budget increased by $30.3 million, or 1.3%, from $2.31 billion to the final amended appropriation budget of $2.34 billion. The significant appropriation changes were an increase of $30.0 million from public protection, an increase of $40.7 million from health and sanitation, and an increase of $5.0

million from public assistance. Increases were offset by a decrease of $44.9 million from general government. The major appropriation variances are described below.

General Government: The appropriation budget decreased by $44.9 million, or 17.9%, from the original budget of $250.7 million to $205.8 million. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by $4.2 million, or 4.3%, mainly due to the Assessor and Facilities Management. By year-end both departments had vacant budgeted positions therefore cost savings were reclassified to fund increases in operational expenditures. The Assessor decreased budget by $1.5 million and Facilities decreased budget by $1.3 million.
- Services and supplies increased by $19.1 million, or 21.0%, mainly due to Facilities and the Registrar of Voters. Several appropriation transfers totaling $3.7 million in Facilities were done throughout the year to anticipate higher operational expenditures. Facilities also increased budget by $2.0 million due to the addition of 23 new leases to accommodate the need for additional space for County departments. In addition, Facilities increased budget by $3.4 million for anticipated expenditures in consulting, land survey costs, geological contracts, and utility costs. The Registrar of Voters increased budget to cover a $2.3 million payment for replacement of voting equipment. The Registrar also required a $0.4 million increase in temporary help and election officers for the increase in precincts.
- Other charges decreased by $54.0 million, or 49.5%. This was a result of an increase of $11.4 million to Contribution to non-county agencies, a $5.4 million increase from the Assessor and an offset of $70.3 million decrease related to allocation of intergovernmental activities.
- Intrafund transfers increased by $12.1 million, or 15.0%, mainly due to a Human Resources transfer of $7.5 million to adjust the collection of estimated revenue.
- Appropriation for contingencies increased by $4.9 million, or 15.3%, due to the Board of Supervisors, based on Executive Office recommendations, authorizing an increase in appropriations to offset potential liabilities.

Public Protection: The appropriation budget increased by $30.0 million, or 3.2%, from the original budget of $947.7 million to $977.7 million. The increase was a result of a $22.7 million increase from services and supplies, a $5.5 million increase from capital assets, and a $3.7 million increase from other charges. The increases were offset by $1.6 million from salaries and employee benefits. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by $1.6 million, or 0.3%, mainly due to Probation, the Fire Department, and Code Enforcement. Probation's final budget was based on 433 authorized positions. However, at year end, Probation only had 383 filled positions, or a 12% vacancy rate. Therefore, appropriation transfers worth $1.7 million were made to cover expenditures for services and supplies. The Fire department had difficulty recruiting planning and engineering personnel. Anticipated savings of $1.4 million were transferred to cover services and supplies expenditures in the State contract. Code Enforcement had an increase of $1.6 million by adding 38 positions to increase code enforcement levels.
- Services and supplies increased by $22.7 million, or 7.7%, mainly due to the Fire department, Sheriff, Code Enforcement, and Probation. The Fire department added 14 State personnel and other State costs which increased budget by $2.6 million. Also, to cover the Lawson Dump Fire costs, the Fire department increased budget by $1.8 million. Other grants increased the Fire department budget by $1.5 million. The Sheriff budget increased by $5.9 million as a result of additions to city contract patrol services for $1.9 million, a records management system upgrade for $1.6 million, a Taser purchase also for $1.6 million, and $0.8 million due to an increase in motor vehicle maintenance, lodging, and radio systems. Code Enforcement increased by $2.9 million due to expanded supply costs, facilities, and special program expenses for 38 new positions including the illegal dump strike team. Probation increased by $1.1 million due to the replacement of all computers in the department which was paid by the Temporary Assistance to Needy Families (TANF) block grant.
- Other charges increased by $3.7 million, or 6.8%, mainly due to Code Enforcement and County Clerk-Recorder. Code Enforcement increased by $2.1 million in order to support 38 new positions and a new litter removal program. County Clerk-Recorder increased by $1.9 million due to the Box Springs project receiving construction bids that came in higher than expected. In addition, Facilities anticipated other attached costs for County Clerk-Recorder which would exceed original amounts.

- Capital assets increased by $5.5 million, or 81.3%, mainly due to the Sheriff receiving $1.3 million worth of contract additions to communications equipment and receiving $1.2 million in Cal-METT grant funded equipment.

Health and Sanitation: The appropriation budget increased $40.7 million, or 10.7%, from $381.2 million to $421.8 million. The increase was a result of increases of $2.0 million in salaries and employee benefits, $22.3 million from services and supplies, $15.8 million from other charges, and $1.3 million from capital assets. The majority of these increases were due to an increase in positions and services for Mental Health in conjunction with the Mental Health Services Act (MHSA).

Public Assistance: The appropriation budget increased by $5.0 million, or 0.8%, from the original budget of $663.0 million to $668.0 million. The increase was mainly a result of an $11.7 million increase in services and supplies and a decrease of $7.4 million in salaries and employee benefits. The following describe the significant factors for the variances:

- To fully expend Federal and State allocations during the fiscal year, the Department of Public Social Services had salary and benefit savings of $7.4 million transferred to supplies and services. The Department of Public Social Services also received additional funding to support various programs and projects including: Foster Child supplies, improvements to Cathedral City Self-Sufficiency facility, small equipment purchases for TAMD, APS, and CWS, information technology office remodeling, new equipment and building modifications for customer service initiative, and infrastructure improvements to CWS case management system.

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 $114.4 million resulting from unexpended appropriations of $275.8 million or 11.8% and overestimated revenue of $161.3 million or 6.7%. The following contributed to the variance:

Expenditure Variances

General fund actual expenditures of $2.1 billion were 11.8%, or $275.8 million, less than the final amended appropriation budget of $2.3 billion. General government, public protection, health and sanitation, and public assistance were the four most significant factors attributing to the unexpended appropriations as follows:

General Government: Actual expenditures of $119.4 million were less than the final amended budget of $205.8 million by $86.4 million or 42.0%. The most significant factors were due to a decrease in other charges of $42.9 million or 77.9% and a decrease in appropriations for contingencies of $37.0 million or 100%. Services and supplies were less than budget by $7.8 million or 7.1% and salaries and employee benefits were less by $3.6 million or 3.8%.

- Salaries and employee benefits were $3.6 million or 3.8% less than budgeted due to the Assessor, the Treasurer-Tax Collector, and County Counsel showing savings. The Assessor had savings of $1.0 million mainly attributed from information technology positions' skills pay. The Treasurer-Tax Collector had savings of $0.7 million because of 16 vacant budgeted positions. County Counsel had a $0.6 million savings due to 5 vacant budgeted code enforcement positions.
- Services and supplies were $7.8 million or 7.1% less due to the Assessor and the Executive Office. The Assessor had savings of $2.4 million because of a decrease in demand in information technology supplies and in building maintenance and other professional services. The Executive Office had a savings of $1.5 million due to a construction contract with the City of Temecula that was budgeted but not completed by year end and less communication equipment having to be replaced during this fiscal year.
- Other charges were $42.9 million or 77.9% less than budgeted due to the allocations related to the increase in intergovernmental activities.
- Appropriations for Contingencies are budgeted by the Board of Supervisors based on Executive Office recommendations for potential liabilities from general fund appropriations. The $37.0 million or 100%

variance is due to expenditures not being reflected in the budget; instead, appropriations are reduced and increased in the department where they are needed.

Public Protection: Actual expenditures of $916.5 million were less than the final amended budget of $977.7 million by $61.2 million or 6.3%. The most significant factors were due to a decrease in other charges of $22.4 million or 39.0%, a decrease in services and supplies of $19.6 million or 6.1%, a decrease in salaries and employee benefits of $13.9 million or 2.3%, and a decrease in capital assets of $5.5 million or 44.7%.

- Salaries and employee benefits were $13.9 million or 2.3% less than budgeted due to Building and Safety, County Clerk-Recorder, and the Department of Child Support Services. The Building and Safety Department was $4.1 million less due to unfilled positions. The County Clerk-Recorder was $2.3 million less due to a slow down in recording fees. The Department of Child Support Services was $1.2 million less due to the difficulty in hiring experienced staff that are trained in child support activities and a number of employees who retired in the current year.
- Services and supplies were $19.6 million or 6.1% less than budgeted due to the County Clerk-Recorder, Fire Protection, the Sheriff and Planning Departments. The County Clerk-Recorder was $7.10 million less than budgeted. From the $7.1 million, $4.6 was budgeted for software maintenance and professional service projects but expenditures were deferred to next fiscal year due to the slow down in recording fees. The remaining $2.5 million budgeted for organizational restructure was not utilized. Fire Protection had a savings of $2.6 due to contracts with other cities and agencies. The Sheriff had a $3.6 million savings due the upgrade of a records management system project for $2.0 million which will be completed in the next fiscal year and a $1.6 million savings from safety-security supplies. The Planning Department had a $1.9 million savings due to a decrease in contractor services.
- Other charges were $22.4 million less than budgeted with the largest variance due to the County Clerk-Recorder Department. The Department had originally budgeted to lease a facility but it did not occur.
- Capital assets were $5.5 million less than budgeted with a majority of the highest variance from Sheriff-Patrol Department. The department had an increased in budget due to additions in city contracts and the Cal-METT Grant money not fully spent in fiscal year 2006-07.

Health and Sanitation: Actual expenditures of $341.5 million were less than the final amended budget of $421.8 million by approximately 19.1%, or $80.4 million. The most significant factors were due to a decrease in other charges of $56.2 million, a decrease in salaries and employee benefits of $17.7 million, a decrease in services and supplies of $10.0 million, and a decrease in capital assets of $5.4 million. A majority of these changes were from Mental Health and the implementation of the Mental Health Services Act (MHSA). Public Health had an $8.5 million savings in services and supplies as a result deferring equipment installation, software purchases and the expansion of the Bio-Terrorism program to fiscal year 2007-08.

Public Assistance: Actual expenditures of $644.9 million were less than the final amended budget of $668.1 million by approximately 3.5%, or $23.1 million. The most significant factors were due to a decrease in other charges of $8.9 million or 2.3%, a decrease in salaries and employee benefits of $8.3 million or 4.1%, and a decrease in services and supplies of $9.8 million or 10.9%, and an offset of intergovernmental activities of $3.9 million or 23.6%.

- Salaries and employee benefits were $8.3 million or 4.1% less than budgeted primarily due to the Department of Public Social Services Administration having $8.2 million savings from vacant budgeted positions.
- Services and supplies were $9.8 million or 10.9% less than budgeted primarily due to the Department of Public Social Services who cancelled or postponed facilities projects allowing a $6.7 million savings and fleet purchases of $1.8 million were also delayed until the first quarter of fiscal year 2007-08.
- Other charges were $8.9 million or 2.3% less than budgeted primarily due to the Department of Public Social Services. They experienced a decrease in services for kids in group home and youth offenders requiring services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the County's capital assets for both its governmental and business-type activities amounted to $2.5 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, 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 6.41% or $148.0 million, from $2.3 billion in fiscal year 2005-06 to $2.5 billion in fiscal year 2006-07.

The increase of the County's capital assets was primarily due to construction in progress projects. Construction in progress rose from $213.4 million in fiscal year 2005-06 to $356.1 million in fiscal year 2006-07, a 67.0% increase. The 2007 balance includes additions of $161.5 million, retirements of $3.3 million, and transferred or completed projects of $15.5 million. Land and Easement increased by 3.8% as a result of donated land to the Flood Department.

In fiscal year 2006-07, new major projects budgeted for construction and design initiated include the following: construction of the new HUB Jail in Banning was budgeted at $300 million, the expansion of the Smith Correctional Facility for $40 million, $30 million for the Fire and Emergency Operations Center (EOC) Headquarters, $19 million in additions to the Community Health Administrative Building, a new Wildomar Community Animal Shelter for $15 million, and a Facility Management Headquarters building for $4 million in Riverside on Franklin Street. The Riverside Community Regional Medical Center budgeted $3.6 million for remodeling and expansion, a new Indio Maintenance Facility budgeted $3.0 million, and the Glen Oaks Fire Station budgeted $2.5 million for design and construction. A new runway was budgeted for the Jacqueline Cochran Regional Airport with an amount of $1.9 million.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2006-07:

- In fiscal year 2006-07, additions in the amount of $161.5 million consist of costs related to existing projects for $142.3 million and new projects for $13.7 million.

  Existing project costs of $142.3 million include the following:

  - Road, bridge and signal infrastructures additions were $56.2 million.
  - Facilities Department incurred $40.2 million of costs for projects involving the Perris Patrol Station, the Historic Courthouse renovation, and the Nuevo, Cabazon, Lake Perris, and Sun City fire stations.
  - The Economic Development Agency incurred $14.7 million in costs related projects such as the Rubidoux Youth Center and the Rubidoux Health Clinic.
  - Waste Management incurred $12.9 million for the Lamb Canyon Liner in preparation for the expansion of the landfill.
  - Parks additions amount to $10.9 million. There are 41 active County District Park projects. These projects are part of the expansion of public recreation and natural resources.
  - Flood incurred $4.0 million related to Stetson Avenue Channel.
  - The Riverside Community Regional Medical Center incurred costs of $2.3 million, $1.4 million due to the Cogeneration Plant.

  New project costs of $13.7 million include the following:

  - Facilities Department experienced new projects in the amount of $4.5 million due primarily to the remodeling and construction of buildings and structures, such as the Smith Correctional Facility Expansion, the Wilderness Animal Shelter, and the expansion of the Hemet Community Health Agency.
  - Flood incurred new projects costs of $4.1 million, such as those for the La Sierra MDP Campbell Avenue storm drain of $1.5 million, the Day Creek Channel for $1.5 million, and the Wildomar Channel Stage 5 for $1.1 million.

- Road, bridge and signal infrastructures projects totaled $2.9 million.
- The Jacqueline Cochran Regional Airport Terminal Runway in the amount of $1.5 million.

Retired projects from Construction in Progress:

- Parks had 24 countywide district park projects totaling $2.2 million of non depreciable assets retire to Infrastructure, Park Trails and Improvements. These projects dealt with the expansion of public recreation and natural resources, such as the playgrounds, campgrounds, and trail expansions.

Construction in Progress Transfers:

- Completed construction in progress projects were transferred from construction in progress to other designated capital asset accounts during fiscal year 2006-07 in the amount of $34.2 million. This was offset by 18.7 million, for a net transfer of $15.5 million. Projects that were transferred are as follows:
  - Infrastructure incurred transfers of $2.6 million in flood channels and $8.4 million in flood storm drains - $11.0 million.
  - Ben Clark training firing range was transferred to Structures and Improvements - $8.3 million.
  - Airport Runway projects were completed and transferred to Infrastructure - $4.1 million.
  - Sycamore Creek Fire Station transferred to Structures - $2.6 million.
  - Waste Recycling Park development project at Lamb Canyon Sanitary Landfill transferred to Infrastructure - $2.2 million.
  - County Administrative Center 6th floor renovation transferred to Structures and Improvements $1.7 million.

Depreciable capital asset

The following will consists of a breakdown of the additions, retirements and transfers that make up the balance of depreciable capital assets:

Additions to depreciable assets:

- Total fiscal year 2006-07 Depreciable capital asset current year additions $161.7 million, which were comprised of the following:
  - Infrastructure in the amount of $116.7 million:
    - Roads in the amount of $82 million, for which $25.3 million consisted of donated assets, flood storm drains and flood channels in the amount of $34.4 million, and traffic signals in the amount of $0.3 million.
  - Equipment in the amount of $42.9 million:

    Vehicles Leased - $17.5 million, which includes prisoner transportation buses.
    Computer and Office Equipment - $7.2 million.
    Equipment Leased - $7.0 million.
    Equipment Vehicles - $5.0 million.
    Miscellaneous Equipment - $3.4 million.
    Equipment Field - $2.8 million.

Retirements of depreciable assets:

- Retirement of depreciable assets was composed of $115.2 million

  The $115.2 million in retired depreciable assets primarily consists of $95.6 million for Structures and Improvements designated to Court Buildings, such as the Family Law Court and the Justice Courts that were retired then transferred to the State per SB1732- Trial Court Facilities legislation and two fire stations that were donated to the cities of Moreno Valley & Temecula per Board of Supervisors Resolution No. 2005-490. $18.6 million in equipment was retired, consisting of:

  - Equipment Leased- $5.7 million.
  - Computer and Office equipment - $5.1 million.

- o Equipment Vehicles - $3.1 million, which include police cruisers and patrol vehicles.
- o Vehicles Leased - $2.6 million, which includes two fire trucks and over 100 vehicles.
- o Equipment Miscellaneous - $1.1 million.

Transfers:

- $78.0 million was transferred from completed construction in progress projects 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 $101.2 million in depreciation.

Analysis of capital assets from fiscal year 2005-2006 to fiscal year 2006-2007:

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

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)
	2007	2006	2007	2006	2007	2006	Percent of Change
Infrastructure	$ 1,043,655	$ 994,455	$ 31,188	$ 30,137	$ 1,074,843	$ 1,024,592	5%
Land and Easements	333,097	320,426	21,419	21,095	354,516	341,521	4%
Land Improvements	99	-	6,571	7,153	6,670	7,153	-7%
Structures and Improvements	403,199	465,921	150,468	155,922	553,667	621,843	-11%
Equipment	93,147	84,044	19,299	17,566	112,446	101,610	11%
Construction in Progress	327,981	195,814	28,150	17,601	356,131	213,415	67%
Total	$ 2,201,178	$ 2,060,660	$ 257,095	$ 249,474	$ 2,458,273	$ 2,310,134	6%

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

Debt Administration

Under the direction of the Board of Supervisors, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. As of fiscal year-end June 30, 2007, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled $361 as of June 30, 2007. The calculated legal debt limit for the County is $2.6 billion. On August 2, 2007, Moody's Investors Service upgraded the County's issuer rating to Aa3. The following are credit ratings maintained by the County:

	Moody's Investors Service, Inc.	Standards & Poor's Corp.	Fitch
Long-term lease debt	A2	AA-	AA-
Issuer credit	Aa3	AA	AA

The County has issued Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2006-07, the County, as a participant in the California Statewide Communities Development Authority Pool, issued $235.0 million in TRANs to satisfy short-term cash flow needs. Included in this amount was the $68.0 million of taxable notes to pre-pay the County fiscal year 2006-07 CALPERS employer's normal contribution.

In October 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (alternate method of property tax distribution). The plan required the "buy-out" of delinquent taxes and the annual advance of unpaid taxes to participating agencies. Funding for the County's on-going obligations under Teeter was accomplished through the sale of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes (The "Notes") in the amount of $86.2 million. The $86.2 million was comprised of $67.7 million representing fiscal year 2006-07 delinquent property taxes and $18.5 million representing prior years' delinquent property taxes. Westdeutsche Landesbank Girozentrale and Citibank are the letter of credit providers for the Teeter Notes and the repayment is a pledge of the general fund.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2007.

County's Outstanding Debt Obligation
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Variance
	2007	2006	2007	2006	2007	2006	
Loans payable	$ 310,139	$ 113,383	$ -	$ -	$ 310,139	$ 113,383	174%
Bonds payable	806,398	814,443	181,263	191,142	987,661	1,005,585	-2%
Certificates of participation	335,866	348,486	-	-	335,866	348,486	-4%
Capital Leases	87,337	83,829	17,844	14,993	105,181	98,822	6%
Total Outstanding	$ 1,539,740	$ 1,360,141	$ 199,107	$ 206,135	$ 1,738,847	$ 1,566,276	11%

Outstanding Debt: The County of Riverside's total debt increased by 10.7%, $172.6 million ($179.6 million in governmental funds less $7.0 million in business-type), during the current fiscal year. The key factors in this increase are as follows:

- The issuance of the RDA's 2007 Loans Payable for $203.5 million, which refunded and defeased $11.4 million of the 1998 loans payable. The bonds are payable solely from and secured by an assignment and pledge of certain tax revenues derived from taxes assessed on property within the project areas and other amounts allocated and paid to the Agency.

- The issuance of RDA's 2007 Tax Allocation Refunding Bonds for $89.9 million as a result of current low interest rates to save money on debt service, which refunded and defeased $87.9 million of the 2001 Tax Allocation Bonds. 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.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The county's economic outlook is cautious as the current national housing-market decline appears to be more extensive than predicted. While the onset of this economic slowdown was anticipated, the length and severity are much more difficult to forecast. The county exercises strong fiscal discipline by controlling service expansion, conservatively estimating revenue, and building up reserves. This strategy should protect the continuity of county services for the next several years. Moody's Investment Services commended the county in mid 2007 for its financial prowess and upgraded its credit rating to high quality.

General fund reserves for fiscal year 2007-08 are expected to exceed $400 million and will be drawn down selectively to fund high-priority capital projects. The fiscal year 2007-08 budget set aside $15 million of ongoing discretionary revenue to fund staff for jail expansion now under construction. Fiscal year 2007-08 discretionary revenue is expected to exceed fiscal year 2006-07 by about 7.3 percent ($88.4 million). Following is a summary depicting the general sources of fiscal year 2007-08 discretionary revenue.

Summary of Fiscal Year 2007-08
General-Fund Discretionary Revenue (in thousands)

Source		Final Budget Estimate
Property Taxes	$	355,800
Motor Vehicle In Lieu		216,600
Interest		50,400
Sales Tax *		42,700
Documentary Transfer Tax		16,000
Fines and Penalties		29,400
Tax Loss Reserve Fund-Overflow		10,000
Franchise Tax		6,400
Other (Prior Year & Miscellaneous)		3,300
Federal In-Lieu Taxes		1,800
Tipping fees (El Sobrante)		1,600
Transient Occupancy Tax		1,500
Total	$	735,500

* Does not include public safety sales tax revenue

The County's employee retirement benefit contribution rate for fiscal year 2007-08 for miscellaneous members is 12.05% and the Safety contribution rate is 18.63%. 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 2008-09 rates are projected at 11.9% (Miscellaneous) and 18.4% (Safety). Additional information regarding the County's retirement plans are included in Notes 18, 19 and 20 of the financial statements and schedules of retirement funding progress are included in the Required Supplementary Information section.

Assessed property values increased 22.52% in fiscal year 2006-07 and 16.63% in fiscal year 2007-08 yielding a total assessed property tax roll of $ 239.5 billion for fiscal year 2007-08. The $34.1 billion increase reflected the over 920,000 assessments and a growing county population that surpassed 2 million.

REQUEST 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: web site: www.auditorcontroller.org.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

Photographer
MARIA CHAVEZ
"Hermano y Hermana"

COUNTY OF RIVERSIDE

Statement of Net Assets

June 30, 2007

(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
ASSETS:				
Cash and investments (Note 5)	$ 1,544,755	$ 110,374	$ 1,655,129	$ 52,595
Receivables, net (Notes 1 and 7)	390,440	83,157	473,597	5,996
Inventories	7,170	7,114	14,284	-
Internal balances (Note 8)	16,918	(16,918)	-	-
Pension asset, net (Note 18)	398,069	3,252	401,321	-
Prepaid items and deposits	12,889	1,192	14,081	8
Restricted cash and investments (Notes 5 and 6)	402,331	125,006	527,337	-
Other noncurrent receivables (Note 7)	65,899	-	65,899	-
Notes receivable (Note 7)	24,983	-	24,983	-
Land held for resale	43,704	-	43,704	-
Capital assets (Note 9):				
Depreciable assets, net	1,540,100	207,526	1,747,626	98
Nondepreciable assets	661,078	49,569	710,647	-
Bond issuance costs	18,007	1,821	19,828	-
Total assets	5,126,343	572,093	5,698,436	58,697
LIABILITIES:				
Accounts payable	133,652	14,996	148,648	2,286
Salaries and benefits payable	81,954	12,645	94,599	138
Due to other governments	44,424	9,180	53,604	261
Interest payable	13,057	778	13,835	-
Deposits payable	169	91	260	-
Notes payable (Note 12)	86,222	-	86,222	-
Other liabilities	1,860	3,150	5,010	-
Unearned revenue (Note 7)	118,946	-	118,946	-
Long-term liabilities (Note 13) :				
Due within one year	164,122	30,140	194,262	120
Due beyond one year	1,639,034	296,596	1,935,630	83
Total liabilities	2,283,440	367,576	2,651,016	2,888
NET ASSETS:				
Invested in capital assets, net of related debt	903,076	53,321	956,397	98
Restricted for:				
Children's programs	-	-	-	55,711
Community development	390,776	-	390,776	-
Debt service	42,770	36,861	79,631	-
Health and sanitation	9,750	13,335	23,085	-
Public protection	52,510	-	52,510	-
Public ways & facilities	69,988	-	69,988	-
Other programs	3,683	433	4,116	-
Unrestricted	1,370,350	100,567	1,470,917	-
Total net assets	$ 2,842,903	$ 204,517	$ 3,047,420	$ 55,809

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, 2007
(Dollars in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 296,917	$ 171,070	$ 91,528	$ -
Public protection	935,550	307,288	252,027	306
Public ways and facilities	57,578	63,603	20,057	46,700
Health and sanitation	350,082	49,650	162,308	-
Public assistance	688,213	2,547	678,597	-
Education	14,847	8,628	451	1,180
Recreation and culture	11,941	6,409	5,973	-
Interest on long-term debt	81,197	-	-	-
Total governmental activities	2,436,325	609,195	1,210,941	48,186
Business-type activities:				
Regional Medical Center	329,128	337,905	-	261
Waste Management Department	60,772	64,031	-	-
Housing Authority	70,218	67,312	-	-
Flood Control	6,242	6,032	-	-
County Service Areas	329	331	-	-
Total business-type activities	466,689	475,611	-	261
Total primary government	$ 2,903,014	$ 1,084,806	$ 1,210,941	$ 48,447
Component unit:				
Children and Families First Commission	$ 27,277	$ -	$ 27,888	$ -

General revenues:
Taxes:
Property taxes
Sales and use taxes
Other taxes
Intergovernmental revenue not restricted to programs:
Motor vehicle in-lieu of taxes
Investment earnings
Other
Transfers
Total general revenues and transfers
Changes in net assets
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)
NET ASSETS, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Unit	
				FUNCTION/PROGRAM ACTIVITIES:
				Primary government:
				Governmental activities:
$ (34,319)	$ -	$ (34,319)		General government
(375,929)	-	(375,929)		Public protection
72,782	-	72,782		Public ways and facilities
(138,124)	-	(138,124)		Health and sanitation
(7,069)	-	(7,069)		Public assistance
(4,588)	-	(4,588)		Education
441	-	441		Recreation and culture
(81,197)	-	(81,197)		Interest on long-term debt
(568,003)	-	(568,003)		Total governmental activities
				Business-type activities:
-	9,038	9,038		Regional Medical Center
-	3,259	3,259		Waste Management Department
-	(2,906)	(2,906)		Housing Authority
-	(210)	(210)		Flood Control
-	2	2		County Service Areas
-	9,183	9,183		Total business-type activities
(568,003)	9,183	(558,820)		Total primary government
				Component unit:
			$ 611	Children and Families First Commission
462,817	-	462,817	-	
51,093	-	51,093	-	
16,865	-	16,865	-	
245,723	-	245,723	-	
122,517	10,198	132,715	2,527	
13,191	-	13,191	188	
(16,892)	16,892	-	-	
895,314	27,090	922,404	2,715	
327,311	36,273	363,584	3,326	
2,515,592	168,244	2,683,836	52,483	
$ 2,842,903	$ 204,517	$ 3,047,420	$ 55,809	

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

(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

Photographer
FLO RICHARDS
"Japanese Dancers"

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Balance Sheet
Governmental Funds
June 30, 2007
(Dollars in Thousands)

	General	Teeter Debt Service	Public Facilities Improvements Capital Projects
ASSETS:			
Cash and investments (Note 5)	$ 283,080	$ -	$ 255,605
Accounts receivable (Notes 1 and 7)	60,621	-	2,713
Interest receivable (Note 7)	14,673	394	2,528
Taxes receivable (Note 7)	40,766	37,042	-
Due from other governments (Note 7)	252,411	-	20
Inventories	1,540	-	-
Due from other funds (Note 8)	5,417	-	-
Prepaid items	-	-	-
Restricted cash and investments (Notes 5 and 6)	263,390	53,688	-
Advance to other funds (Note 8)	37	-	-
Notes receivable (Note 7)	-	-	-
Land held for resale	-	-	-
Total assets	921,935	91,124	260,866
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	82,441	25	3,600
Salaries and benefits payable	70,585	-	-
Due to other governments	41,432	-	678
Due to other funds (Note 8)	288	4,877	-
Deposits payable	70	-	-
Teeter notes payable (Note 12)	-	86,222	-
Advances from other funds	-	-	-
Deferred revenue (Note 7)	156,155	-	250
Total liabilities	350,971	91,124	4,528
Fund balances (Note 14):			
Reserved	88,233	-	256,338
Unreserved, designated, reported in:			
General fund	339,773	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Unreserved, undesignated, reported in:			
General fund	142,958	-	-
Special revenue funds	-	-	-
Total fund balances	570,964	-	256,338
Total liabilities and fund balances	$ 921,935	$ 91,124	$ 260,866

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

	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash and investments (Note 5)	$ 351,483	$ 433,568	$ 1,323,736
Accounts receivable (Notes 1 and 7)	-	9,316	72,650
Interest receivable (Note 7)	3,531	4,495	25,621
Taxes receivable (Note 7)	-	10,107	87,915
Due from other governments (Note 7)	-	13,016	265,447
Inventories	1,954	933	4,427
Due from other funds (Note 8)	-	1,776	7,193
Prepaid items	-	12,878	12,878
Restricted cash and investments (Notes 5 and 6)	-	85,253	402,331
Advance to other funds (Note 8)	-	-	37
Notes receivable (Note 7)	-	24,983	24,983
Land held for resale	34,165	9,539	43,704
Total assets	391,133	605,864	2,270,922
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	3,281	34,360	123,707
Salaries and benefits payable	-	6,448	77,033
Due to other governments	-	2,222	44,332
Due to other funds (Note 8)	403	1,190	6,758
Deposits payable	-	99	169
Teeter notes payable (Note 12)	-	-	86,222
Advances from other funds	-	37	37
Deferred revenue (Note 7)	-	23,246	179,651
Total liabilities	3,684	67,602	517,909
Fund balances (Note 14):			
Reserved	269,263	192,566	806,400
Unreserved, designated, reported in:			
General fund	-	-	339,773
Special revenue funds	-	187,664	187,664
Capital projects funds	118,186	9,671	127,857
Unreserved, undesignated, reported in:			
General fund	-	-	142,958
Special revenue funds	-	148,361	148,361
Total fund balances	387,449	538,262	1,753,013
Total liabilities and fund balances	$ 391,133	$ 605,864	$ 2,270,922

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

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2007
(Dollars in Thousands)

Fund balances - total governmental funds (page 29)		$ 1,753,013
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.		2,155,180
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		18,007
Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		398,069
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.		60,705
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	$ 806,398	
Capital lease obligations	61,123	
Certificates of participation	335,866	
Loans payable	310,139	
Accrued interest payable	13,057	
Accreted interest payable	1,780	
Compensated absences	119,563	(1,647,926)
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.		105,855
Net assets of governmental activities (page 23)		$ 2,842,903

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, 2007
(Dollars in Thousands)

	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects
REVENUES:			
Taxes	$ 301,575	$ -	$ -
Licenses, permits, and franchise fees	25,803	-	-
Fines, forfeitures, and penalties	81,148	-	-
Use of money and property:			
Interest	62,848	1,330	11,734
Rents and concessions	2,805	-	-
Aid from other governmental agencies:			
Federal	430,606	-	-
State	893,390	-	-
Other	81,703	-	-
Charges for services	319,198	-	36,530
Other revenue	38,856	-	34,961
Total revenues	2,237,932	1,330	83,225
EXPENDITURES:			
Current:			
General government	119,365	735	82,355
Public protection	916,524	-	-
Public ways and facilities	4,505	-	14
Health and sanitation	341,467	-	-
Public assistance	644,912	-	-
Education	394	-	-
Recreation and culture	203	-	-
Debt service:			
Principal	17,659	-	-
Interest	12,092	2,683	-
Cost of issuance	-	-	-
Capital outlay	8,811	-	-
Total expenditures	2,065,932	3,418	82,369
Excess (deficiency) of revenues over (under) expenditures	172,000	(2,088)	856
OTHER FINANCING SOURCES (USES):			
Transfers in	89,449	3,441	71,061
Transfers out	(146,214)	(1,353)	(38,562)
Issuance of debt	-	-	-
Premium on long-term debt	-	-	-
Issuance of refunding bonds	-	-	-
Proceeds from sale of capital assets	-	-	-
Capital leases	8,811		
Total other financing sources (uses)	(47,954)	2,088	32,499
NET CHANGE IN FUND BALANCES	124,046	-	33,355
Fund balances, beginning of year, as previously reported	446,918	-	222,983
Adjustments to beginning fund balances (Note 4)	-	-	-
Fund balances, beginning of year, as restated	446,918	-	222,983
FUND BALANCES, END OF YEAR	$ 570,964	$ -	$ 256,338

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

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	
			REVENUES:
$ -	$ 221,453	$ 523,028	Taxes
-	178	25,981	Licenses, permits, and franchise fees
-	1,798	82,946	Fines, forfeitures, and penalties
			Use of money and property:
12,976	24,901	113,789	Interest
-	40,366	43,171	Rents and concessions
			Aid from other governmental agencies:
-	66,079	496,685	Federal
-	44,240	937,630	State
-	7,408	89,111	Other
2,248	73,700	431,676	Charges for services
2,492	39,554	115,863	Other revenue
17,716	519,677	2,859,880	Total revenues
			EXPENDITURES:
			Current:
40,606	77,193	320,254	General government
-	55,482	972,006	Public protection
-	152,536	157,055	Public ways and facilities
-	7,454	348,921	Health and sanitation
-	41,383	686,295	Public assistance
-	14,436	14,830	Education
-	11,504	11,707	Recreation and culture
			Debt service:
-	26,563	44,222	Principal
-	63,429	78,204	Interest
-	5,565	5,565	Cost of issuance
-	49,714	58,525	Capital outlay
40,606	505,259	2,697,584	Total expenditures
			Excess (deficiency) of revenues
(22,890)	14,418	162,296	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
16,687	132,406	313,044	Transfers in
(16,106)	(126,389)	(328,624)	Transfers out
199,327	94,446	293,773	Issuance of debt
-	2,876	2,876	Premium on long-term debt
-	(103,396)	(103,396)	Issuance of refunding bonds
916	-	916	Proceeds from sale of capital assets
		8,811	Capital leases
200,824	(57)	187,400	Total other financing sources (uses)
177,934	14,361	349,696	NET CHANGE IN FUND BALANCES
208,704	521,949	1,400,554	Fund balances, beginning of year, as previously reported
811	1,952	2,763	Adjustments to beginning fund balances (Note 4)
209,515	523,901	1,403,317	Fund balances, beginning of year, as restated
$ 387,449	$ 538,262	$ 1,753,013	FUND BALANCES, END OF YEAR

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

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 33)		$ 349,696
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	$ 284,812	
Less loss on sale of capital assets	(75,875)	
Less current year depreciation	(71,569)	137,368
Prepaid pension costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		10,124
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.		4,018
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		(172,970)
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.		(26,626)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	(1,950)	
Change in accreted interest	(285)	
Change in long-term compensated absences	(2,712)	(4,947)
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.		30,648
Change in net assets of governmental activities (page 25)		$ 327,311

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, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 291,700	$ 329,678	$ 301,575	$ (28,103)
Licenses, permits, and fees	29,741	29,751	25,803	(3,948)
Fines, forfeitures, and penalties	48,264	53,418	81,148	27,730
Use of money and property:				
Interest	52,141	53,541	62,848	9,307
Rents and concessions	22,599	22,649	2,805	(19,844)
Aid from other governmental agencies:				
Federal	418,893	445,222	430,606	(14,616)
State	846,088	919,087	893,390	(25,697)
Other government	372	506	81,703	81,197
Charges for current services	444,579	387,547	319,198	(68,349)
Other revenue	140,524	157,876	38,856	(119,020)
Total revenues	2,294,901	2,399,275	2,237,932	(161,343)
EXPENDITURES:				
Current:				
General government				
Salaries and employee benefits	99,031	94,808	91,171	(3,637)
Services and supplies	90,954	110,053	102,253	(7,800)
Other charges	109,061	55,044	12,147	(42,897)
Capital assets	244	1,629	674	(955)
Intrafund transfers	(80,643)	(92,741)	(86,880)	5,861
Appropriation for contingencies	32,081	36,989	-	(36,989)
Total general government	250,728	205,782	119,365	(86,417)
Public protection:				
Salaries and employee benefits	599,548	597,950	584,050	(13,900)
Services and supplies	297,054	319,794	300,209	(19,585)
Other charges	53,586	57,250	34,896	(22,354)
Capital assets	6,809	12,347	6,825	(5,522)
Intrafund transfers	(9,280)	(9,659)	(9,456)	203
Total public protection	947,717	977,682	916,524	(61,158)
Health and sanitation:				
Salaries and employee benefits	176,611	178,595	160,856	(17,739)
Services and supplies	95,412	117,717	107,682	(10,035)
Other charges	216,701	232,507	176,346	(56,161)
Capital assets	4,858	6,164	787	(5,377)
Intrafund transfers	(112,408)	(113,139)	(104,204)	8,935
Total health and sanitation	381,174	421,844	341,467	(80,377)
Public assistance:				
Salaries and employee benefits	208,128	200,731	192,450	(8,281)
Services and supplies	78,583	90,234	80,390	(9,844)
Other charges	392,648	392,873	383,987	(8,886)
Capital assets	100	628	628	-
Intrafund transfers	(16,411)	(16,411)	(12,543)	3,868
Total public assistance	$ 663,048	$ 668,055	$ 644,912	$ (23,143)

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, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
Education:				
Salaries and employee benefits	$ 230	$ 231	$ 230	$ (1)
Services and supplies	161	163	164	1
Total education	391	394	394	-
Public ways and facilities:				
Salaries and employee benefits	4,732	4,551	3,515	(1,036)
Services and supplies	1,414	1,438	863	(575)
Other charges	596	85	-	(85)
Capital assets	141	314	128	(186)
Intrafund transfers	(267)	(266)	(1)	265
Total public ways and facilities	6,616	6,122	4,505	(1,617)
Recreation and culture:				
Salaries and employee benefits	91	81	68	(13)
Services and supplies	141	201	159	(42)
Other charges	75	20	-	(20)
Capital assets	-	105	-	(105)
Intrafund transfers	-	(25)	(24)	1
Total recreation and culture	307	382	203	(179)
Debt service:				
Principal	50,575	41,750	17,659	(24,091)
Interest	10,870	10,870	12,092	1,222
Total debt service	61,445	52,620	29,751	(22,869)
Capital outlay	-	8,811	8,811	-
Total expenditures	2,311,426	2,341,692	2,065,932	(275,760)
Excess (deficiency) of revenues over (under) expenditures	(16,525)	57,583	172,000	114,417
OTHER FINANCING SOURCES (USES):				
Transfers in	-	89,449	89,449	-
Transfers out	-	(146,214)	(146,214)	-
Capital leases	-	-	8,811	8,811
Total other financing sources (uses)	-	(56,765)	(47,954)	8,811
NET CHANGE IN FUND BALANCE	(16,525)	818	124,046	123,228
Fund balance, beginning of year	446,918	446,918	446,918	-
FUND BALANCE, END OF YEAR	$ 430,393	$ 447,736	$ 570,964	$ 123,228

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, 2007
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	$ 64,778	$ 38,603	$ 6,993	$ 110,374	$ 221,019
Accounts receivable - net (Notes 1 and 7)	57,221	5,011	2,585	64,817	2,470
Interest receivable (Note 7)	477	1,362	88	1,927	2,114
Taxes receivable (Note 7)	-	-	9	9	-
Due from other governments (Note 7)	12,564	256	3,584	16,404	122
Advances to other funds (Note 8)	-	-	-	-	200
Inventories	6,752	362	-	7,114	2,743
Pension asset, net	-	3,252	-	3,252	-
Due from other funds (Note 8)	-	-	-	-	184
Restricted cash and investments (Notes 5 and 6)	37,054	83,320	4,632	125,006	-
Prepaid items and deposits	1,160	-	32	1,192	11
Total current assets	180,006	132,166	17,923	330,095	228,863
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	147,848	45,457	14,221	207,526	45,648
Nondepreciable assets	18,544	25,785	5,240	49,569	350
Bond issuance costs	1,821	-	-	1,821	-
Total noncurrent assets	168,213	71,242	19,461	258,916	45,998
Total assets	348,219	203,408	37,384	589,011	274,861
LIABILITIES					
Current liabilities:					
Accounts payable	9,166	2,955	2,875	14,996	9,945
Salaries and benefits payable	11,400	1,135	110	12,645	4,921
Due to other funds (Note 8)	565	-	-	565	54
Due to other governments	9,176	4	-	9,180	92
Other liabilities	768	313	2,938	4,019	1,860
Accrued closure and post-closure costs (Notes 10 and 13)	-	4,262	-	4,262	-
Accrued remediation costs (Note 21)	-	1,218	-	1,218	-
Compensated absences (Notes 1 and 13)	8,762	813	96	9,671	2,866
Capital lease obligations (Note 13)	3,929	-	-	3,929	9,761
Bonds payable (Note 13)	10,960	-	100	11,060	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	39,594
Total current liabilities	54,726	10,700	6,119	71,545	69,093
Noncurrent liabilities:					
Compensated absences (Note 13)	4,514	1,728	950	7,192	2,479
Advances from other funds (Note 8)	-	-	-	-	200
Accrued closure and post closure care costs (Note 10)	-	45,638	-	45,638	-
Accrued remediation costs (Note 21)	-	18,531	-	18,531	-
Capital lease obligations (Notes 1 and 13)	13,915	-	-	13,915	16,453
Bonds payable (Note 13)	169,342	-	861	170,203	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	95,634
Other long-term liabilities (Note 13)	34,322	-	6,795	41,117	1,500
Total noncurrent liabilities	222,093	65,897	8,606	296,596	116,266
Total liabilities	276,819	76,597	14,725	368,141	185,359
NET ASSETS:					
Invested in capital assets, net of related debt	(30,587)	71,242	12,666	53,321	18,284
Restricted for debt service	36,861	-	-	36,861	-
Restricted for health and sanitation	-	13,335	-	13,335	-
Restricted other	193	-	240	433	-
Unrestricted	64,933	42,234	9,753	116,920	71,218
Total net assets	$ 71,400	$ 126,811	$ 22,659	220,870	$ 89,502
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(16,353)	
Net assets of business-type activities				$ 204,517	

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, 2007
(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)	$ 272,615	$ -	$ -	$ 272,615	$ -
Charges for services	4,067	61,108	8,663	73,838	166,909
Other revenue	61,223	2,923	65,012	129,158	29,758
Total operating revenues	337,905	64,031	73,675	475,611	196,667
OPERATING EXPENSES:					
Cost of materials used	-	185	-	185	1,785
Personnel services	165,602	17,549	9,609	192,760	68,049
Communications	1,820	324	2	2,146	4,205
Insurance	6,993	578	2	7,573	7,800
Maintenance of building and equipment	6,301	2,220	1,669	10,190	10,258
Insurance claims	-	-	-	-	61,695
Supplies	43,508	2,596	14	46,118	32,033
Purchased services	65,935	22,976	3,361	92,272	16,464
Depreciation and amortization	8,477	4,369	1,844	14,690	15,406
Rents and leases of equipment	3,998	160	21	4,179	2,614
Public assistance	-	-	57,739	57,739	-
Utilities	3,815	251	620	4,686	262
Closure and post-closure care costs	-	3,266	-	3,266	-
Remediation costs (recovery)	-	2,483	-	2,483	-
Other	7,168	3,485	1,041	11,694	3,587
Total operating expenses	313,617	60,442	75,922	449,981	224,158
Operating income (loss)	24,288	3,589	(2,247)	25,630	(27,491)
NONOPERATING REVENUES (EXPENSES):					
Investment income	3,423	5,973	802	10,198	8,733
Interest expense	(13,366)	-	(191)	(13,557)	(1,043)
Gain (loss) on disposal of capital assets	27	272	-	299	53
Total nonoperating revenues (expenses)	(9,916)	6,245	611	(3,060)	7,743
Income (loss) before capital contributions and transfers	14,372	9,834	(1,636)	22,570	(19,748)
Capital contributions	261	-	-	261	48,258
Transfers in	19,953	763	-	20,716	3,116
Transfers out	(3,422)	(240)	(162)	(3,824)	(4,428)
CHANGE IN NET ASSETS	31,164	10,357	(1,798)	39,723	27,198
Net assets, beginning of the year	40,236	116,454	24,457		62,304
NET ASSETS, END OF YEAR	$ 71,400	$ 126,811	$ 22,659		$ 89,502
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,450)	
Change in net assets of business-type activities				$ 36,273	

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, 2007

(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	$ 332,872	$ 64,051	$ 69,429	$ 466,352	$ 196,225
Cash paid to suppliers for goods and services	(132,286)	(37,180)	(64,337)	(233,803)	(137,614)
Cash paid to employees for services	(162,657)	(17,459)	(9,791)	(189,907)	(67,495)
Net cash provided by (used in) operating activities	37,929	9,412	(4,699)	42,642	(8,884)
Cash flows from noncapital financing activities					
Pension assets, net	-	434	-	434	-
Transfers received	19,953	763	-	20,716	3,116
Transfers paid	(3,422)	(240)	(162)	(3,824)	(4,428)
Net cash provided by (used in) noncapital financing activities	16,531	957	(162)	17,326	(1,312)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	27	272	-	299	1,430
Acquisition and construction of capital assets	(2,059)	(14,817)	(611)	(17,487)	(6,674)
Principal paid on capital leases	(1,973)	-	-	(1,973)	(6,631)
Capital Contributions	261	-	-	261	48,258
Principal paid on bonds payable	(9,858)	-	(21)	(9,879)	-
Interest paid on long-term debt	(13,363)	-	(191)	(13,554)	(1,043)
Net cash provided by (used in) capital and related financing activities	(26,965)	(14,545)	(823)	(42,333)	35,340
Cash flows from investing activities					
Interest received on investments	3,421	5,575	768	9,764	7,760
Net cash provided by investing activities	3,421	5,575	768	9,764	7,760
Net increase (decrease) in cash and cash equivalents	30,916	1,399	(4,916)	27,399	32,904
Cash and cash equivalents, beginning of year	70,916	120,524	16,541	207,981	188,115
Cash and cash equivalents, end of year	$ 101,832	$ 121,923	$ 11,625	$ 235,380	$ 221,019

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, 2007
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income to net cash provided					
Operating income (loss)	$ 24,288	$ 3,589	$ (2,247)	$ 25,630	$ (27,491)
Adjustments to reconcile operating income to net cash					
Depreciation and amortization	8,477	4,369	1,844	14,690	15,406
Decrease (Increase) accounts receivable	(9,201)	30	(797)	(9,968)	(136)
Decrease (Increase) bond issuance cost	367	-	-	367	-
Decrease (Increase) due from other funds	1,189	-	-	1,189	(184)
Decrease (Increase) due from other governments	2,612	(10)	(3,449)	(847)	(122)
Decrease (Increase) inventories	(1,032)	(23)	-	(1,055)	(410)
Decrease (Increase) prepaid items and deposits	458	-	6	464	100
Increase (Decrease) accounts payable	(3,734)	(819)	2,557	(1,996)	(1,504)
Increase (Decrease) due to other funds	(1,798)	-	-	(1,798)	54
Increase (Decrease) due to other governments	9,176	4	-	9,180	92
Increase (Decrease) accrued closure costs	-	(784)	-	(784)	-
Increase (Decrease) accrued remediation costs	-	2,879	-	2,879	-
Increase (Decrease) other liabilities	4,182	87	(2,431)	1,838	(307)
Increase (Decrease) estimated claims liability	-	-	-	-	5,064
Increase (Decrease) salaries and benefits payable	1,426	90	1	1,517	543
Increase (Decrease) compensated absences	1,519	-	(183)	1,336	11
Net cash provided by (used in) operating activities	$ 37,929	$ 9,412	$ (4,699)	$ 42,642	$ (8,884)
Supplemental disclosure of noncash investing, capital, and financing activities	$ 358			$ 358	$ 13,259

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, 2007
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ -	$ -	$ 15,850	$ 350,245
Federal Agency	7,986	1,630,446	-	-
Cash and Equivalent & MMF	718	146,513	-	-
Commercial Paper	1,906	389,228	-	-
Negotiable CDs	1,994	407,197	-	-
Medium Term Notes	810	165,311	-	-
Municipal Bonds	53	10,781	-	-
Certificates of Deposit	57	11,610	-	-
Local Agency Obligation	16	3,317	-	-
Accounts receivable	210	3,078	1	1
Interest receivable	6	30,806	98	342
Taxes receivable	-	1	-	114,019
Due from other governments	-	-	-	164
Total assets	13,756	2,798,288	15,949	464,771
LIABILITIES:				
Accounts payable	-	-	7,104	183,897
Salaries and benefits payable	-	-	-	10
Due to other governments	-	-	-	280,864
Total liabilities	-	-	7,104	$ 464,771
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 13,756	$ 2,798,288	$ 8,845	

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, 2007

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 1,914	$ -	$ -
Employee contributions	1,368	-	-
Contributions to pooled investments	-	19,507,350	-
Contributions to Private-Purpose Trust	-	-	4,552
Investment income	584	128,281	467
Total additions	3,866	19,635,631	5,019
DEDUCTIONS:			
Distribution from Pension Trust	132	-	-
Distributions from pooled investments	-	19,212,116	-
Distributions from Private-Purpose Trust	-	-	4,409
Administrative and other expenses	452	-	-
Total deductions	584	19,212,116	4,409
Change in net assets	3,282	423,515	610
Net Assets Held in Trust, beginning of the year	10,474	2,374,773	8,235
Net Assets Held in Trust, end of the year	$ 13,756	$ 2,798,288	$ 8,845

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

(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS

Photographer
RICHARD PAUL
"Dickens Family"

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 are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units

Housing Authority of the County of Riverside (Housing Authority) The governing body of the Housing Authority is the County's governing body. Among its duties, it approves the Housing Authority's budget, rates and charges for the use of facilities, and appoints the management. The Housing Authority is reported as a proprietary fund type.

Riverside County Flood Control and Water Conservation District (Flood Control) The governing body of Flood Control is the County's governing body. Among its duties, it approves Flood Control's budget, 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 governing board of the Park District is the County's governing body. 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 governing body of the RDA is the County's governing body. Among its duties, it approves the RDA's budget and appoints the management. The RDA is reported as a governmental fund type.

County of Riverside Asset Leasing Corporation (CORAL) The governing board of CORAL is appointed by the County's governing board and CORAL provides services entirely to the County through the purchase or construction of land and/or facilities, which are then leased back to the County. CORAL is reported as a governmental fund type.

Riverside County Service Areas (CSAs) The governing body of the CSAs is the County's governing body. Among its duties, it approves the CSAs' budgets, approves parcel fees, and appoints the management. The CSAs are reported as either governmental or proprietary fund types.

Riverside County Public Financing Authority (Public Financing Authority) The governing body of the Public Financing Authority is the County's governing body. The Public Financing Authority was formed for the 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. As of June 30, 2007, this fund had no activity.

County of Riverside District Court Financing Corporation (District Corporation) The governing body of the District Corporation is the County's governing body. The District Corporation assists the County by providing for the acquisition, construction and renovation of certain leased premises and other public facilities and improvements. The District Corporation is reported as a governmental fund type.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-home Support Services Public Authority (IHSS PA) The governing body of the IHSS PA is the County's governing body. The IHSS PA acts as the employer 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 In-home Support Services Public Authority is reported as governmental fund type.

Discretely Presented Component Unit

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, which also directly benefits the County Department of Health and the County Department of Mental Health

A governing Board of nine members, that administers the Commission, is appointed by the County Board of Supervisors. The Commission Board 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 impose its will by removing 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. Additional detailed financial information for each of these entities can be obtained from the Auditor-Controller's Office at the Robert T. Anderson Administrative Center, 4080 Lemon Street - 11th Floor, (P.O. Box 1326), Riverside, CA 92502-1326.

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, and the related fiduciary responsibility of the County for disbursement of these assets. School and special district boards that are separately elected and that are independent of the County Board of Supervisors, administer activities of the school districts and special districts. The County Auditor-Controller makes disbursements upon the request of the responsible self-governed special district officers. The Board has no effective authority to govern, manage, approve budgets, assume financial accountability, establish revenue limits, or appropriate surplus funds available in these entities. Therefore, these entities are fiscally independent of the County. Twenty-four cities and numerous self-governed special districts provide services to the residents of the County. The operations of these entities have been excluded from the basic financial statements since each entity conducts its own day-to-day operations and is controlled by its own governing board.

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 43

In April of 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement is effective for periods beginning after December 15, 2005. This Statement establishes uniform financial reporting standards for other nonpension benefits (OPEB) plans and supersedes the interim guidance included in Statement No. 26. The standards in this Statement apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as to the stand-alone financial reports of OPEB plans, or the public employee retirement systems, or other third parties that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is not applicable to the County. Note 22, subsequent events, has additional information relevant to this Statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 45

In August of 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement is effective for periods beginning after December 15, 2006. The Statement generally requires that state and local governmental employers account for and report the annual cost of other nonpension benefits (OPEB) and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The Statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. The County has elected not to implement GASB No. 45 early. Note 22, subsequent events, has additional information relevant to this Statement.

Governmental Accounting Standards Board Statement No. 48

In September of 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues.* This Statement is effective for periods beginning after December 15, 2006. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability; that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. This Statement includes a provision stipulating that governments should not revalue assets that are transferred between components of the same financial reporting entity, and provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The County has elected not to implement GASB No. 48 early. Note 22, subsequent events, has additional information relevant to this Statement.

Governmental Accounting Standards Board Statement No. 49

In November of 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For recognized pollution remediation liabilities and recoveries, this Statement requires governments to disclose the nature and source of pollution remediation obligations, the amount of the estimated liability (if not apparent from the financial statements), the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. The County has elected not to early implement GASB No. 49 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 50

In May of 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.* This Statement is effective for periods beginning after June 15, 2007. This Statement amends statement 25 to require defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices. This Statement amends Statement 27 to require cost-sharing employers to include, in the note disclosure of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statue or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis. This Statement also amends Statement 27 to require that, if a cost-sharing plan does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of Statement 25, as amended, and the plan is not included in the financial report of another

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

entity, each employer in that plan should present as RSI the schedules of funding progress and employer contributions for the plan (and notes to these schedules). The County has elected not to early implement GASB No. 50 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 51

In June of 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement is effective for financial statements for periods beginning after June 15, 2009. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to enhance the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also establishes guidance specific to intangible assets related to amortization. The County has elected not to early implement GASB No. 51 and has not determined its effect on the County's financial statements.

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 unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 43%, or $23.3 million, of the County's $54.1 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following major governmental funds:

The *General Fund* is the County's primary operating fund. It is used to account for all revenues and expenditures necessary to carry out the basic governmental activities of the County that are not accounted for through other funds. For the County, the General Fund includes such activities as general government, public protection, health and sanitation, public assistance, education, and recreation and culture services.

The *Teeter Debt Service Fund* accounts for revenue from collection of delinquent taxes, which is then used to pay principal and interest in association with taxable and tax-exempt commercial paper of the Teeter Plan.

The *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 fixed assets, contributions, and from other funds when allocated by the Board of Supervisors.

The *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:

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

The *Waste Management Department ("Waste Management")* accounts for solid waste revenues, 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, OASIS project (accounting and human resources information system), risk management, temporary assistance pool, and flood control equipment on a cost-reimbursement basis. Internal Service Funds are presented in summary form as part of the proprietary fund financial statements. In the government-wide financial statements, the changes in net assets at the end of the fiscal year, as presented in the statements of activities, were allocated to the 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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, 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's pooled investments.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted cash and investments) with an original maturity of three months or less when purchased to be cash equivalents.

Investments, including U.S. Treasury and Agency securities, are carried at fair value based on current market prices 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, 2007, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost.

Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local Agency Obligations are carried at fair value based on the value of each participating dollar.

The fair value of a participants' position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, and accrued interest of the participants' percentage participation at the date of such withdrawal. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2007 to support the valuation.

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 83.9% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 16.1% of the total funds on deposit in the County Treasury represented discretionary deposits.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Investment Oversight Committee has also reviewed investment policies for funds held outside the County Treasury. The pool is not registered with the Securities and Exchange Commission.

Receivables

The Regional Medical Center accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractuals are $349.9 million and $546.9 million, respectively. The Regional Medical Center has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The Regional Medical Center receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the Regional Medical Center is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total fiscal year 2006-07 gross assessed valuation of the County was $205.4 billion.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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.

Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July of each year. The Teeter Plan also 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 2006-07, $26.7 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items and Inventories (Continued)

as assets of the respective fund. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is $5,000; buildings, land and land improvements is $1; and infrastructure is $150,000. Betterments result in a more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of $2,500 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

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

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The Riverside County Regional Medical Center capitalizes net interest expense as a cost of property constructed. The Medical Center capitalized $367,000 for the year ended June 30, 2007.

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 outstanding debt include certain covenants

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $43.7 million at June 30, 2007.

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, 2007, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was $141.8 million.

The County allows unlimited accumulation of sick leave. Upon retirement, disability retirement, or death of an employee, unused accumulated sick leave is paid to the employee or the employee's estate at the rate of 10% of the current salary for five full years of service, plus two 2% for each additional year to a maximum of 50% with the total payment no more than 120 days of full pay. In addition, there is an optional payout of sick leave for health insurance premiums for certain employees.

Deferred Revenue / 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 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, whether or not withheld from the actual debt proceeds, received are reported as debt service expenditures.

Bond Issuance Costs

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Net Assets

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

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

Restricted Net Assets – This category presents external restrictions imposed by creditors, grantors, contributors, 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 reserved and/or designated. Governmental funds report reservations of fund balance for amounts that are not appropriable or that are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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, or the following capital project funds: CORAL and District Court Financing Corporation.

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

Each year the original budget, as published in a separate report the "Final Budget," is adjusted to reflect increases or decreases in revenues and changes in fund balance. These changes are offset by an equal change in available appropriations. The County Executive Officer is authorized by the Board to transfer appropriations between appropriation classes within the same budgetary unit. Transfers of appropriations between budgetary units require approval of the Board (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.

A budgetary comparison statement is prepared for the general fund and is part of the basic financial statements. The 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.

(This Page Intentionally Left Blank)

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	Eliminations	Statement of Net Assets Totals (Page 23)
Assets:					
Cash and investments	$ 1,323,736	$ -	$ 221,019	$ -	$ 1,544,755
Receivables:					
Accounts receivable	72,650	-	2,470	-	75,120
Interest	25,621	-	2,114	-	27,735
Taxes	87,915	-	-	-	87,915
Due from other governments	265,447	-	122	-	265,569
Notes receivable	24,983	-	-	-	24,983
Inventories	4,427	-	2,743	-	7,170
Due from other funds	7,193	-	184	(7,377)	-
Prepaid Items	12,878	-	11	-	12,889
Internal balances	-	-	-	16,918	16,918
Pension asset, net	-	398,069	-	-	398,069
Restricted cash and investments	402,331	-	-	-	402,331
Advances to other funds	37	-	200	(237)	-
Land held for resale	43,704	-	-	-	43,704
Capital assets:					
Nondepreciable	-	660,728	350	-	661,078
Depreciable, net	-	1,494,452	45,648	-	1,540,100
Bond issuance costs	-	18,007	-	-	18,007
Total assets	$ 2,270,922	$ 2,571,256	$ 274,861	$ 9,304	$ 5,126,343

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

	Total Governmental Funds	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 23)
Liabilities:					
Accounts payable	$ 123,707	$ -	$ 9,945	$ -	$ 133,652
Salaries and benefits payable	77,033	-	4,921	-	81,954
Due to other funds	6,758	-	54	(6,812)	-
Due to other governments	44,332	-	92	-	44,424
Interest payable	-	13,057	-	-	13,057
Deposits payable	169	-	-	-	169
Deferred revenue / Unearned revenue	179,651	(60,705)	-	-	118,946
Notes payable	86,222	-	-	-	86,222
Other Liabilities	-	-	1,860	-	1,860
Long-term liabilities due within one year:		-			
Bonds payable	-	12,025	-	-	12,025
Capital lease obligations	-	11,358	9,761	-	21,119
Certificates of participation	-	14,057	-	-	14,057
Loans payable	-	5,330	-	-	5,330
Compensated absences	-	69,131	2,866	-	71,997
Estimated claims liability	-	-	39,594	-	39,594
Advance from other funds	37	-	200	(237)	-
Long-term liabilities due in more than one year:		-			
Bonds payable	-	794,373	-	-	794,373
Capital lease obligations	-	49,765	16,453	-	66,218
Certificates of participation	-	321,809	-	-	321,809
Loans payable	-	304,809	-	-	304,809
Accreted interest payable	-	1,780	-	-	1,780
Compensated absences	-	50,432	2,479	-	52,911
Estimated claims liability	-	-	95,634	-	95,634
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	517,909	1,587,221	185,359	(7,049)	2,283,440
Fund balances/net assets:					
Total fund balances/net assets	1,753,013	984,035	89,502	16,353	2,842,903
Total liabilities and fund balances/net assets	$ 2,270,922	$ 2,571,256	$ 274,861	$ 9,304	$ 5,126,343

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, 2007 is as follows (in thousands):

Governmental Funds:

	Major Fund	Nonmajor Funds	
Description	Redevelopment Agency Capital Projects Fund	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund
Fund balances as of June 30, 2006, as previously reported	$ 208,704	$ 98,286	$ 36,543
Prior Period Adjustments:			
Land Held for Resale expensed in prior years	811		
Loan Receivable not recognized in prior years		1,507	
Accounts payable correction from prior years			445
Fund balances, as of June 30, 2006, as restated	$ 209,515	$ 99,793	$ 36,988

Government-wide:

	Governmental Activities
Government-wide net assets, as of June 30, 2006, as previously reported	$ 2,512,829
Restatements:	
Fund financial statements:	
Land Held for Resale expensed in prior years	811
Loan Receivable not recognized in prior years	1,507
Accounts payable correction from prior years	445
Net assets as of June 30, 2006, as restated	$ 2,515,592

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2007, Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Total Governmental Activities	Total Business-type Activities	Total Component Unit	Total Fiduciary Funds	Total
Cash and investments	$ 1,544,755	$ 110,374	$ 52,595	$ 3,144,038	$ 4,851,762
Restricted cash and investments	402,331	125,006	-	-	527,337
Total cash and investments	$ 1,947,086	$ 235,380	$ 52,595	$ 3,144,038	$ 5,379,099

As of June 30, 2007, cash and investments consist of the following (in thousands):

Deposits	$ 526,324
Investments	4,852,775
Total cash and Investments	$ 5,379,099

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

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
California Agency Bonds	3 Years	15% / 150mm	2.50%
US Treasury	5 Years	100%	None
Riverside County Local Agency Debt	3 Years	2.5%	1.25
Federal Agencies	5 Years	None	None
Bills of Exchange	180 Days	30%	None
Commercial Paper	270 Days	40%	100MM
Certificate & Time Deposits	1 Year	25.0%	50MM
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements	60 Days	10%	10%
Medium Term Notes	2 Years	20%	30MM
CalTrust Short Term Fund	Daily Liquidity	1%	1%
Mutual Funds	Daily Liquidity	20%	None
Secured Bank Deposits	1 Year	2%	None
Mortgage Pass-Through Securities	5 Years	20%	None
Local Agency Investment Funds	3 Years	2.5%	1.25%

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.

NOTE 5 – CASH AND INVESTMENTS (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity required for operations.

As of June 30, 2007, the County had the following investments (in thousands):

Held by Fiscal Agents:

Investment	Maturity	Fair Market Value	Weighted Average Maturity (Years)
Treasury Investments			
Commercial Paper	07/07 - 10/07	$ 688,594	0.18
Federal Farm Credit Bank	07/07 - 06/10	259,051	1.33
Federal Home Loan Bank	07/07 - 06/10	830,008	1.66
FHLC - FHLB	07/07 - 06/10	583,165	1.67
Fed Nat Mortg Assoc	07/07 - 06/10	973,591	1.96
Local Agency Obligations	05/08 - 06/20	5,695	3.17
Medium Term Notes	11/07 - 05/09	284,051	0.88
Municipal Bonds	08/07-05/10	18,656	1.36
Negotiable CDs	07/07-05/08	719,003	0.20
Time Deposits	09/07-10/07	20,000	0.23
Total Treasury Investments		4,381,814	
Investments Outside the Treasury			
Money Market	NA	49,952	0.03
Guaranteed Investment Contract	06/20	19,600	6.93
Guaranteed Investment Contract	07/07-11/33	32,255	14.62
Investment Agreements	09/08	70,120	0.22
Investment Agreements	10/09	91,699	0.55
Investment Agreements	10/10	195,630	1.71
Investment Agreements	10/37	7,340	0.60
Local Agency Investment Funds	NA	4,365	0.00
Total Investments Outside the Treasury		470,961	
Total Investments		$ 4,852,775	

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.

NOTE 5 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk ***(Continued)***

GASB Statement No. 40 Requires that 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 of California in the amount $489.8 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 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. However, money market and mutual funds are excluded from this disclosure requirement. Instruments in any one issuer that represent 5% or more of County investments are as follows (in thousands):

Issuer	Investment Type	Reported Amount
Federal Farm Credit Bank	Federal Agency	$ 259,051
Federal Home Loan Bank	Federal Agency	830,008
FHLC-FHLB Mortgage Certificates	Federal Agency	583,165
Federal National Mortgage Association	Federal Agency	973,591

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.

As of June 30, 2007, the County had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2007	Fair Market Value
Treasury Investments				
Commercial Paper	07/06 - 11/06	A1/P1	A1/P1(1)	$ 688,594
Federal Farm Credit Bank	07/06 - 09/08	N/A	AAA	259,051
Federal Home Loan Bank	07/06 - 06/09	N/A	AAA	830,008
FHLC - FHLB	09/06 - 06/09	N/A	AAA	583,165
Federal Nat Mort Assn	07/06 - 06/09	N/A	AAA	973,591
Local Agency Obligations	07/12 - 06/20	NA	NA	5,695
Medium Term Notes	09/06 - 01/08	A	AA(2)	284,051
Municipal Bonds	08/06 - 08/07	A	AA(2)	18,656
Negotiable CDs	07/06 - 11/06	A1/P1	A1/P1(1)	719,003
Time Deposits	09/06 - 10/06	N/A	N/A	20,000
Total Treasury Investments				4,381,814
Investments Outside the Treasury				
Money Market	NA	AAA	AAA	49,952
Guaranteed Investment Contracts	06/20	AA	AAA	19,600
Guaranteed Investment Contracts	07/07-11-33	AA	AA+	32,255
Investment Agreements	09/08	AA	AAA	70,120
Investment Agreements	10/09	AA	AAA	91,699
Investment Agreements	10/10	AA	AAA	195,630
Investment Agreements	10/37	AA	AAA	7,340
Local Agency Investment Funds	NA	NA	NR	4,365
Total Investments Outside the Treasury				470,961
Total Investments				$ 4,852,775

(1) Majority of Commercial Paper and Negotiable CD are A1+/P1
(2) All Medium Term Notes with a maturity greater than a year are AAA

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2007 is as follows (in thousands):

	General Fund	Teeter Debt Service	Nonmajor Governmental Funds	Regional Medical Center	Waste Management Department	Nonmajor Enterprise Funds
1985 Certificates	$ -	$ -	$ 23,293	$ -	$ -	$ -
1993 Hospital Bonds	-	-	-	36,001	-	-
1990 Monterey Avenue	-	-	133	-	-	-
1997 B & C Hospital	-	-	-	30	-	-
1997 Historic Court House	-	-	268	-	-	-
1997 Lease Refunding	-	-	402	-	-	-
1998 Larson Justice Center	-	-	27	-	-	-
2000 Southwest Justice Center	-	-	501	-	-	-
2001 CAC Annex	-	-	2,557	-	-	-
2003 A Historic Courthouse	-	-	1,287	-	-	-
2003 B Capital Facilities	-	-	1,128	-	-	-
2005 A Capital Improvement Family Law	-	-	21,451	-	-	-
2005 B Historic Refunding	-	-	2,263	-	-	-
2006 A Capital Improvements	-	-	12,072	-	-	-
Waste Management	-	-	-	-	83,320	-
Housing Authority Bond	-	-	-	-	-	1,954
Restricted Program Money	263,390	-	14,100	1,023	-	2,678
Teeter Commercial Paper Notes	-	53,688	-	-	-	-
Riverside Court Fin Corp	-	-	5,771	-	-	-
Total Restricted Assets	$ 263,390	$ 53,688	$ 85,253	$ 37,054	$ 83,320	$ 4,632

At June 30, 2007 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

NOTE 7 - RECEIVABLES

Receivables at year-end of major individual funds, nonmajor funds, and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows (in thousands):

Receivables Governmental Activities:	General Fund	Teeter Debt Service	Public Facilities Improvements	Redevelopment Capital Projects	Major Governmental Funds
Accounts	$ 60,621	$ -	$ 2,713	$ -	$ 63,334
Interest	14,673	394	2,528	3,531	21,126
Taxes	40,766	37,042	-	-	77,808
Due from other governments	252,411	-	20	-	252,431
Notes	-	-	-	-	-
Total receivables	$ 368,471	$ 37,436	$ 5,261	$ 3,531	$ 414,699

Receivables Governmental Activities:	Major Governmental Funds	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 63,334	$ 9,316	$ 2,470	$ 75,120
Interest	21,126	4,495	2,114	27,735
Taxes	77,808	10,107	-	87,915
Due from other governments	252,431	13,016	122	265,569
Notes	-	24,983	-	24,983
Total receivables	$ 414,699	$ 61,917	$ 4,706	$ 481,322

Receivables Business-type Activities:	Regional Medical Center	Waste Management	Nonmajor Funds	Total Business-type Activities
Accounts	$ 954,022	$ 5,015	$ 2,585	$ 961,622
Interest	477	1,362	88	1,927
Taxes	-	-	9	9
Due from other governments	12,564	256	3,584	16,404
Gross receivables	967,063	6,633	6,266	979,962
Less: Allowance for contractuals	(546,862)	-	-	(546,862)
Allowance for uncollectibles	(349,939)	(4)	-	(349,943)
Total receivables	$ 70,262	$ 6,629	$ 6,266	$ 83,157

Of the total governmental receivable of $481.3 million, $38.6 million is SB-90 long-term receivable.

Governmental funds report deferred revenue in connection with receivables for revenue not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2007, the components of deferred/unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other governments, current portion	$ 56,381	
Resources received that do not yet meet the criteria for revenue recognition		$ 99,774
Public Facilities Improvement Capital Projects:		
Resources received that do not yet meet the criteria for revenue recognition		250
Nonmajor funds:		
Due from other governments	4,324	
Resources received that do not yet meet the criteria for revenue recognition		18,922
Total governmental	$ 60,705	$ 118,946

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2007 is as follows (in thousands):

***Due to/from other funds*:**

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Teeter Debt Service Fund	$ 4,877	Deliquent Property Taxes
	Regional Medical Center	532	Medical Service
	Nonmajor Governmental Funds	8	Air Quality Management
		5,417	
Internal Service Funds	General Fund	97	
	Regional Medical Center	33	
	Internal Service Funds	54	
		184	Healthcare Services
Nonmajor Governmental Funds	General Fund	191	Capital Project
	Redevelopment Capital Projects	403	Transportation
	Nonmajor Government Funds	1,182	Interfund Activities
		1,776	
	Total	$ 7,377	

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:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor Governmental Fund	$ 37	(1)
Internal Service Fund	Internal Service Fund	200	(2)
	Total	$ 237	

(1) The amount payable to the General Fund relates to advances to Special Revenue Community Services Fund for HUD loans to Valley Restart Shelter. Repayment is expected in February 2008.

(2) Fleet Services Internal Service Fund advanced Central Mail Internal Service fund $500,000 in Fiscal Year 2005 or the contruction of a facility. As of June 30, 2007, $200,000 remains outstanding. Repayment is expected in Fiscal Year 2010.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and reallocations of special revenue. The following schedule briefly summarizes the County's transfer activity (in thousands):

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers-Continued

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Regional Medical Center	$ 3,600	Reimbursement
General Fund	Regional Medical Center	11,353	Operating Contribution
General Fund	Waste Management	763	Reimbursement
		15,716	
Public Facilities Improvement	Regional Medical Center	5,000	Operating Contribution
Regional Medical Center	Nonmajor Governmental Funds	3,422	Pension Obligation
Waste Management	Nonmajor Governmental Funds	240	Pension Obligation
Nonmajor Enterprise	Nonmajor Governmental Funds	162	Pension Obligation
	Total	$ 24,540	

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Nonmajor Governmental Funds	$ 3,791	Administrative support
	Nonmajor Governmental Funds	17,059	Reimbursement
	Nonmajor Governmental Funds	22,017	Pension Obligation
	Nonmajor Governmental Funds	915	Leases
	Nonmajor Governmental Funds	685	Professional services
	Nonmajor Governmental Funds	15,999	Capital projects
	Nonmajor Governmental Funds	165	Miscellaneous
	Teeter	3,441	Debt service
	Internal Service Funds	50	Reimbursement
	Public Facilities Capital Project	66,376	Capital projects
		130,498	
Teeter	General Fund	1,353	Debt Service
Public Facilities Improvement	Nonmajor Governmental Funds	2,639	Reimbursement
	Nonmajor Governmental Funds	21,681	Capital projects
	General Fund	2,140	Capital projects
	General Fund	1,085	Leases
	General Fund	17	Professional services
	General Fund	6,000	Reimbursement
		33,562	
Redevelopment Capital Project	General Fund	144	Professional services
	General Fund	344	Reimbursement
	Public Facilities Capital Project	130	Capital projects
	Nonmajor Governmental Funds	10,141	Capital projects
	Nonmajor Governmental Funds	5,347	Reimbursement
		$ 16,106	

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers-Continued

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
Nonmajor Governmental Funds	General Fund	$ 40	Overhead reimbursement
	General Fund	59,951	Fire Services
	General Fund	2,037	Administrative support
	General Fund	90	CDGB
	General Fund	1,721	Debt Service
	General Fund	4,116	Leases
	General Fund	571	Law Enforcement
	General Fund	3,555	Professional services
	General Fund	5,342	Reimbursement
	General Fund	103	Miscellaneous
	Public Facilities Capital Project	4,555	Capital Projects
	Redevelopment Capital	89	Reimbursement
	Redevelopment Capital	16,598	Capital Projects
	Nonmajor Governmental Funds	3,854	Debt Service
	Nonmajor Governmental Funds	1,801	Pension Obligation
	Nonmajor Governmental Funds	1,902	CDGB
	Nonmajor Governmental Funds	617	Leases
	Nonmajor Governmental Funds	947	Miscellaneous
	Nonmajor Governmental Funds	3,106	Administrative support
	Nonmajor Governmental Funds	113	Professional services
	Nonmajor Governmental Funds	12,848	Reimbursement
	Nonmajor Governmental Funds	1,709	Capital projects
	Internal Service	724	Reimbursement
		126,389	
Internal Service Funds	General Fund	840	Business services
	Internal Service Funds	2,342	Reimbursement
	Nonmajor Governmental Funds	1,246	Pension Obligation
		4,428	
	Total	$ 312,336	

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

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land & easements	$ 320,426	$ 15,377	$ (57)	$ (2,649)	$ 333,097
Construction in progress	195,814	145,080	(2,343)	(10,570)	327,981
Total capital assets, not being depreciated	516,240	160,457	(2,400)	(13,219)	661,078
Capital assets, being depreciated:					
Infrastructure					
Flood channels	245,582	5,907	-	(30,803)	220,686
Flood storm drains	189,033	28,537	-	30,595	248,165
Flood dams and basins	30,404	-	-	207	30,611
Roads	1,190,067	81,988	-	(592)	1,271,463
Traffic signals	18,583	255	-	(531)	18,307
Bridges	99,983	-	-	(21,523)	78,460
Runways	6,793	-	-	4,144	10,937
Parks trails and improvements	2,923	406	(645)	-	2,684
Land improvements	11	-	-	99	110
Structures and improvements	644,705	804	(95,613)	90,948	640,844
Equipment	315,364	37,729	(16,506)	589	337,176
Total capital assets, being depreciated	2,743,448	155,626	(112,764)	73,133	2,859,443
Less accumulated depreciation for:					
Infrastructure	(788,912)	(50,405)	72	1,587	(837,658)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(178,785)	(9,421)	17,537	(66,976)	(237,645)
Equipment	(231,320)	(27,149)	15,988	(1,548)	(244,029)
Total accumulated depreciation	(1,199,028)	(86,975)	33,597	(66,937)	(1,319,343)
Total capital assets, being depreciated, net	1,544,420	68,651	(79,167)	6,196	1,540,100
Governmental activities capital assets, net	$ 2,060,660	$ 229,108	$ (81,567)	$ (7,023)	$ 2,201,178

NOTE 9 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 21,095	$ 324	$ -	$ -	$ 21,419
Construction in progress	17,601	16,399	(951)	(4,899)	28,150
Total capital assets, not being depreciated	38,696	16,723	(951)	(4,899)	49,569
Capital assets, being depreciated:					
Land improvements	11,662	-	-	-	11,662
Infrastructure-landfill liners	34,914	-	-	-	34,914
Infrastructure-other	7,296	639	(299)	2,200	9,836
Structures and improvements	211,818	538		267	212,623
Equipment	103,720	4,855	(2,111)	2,432	108,896
Total capital assets, being depreciated	369,410	6,032	(2,410)	4,899	377,931
Less accumulated depreciation for:					
Land improvements	(4,509)	(582)		-	(5,091)
Infrastructure-landfill liners	(9,730)	(1,411)	-	-	(11,141)
Infrastructure-other	(2,343)	(377)	299	-	(2,421)
Structures and improvements	(55,896)	(6,259)	-	-	(62,155)
Equipment	(86,154)	(5,554)	2,111	-	(89,597)
Total accumulated depreciation	(158,632)	(14,183)	2,410	-	(170,405)
Total capital assets, being depreciated, net	210,778	(8,151)	-	4,899	207,526
Business-type activities capital assets, net	$ 249,474	$ 8,572	$ (951)	$ -	$ 257,095

Depreciation

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

General government	$ 8,588
Public protection	13,634
Health and sanitation	600
Public assistance	1,486
Public ways and facilities	46,536
Recreation and culture	725
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	15,406
Total depreciation expense – governmental functions	$ 86,975

NOTE 9 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	$ 8,110
Waste Management	4,229
Housing Authority	1,818
County Service Areas	6
Flood Control	20
Total depreciation expense – business-type functions	$ 14,183

Capital Leases

	Governmental	Business Type
Structures and Improvements	$ 1,386	$ -
Equipment	184,022	12,049
Less: Accumulated amortization	(135,036)	(5,558)
Total leased property, net	$ 50,372	$ 6,491

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2007, was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, being depreciated:				
Equipment	$ 312	$ 9	$ -	$ 321
Total capital assets, being depreciated	312	9	-	321
Less accumulated depreciation for:				
Equipment	(170)	(53)	-	(223)
Total accumulated depreciation	(170)	(53)	-	(223)
Total capital assets, net	$ 142	$ (44)	$ -	$ 98

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management (Waste) has recorded $82.7 million as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfills ranging from 30% to 100%). State and Federal laws and regulations require Waste to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste will recognize the remaining estimated cost of $35.3 million as the remaining estimated capacity of 20.3 million tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2032. The total estimate of $118 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, 2007 %	Estimated Years Remaining
Anza (Anza)	$ 2,756	100.0	-
Badlands (Moreno Valley)	12,990	45.3	9
Blythe (Blythe)	1,896	30.2	25
Coachella (Coachella)	8,617	100.0	-
Desert Center (Desert Center)	721	69.0	4
Double Butte (Winchester)	9,921	100.0	-
Edom Hill (Cathedral City)	18,955	100.0	-
Highgrove (Riverside)	6,576	100.0	-
Lamb Canyon (Beaumont)	6,590	32.2	16
Mead Valley (Perris)	8,553	100.0	-
Mecca II (Mecca)	2,798	99.4	-
Oasis (Oasis)	2,336	70.0	24
	$ 82,709		

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 is in compliance with these requirements and investments of $63.4 million are held for these purposes at June 30, 2007 and are classified as Restricted Assets in the Statement of Net Assets. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future landfill users.

NOTE 11 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 4.5% per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2007 (in thousands):

Year Ending June 30, 2007		
2008	$	24,265
2009		31,138
2010		15,547
2011		11,706
2012		19,537
2013-2017		31,920
2018-2022		1,006
Total Minimum Payments	$	135,119

Rental expense was $43.5 million principally in the General Fund for the year ended June 30, 2007.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2006, the County issued $235 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid June 30, 2007. The Notes yielded an interest rate of 3.56%. This was to provide needed cash to cover the projected cash-flow deficits of the County's General Fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter Plan, an alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During FY 2006-07, the County retired $39.9 million of the principal amount outstanding at June 30, 2006. The County then issued tax-exempt Series B-1 of $34.4 and Series B-2 of $51.8 million in commercial paper notes. The West LB bank provides Letter of Credit (LOC) for the Series B-1 and Citibank for the Series B-2 Teeter Notes.

Short-term debt activity for the year ended June 30, 2007, was as follows (in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
FY 2006-07 TRANs	$ -	$ 235,000	$ (235,000)	$ -
Teeter Notes	58,394	67,728	(39,900)	86,222
Total	$ 58,394	$ 302,728	$ (274,900)	$ 86,222

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 $2.1 billion.

Capital Leases

Capital leases for governmental funds are recorded both as capital expenditures and as other financing source at inception in the fund financial statements, with the liability and the asset recorded in the government-wide statement of net assets. Capital leases are secured by a pledge of the leased equipment.

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, 2007 (in thousands):

Year Ending June 30, 2007	Governmental Activities	Business-type Activities
2008	$ 24,328	$ 4,603
2009	19,821	4,260
2010	15,368	3,958
2011	11,438	3,409
2012	7,717	2,253
2013-2017	18,585	1,311
2018-2022	4,182	-
2023-2027	3,237	-
2028-2032	122	-
Total minimum payments	104,798	19,794
Less amount representing interest	(17,461)	(1,950)
Present value of net minimum lease payments	$ 87,337	$ 17,844

The statement of net assets includes the Palm Desert Financing Authority capital lease of $6.2 million for the construction of the Blythe County Administrative Center.

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, 2007 (in thousands):

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Certificates of Participation:					
CORAL					
1985 Certificate:	12/01/06 –12/01/15	Variable	$5,400 -$15,000	$ 169,400	$ 89,300
Serial Certificates				169,400	89,300

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Certificates of Participation (Continued):					
CORAL					
2005 A - Capital Improvement & Family Law Court Refunding					
Serial Certificates	11/01/06 – 11/01/25	3.0% - 5.00%	$325 - $1,740	$ 28,495	$ 27,895
Term Certificates	11/01/26 – 11/01/33	5.00%	$2,255 - $1,955	9,905	9,905
Term Certificates	11/01/34 – 11/01/36	5.00%	$2,040 - $2,490	13,265	13,265
2005-A Family Law				51,665	51,065
CORAL					
2005 B - Historic Courthouse Refunding project					
Serial Certificates	11/01/06 – 11/01/25	3.0% - 5.00%	$325 - $1,740	18,835	18,125
Term Certificates	11/01/26 – 11/01/27	5.00%	$1,860 - $1,915	3,775	3,775
2005-B Historic Courthouse				22,610	21,900
CORAL					
1997 Lease Refunding:					
Serial Certificate	11/01/06 – 11/01/12	4.50% - 5.50%	$1,375 - $1,830	43,560	9,780
Term Certificate	11/01/13 – 11/01/17	5.125%	$1,310 - $1,595	7,250	7,250
Term Certificate	11/01/18 – 11/01/21	5.125%	$1,680 - $1,955	7,260	7,260
1997 Lease Refunding				58,070	24,290
CORAL					
1998 Larson Justice Center:					
Serial Certificate	12/01/06 – 12/01/12	4.30% - 4.75%	$1,195 - $1,550	18,185	8,325
Term Certificate	12/01/13 – 12/01/18	5.00%	$1,625 - $2,075	11,055	11,055
Term Certificate	12/01/19 – 12/01/21	5.00%	$2,175 - $2,400	6,860	6,860
1998 Larson Justice Center				36,100	26,240
CORAL					
2001 CAC Annex:					
Serial Certificate	11/01/06 – 11/01/26	5.00% - 5.13%	$705 - $1,880	27,120	24,495
Term Certificate	11/01/27 – 11/01/30	5.13%	$1,980 - $2,295	8,540	8,540
Term Certificate	11/1/31	5.75%	$2,415	2,415	2,415
2001 CAC Annex				38,075	35,450
CORAL					
2006 Series A - Cap Imp Project					
Serial Certificate	11/01/08 – 11/01/26	3.75% - 5.13%	$585 - $1,235	16,425	16,425
Term Certificate	11/01/27 – 11/01/31	4.75%	$1,295 - $1,560	7,130	7,130
Term Certificate	11/01/32 – 11/01/35	5.00%	$1,635 - $1,895	7,050	7,050
Term Certificate	11/01/36 – 11/01/37	4.63%	$1,990 - $2,080	4,070	4,070
2006 A- Cap Improv Proj				$ 34,675	$ 34,675

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Certificates of Participation (Continued):					
CORAL					
2003 A -Historic Court Project					
Serial Certificate	11/01/06 – 11/01/18	3.00% - 5.00%	$260 - $400	$ 4,125	$ 3,865
Term Certificate	11/01/19 – 11/01/23	5.00%	$420 - $510	2,320	2,320
Term Certificate	11/01/24 – 11/01/28	5.00%	$535 - $650	2,955	2,955
Term Certificate	11/01/29 – 11/01/33	5.13%	$720 - $835	3,790	3,790
2003A-Historic Court Project				13,190	12,930
CORAL					
2003 B –Capital Facilities Refunding					
Serial Certificate	11/01/06 – 11/01/11	2.00% - 4.20%	$300 - $900	8,685	6,240
2003B- Capital Facilities				8,685	6,240
CORAL					
1990 Monterey Ave (Desert)					
Serial Certificate	11/01/06 – 11/01/20	Variable	$200 - $800	8,800	6,800
Monterey Ave (Desert Fac)				8,800	6,800
Court Financing Corporation					
Bankruptcy Courthouse					
Acquisition Project	11/01/05– 11/01/27	7.50%	$230 - $1,420	16,120	13,450
Term Certificate				16,120	13,450
District Court Financing					
U.S. District Court Project					
(Net of capital appreciation of $5,035)	12/15/15 – 06/15/20	7.59%	$640 - $844	2,165	2,165
Term /Series 1999	6/15/15	1.93%	Variable	17,635	10,621
Term /Series 2002	6/15/20	3.00%	Variable	925	740
Term certificate				20,725	13,526
Total Certificates of Participation				**$ 478,115**	**$ 335,866**
Bonds Payable:					
CORAL					
2000 Southwest Justice Center:					
Term Certificate	11/01/06 – 11/01/13	4.88% - 5.40%	$1,585 - $2,240	$ 17,945	$ 13,405
Term Certificate	11/01/14 – 11/01/32	5.20%	$2,400 - $6,200	76,300	76,300
Southwest Justice Center				94,245	89,705
CORAL (Sheriff Department)					
1997 B & C (Hospital):					
Term Bonds (Series C)	6/1/19	5.81%	$1,733	1,733	1,733
Bonds Payable				1,733	1,733

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
RDA					
2006 Tax Alloc/Lse Revenue	10/01/06 – 10/01/37	4.50% - 5.00%	$1,995 - $6,490	$ 144,075	$ 142,080
Bonds Payable				144,075	142,080
RDA					
2004 A Tax Alloc Housing	10/01/05 – 10/01/37	4.75% - 5.00%	$4,700 - $16,015	38,225	38,225
Bonds Payable				38,225	38,225
RDA					
2004 A-T Tax Alloc Housing	10/01/05 – 10/01/28	2.90% - 4.87%	$1,800 - $7,955	37,000	34,255
Bonds Payable				37,000	34,255
RDA					
2005 Tax Allocation Housing/ Refunding	10/01/05 – 10/01/33	3.00% - 4.50%	$365 - $4,120	18,245	17,520
Bonds Payable				18,245	17,520
RDA					
2007 Tax Allocation Revenue Bond (Series A)	10/01/06 – 09/1/34	3.00% - 4.50%	$1,725- $6,450	89,990	89,990
Bonds Payable				89,990	89,990
Taxable Pension Obligation					
Pension Oblig.Bonds (Series 2005-A) PERS contract	8/15/05 – 8/15/35	4.91%	$3,155 - $5,530	400,000	392,890
Bonds Payable				400,000	392,890
Total Bonds Payable				**$ 823,513**	**$ 806,398**
Loans Payable:					
RDA					
1998 Loans Payable	10/01/05 – 10/01/33	3.50% - 7.00%	$695 - $11,135	$ 68,296	$ -
2000 Loans Payable	01/01/05 – 01/01/15	3.50% - 7.00%	$56 - $956	1,329	1,646
2004 Loans Payable (TAB)	10/01/05 – 01/01/37	2.50% - 5.00%	$2,705 - $40,300	102,785	98,980
2007 Loans- Series A (Tab)	10/01/07 – 01/01/37	3.50% - 4.37%	$3,380 - $8,925	169,720	169,720
2007 Loans- Series B (Tab)	10/01/07 – 01/01/37	4.00% - 4.75%	$645 - $1,955	33,820	33,820
CORAL					
2007 Monroe Prk Bldg.	12/5/2015	6.50%	$122 - $4,621	5,973	5,973
Total Loans Payable				**381,923**	**310,139**
Total Governmental Activities				**$ 1,683,551**	**$ 1,452,403**

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	06/01/07 – 06/01/12	5.90% - 6.50%	$6,420 - $13,870	$ 134,535	$ 39,125
Term Bonds (Series B)	06/01/13 – 06/01/14	5.41%	$7,050 - $7,475	14,525	14,525
Bond Discount				-	-
Loss on Defeasance (net)				-	(2,254)
1993 A & B – bonds				149,060	51,396
Regional Medical Center					
1997 A (Hospital): Serial Capital Cap Apprec. Bonds (net of future cap apprec $104,487)	06/01/13 – 06/01/26	5.70% - 6.01%	$1,081 - $4,981	41,170	41,170
1997A RCRMC bonds				41,170	41,170
Regional Med Center 1997					
Serial Bonds (Series B)	06/01/04 – 06/01/19	4.10% - 5.50%	$315 - $455	4,785	2,435
Term Bonds (Series B)	06/01/04 – 06/01/19	5.00% - 5.70%	$475 -$11,475	63,935	63,935
Term Bonds (Series C)	6/1/2019	5.81%	$3,265	3,265	3,265
Less: Sheriff's Part (Series C)				(1,733)	(1,733)
Bond Discount				-	(18)
Loss on Defeasance (net)				-	(2,212)
1997 B & C (Hospital)				70,252	65,672
Regional Medical Center					
2003 A & B (Hospital):					
Term Bonds (Series A)	06/01/04 – 06/01/09	2.50% - 5.00%	$ 6,150 -$11,030	56,140	17,590
Term Bonds (Series B)	06/01/04 – 06/01/07	3.35%	$4,040	4,040	4,040
Bond Premium				-	446
Loss on Defeasance (net)				-	(12)
2003 A & B – bonds				60,180	22,064
Housing Authority					
1998 Series A:					
Term Bonds	12/01/05-12/01/07	6.25%	$60 - $90	780	180
Term Bonds	12/01/08-12/01/18	6.85%	$100 - $200	1,625	1,545
Deferred Charges				-	(764)
Term Bonds				2,405	961
Total Bonds Payable				**323,067**	**181,263**
Total Business-type Activities				**$ 323,067**	**$ 181,263**

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental	Loans Payable		Certificates of Participation	
Year ending June 30, 2007:	Principal	Interest	Principal	Interest
2008	$ 5,330	$ 9,257	$ 14,057	$ 22,613
2009	4,759	14,106	15,900	21,442
2010	4,948	13,910	17,122	20,145
2011	5,320	13,728	17,849	18,716
2012	11,619	13,530	19,382	16,950
2013-2017	35,975	63,806	103,509	57,761
2018-2022	39,064	56,087	55,907	30,875
2023-2027	48,720	46,104	35,405	19,049
2028-2032	65,560	34,056	33,210	10,029
2033-2037	77,965	18,349	21,445	3,176
2038-2042	10,879	849	2,080	48
Total	$ 310,139	$ 283,782	$ 335,866	$ 220,804

Governmental	Bonds Payable		Other Long-term Liabilities	
Year ending June 30, 2007:	Principal	Interest	Principal	Interest
2008	$ 12,025	$ 37,658	$ -	$ -
2009	13,395	37,572	-	-
2010	14,750	37,051	-	-
2011	17,990	44,005	-	-
2012	32,445	33,852	-	-
2013-2017	130,930	165,191	1,500	-
2018-2022	188,823	130,949	-	-
2023-2027	180,875	80,289	-	-
2028-2032	124,280	44,788	-	-
2033-2037	79,950	11,735	-	-
2038-2042	10,935	162	-	-
Total	$ 806,398	$ 623,252	$ 1,500	$ -

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2007, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type	Bonds Payable		Other Long-term Liabilites	
Year ending June 30, 2007:	Principal	Interest	Principal	Interest
2008	$ 11,060	$ 12,397	$ -	$ -
2009	11,515	12,222	-	-
2010	12,735	11,982	-	-
2011	13,555	11,469	-	-
2012	14,430	10,921	-	-
2013-2017	64,004	46,307	6,795	-
2018-2022	43,676	31,844	-	-
2023-2027	15,102	10,264	-	-
Total Requirements	186,077	147,406	$ 6,795	$ -
Bond Premium, net	446	-		
Bond Discount	(18)	-		
Deferred Chrgs (Housing)	(764)	-		
Loss on Defeasance (net)	(4,478)	-		
Total	$ 181,263	$ 147,406		

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2007 (in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Governmental Activities:				
Certificates of Participation:				
Court Financing (US District Court Project)	$ 1,495	$ 285	$ -	$ 1,780
Total governmental-type activities	$ 1,495	$ 285	$ -	$ 1,780
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 30,031	$ 4,291	$ -	$ 34,322
Total business-type activities	$ 30,031	$ 4,291	$ -	$ 34,322

The accreted interest payable balances at June 30, 2007 represent accreted interest on the U.S. District Court Project and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project 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, and $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds.

The increases of $285 thousand and $4.2 million, respectively, represent current year's accretion. Accumulated accretion is $34.3 million at June 30, 2007. The U.S. District Court Financing accounts for the remainder of $1.8 million. The un-accreted balances at June 30, 2007 are $96.1 million for the 1997-A Hospital (RCRMC) project and $5 million for the U.S. District Court.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Bonds, Certificates of Participation/ Refunding

During fiscal year ended June 30, 2007, CORAL issued $4 million in Capital Anticipation Notes (2006 CANS) to provide funding for the construction of Woodcrest Library. CORAL also assumed a $5.9 million loan associated with the purchase of the Monroe Park Building in Indio.

The mortgage loan assumed by CORAL carries 6.6% interest and early payment penalties apply. Interest escalates to the prime rate plus 1 basis point after December 2012. However, prepayment without any penalty is allowed after December 2010. It is CORAL's intention to pay off the note in December 2010.

During the fiscal year ended June 30, 2007, the Redevelopment Agency (RDA) issued $89.9 million of Tax Allocation Refunding Bonds as a result of current low interest rates to save money on debt service, to refund the 2001 Tax Allocation Bonds of RDA and to provide funds for the various debt obligations of the RDA within the various project areas. The Bonds are special obligations of RDA 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 Bonds were used to (i) refund all of RDA's $90.0 million 2001 Tax Allocation Bonds, (ii) fund projects of benefit to RDA's Jurupa Valley Redevelopment Project Area; (iii) purchase a reserve policy; and (iv) pay the costs of issuing the bonds. The reserve requirement is covered by a bond insurance policy.

The RDA entered into loan agreements with the Riverside County Public Financing Authority for $203.5 million, which refunded and defeased approximately $11.4 million of the 1998 loans payable. The purpose intended was for financing projects in RDA's five redevelopment project areas.

General obligation bonds are not secured by collateral. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. Not-for-profit corporation certificates of participation and revenue bonds are secured by certain facilities or annual base rental lease payments payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

Defeasance of Debt

In October 2006, the Riverside County Public Financing Authority issued $169.7 million in Tax Allocation Refunding Bonds to provide proceeds (a portion of the 2007 Loans Payable) to RDA that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining portion of the 1997 Loans Payable for $11.4 million. As a result, the refunding portion of the 1997 Loans Payable is considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Assets. This advanced refunding was undertaken to reduce total debt service payments over the next 26 years by $3.7 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $692.5 thousand.

In April 2007, RDA issued $89.9 million in Tax Allocation Refunding Bonds to provide proceeds that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2001 Tax Allocation Bond for $87.9 million. As a result, the refunding portion of the 2001 Tax Allocation Bond is considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Assets. This advance refunding was undertaken to reduce total debt service payments over the next 28 years by $22.6 million and resulted in an economic gain of $2.6 million.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

In April 2005, CORAL issued $51.6 million of Certificates of Participation, 2005 Series A (Capital Improvement and Family Law Court Refunding). Eleven million dollars of the proceeds from the sale of the certificates were used to advance refund $10.7 million of the 1997 Family Law Court 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, 2007, was $10.7 million.

In April 2005, CORAL issued $22.6 million of Certificates of Participation, 2005 Series B (Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund $21.2 million of the 1997 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, 2007, was $21.2 million.

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 $69.4 million of Mortgage Revenue Bonds has been issued and $62.0 million is outstanding as of June 30, 2007. 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 $165.7 million at June 30, 2007, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds. The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Special Assessment Bonds (Continued)

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $4.7 million as of June 30, 2007, 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 and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Southwest Justice Center Series 2000 B Leasehold Revenue Bonds (Bonds) in the 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 5.20%. The Bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million matches the $76.3 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000.

Starting in fiscal year 2014-15, the notional value of the swap and the principal amount of the associated debt will decline. Under the swap agreement, through June 1, 2003, the County paid Citigroup Financial Products, Inc., (Citigroup) a fixed payment rate of 5.20% and Citigroup paid the County an amount equal to the weighted average variable rate interest payable on the outstanding Bonds. After June 1, 2003, the County paid the Citigroup (Holding Company) a fixed rate of 5.2% and receives from Citigroup a variable payment (Floating Rate Option) computed on the weighted average rate paid on the Bonds during any calculation period. Conversely, the Bonds variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA).

Fair Value: The swap had a negative fair value of $ 13.3 million as of June 30, 2007. The fair value is the market price quoted by Citigroup on June, 30 2007.

Credit Risks: The swap counterparty was rated Aa1 by Moody's and AA- by Standard & Poor's as of June 30, 2007. 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: As of June 30, 2007, the County's rate was 64% of LIBOR, or 3.4048%, and BMA was 3.63%. The synthetic rate on the bonds at June 30, 2007 was 1.7952%.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Swap Payment and Associated Debt: Using rates as of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rate remain the same* for their term, were as follows, (in thousands):

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total Interest
2008	$ -	$ 2,598	$ 1,370	$ 3,968
2009	-	2,598	1,370	3,968
2010	-	2,598	1,370	3,968
2011	-	2,598	1,370	3,968
2012	-	2,598	1,370	3,968
2013 - 2017	4,900	12,485	6,583	19,068
2018 - 2022	14,700	10,180	5,368	15,548
2023 - 2028	19,400	7,041	3,712	10,753
2029 - 2033	25,200	3,095	1,631	4,726
2034 - 2038	12,100	269	142	411
	$ 76,300	$ 46,060	$ 24,286	$ 70,346

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Termination Risks:
The County retains the right to terminate the swaps. If the swaps are terminated, the variable rate Bonds would no longer carry synthetic fixed-interest rates. Also, if at the time of termination the swaps had negative fair values, the County would be liable to Citigroup for a payment equal to the swaps' fair values.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2007 (in thousands):

	Balance July 1, 2006	New Additions	Payments / Reclass	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 814,443	$ 89,990	$ (98,035)	$ 806,398	$ 12,025
Capital lease obligations	83,829	24,659	(21,151)	87,337	21,119
Certificates of participation	348,486	-	(12,620)	335,866	14,057
Loans payable	113,383	209,513	(12,757)	310,139	5,330
Total debt long-term liabilities	1,360,141	324,162	(144,563)	1,539,740	52,531
Other long-term liabilities:					
Accreted interest payable	1,495	285	-	1,780	-
Compensated absences*	122,186	3,355	(633)	124,908	71,997
Estimated claims liabilities	130,164	64,293	(59,229)	135,228	39,594
Other long-term liabilities (a)	1,500	-	-	1,500	-
Total other long-term liabilities	255,345	67,933	(59,862)	263,416	111,591
Total governmental activities – long-term liabilities	$ 1,615,486	$ 392,095	$ (204,425)	$ 1,803,156	$ 164,122

Business-type activities:	Balance July 1, 2006	Additions	Payments / Reclass	Balance June 30, 2007	Amounts Due Within One Year
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses**	$ 191,142	$ 5,555	$ (15,434)	$ 181,263	$ 11,060
Capital lease (RCRMC)	14,993	6,122	(3,271)	17,844	3,929
Total debt long-term liabilities	206,135	11,677	(18,705)	199,107	14,989
Other long-term liabilities:					
Accreted interest payable	30,031	4,291	-	34,322	-
Accrued closure and post-closure	50,684	3,810	(4,594)	49,900	4,262
Compensated absences*	15,527	1,525	(189)	16,863	9,671
Accrued remediation costs	16,870	2,879	-	19,749	1,218
Other long-term liabilities (b)	6,795	-	-	6,795	-
Total other long-term liabilities	119,907	12,505	(4,783)	127,629	15,151
Total business-type activities – long-term liabilities	$ 326,042	$ 24,182	$ (23,488)	$ 326,736	$ 30,140

* Obligations for compensated absences have been paid from the fund associated with the obligation.

** The reduction in bonds payable amount of $15.4 million includes a bond premium of $894 thousand, a bond discount amortization of $47 thousand, deferred charges of $833 thousand, and losses on bond defeasance of $5.6 million during FY 2006-07.

(a) Fleet & Purchasing (ISF fund) has $1.5 million in “Other Long-term liabilities” (Govt-type) for a Note Payable authorized by the Board.

(b) The Housing Authority (Business-type Activity) has two notes payable, totaling $6.8 million, under “Other Long-term liabilities.”

NOTE 14 – FUND BALANCES

Fund balances that are not available for appropriation or are not considered "expendable available financial resources" are reserved. Unreserved fund balances that have been earmarked by the Board for a specified purpose are considered designated. Such reserved and designated fund balances at June 30, 2007 are as follows (in thousands):

	Major Funds			Total
Reserved:	General Fund	Public Facilties Improvements	Redevelopment Capital Projects	Major Governmental Funds
Encumbrances	$ 16,259	$ 606	$ 55,208	$ 72,073
Imprest cash	377	1	-	378
Inventories	1,540	-	1,954	3,494
Notes receivable	-	-	-	-
Advances	37	-	-	37
Program operations	69,376	5,214	-	74,590
Construction	-	250,517	177,936	428,453
Receivables	-	-	-	-
General	350	-	-	350
Debt service	294	-	-	294
Land held for resale	-	-	34,165	34,165
Prepaids	-	-	-	-
Total reserved fund balances	88,233	256,338	269,263	613,834
Unreserved:				
Unreserved, designated:				
Strategic planning	101,320	-	-	101,320
Program operations	131,885	-	118,186	250,071
Capital projects and programs	106,568	-	-	106,568
Total unreserved, designated fund balances	339,773	-	118,186	457,959
Total unreserved, undesignated fund balances	142,958	-	-	142,958
Total fund balances	$ 570,964	$ 256,338	$ 387,449	$ 1,214,751

NOTE 14 – FUND BALANCES (Continued)

	Nonmajor Funds				
Reserved:	**Special Revenue Funds**	**Debt Service Funds**	**Capital Projects Funds**	**Total Nonmajor Governmental Funds**	**Total Governmental Funds**
Encumbrances	$ 25,994	$ -	$ 565	$ 26,559	$ 98,632
Imprest cash	151	-	-	151	529
Inventories	933	-	-	933	4,427
Notes receivable	24,983	-	-	24,983	24,983
Advances	-	-	-	-	37
Program operations	11,541	-	-	11,541	86,131
Construction	391	-	11,732	12,123	440,576
Receivables	833	-	-	833	833
General	51	32,415	16,030	48,496	48,846
Debt service	-	39,009	5,521	44,530	44,824
Land held for resale	9,539	-	-	9,539	43,704
Prepaids	-	1,884	10,994	12,878	12,878
Total reserved fund balances	74,416	73,308	44,842	192,566	806,400
Unreserved:					
Unreserved, designated:					
Strategic planning	-	-	-	-	101,320
Program operations	187,664	-	-	187,664	437,735
Capital projects and programs	-	-	9,671	9,671	116,239
Total unreserved, designated fund balances	187,664	-	9,671	197,335	655,294
Total unreserved, undesignated fund balances	148,361	-	-	148,361	291,319
Total fund balances	$ 410,441	$ 73,308	$ 54,513	$ 538,262	$ 1,753,013

Net Assets. The government-wide statement of net assets reports $569.4 million of restricted net assets for governmental activities, of which $239.5 million is restricted by enabling legislation.

See Note 1 for information regarding the reserves for encumbrances and inventories. The general reserve was established under the provisions of Government Code Section 29086 for "dry period" financing, which is that period before the property tax apportionment is received by a fund. The County also issues Tax and Revenue Anticipation Notes to finance the General Fund's "dry period."

NOTE 15 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that occurred but are unreported (IBNR) at fiscal year end. The funding of these estimates is based on actuarial experience and projections. The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are $10 million, subject to a self-insured retention (SIR) of $1 million for each occurrence. A self insured retention is a form of a deductible. The County also purchases an additional $15 million per occurrence excess of the $10 million for a total of $25 million in limits. Medical malpractice utilizes an excess policy providing coverage on claims made basis. Limits under the malpractice policy are $10 million subject to a self-insured retention of $1.1 million. The general liability policy provides an additional $10 million in excess limits above the medical malpractice policy for a total of $20 million. The maximum limit under the excess workers' compensation, Section A, is $200 million; Section B, employer liability is $5 million per claim. Section A is subject to a $2 million SIR for each accident, employee injury, or disease. Settlements have not exceeded coverage for each of the past three fiscal years.

The County's property insurance program provides insurance coverage for all risks subject to a $50 thousand deductible; Flood coverage is subject to a 2% deductible within a 100-year flood zone and $25 thousand outside a 100-year flood zone. The County's property is categorized into four Towers and each Tower provides $600 million in limits. Earthquake (covering scheduled locations equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of $60 million with an additional $232.5 million excess rooftop limit available to any one Tower. Earthquake is subject to a deductible equal to 5% of replacement cost value subject to a $100 thousand minimum. Boiler and Machinery provides up to $100 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. Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2007 are reported in these funds. Where certain 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% confidence level an appropriate reduction in funding including a one-time holiday on department charges is granted. 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 Internal Service Funds at June 30, 2007 plus revenues to be collected during fiscal year 2007-08 are expected to be sufficient to cover all fiscal year 2007-08 payments. The carrying amount of unpaid claim liabilities is $135.2 million. The liabilities are discounted at 4%.

Changes in the balances of claims liabilities during the past two fiscal years for all self-insurance funds combined are as follows (in thousands):

	June 30, 2006	June 30, 2007
Unpaid claims, beginning of year	$ 126,743	$ 130,164
Increase (decrease) in provision for insured events of prior years	(808)	(5,000)
Incurred claims for current year	51,127	64,293
Claim payments	(46,898)	(54,229)
Unpaid claims, end of year	$ 130,164	$ 135,228

NOTE 16 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, the County Medically Indigent Services Program (MISP), and the County Indigent Adult (IA) program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party 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 contractually agreed-upon per discharge rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Services. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient service revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2003 and through June 30, 2005 for Medi-Cal.

During 1991, legislation (SB855) was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals that serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Regional Medical Center has recorded net patient service revenue of $21.6 million from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2007. The continuation of government reimbursement programs is contingent upon Federal, State, and County government policies.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The 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, 2007 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.

Coachella Valley Association of Governments was formed in November 1973 with the cities of Coachella, Desert Hot Springs, Indian Wells, Indio, Palm Springs, and Rancho Mirage. The purpose of the Association is to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis.

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.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 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.

NOTE 18 – RETIREMENT PLAN

Plan Description

The County, Flood Control and Water Conservation District (Flood Control), the Regional Park and Open-Space District (Park District) and Waste Management contribute to the California Public Employees Retirement System (CalPERS). 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 because of its pooling configuration. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law have established a menu of benefit provisions as well as other requirements. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Separate financial reports for the various County plans within CalPERS are not available. The County odes receive annually a valuation report which summarizes assets, liabilities, and rates. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS are required to contribute 8% (9% for safety employees) of their annual covered salary. The County contributes 1% of the total 8% contribution required of Miscellaneous member County employees hired prior to July 11, 2002, on their behalf and for their account. The County makes the full contribution required of County employees hired prior to January 9, 1992, on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above dates make their own contributions for the first five years. Prior to October 25, 2005, Miscellaneous prosecution unit member employees hired on or after September 3, 1992, made their own contributions for the first year. Effective October 25, 2005, the County makes the full contribution required of all Miscellaneous prosecution unit member employees. With some exceptions, safety member employees hired after June 25, 1992, make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood Control, Park District and Waste Management are required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2006-07, the contribution rates were:

	County	Flood Control	Park District	Waste Management
Miscellaneous	11.879%	12.891%	14.268%	14.121%
Safety	17.989%	-	-	-

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

Annual Pension Cost and Net Pension Obligation (Assets)

For fiscal year 2006-07, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (in thousands):

	County	Flood Control	Park District	Waste Management
Miscellaneous	$ 73,628	$ 1,746	$ 524	$ 1,119
Safety	$ 32,986	-	-	-

NOTE 18 – RETIREMENT PLAN (Continued)

The required contribution for fiscal year 2006-07 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and; (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of CalPERS assets was increased from 100% to 110% of the market value of investments. CalPERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. CalPERS has notified the County that the actuarial assumptions regarding the inflation rates will be revised for the next evaluation period. The remaining amortization periods in years at June 30, 2007 are:

	County	Flood Control	Parks District	Waste Management
Miscellaneous	30	15	16	16
Safety	30			

The County's annual pension cost and net pension obligation (asset) for CalPERS for the current year were as follows:

	Governmental Activities	**Business-Type Activities**	**Total**
Annual required contribution	$ 116,368	$ 685	$ 117,053
Interest on net pension obligation (asset)	(30,066)	-	(30,066)
Adjustment to annual required contribution	22,582	434	23,016
Annual pension cost	108,884	1,119	110,003
Contributions made	(116,368)	(685)	(117,053)
Increase(decrease) in net pension obligation (asset)	(7,484)	434	(7,050)
Net pension obligation (asset) beginning of year	(390,585)	(3,686)	(394,271)
Net pension obligation (asset) end of year	$ (398,069)	$ (3,252)	$ (401,321)

Riverside County – Miscellaneous

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 79,036	493.70%	$ (311,162)
June 30, 2006	75,534	90.73	(304,161)
June 30, 2007	73,628	108.12	(310,138)

NOTE 18 – RETIREMENT PLAN (Continued)

Riverside County - Safety

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 36,430	335.28%	$ (85,713)
June 30, 2006	29,176	93.39	(83,784)
June 30, 2007	32,986	104.99	(85,430)

Flood Control and Water Conservation District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 1,192	333.00%	$ (2,779)
June 30, 2006	1,577	100.00	(2,640)
June 30, 2007	1,746	100.00	(2,501)

Regional Park and Open-Space District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 2,238	100.00%	$ -
June 30, 2006	757	100.00	-
June 30, 2007	524	100.00	-

Waste Management Department

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 848	485.90%	$ (4,120)
June 30, 2006	656	100.00	(3,686)
June 30, 2007	1,119	100.00	(3,252)

NOTE 19 – DEFINED BENEFIT PENSION PLAN

County of Riverside

The County provides a defined benefit pension plan for part-time and temporary employees who are not eligible for social security or CalPERS retirement benefits through the County. This single-employer pension plan is subject to IRC Section 401(a), is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately. Participants in the plan are required to contribute 3.75% of their compensation to the plan. The County's current contribution level is 5.78%. The contribution level is based on the actuarial valuation report for the year beginning June 30, 2006. A separate audited GAAP-basis pension plan report is not available for this plan. As of June 30, 2007, the Fund had a cash balance of $13.5 million.

Housing Authority

The Authority contributes through the County of Riverside to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California.

All full-time, part-time, and seasonal benefited County employees are eligible to participate in the system. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit, payable monthly for life. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous County employees hired after the above date make their own contributions for the first five years.

On May 22, 2001 the County Board of Supervisors approved and authorized action to transition employees of the Authority to become County employees retroactive to May 3, 2001. These employees became subject to the provisions of the PERS retirement plan with no carry over vesting in years of service from the prior retirement plan. On May 17, 2006, employees of the Housing Authority who were hired prior to May 31, 2001 were 100% vested in the PERS retirement plan after 5 years of uninterrupted service.

The following information summarizes plan activity for the current fiscal year:

Total Authority Gross Salaries:	$ 5,985,143
Total Authority Regular Salaries Subject to PERS:	4,513,153
Total Authority Contributions Required and Paid:	980,355

Before Authority employees became County employees, the Authority fully funded a defined contribution pension plan on behalf of qualified employees and for their account. During the current fiscal year, the Authority participated in the PERS plan through the County of Riverside and was not required and did not make any contributions to the prior plan. In August 2002 the prior pension plan was formally terminated and plan assets were distributed to the entitled employees in accordance with written instructions as specified by each current or former employee.

NOTE 20 – POST-RETIREMENT BENEFITS

In addition to providing retirement benefits, the County provides certain post-retirement health insurance premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. Employees with a minimum service of 5 years who are at least 50 years of age at retirement qualify to receive the post-retirement benefits. Approximately 1,896 retirees meet these requirements and are covered under the eligibility requirements. CalPERS is responsible for administering the benefits for retirees in certain employee bargaining units. Waste Management, Flood, and Park Districts have not been a part of CalPERS-administered Health Plans since December 31, 2002. In addition, most of the County's employee bargaining units have withdrawn from the CalPERS-administered health plans and are now enrolled with County-administered health plans.

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2007, CalPERS-administered health plan expenditures amounted to approximately $361 thousand and County-administered health plan expenditures amounted to approximately $1 million, respectively. Effective with FY2007-08, the Board of Supervisors has authorized establishment of a trust fund through CalPERS, which will be initially funded with $10 million.

The County of Riverside did obtain an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of January 1, 2007. Based on the combination of plans and contribution levels that the County offers, the present value of future benefits, assuming a 7.24% interest rate, was estimated to be $58.8 million, while the annual normal cost is $1.6 million. If the accrued actuarial liability of $48.6 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be $4.4 million.

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.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2006, 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 2006-07 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 30, 2008.

Commitments

At June 30, 2007, 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. $46.1 million will be payable upon future performance under the contracts.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

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 $19.7 million. These additional costs will be capitalized as the costs are incurred.

Remediation Contingencies

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 $19.7 million. At June 30, 2007, Waste has accrued $19.7 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2007 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 require to be performed. Investments of $19.7 million and $16.9 million are held for these purposes at June 30, 2007 and 2006, respectively, and are classified as restricted cash and investments in the accompanying statements of net assets.

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS) and CalPERS Pre-payment Note

On July 2, 2007, the County as a participant in the California Statewide Communities Development Authority Pool issued $320 million of Tax and Revenue Anticipation Notes in the form of Series A-3 Bonds due June 30, 2008. The stated interest rate for the A-3 Bonds is set at 4.5% per annum with a yield of 3.62%.

The issuance is divided into two entities: $247 million for the Tax and Revenue Anticipation Notes and the other $73 million to pre-pay a portion of the County's CalPERS contribution for 2007-08. Between the prepayment discount of 3.66%, and earnings on cash flow the County expects to net $2.0 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 2007-08 and legally available for payment thereof. Proceeds for the Bonds will be used for fiscal year 2007-08 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Educational Revenue Augmentation Fund (ERAF)

To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties, and special districts). The state did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. For 2007-2008, the State has directed the following ERAF tax shifts: First, a transfer of $348.9 million to the Vehicle License Fee Property Tax Compensation Fund for distribution of 50% in January and 50% in May. Secondly, the State has directed a transfer of $73 million to the Sales and Use Tax Compensation Fund for distribution of 50% in January and 50% in May. The total ERAF transfer for 2007-2008 is $421.9 million.

NOTE 22 – SUBSEQUENT EVENTS (Continued)

Trial Court Facilities Act of 2002 (SB 1732)

The bill provides for the transfer of the responsibility of a county to provide necessary and suitable court facilities by authorizing the transfer of that responsibility from the County to the Judicial Council pursuant to an agreement to be negotiated between the County and the Judicial Council, as specified, between July 1, 2003, and June 30, 2007. At the time of this report, a bill to extend the deadline to December 31, 2008, SB 145, was still pending approval at the state level.

Transfer of responsibility may occur not earlier than July 1, 2004, and not later than June 30, 2007. The bill further imposes a state-mandated local program by expanding various duties of a county with respect to court facilities. This bill would establish the Court Facilities Trust Fund to be financed by specified payments by each county. In general, the County is held responsible for maintenance-of-effort contributions.

Responsibility for the Larson Justice Center, Moreno Valley Court, Banning Court, and Hall of Justice was transferred to the State in October 2004, October 2005, April 2007, and May 2007 respectively. Twenty buildings are subject to the Trial Court Facilities Act of 2002.

Facility	Date Transferred to State	Annual Payment Obligation
Larson Justice Center	October, 2004	$ 559,761
Moreno Valley Court	October, 2005	251,250
Banning Court	April, 2007	112,373
Hall of Justice	May, 2007	684,765
Annual Payment Obligation		$ 1,608,149

SB1732 provides an exception to such transfers for historic facilities. In November 2006, the Board approved a memorandum of understanding between the County and the Judicial Council of California, stating that the County will retain title, responsibility for funding, and operation of the Historic Courthouse, and no payments are required to be paid to the state for this facility as long as it remains a working court facility.

The Effects of the Economy on CalPERS

Based on past negative performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2007-08 will be 12.05% and 18.63%, respectively. Fiscal year 2008-09 contribution rates for Miscellaneous and Safety are estimated at 11.9% and 18.4%, respectively. They will be accounted for in fiscal year 2007-08 and future budget years.

OPEB Trust Agreement

In accordance with GASB 45, on October 23, 2007, the County's Board of Supervisors approved a trust agreement and elected to pre-fund Other Post Employment Benefits (OPEB) with the California Public Employees Retirement System (CalPERS). The trust will be initially funded with $10 million in previously designated general fund balance.

Tobacco Settlement Revenues

On July 17, 2007, the County's Board of Supervisors approved the formation of the Inland Empire Tobacco Securitization Corporation (the Corporation), the Joint Powers Agreement with the County of San Bernardino creating the Inland Empire Tobacco Securitization Authority (the JPA), and authorized the execution of a purchase and sale agreement of a portion of the County's tobacco settlement revenues.

NOTE 22 – SUBSEQUENT EVENTS (Continued)

Tobacco Settlement Revenues (Continued)

Subsequently, the JPA issued $294 million in Tobacco Settlement Asset-Backed Bonds. The bond proceeds were used to make a loan to the Corporation on August 1, 2007. The Corporation, in turn used the proceeds of the loan to purchase a portion of Riverside County's tobacco settlement revenues. The County will use the proceeds to fund certain County capital projects.

CORAL 2007 Certificates of Participation

On August 9, 2007, CORAL authorized the issuance of $111.1 million in Certificate of Participation Bonds, 2007 Series A – Fixed Rate Certificates ($73.7 million), and 2007 Series B – Auction Rate Certificates ($37.4 million). Proceeds will be used to finance the acquisition, construction, and installation of an enhancement of the public safety communications system for the County of Riverside; to refund prior certificates (1997 Lease Refunding Project); to fund a reserve fund; to pay the premium for a debt service reserve surety bond to provide the balance of the reserve requirement for the certificates; and to pay for cost associated with executing and delivering the Certificates.

The interest rates on the 2007 Series A Certificates range from 3.85% to 5.00% and the maturity date is November 1, 2017. The 2007 Series B Certificates mature (subject to prior prepayment) on November 1, 2021. The interest rates on the 2007 Series B Certificates will be determined by the Auction Agent during each Auction Period given the 2007 Series B are being issued as Auction Rate Certificates.

REQUIRED SUPPLEMENTARY INFORMATION

Photographer
RICHARD PAUL
"Indonesian Lady"

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 (in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 1,834,161	$ 2,231,624	$ (397,463)	.822	$ 571,677	(69.5%)
June 30, 2005	2,364,565	2,471,523	(106,958)	.957	592,531	(18.1%)
June 30, 2006	2,599,592	2,741,753	(142,161)	.948	659,274	(21.6%)

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 887,401	$ 1,021,085	$ (133,684)	.869	$ 161,598	(82.7%)
June 30, 2005	1,069,038	1,127,240	(58,202)	.948	168,806	(34.5%)
June 30, 2006	1,170,093	1,231,954	(61,862)	.950	189,606	(32.6%)

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 62,180	$ 71,615	$ (9,435)	.868	$ 11,324	(83.3%)
June 30, 2005	69,637	77,958	(8,321)	.893	12,072	(68.9%)
June 30, 2006	75,422	84,198	(8,775)	.896	13,041	(67.3%)

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 334,956	$ 426,958	$ (92,002)	.785	$ 90,667	(101.5%)
June 30, 2005	405,481	499,323	(93,842)	.812	108,618	(86.4%)
June 30, 2006	501,707	620,492	(118,785)	.855	126,050	(94.2%)

The amounts disclosed are for the entire Risk Pool fund in which Parks participates and not solely of its specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

SCHEDULES OF FUNDING PROGRESS (CONTINUED)

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 334,956	$ 426,958	$ (92,002)	.785	$ 90,667	(101.5%)
June 30, 2005	405,481	499,323	(93,842)	.812	108,618	(86.4%)
June 30, 2006	501,707	620,492	(118,785)	.855	126,050	(94.2%)

The amounts disclosed are for the entire Risk Pool fund in which WMD participates and not solely of its specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

Riverside County – Part-time and Temporary Help

Six -Year Trend Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 3,000	$ 4,579	$ (1,579)	.655	$ 26,258	(6.0%)
June 30, 2002	4,330	7,103	(2,773)	.610	18,956	(14.6%)
June 30, 2003	5,945	8,454	(2,509)	.703	31,360	(8.0%)
June 30, 2004	7,352	9,338	(1,986)	.787	29,670	(6.7%)
June 30, 2005	8,534	11,020	(2,486)	.774	31,360	(9.1%)
June 30, 2006	10,520	13,673	(3,153)	.769	29,124	(10.8%)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County – Part-time and Temporary Help – Employer Contribution Trend Data

Six -Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$ 680	100%	$ -
2003	921	100	-
2004	813	100	-
2005	616	100	-
2006	633	100	-
2007	1,914	100	-

COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

Photographer
RICHARD PAUL
"Indonesian Dancers"

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 242	$ 1,330	$ 1,088
Total revenues	250	242	1,330	1,088
EXPENDITURES:				
Current:				
General government	3,683	1,000	735	(265)
Debt service:				
Interest	-	2,683	2,683	-
Total expenditures	3,683	3,683	3,418	(265)
Excess (deficiency) of revenues over (under) expenditures	(3,433)	(3,441)	(2,088)	1,353
OTHER FINANCING SOURCES (USES):				
Transfers in	3,433	3,441	3,441	-
Transfers out	-		(1,353)	(1,353)
Total other financing sources and (uses)	3,433	3,441	2,088	(1,353)
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ -	$ -

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 157	$ 157	$ -	$ (157)
License, permits, and franchise fees	2,628	2,628	-	(2,628)
Use of money and property:				
Interest	3,722	3,722	11,734	8,012
Aid from other governmental agencies:				
State	2	2	-	(2)
Charges for services	66,820	60,880	36,530	(24,350)
Other revenue	57,129	52,607	34,961	(17,646)
Total revenues	130,458	119,996	83,225	(36,771)
EXPENDITURES:				
Current:				
General government	106,444	137,051	82,355	(54,696)
Public ways and facilities	24,033	17,018	14	(17,004)
Total expenditures	130,477	154,069	82,369	(71,700)
Excess (deficiency) of revenues over (under) expenditures	(19)	(34,073)	856	34,929
OTHER FINANCING SOURCES (USES):				
Transfers in	-	71,061	71,061	-
Transfers out	-	(38,562)	(38,562)	-
Total other financing sources and (uses)	-	32,499	32,499	-
NET CHANGE IN FUND BALANCE	(19)	(1,574)	33,355	34,929
Fund balance, beginning of year	222,983	222,983	222,983	-
FUND BALANCE, END OF YEAR	$ 222,964	$ 221,409	$ 256,338	$ 34,929

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Capital Projects Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 4,300	$ 4,300	$ 12,976	$ 8,676
Charges for current services	32	32	2,248	2,216
Other revenue	73,529	56,842	2,492	(54,350)
Total revenues	77,861	61,174	17,716	(43,458)
EXPENDITURES:				
Current:				
General government	77,862	61,960	40,606	(21,354)
Total expenditures	77,862	61,960	40,606	(21,354)
Excess (deficiency) of revenues over (under) expenditures	(1)	(786)	(22,890)	(22,104)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	16,687	16,687	-
Transfers out	-	(16,106)	(16,106)	-
Issuance of debt	-	-	199,327	199,327
Proceeds from sale of capital assets	-	-	916	916
Total other financing sources and (uses)	-	581	200,824	200,243
NET CHANGE IN FUND BALANCE	(1)	(205)	177,934	178,139
Fund balance, beginning of year, as previously reported	208,704	208,704	208,704	-
Adjustments to beginning fund balance	-	-	811	811
Fund balance, beginning of year, as restated	208,704	208,704	209,515	811
FUND BALANCE, END OF YEAR	$ 208,703	$ 208,499	$ 387,449	$ 178,950

(This Page Intentionally Left Blank)

NONMAJOR GOVERNMENTAL FUNDS

Photographer
RICHARD PAUL
"Mexican Folklorico Dancer"

COUNTY OF RIVERSIDE

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	$ 390,584	$ 32,053	$ 10,931	$ 433,568
Accounts receivable	5,223	4,093	-	9,316
Interest receivable	3,634	744	117	4,495
Taxes receivable	9,965	-	142	10,107
Due from other governments	10,927	-	2,089	13,016
Inventories	933	-	-	933
Due from other funds	1,776	-	-	1,776
Prepaid items	1,884	-	10,994	12,878
Restricted cash and investments	14,100	37,603	33,550	85,253
Notes receivable	24,983	-	-	24,983
Land held for resale	9,539	-	-	9,539
Total assets	473,548	74,493	57,823	605,864
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	31,189	1,185	1,986	34,360
Salaries and benefits payable	6,274	-	174	6,448
Due to other governments	2,222	-	-	2,222
Due to other funds	340	-	850	1,190
Deposits payable	99	-	-	99
Advance from other funds	37	-	-	37
Deferred revenue	22,946	-	300	23,246
Total liabilities	63,107	1,185	3,310	67,602
Fund balances:				
Reserved	74,416	73,308	44,842	192,566
Unreserved, designated, reported in:				
Special revenue funds	187,664	-	-	187,664
Capital projects funds	-	-	9,671	9,671
Unreserved, undesignated, reported in:				
Special revenue funds	148,361	-	-	148,361
Total fund balances	410,441	73,308	54,513	538,262
Total liabilities and fund balances	$ 473,548	$ 74,493	$ 57,823	$ 605,864

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	$ 158,250	$ 63,203	$ -	$ 221,453
Licenses, permits and franchise fees	178	-	-	178
Fines, forfeitures and penalties	1,798	-	-	1,798
Use of money and property:				
Interest	16,920	4,988	2,993	24,901
Rents and concessions	7,842	32,524	-	40,366
Aid from other governmental agencies:				
Federal	66,079	-	-	66,079
State	38,885	-	5,355	44,240
Other	7,408	-	-	7,408
Charges for services	72,194	1,506	-	73,700
Other revenue	39,540	-	14	39,554
Total revenues	409,094	102,221	8,362	519,677
EXPENDITURES:				
Current:				
General government	45,910	27,479	3,804	77,193
Public protection	55,482	-	-	55,482
Public ways and facilities	152,536	-	-	152,536
Health and sanitation	7,454	-	-	7,454
Public assistance	41,383	-	-	41,383
Education	14,436	-	-	14,436
Recreation and culture	11,343	-	161	11,504
Debt service:				
Principal	2,890	23,673	-	26,563
Interest	204	63,225	-	63,429
Cost of issuance	-	5,565	-	5,565
Capital outlay	67	385	49,262	49,714
Total expenditures	331,705	120,327	53,227	505,259
Excess (deficiency) of revenues Over (under) expenditures	77,389	(18,106)	(44,865)	14,418
OTHER FINANCING SOURCES (USES):				
Transfers in	69,139	36,667	26,600	132,406
Transfers out	(101,165)	(19,316)	(5,908)	(126,389)
Issuance of debt	243	94,203	-	94,446
Premium on long-term debt	-	2,876	-	2,876
Issuance of refunding bonds	-	(103,396)	-	(103,396)
Total other financing sources (uses)	(31,783)	11,034	20,692	(57)
NET CHANGE IN FUND BALANCES	45,606	(7,072)	(24,173)	14,361
Fund balances, beginning of year, as previously reported	363,328	79,935	78,686	521,949
Adjustments to beginning fund balances	1,507	445	-	1,952
Fund balances, beginning of year, as restated	364,835	80,380	78,686	523,901
FUND BALANCES, END OF YEAR	$ 410,441	$ 73,308	$ 54,513	$ 538,262

SPECIAL REVENUE FUNDS

Photographer
OTIS ALEXANDER
"Jazzy J"

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These are funds established for the purpose of accounting for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted in expenditure for the specified purposes.

TRANSPORTATION FUND

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.

FLOOD CONTROL FUND

The Flood Control 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.

COMMUNITY SERVICES FUND

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 FUND

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 AREA FUND

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 DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County of the District.

AIR QUALITY IMPROVEMENT FUND

This fund accounts for Riverside County's portion of State of California motor vehicle fees restricted for the use of reducing air pollution.

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

IN-HOME SUPPORT SERVICES FUND

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.

OTHER SPECIAL REVENUE FUND

This fund provides financing to make services available to the public and governmental agencies. At the current time, the other special revenue fund accounts 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.

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2007
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
ASSETS:					
Cash and investments	$ 90,757	$ 162,383	$ 26,696	$ 64,885	$ 15,842
Accounts receivable	4,481	596	103	-	-
Interest receivable	860	1,747	56	515	163
Taxes receivable	123	3,564	5,019	-	624
Due from other governments	7,791	4	1,942	-	-
Inventories	933	-	-	-	-
Due from other funds	926	-	-	-	-
Prepaid Items	-	1,804	80	-	-
Restricted cash and investment	-	14,100	-	-	-
Notes receivable	-	-	-	24,983	-
Land held for resale	-	-	-	9,539	-
Total assets	105,871	184,198	33,896	99,922	16,629
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	13,481	15,334	855	442	493
Salaries and benefits payable	2,582	1,068	1,798	-	61
Due to other governments	1,403	567	232	-	2
Due to other funds	-	-	-	-	332
Deposits payable	-	-	-	-	99
Advances from other funds	-	-	37	-	-
Deferred revenue	19,442	109	2,705	-	19
Total liabilities	36,908	17,078	5,627	442	1,006
Fund balances (Note 14):					
Reserved:	11,927	-	3,098	56,832	2
Unreserved:					
Designated	38	134,396	526	42,648	5
Undesignated	56,998	32,724	24,645	-	15,616
Total fund balances	68,963	167,120	28,269	99,480	15,623
Total liabilities and fund balances	$ 105,871	$ 184,198	$ 33,896	$ 99,922	$ 16,629

Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total	
					ASSETS:
$ 11,401	$ 1,107	$ 870	$ 16,643	$ 390,584	Cash and investments
-	-	-	43	5,223	Accounts receivable
125	11	6	151	3,634	Interest receivable
585	-	-	50	9,965	Taxes receivable
135	158	479	418	10,927	Due from other governments
-	-	-	-	933	Inventories
850	-	-	-	1,776	Due from other funds
-	-	-	-	1,884	Prepaid Items
-	-	-	-	14,100	Restricted cash and investment
-	-	-	-	24,983	Notes receivable
-	-	-	-	9,539	Land held for resale
13,096	1,276	1,355	17,305	473,548	Total assets
					LIABILITIES AND FUND BALANCES:
					Liabilities:
14	11	-	559	31,189	Accounts payable
402	-	103	260	6,274	Salaries and benefits payable
6	-	-	12	2,222	Due to other governments
-	8	-	-	340	Due to other funds
-	-	-	-	99	Deposits payable
-	-	-	-	37	Advances from other funds
51	-	-	620	22,946	Deferred revenue
473	19	103	1,451	63,107	Total liabilities
					Fund balances (Note 14):
985	-	5	1,567	74,416	Reserved:
					Unreserved:
10,051	-	-	-	187,664	Designated
1,587	1,257	1,247	14,287	148,361	Undesignated
12,623	1,257	1,252	15,854	410,441	Total fund balances
$ 13,096	$ 1,276	$ 1,355	$ 17,305	$ 473,548	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, 2007
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
REVENUES:					
Taxes	$ 25,126	$ 49,233	$ 60,673	$ 15,801	$ 1,628
Licenses, permits, and franchise fees	157	-	-	-	-
Fines, forfeitures, and penalties	742	-	623	-	-
Use of money and property:					
Interest	4,191	7,621	387	2,727	772
Rents and concessions	-	188	859	-	38
Aid from other governmental agencies:					
Federal	14,149	4,920	43,734	-	-
State	27,563	643	5,538	-	19
Other	7,408	-	-	-	-
Charges for services	35,589	12,646	1,581	-	8,547
Other revenue	13,848	3,476	20,208	230	178
Total revenues	128,773	78,727	133,603	18,758	11,182
EXPENDITURES:					
Current:					
General government	-	-	26,772	13,964	-
Public protection	2,329	48,464	201	-	8
Public ways and facilities	138,342	-	-	-	4,851
Health and sanitation	-	-	2,176	-	1,095
Public assistance	-	-	41,383	-	-
Education	-	-	14,436	-	-
Recreation and culture	-	-	-	-	745
Debt service:	-	-	-	-	-
Principal	2,657	-	233	-	-
Interest	204	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	143,532	48,464	85,201	13,964	6,699
Excess (deficiency) of revenues over (under) expenditures	(14,759)	30,263	48,402	4,794	4,483
OTHER FINANCING SOURCES (USES):					
Transfers in	38,170	30	26,485	-	251
Transfers out	(12,134)	(1,063)	(72,915)	(5,350)	(3,272)
Issuance of debt	-	-	-	243	-
Total other financing sources (uses)	26,036	(1,033)	(46,430)	(5,107)	(3,021)
NET CHANGE IN FUND BALANCES	11,277	29,230	1,972	(313)	1,462
Fund balances, beginning of year, as previously reported	57,686	137,890	26,297	98,286	14,161
Adjustments to beginning fund balances	-	-	-	1,507	-
Fund balances, beginning of year, as restated	57,686	137,890	26,297	99,793	14,161
FUND BALANCES, END OF YEAR	$ 68,963	$ 167,120	$ 28,269	$ 99,480	$ 15,623

	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total
REVENUES:					
Taxes	$ 4,877	$ -	$ -	$ 912	$ 158,250
Licenses, permits, and franchise fees	-	-	-	21	178
Fines, forfeitures, and penalties	-	-	-	433	1,798
Use of money and property:			-		
Interest	458	55	18	691	16,920
Rents and concessions	504	-	-	6,253	7,842
Aid from other governmental agencies:					
Federal	11	-	1,571	1,694	66,079
State	623	785	652	3,062	38,885
Other	-	-	-	-	7,408
Charges for services	4,897	-	-	8,934	72,194
Other revenue	190	1	-	1,409	39,540
Total revenues	11,560	841	2,241	23,409	409,094
EXPENDITURES:					
Current:					
General government	-	304	-	4,870	45,910
Public protection	139	-	-	4,341	55,482
Public ways and facilities	304	-	-	9,039	152,536
Health and sanitation	-	-	1,955	2,228	7,454
Public assistance	-	-	-	-	41,383
Education	-	-	-	-	14,436
Recreation and culture	10,598	-	-	-	11,343
Debt service:	-	-	-	-	
Principal	-	-	-	-	2,890
Interest	-	-	-	-	204
Capital outlay	67	-	-	-	67
Total expenditures	11,108	304	1,955	20,478	331,705
Excess (deficiency) of revenues over (under) expenditures	452	537	286	2,931	77,389
OTHER FINANCING SOURCES (USES):					
Transfers in	1,471	-	-	2,732	69,139
Transfers out	(338)	(282)	(539)	(5,272)	(101,165)
Issuance of debt	-	-	-	-	243
Total other financing sources (uses)	1,133	(282)	(539)	(2,540)	(31,783)
NET CHANGE IN FUND BALANCES	1,585	255	(253)	391	45,606
Fund balances, beginning of year, as previously reported	11,038	1,002	1,505	15,463	363,328
Adjustments to beginning fund balances	-	-	-	-	1,507
Fund balances, beginning of year, as restated	11,038	1,002	1,505	15,463	364,835
FUND BALANCES, END OF YEAR	$ 12,623	$ 1,257	$ 1,252	$ 15,854	$ 410,441

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 13,561	$ 24,412	$ 25,126	$ 714
License, permits, and franchise fees	191	191	157	(34)
Fines, forfeitures, and penalties	-	-	742	742
Use of money and property:				
Interest	775	775	4,191	3,416
Aid from other governmental agencies:				
Federal	23,557	31,764	14,149	(17,615)
State	39,688	31,282	27,563	(3,719)
Other	16,619	16,948	7,408	(9,540)
Charges for current services	100,866	97,985	35,589	(62,396)
Other revenue	77,010	36,569	13,848	(22,721)
Total revenues	272,267	239,926	128,773	(111,153)
EXPENDITURES:				
Current:				
Public protection	3,144	3,262	2,329	(933)
Public ways and facilities	275,397	283,258	138,342	(144,916)
Debt service:				
Principal	-	2,657	2,657	-
Interest	-	204	204	-
Total expenditures	278,541	289,381	143,532	(145,849)
Excess (deficiency) of revenues over (under) expenditures	(6,274)	(49,455)	(14,759)	34,696
OTHER FINANCING SOURCES (USES):				
Transfers in	-	38,170	38,170	-
Transfers out	-	(12,134)	(12,134)	-
Total other financing sources and (uses)	-	26,036	26,036	-
NET CHANGE IN FUND BALANCE	(6,274)	(23,419)	11,277	34,696
Fund balance, beginning of year	57,686	57,686	57,686	-
FUND BALANCE, END OF YEAR	$ 51,412	$ 34,267	$ 68,963	$ 34,696

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 34,045	$ 34,545	$ 49,233	$ 14,688
Use of money and property:				
Interest	2,838	2,838	7,621	4,783
Rents and concessions	72	72	188	116
Aid from other governmental agencies:				
Federal	-	-	4,920	4,920
State	590	590	643	53
Charges for services	13,343	13,343	12,646	(697)
Other revenue	6,160	6,130	3,476	(2,654)
Total revenues	57,048	57,518	78,727	21,209
EXPENDITURES:				
Current:				
Public protection	95,798	95,235	48,464	(46,771)
Total expenditures	95,798	95,235	48,464	(46,771)
Excess (deficiency) of revenues over (under) expenditures	(38,750)	(37,717)	30,263	67,980
OTHER FINANCING SOURCES (USES):				
Transfers in	-	30	30	-
Transfers out	-	(1,063)	(1,063)	-
Total other financing sources (uses)	-	(1,033)	(1,033)	-
NET CHANGE IN FUND BALANCE	(38,750)	(38,750)	29,230	67,980
Fund balance, beginning of year	137,890	137,890	137,890	-
FUND BALANCE, END OF YEAR	$ 99,140	$ 99,140	$ 167,120	$ 67,980

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 58,780	$ 59,913	$ 60,673	$ 760
Fines, forfeitures, and penalties	440	520	623	103
Use of money and property:				
Interest	53	53	387	334
Rents and concessions	763	763	859	96
Aid from other governmental agencies:				
Federal	52,366	55,226	43,734	(11,492)
State	7,005	8,155	5,538	(2,617)
Charges for current services	21,243	2,172	1,581	(591)
Other revenue	30,138	23,577	20,208	(3,369)
Total revenues	170,788	150,379	133,603	(16,776)
EXPENDITURES:				
Current:				
General government	37,205	34,877	26,772	(8,105)
Public protection	61,160	2,915	201	(2,714)
Health and sanitation	2,526	3,387	2,176	(1,211)
Public assistance	57,816	51,539	41,383	(10,156)
Education	16,646	17,129	14,436	(2,693)
Debt service:				
Principal	1,923	1,218	233	(985)
Total expenditures	177,276	111,065	85,201	(25,864)
Excess (deficiency) of revenues over (under) expenditures	(6,488)	39,314	48,402	9,088
OTHER FINANCING SOURCES (USES):				
Transfers in	-	26,485	26,485	-
Transfers out	-	(72,915)	(72,915)	-
Total other financing sources and (uses)	-	(46,430)	(46,430)	-
NET CHANGE IN FUND BALANCE	(6,488)	(7,116)	1,972	9,088
Fund balance, beginning of year	26,297	26,297	26,297	-
FUND BALANCE, END OF YEAR	$ 19,809	$ 19,181	$ 28,269	$ 9,088

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 12,987	$ 12,987	$ 15,801	$ 2,814
Use of money and property:				
Interest	2,300	2,300	2,727	427
Other revenue	2,964	30,221	230	(29,991)
Total revenues	18,251	45,508	18,758	(26,750)
EXPENDITURES:				
Current:				
General government	18,251	40,401	13,964	(26,437)
Total expenditures	18,251	40,401	13,964	(26,437)
Excess (deficiency) of revenues over (under) expenditures	-	5,107	4,794	(313)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(5,350)	(5,350)	-
Issuance of debt	-	243	243	-
Total other financing sources and (uses)	-	(5,107)	(5,107)	-
NET CHANGE IN FUND BALANCE	-	-	(313)	(313)
Fund balance, beginning of year, as previously reported	98,286	98,286	98,286	-
Adjustments to beginning fund balance	-	-	1,507	1,507
Fund balance, beginning of year, as restated	98,286	98,286	99,793	1,507
FUND BALANCE, END OF YEAR	$ 98,286	$ 98,286	$ 99,480	$ 1,194

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 996	$ 1,015	$ 1,628	$ 613
Use of money and property:				
Interest	216	216	772	556
Rents and concessions	12	12	38	26
Aid from other governmental agencies:				
State	16	16	19	3
Charges for current services	6,618	6,800	8,547	1,747
Other revenue	28	30	178	148
Total revenues	7,886	8,089	11,182	3,093
EXPENDITURES:				
Current:				
Public protection	259	368	8	(360)
Public ways and facilities	7,213	7,330	4,851	(2,479)
Health and sanitation	800	1,095	1,095	-
Recreation and cultural services	1,482	1,118	745	(373)
Total expenditures	9,754	9,911	6,699	(3,212)
Excess (deficiency) of revenues over (under) expenditures	(1,868)	(1,822)	4,483	6,305
OTHER FINANCING SOURCES (USES):				
Transfers in	-	251	251	-
Transfers out	-	(3,272)	(3,272)	-
Total other financing sources and (uses)	-	(3,021)	(3,021)	-
NET CHANGE IN FUND BALANCE	(1,868)	(4,843)	1,462	6,305
Fund balance, beginning of year	14,161	14,161	14,161	-
FUND BALANCE, END OF YEAR	$ 12,293	$ 9,318	$ 15,623	$ 6,305

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Regional Park and Open-Space Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 3,816	$ 3,816	$ 4,877	$ 1,061
Use of money and property:				
Interest	232	236	458	222
Rents and concessions	505	505	504	(1)
Aid from other governmental agencies:				
Federal	10	10	11	1
State	478	556	623	67
Charges for current services	5,406	4,073	4,897	824
Other revenue	1,265	1,615	190	(1,425)
Total revenues	11,712	10,811	11,560	749
EXPENDITURES:				
Current:				
Public protection	9	102	139	37
Public ways and facilities	-	304	304	-
Recreation and cultural services	12,536	12,691	10,598	(2,093)
Capital outlay	-	67	67	-
Total expenditures	12,545	13,164	11,108	(2,056)
Excess (deficiency) of revenues over (under) expenditures	(833)	(2,353)	452	2,805
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,471	1,471	-
Transfers out	-	(338)	(338)	-
Total other financing sources and (uses)	-	1,133	1,133	-
NET CHANGE IN FUND BALANCE	(833)	(1,220)	1,585	2,805
Fund balance, beginning of year	11,038	11,038	11,038	-
FUND BALANCE, END OF YEAR	$ 10,205	$ 9,818	$ 12,623	$ 2,805

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Air Quality Improvement Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 15	$ 15	$ 55	$ 40
Aid from other governmental agencies:				
State	600	600	785	185
Other revenue	-	-	1	1
Total revenues	615	615	841	226
EXPENDITURES:				
Current:				
General government	715	443	304	(139)
Total expenditures	715	443	304	(139)
Excess (deficiency) of revenues over (under) expenditures	(100)	172	537	365
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(282)	(282)	-
Total other financing sources / (uses)	-	(282)	(282)	-
NET CHANGE IN FUND BALANCE	(100)	(110)	255	365
Fund balance, beginning of year	1,002	1,002	1,002	-
FUND BALANCE, END OF YEAR	$ 902	$ 892	$ 1,257	$ 365

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

In-Home Support Services Special Revenue Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 18	$ 18
Aid from other governmental agencies:				
Federal	1,183	1,458	1,571	113
State	1,125	1,410	652	(758)
Other revenue	734	911	-	(911)
Total revenues	3,042	3,779	2,241	(1,538)
EXPENDITURES:				
Current:				
Health and sanitation	3,042	3,256	1,955	(1,301)
Total expenditures	3,042	3,256	1,955	(1,301)
Excess (deficiency) of revenues over (under) expenditures	-	523	286	(237)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(539)	(539)	-
Total other financing sources / (uses)	-	(539)	(539)	-
NET CHANGE IN FUND BALANCE	-	(16)	(253)	(237)
Fund balance, beginning of year	1,505	1,505	1,505	-
FUND BALANCE, END OF YEAR	$ 1,505	$ 1,489	$ 1,252	$ (237)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 720	$ 720	$ 912	$ 192
License, permits, and franchise fees	19	19	21	2
Fines, forfeitures, and penalties	-	-	433	433
Use of money and property:				
Interest	122	122	691	569
Rents and concessions	4,494	7,561	6,253	(1,308)
Aid from other governmental agencies:				
Federal	6,983	6,983	1,694	(5,289)
State	3,286	3,940	3,062	(878)
Charges for current services	11,017	10,831	8,934	(1,897)
Other revenue	1,061	627	1,409	782
Total revenues	27,702	30,803	23,409	(7,394)
EXPENDITURES:				
Current:				
General government	4,441	6,335	4,870	(1,465)
Public protection	5,493	5,279	4,341	(938)
Public ways and facilities	15,576	16,138	9,039	(7,099)
Health and sanitation	2,783	3,393	2,228	(1,165)
Total expenditures	28,293	31,145	20,478	(10,667)
Excess (deficiency) of revenues over (under) expenditures	(591)	(342)	2,931	3,273
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,732	2,732	-
Transfers out	-	(5,272)	(5,272)	-
Total other financing sources and (uses)	-	(2,540)	(2,540)	-
NET CHANGE IN FUND BALANCE	(591)	(2,882)	391	3,273
Fund balance, beginning of year	15,463	15,463	15,463	-
FUND BALANCE, END OF YEAR	$ 14,872	$ 12,581	$ 15,854	$ 3,273

DEBT SERVICE FUNDS

Photographer
SUZY JACKSON
"Samoan Dancers"

Blank Page

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 with various project areas.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT PROJECT)

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

COUNTY OF RIVERSIDE BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

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

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 Employee's Retirement System (CalPERS).

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2007
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court
ASSETS:				
Cash and investments	$ -	$ 28,190	$ 693	$ -
Accounts receivable	-	2,120	-	-
Interest receivable	209	271	4	22
Restricted cash and investments	31,832	-	-	5,771
Total assets	32,041	30,581	697	5,793
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	81	632	-	-
Total liabilities	81	632	-	-
Fund balances (Note 14):				
Reserved	31,960	29,949	697	5,793
Total fund balances	31,960	29,949	697	5,793
Total liabilities and fund balances	$ 32,041	$ 30,581	$ 697	$ 5,793

Pension Obligation	Total	
		ASSETS:
$ 3,170	$ 32,053	Cash and investments
1,973	4,093	Accounts receivable
238	744	Interest receivable
-	37,603	Restricted cash and investments
5,381	74,493	Total assets
		LIABILITIES AND FUND BALANCES:
		Liabilities:
472	1,185	Accounts Payable
472	1,185	Total liabilities
		Fund balances (Note 14):
4,909	73,308	Reserved
4,909	73,308	Total fund balances
$ 5,381	$ 74,493	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, 2007
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court
REVENUES:				
Taxes	$ -	$ 63,203	$ -	$ -
Use of money and property:				
Interest	1,780	1,715	70	272
Rents and concessions	27,947	-	2,338	2,239
Charges for services	-	-	-	-
Total revenues	29,727	64,918	2,408	2,511
EXPENDITURES:				
Current:				
General Government	343	18,937	670	550
Principal	12,067	5,915	992	744
Interest	18,268	24,473	812	709
Cost of issuance	-	5,565	-	-
Capital outlay	385	-	-	-
Total expenditures	31,063	54,890	2,474	2,003
Excess (deficiency) of revenues over (under) expenditures	(1,336)	10,028	(66)	508
OTHER FINANCING SOURCES (USES):				
Transfers in	829	6,950	-	-
Transfers out	(1,616)	(17,700)	-	-
Issuance of debt	-	94,203	-	-
Premium on long-term debt	-	2,876	-	-
Issuance of refunding bonds	-	(103,396)	-	-
Total other financing sources (uses)	(787)	(17,067)	-	-
NET CHANGE IN FUND BALANCES	(2,123)	(7,039)	(66)	508
Fund balances, beginning of year, as previously reported	34,083	36,543	763	5,285
Adjustments to beginning fund balances	-	445	-	-
Fund balances, beginning of year, as restated	34,083	36,988	763	5,285
FUND BALANCES, END OF YEAR	$ 31,960	$ 29,949	$ 697	$ 5,793

Pension Obligation	Total	
		REVENUES:
$ -	$ 63,203	Taxes
		Use of money and property:
1,151	4,988	Interest
-	32,524	Rents and concessions
1,506	1,506	Charges for services
2,657	102,221	Total revenues
		EXPENDITURES:
		Current:
6,979	27,479	General government
3,955	23,673	Principal
18,963	63,225	Interest
-	5,565	Cost of issuance
-	385	Capital outlay
29,897	120,327	Total expenditures
		Excess (deficiency) of revenues
(27,240)	(18,106)	over (under) expenditures
		OTHER FINANCING SOURCES (USES):
28,888	36,667	Transfers in
-	(19,316)	Transfers out
-	94,203	Issuance of debt
-	2,876	Premium on long-term debt
-	(103,396)	Issuance of refunding bonds
28,888	11,034	Total other financing sources (uses)
1,648	(7,072)	NET CHANGE IN FUND BALANCES
		Fund balances, beginning of year,
3,261	79,935	as previously reported
-	445	Adjustments to beginning fund balances
3,261	80,380	Fund balances, beginning of year, as restated
$ 4,909	$ 73,308	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Debt Service Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 48,505	$ 56,505	$ 63,203	$ 6,698
Use of money and property:				
Interest	1,000	1,000	1,715	715
Other revenue	17,322	23,293	-	(23,293)
Total revenues	66,827	80,798	64,918	(15,880)
EXPENDITURES:				
Current:				
General government	66,827	27,778	18,937	(8,841)
Debt service:				
Principal	-	5,915	5,915	-
Interest	-	24,473	24,473	-
Cost of issuance	-	5,565	5,565	-
Total expenditures	66,827	63,731	54,890	(8,841)
Excess (deficiency) of revenues over (under) expenditures	-	17,067	10,028	(7,039)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,950	6,950	-
Transfers out	-	(17,700)	(17,700)	-
Issuance of debt	-	94,203	94,203	-
Premium on long-term debt	-	2,876	2,876	-
Issuance of refunding bonds	-	(103,396)	(103,396)	-
Total other financing sources and (uses)	-	(17,067)	(17,067)	-
NET CHANGE IN FUND BALANCE	-	-	(7,039)	(7,039)
Fund balance, beginning of year, as previously reported	36,543	36,543	36,543	-
Adjustments to beginning fund balance	-	-	445	445
Fund balance, beginning of year, as restated	36,543	36,543	36,988	445
FUND BALANCE, END OF YEAR	$ 36,543	$ 36,543	$ 29,949	$ (6,594)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 250	$ 1,151	$ 901
Charges for current services	28,918	30	1,506	1,476
Total revenues	29,168	280	2,657	2,377
EXPENDITURES:				
Current:				
General government	29,168	6,250	6,979	729
Debt service:				
Principal	-	3,955	3,955	-
Interest	-	18,963	18,963	-
Total expenditures	29,168	29,168	29,897	729
Excess (deficiency) of revenues over (under) expenditures	-	(28,888)	(27,240)	1,648
OTHER FINANCING SOURCES (USES):				
Transfers in	-	28,888	28,888	-
Total other financing sources and (uses)	-	28,888	28,888	-
NET CHANGE IN FUND BALANCE	-	-	1,648	1,648
Fund balance, beginning of year	3,261	3,261	3,261	-
FUND BALANCE, END OF YEAR	$ 3,261	$ 3,261	$ 4,909	$ 1,648

(This Page Intentionally Left Blank)

CAPITAL PROJECTS FUNDS

Photographer
RICHARD PAUL
"Color Choices"

Blank Page

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.

EMERGENCY SERVICES COMMUNICATION (PSEC)

The Emergency Services 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.

DISTRICT COURT FINANCING CORPORATION

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

REGIONAL PARK AND OPEN-SPACE DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management. The District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE ENTERPRISE SOLUTIONS FOR PROPERTY TAXATION (CREST)

The Assessor, Auditor, 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, 2007

(Dollars in Thousands)

	PSEC	CORAL	Flood Control	District Court Financing Corporation
ASSETS:				
Cash and investments	$ 1,077	$ -	$ 107	$ 160
Interest receivable	-	-	2	1
Taxes receivable	-	142	-	-
Due from other governments	-	-	-	-
Prepaid items	10,444	-	-	-
Restricted cash and investments	-	33,550	-	-
Total assets	11,521	33,692	109	161
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	75	1,397	5	-
Salaries and benefits payable	174	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	249	1,397	5	-
Fund balances (Note 14):				
Reserved	11,272	32,295	104	161
Unreserved:				
Designated	-	-	-	-
Total fund balances	11,272	32,295	104	161
Total liabilities and fund balances	$ 11,521	$ 33,692	$ 109	$ 161

Regional Park and Open-Space	CREST	Total	
			ASSETS:
$ 9,131	$ 456	$ 10,931	Cash and investments
110	4	117	Interest receivable
-	-	142	Taxes receivable
2,089	-	2,089	Due from other governments
550	-	10,994	Prepaid items
-	-	33,550	Restricted cash and investments
11,880	460	57,823	Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
509	-	1,986	Accounts payable
-	-	174	Salaries and benefits payable
850	-	850	Due to other funds
300	-	300	Deferred revenue
1,659	-	3,310	Total liabilities
			Fund balances (Note 14):
550	460	44,842	Reserved
			Unreserved:
9,671	-	9,671	Designated
10,221	460	54,513	Total fund balances
$ 11,880	$ 460	$ 57,823	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, 2007
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	District Court Financing Corporation
REVENUES:				
Use of money and property:				
Interest	$ -	$ 2,591	$ 8	$ 8
Aid from other governmental agencies:				
State	-	-	-	-
Other revenue	6	-	-	-
Total revenues	6	2,591	8	8
EXPENDITURES:				
Current:				
General government	3,804	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	41,824	453	-
Total expenditures	3,804	41,824	453	-
Excess (deficiency) of revenues over (under) expenditures	(3,798)	(39,233)	(445)	8
OTHER FINANCING SOURCES (USES):				
Transfers in	15,230	1,045	308	-
Transfers out	(1,002)	(257)	-	-
Total other financing sources (uses)	14,228	788	308	-
NET CHANGE IN FUND BALANCES	10,430	(38,445)	(137)	8
Fund balances, beginning of year	842	70,740	241	153
FUND BALANCES, END OF YEAR	$ 11,272	$ 32,295	$ 104	$ 161

Regional Park and Open-Space	CREST	Total	
			REVENUES:
			Use of money and property:
$ 382	$ 4	$ 2,993	Interest
			Aid from other governmental agencies:
5,355	-	5,355	State
8	-	14	Other revenue
5,745	4	8,362	Total revenues
			EXPENDITURES:
			Current:
-	-	3,804	General government
161	-	161	Recreation and culture
6,849	136	49,262	Capital outlay
7,010	136	53,227	Total expenditures
			Excess (deficiency) of revenues
(1,265)	(132)	(44,865)	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
9,425	592	26,600	Transfers in
(4,649)	-	(5,908)	Transfers out
4,776	592	20,692	Total other financing sources (uses)
3,511	460	(24,173)	NET CHANGE IN FUND BALANCES
6,710	-	78,686	Fund balances, beginning of year
$ 10,221	$ 460	$ 54,513	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Other revenue	$ 5,900	$ 1,114	$ 6	$ (1,108)
Total revenues	5,900	1,114	6	(1,108)
EXPENDITURES:				
Current:				
General government	5,900	16,124	3,804	(12,320)
Total expenditures	5,900	16,124	3,804	(12,320)
Excess (deficiency) of revenues over(under) expenditures	-	(15,010)	(3,798)	11,212
OTHER FINANCING SOURCES (USES):				
Transfers in	-	15,230	15,230	-
Transfers out	-	(1,002)	(1,002)	-
Total other financing sources and (uses)	-	14,228	14,228	-
NET CHANGE IN FUND BALANCE	-	(782)	10,430	11,212
Fund balance, beginning of year	842	842	842	-
FUND BALANCE, END OF YEAR	$ 842	$ 60	$ 11,272	$ 11,212

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Flood Control Capital Projects Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 1	$ 1	$ 8	$ 7
Other revenue	1,401	1,093	-	(1,093)
Total revenues	1,402	1,094	8	(1,086)
EXPENDITURES:				
Capital outlay	1,655	1,655	453	(1,202)
Total expenditures	1,655	1,655	453	(1,202)
Excess (deficiency) of revenues over(under) expenditures	(253)	(561)	(445)	116
OTHER FINANCING SOURCES (USES):				
Transfers in	-	308	308	-
Total other financing sources and (uses)	-	308	308	-
NET CHANGE IN FUND BALANCE	(253)	(253)	(137)	116
Fund balance, beginning of year	241	241	241	-
FUND BALANCE, END OF YEAR	$ (12)	$ (12)	$ 104	$ 116

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 198	$ 198	$ 382	$ 184
Aid from other governmental agencies:				
State	8,196	8,683	5,355	(3,328)
Other revenue	7,148	4,584	8	(4,576)
Total revenues	15,542	13,465	5,745	(7,720)
EXPENDITURES:				
Current:				
Recreation and cultural services	19,993	17,311	161	(17,150)
Capital outlay	-	4,849	6,849	2,000
Total expenditures	19,993	22,160	7,010	(15,150)
Excess (deficiency) of revenues over (under) expenditures	(4,451)	(8,695)	(1,265)	7,430
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,425	9,425	-
Transfers out	-	(4,649)	(4,649)	-
Total other financing sources and (uses)	-	4,776	4,776	-
NET CHANGE IN FUND BALANCE	(4,451)	(3,919)	3,511	7,430
Fund balance, beginning of year	6,710	6,710	6,710	-
FUND BALANCE, END OF YEAR	$ 2,259	$ 2,791	$ 10,221	$ 7,430

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

CREST Capital Projects Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 4	$ 4
Total revenues	-	-	4	4
EXPENDITURES:				
Current:				
General government	-	592	-	(592)
Capital outlay	-	-	136	136
Total expenditures	-	592	136	(456)
Excess (deficiency) of revenues over(under) expenditures	-	(592)	(132)	460
OTHER FINANCING SOURCES (USES):				
Transfers in	-	592	592	-
Total other financing sources and (uses)	-	592	592	-
NET CHANGE IN FUND BALANCE	-	-	460	460
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 460	$ 460

(This Page Intentionally Left Blank)

NONMAJOR ENTERPRISE FUNDS

Photographer
RICHARD PAUL
"African Student"

COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds 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 AREA WATER AND SEWER DISTRICT FUNDS
These three funds were established to account for revenues, expenses, and the allocation of net income for County Service Areas 62 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 FUNDS
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, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 346	$ 5,982	$ 665	$ 6,993
Accounts receivable-net	-	166	2,419	2,585
Interest receivable	4	-	84	88
Taxes receivable	9	-	-	9
Due from other governments	-	3,559	25	3,584
Restricted cash and investments	-	1,954	2,678	4,632
Prepaid items and deposits	-	32	-	32
Total current assets	359	11,693	5,871	17,923
Noncurrent Assets:				
Capital assets:				
Depreciable assets	44	14,123	54	14,221
Nondepreciable assets	-	5,240	-	5,240
Total Noncurrent Assets	44	19,363	54	19,461
Total assets	403	31,056	5,925	37,384
LIABILITIES:				
Current liabilities:				
Accounts payable	3	-	2,872	2,875
Salaries and benefits payable	7	-	103	110
Interest payable	-	10	-	10
Deposits payable	46	-	-	46
Other liabilities	-	2,431	451	2,882
Compensated absences	2	-	94	96
Bonds payable	-	100	-	100
Total current liabilities	58	2,541	3,520	6,119
Noncurrent Liabilities:				
Compensated absences	10	744	196	950
Bonds payable	-	861	-	861
Other long-term liabilities	-	6,795	-	6,795
Total noncurrent liabilities	10	8,400	196	8,606
Total liabilities	68	10,941	3,716	14,725
NET ASSETS:				
Invested in capital assets, net of related debt	44	12,568	54	12,666
Restricted	62	178	-	240
Unrestricted	229	7,369	2,155	9,753
Total net assets	$ 335	$ 20,115	$ 2,209	$ 22,659

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 302	$ 2,403	$ 5,958	$ 8,663
Other	29	64,909	74	65,012
Total operating revenues	331	67,312	6,032	73,675
OPERATING EXPENSES:				
Personnel services	162	7,292	2,155	9,609
Communications	2	-	-	2
Insurance	2	-	-	2
Maintenance of building and equipment	42	1,623	4	1,669
Supplies	5	-	9	14
Purchased services	16	-	3,345	3,361
Depreciation and amortization	6	1,818	20	1,844
Rents and leases of equipment	8	-	13	21
Public assistance	-	57,739	-	57,739
Utilities	75	545	-	620
Other	9	1,012	20	1,041
Total operating expenses	327	70,029	5,566	75,922
Operating income (loss)	4	(2,717)	466	(2,247)
NONOPERATING REVENUES (EXPENSES):				
Investment income	18	408	376	802
Interest expense	(2)	(189)	-	(191)
Total nonoperating revenues (expenses)	16	219	376	611
Income (loss) before transfers	20	(2,498)	842	(1,636)
Transfers out	(1)	(161)	-	(162)
CHANGE IN NET ASSETS	19	(2,659)	842	(1,798)
Net assets, beginning of year	316	22,774	1,367	24,457
NET ASSETS, END OF YEAR	$ 335	$ 20,115	$ 2,209	$ 22,659

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 331	$ 63,853	$ 5,245	$ 69,429
Cash paid to suppliers for goods and services	(157)	(61,052)	(3,128)	(64,337)
Cash paid to employees for services	(161)	(7,481)	(2,149)	(9,791)
Net cash provided by (used in) operating activities	13	(4,680)	(32)	(4,699)
Cash flows from noncapital financing activities				
Transfers paid	(1)	(161)	-	(162)
Net cash provided by (used in) noncapital financing activities	(1)	(161)	-	(162)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	(608)	(3)	(611)
Principal paid on bonds payable	-	(21)	-	(21)
Interest paid on long-term debt	(2)	(189)	-	(191)
Net cash used in capital and related financing activities	(2)	(818)	(3)	(823)
Cash flows from investing activities				
Interest received on investments	17	408	343	768
Net cash provided by investing activities	17	408	343	768
Net increase (decrease) in cash and cash equivalents	27	(5,251)	308	(4,916)
Cash and cash equivalents, beginning of year	319	13,187	3,035	16,541
Cash and cash equivalents, end of year	$ 346	$ 7,936	$ 3,343	$ 11,625

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

	County Service Areas	Housing Authority	Flood Control	Total
Operating income (loss)	$ 4	$ (2,717)	$ 466	$ (2,247)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	6	1,818	20	1,844
Decrease (Increase) accounts receivable	-	8	(805)	(797)
Decrease (Increase) due from other governments	-	(3,467)	18	(3,449)
Decrease (Increase) prepaid items and deposits	-	6	-	6
Increase (Decrease) accounts payable	3	-	2,554	2,557
Increase (Decrease) deposits payable	(1)	-	-	(1)
Increase (Decrease) other liabilities	-	(139)	(2,291)	(2,430)
Increase (Decrease) salaries and benefits payable	-	-	1	1
Increase (Decrease) compensated absences	1	(189)	5	(183)
Net cash provided by (used in) operating activities	$ 13	$ (4,680)	$ (32)	$ (4,699)

INTERNAL SERVICE FUNDS

Photographer
RICHARD PAUL
"Bag Piper"

Blank Page

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 governments, on a cost-reimbursement basis.

RECORDS MANAGEMENT FUNDS
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 FUND
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 FUND
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 FUND
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 FUND
This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

OASIS PROJECT FUND
These funds were established to support the implementation, operation, and maintenance of the County's central administrative and financial information system. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT FUNDS
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 FUND (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.

FLOOD CONTROL EQUIPMENT FUNDS
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, 2007
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 888	$ 6,380	$ 13,029	$ 2,306	$ 3,108
Accounts receivable-net	20	79	-	107	2
Interest receivable	9	-	104	-	-
Due from other government	-	27	-	95	-
Advance to other funds	-	200	-	-	-
Inventories	-	526	1,212	284	393
Due from other funds	-	-	-	-	-
Prepaid items and deposits	-	-	-	11	-
Total current assets	917	7,212	14,345	2,803	3,503
Noncurrent assets:					
Capital assets:					
Depreciable assets	64	35,648	4,651	667	334
Non depreciable assets	-	350	-	-	-
Total noncurrent assets	64	35,998	4,651	667	334
Total assets	981	43,210	18,996	3,470	3,837
LIABILITIES:					
Current liabilities:					
Accounts payable	-	3,661	534	92	211
Salaries and benefits payable	80	230	1,182	117	44
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	2
Other liabilities	-	1,859	-	-	-
Compensated absences	69	240	1,174	88	21
Capital lease obligation	-	8,508	1,121	132	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	149	14,498	4,011	429	278
Noncurrent liabilities:					
Compensated absences	37	167	1,000	19	14
Advance from other funds	-	-	-	200	-
Capital lease obligation	-	14,248	2,205	-	-
Estimated claims liabilities	-	-	-	-	-
Other long-term liabilities	-	1,500	-	-	-
Total noncurrent liabilities	37	15,915	3,205	219	14
Total liabilities	186	30,413	7,216	648	292
NET ASSETS:					
Invested in capital assets, net of related debt	64	11,742	1,325	535	334
Unrestricted (deficit)	731	1,055	10,455	2,287	3,211
Total net assets	$ 795	$ 12,797	$ 11,780	$ 2,822	$ 3,545

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
					ASSETS:
					Current assets:
$ 7,062	$ 180,159	$ 2,585	$ 5,502	$ 221,019	Cash and investments
-	2,247	-	15	2,470	Accounts receivable-net
78	1,873	-	50	2,114	Interest receivable
-	-	-	-	122	Due from other government
-	-	-	-	200	Advance to other funds
-	-	-	328	2,743	Inventories
-	184	-	-	184	Due from other funds
-	-	-	-	11	Prepaid items and deposits
7,140	184,463	2,585	5,895	228,863	Total current assets
					Noncurrent assets:
					Capital assets:
1,856	117	31	2,280	45,648	Depreciable assets
-	-	-	-	350	Non depreciable assets
1,856	117	31	2,280	45,998	Total noncurrent assets
8,996	184,580	2,616	8,175	274,861	Total assets
					LIABILITIES:
					Current liabilities:
152	5,084	88	123	9,945	Accounts payable
451	1,106	1,625	86	4,921	Salaries and benefits payable
-	-	54	-	54	Due to other funds
-	8	-	82	92	Due to other governments
-	1	-	-	1,860	Other liabilities
390	737	62	85	2,866	Compensated absences
-	-	-	-	9,761	Capital lease obligation
-	39,594	-	-	39,594	Estimated claims liability
993	46,530	1,829	376	69,093	Total current liabilities
					Noncurrent liabilities:
440	556	67	179	2,479	Compensated absences
-	-	-	-	200	Advance from other funds
-	-	-	-	16,453	Capital lease obligation
-	95,634	-	-	95,634	Estimated claims liabilities
-	-	-	-	1,500	Other long-term liabilities
440	96,190	67	179	116,266	Total noncurrent liabilities
1,433	142,720	1,896	555	185,359	Total liabilities
					NET ASSETS:
1,856	117	31	2,280	18,284	Invested in capital assets, net of related debt
5,707	41,743	689	5,340	71,218	Unrestricted (deficit)
$ 7,563	$ 41,860	$ 720	$ 7,620	$ 89,502	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, 2007
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 2,708	$ 25,122	$ 38,403	$ 5,613	$ 9,310
Other revenue	-	456	7	2,591	9,971
Total operating revenues	2,708	25,578	38,410	8,204	19,281
OPERATING EXPENSES:					
Cost of materials used	-	1,743	-	-	-
Personnel services	1,386	3,610	18,521	1,735	614
Communications	15	85	3,533	36	34
Insurance	38	69	142	14	20
Maintenance of building and equipment	169	2,359	5,139	339	13
Insurance claims	-	-	-	-	-
Supplies	159	6,211	2,107	3,797	17,209
Purchased services	70	755	2,668	1,523	441
Depreciation and amortization	19	8,018	4,719	413	33
Rents and leases of equipment	286	1	755	35	-
Utilities	38	12	143	1	-
Other	24	156	709	56	110
Total operating expenses	2,204	23,019	38,436	7,949	18,474
Operating income (loss)	504	2,559	(26)	255	807
NONOPERATING REVENUES (EXPENSES):					
Investment income	32	21	158	8	12
Interest expense	-	(652)	(377)	(14)	-
Gain (loss) on disposal of capital assets	-	15	(4)	(16)	-
Total nonoperating revenues (expenses)	32	(616)	(223)	(22)	12
Income (loss) before capital contributions and transfers	536	1,943	(249)	233	819
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	50	-
Transfers out	(33)	(85)	(448)	(40)	(15)
CHANGE IN NET ASSETS	503	1,858	(697)	243	804
Net assets, beginning of year	292	10,939	12,477	2,579	2,741
NET ASSETS, END OF YEAR	$ 795	$ 12,797	$ 11,780	$ 2,822	$ 3,545

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
					OPERATING REVENUES:
$ 14,470	$ 44,320	$ 25,853	$ 1,110	$ 166,909	Charges for services
-	11,795	43	4,895	29,758	Other revenue
14,470	56,115	25,896	6,005	196,667	Total operating revenues
					OPERATING EXPENSES:
-	-	-	42	1,785	Cost of materials used
6,025	12,522	21,665	1,971	68,049	Personnel services
274	173	53	2	4,205	Communications
19	7,480	18	-	7,800	Insurance
1,492	61	7	679	10,258	Maintenance of building and equipment
-	61,695	-	-	61,695	Insurance claims
240	1,097	267	946	32,033	Supplies
4,935	2,919	2,445	708	16,464	Purchased services
1,258	53	26	867	15,406	Depreciation and amortization
460	885	190	2	2,614	Rents and leases of equipment
27	23	18	-	262	Utilities
692	1,090	274	476	3,587	Other
15,422	87,998	24,963	5,693	224,158	Total operating expenses
(952)	(31,883)	933	312	(27,491)	Operating income (loss)
					NONOPERATING REVENUES (EXPENSES):
122	8,157	10	213	8,733	Investment income
-	-	-	-	(1,043)	Interest expense
3	-	(6)	61	53	Gain (loss) on disposal of capital assets
125	8,157	4	274	7,743	Total nonoperating revenues (expenses)
(827)	(23,726)	937	586	(19,748)	Income (loss) before capital contributions and transfers
-	48,258	-	-	48,258	Capital contributions
-	2,342	-	724	3,116	Transfers in
(150)	(2,652)	(1,005)	-	(4,428)	Transfers out
(977)	24,222	(68)	1,310	27,198	CHANGE IN NET ASSETS
8,540	17,638	788	6,310	62,304	Net assets, beginning of year
$ 7,563	$ 41,860	$ 720	$ 7,620	$ 89,502	NET ASSETS, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Record Mgt and Archive	Fleet Service	Information Services	Printing Services	Supply Services
Cash flows from operating activities					
Cash receipts from internal services provided	$ 2,688	$ 25,536	$ 38,410	$ 8,031	$ 19,280
Cash paid to suppliers for goods and services	(814)	(11,934)	(17,084)	(5,785)	(18,650)
Cash paid to employees for services	(1,423)	(3,509)	(18,678)	(1,726)	(682)
Net cash provided by (used in) operating activities	451	10,093	2,648	520	(52)
Cash flows from noncapital financing activities					
Transfers received	-	-	-	50	-
Transfers paid	(33)	(85)	(448)	(40)	(15)
Net cash provided by (used in) noncapital financing activities	(33)	(85)	(448)	10	(15)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	1	15	1,358	(16)	3
Acquisition and construction of capital assets	-	(4,368)	-	(151)	(37)
Principal paid on capital leases	-	(4,542)	(1,850)	(239)	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	-	(652)	(377)	(14)	-
Net cash used in capital and related financing activities	1	(9,547)	(869)	(420)	(34)
Cash flows from investing activities					
Interest received on investments	26	21	54	8	12
Net cash provided by investing activities	26	21	54	8	12
Net increase (decrease) in cash and cash equivalents	445	482	1,385	118	(89)
Cash and cash equivalents, beginning of year	443	5,898	11,644	2,188	3,197
Cash and cash equivalents, end of year	$ 888	$ 6,380	$ 13,029	$ 2,306	$ 3,108

	Record Mgt and Archive	Fleet Service	Information Services	Printing Services	Supply Services
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 504	$ 2,559	$ (26)	$ 255	$ 807
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	19	8,018	4,719	413	33
Decrease (Increase) accounts receivable	(20)	(15)	-	(78)	(1)
Decrease (Increase) due from other funds	-	-	-	-	-
Decrease (Increase) due from other governments	-	(27)	-	(95)	-
Decrease (Increase) inventories	-	(57)	(212)	40	(85)
Decrease (Increase) prepaid items and deposits	-	-	111	(11)	-
Increase (Decrease) accounts payable	(15)	(273)	(1,787)	(9)	(650)
Increase (Decrease) due to other funds	-	-	-	-	-
Increase (Decrease) due to other governments	-	-	-	-	2
Increase (Decrease) other liabilities	-	(213)	-	(4)	(90)
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(13)	18	(102)	7	(13)
Increase (Decrease) compensated absences	(24)	83	(55)	2	(55)
Net cash provided by operating activities	$ 451	$ 10,093	$ 2,648	$ 520	$ (52)
Supplemental disclosure of noncash investing, capital, and financing activities		$ 11,544	$ 1,715		

	OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
Cash flows from operating activities					
Cash receipts from internal services provided	$ 14,470	$ 55,905	$ 25,896	$ 6,009	$ 196,225
Cash paid to suppliers for goods and services	(8,873)	(68,044)	(3,283)	(3,147)	(137,614)
Cash paid to employees for services	(5,937)	(11,991)	(21,627)	(1,922)	(67,495)
Net cash provided by (used in) operating activities	(340)	(24,130)	986	940	(8,884)
Cash flows from noncapital financing activities					
Transfers received	-	2,342	-	724	3,116
Transfers paid	(150)	(2,652)	(1,005)	-	(4,428)
Net cash provided by (used in) noncapital financing activities	(150)	(310)	(1,005)	724	(1,312)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	3	5	-	61	1,430
Acquisition and construction of capital assets	(1,090)	(152)	-	(876)	(6,674)
Principal paid on capital leases	-	-	-	-	(6,631)
Capital contributions	-	48,258	-	-	48,258
Interest paid on long-term debt	-	-	-	-	(1,043)
Net cash used in capital and related financing activities	(1,087)	48,111	-	(815)	35,340
Cash flows from investing activities					
Interest received on investments	44	7,394	10	191	7,760
Net cash provided by investing activities	44	7,394	10	191	7,760
Net increase (decrease) in cash and cash equivalents	(1,533)	31,065	(9)	1,040	32,904
Cash and cash equivalents, beginning of year	8,595	149,094	2,594	4,462	188,115
Cash and cash equivalents, end of year	$ 7,062	$ 180,159	$ 2,585	$ 5,502	$ 221,019
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ (952)	$ (31,883)	$ 933	$ 312	$ (27,491)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	1,258	53	26	867	15,406
Decrease (Increase) accounts receivable	-	(26)	-	4	(136)
Decrease (Increase) due from other funds	-	(184)	-	-	(184)
Decrease (Increase) due from other governments	-	-	-	-	(122)
Decrease (Increase) inventories	-	-	-	(96)	(410)
Decrease (Increase) prepaid items and deposits	-	-	-	-	100
Increase (Decrease) accounts payable	(734)	2,307	(65)	(278)	(1,504)
Increase (Decrease) due to other funds	-	-	54	-	54
Increase (Decrease) due to other governments	-	8	-	82	92
Increase (Decrease) other liabilities	-	-	-	-	(307)
Increase (Decrease) estimated claims liability	-	5,064	-	-	5,064
Increase (Decrease) salaries and benefits payable	71	253	299	23	543
Increase (Decrease) compensated absences	17	278	(261)	26	11
Net cash provided by operating activities	$ (340)	$ (24,130)	$ 986	$ 940	$ (8,884)
Supplemental disclosure of noncash investing, capital, and financing activities					$ 13,259

(This Page Intentionally Left Blank)

FIDUCIARY FUNDS

Photographer
CONSTANCE REID
"Musical World"

Blank Page

COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These funds were established for the purpose of accounting for assets held in trustee or agency capacity for oth and therefore cannot be used to support the government's own programs and are excluded from the governme wide financial statements.

OTHER AGENCY FUND

This fund was established to account for a wide array of fiduciary responsibilities. Some of these responsibilit include tax payments clearing, asset forfeiture, State Controller clearing, child support collections, undistribu bond proceeds, and family support clearing.

PAYROLL DEDUCTION AGENCY FUND

The purpose of this fund is to collect deductions from employee wages. The deductions are owed to a variety third parties for health insurance, union dues, unemployment insurance, withholding tax, flexible spending accou and dental insurance.

PROPERTY TAX ASSESSMENT AGENCY FUND

The Property Tax Assessment Agency Fund was set up to help Riverside County account for apportioned ta clearing, delinquent mobile home fees, property tax refunds, special assessments, and Teeter Plan collections.

WARRANT AGENCY FUND

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, 2007
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 84,944	$ 771	$ 168,382	$ 96,148	$ 350,245
Accounts receivable	-	-	1	-	1
Interest receivable	300	37	-	5	342
Taxes receivable	125	16	113,874	4	114,019
Due from other governments	164	-	-	-	164
Total assets	85,533	824	282,257	96,157	464,771
LIABILITIES:					
Accounts payable	85,522	824	1,394	96,157	183,897
Salaries and benefits payable	10	-	-	-	10
Due to other governments	1	-	280,863	-	280,864
Total liabilities	$ 85,533	$ 824	$ 282,257	$ 96,157	$ 464,771

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Other				
Assets				
Cash and investments	$ 126,666	$ 3,816,033	$ 3,857,755	$ 84,944
Interest receivable	185	300	185	300
Taxes receivable	69	461	405	125
Due from other governments	14,676	179	14,691	164
Total Assets	141,596	3,816,973	3,873,036	85,533
Liabilities				
Accounts payable	141,504	566,651	622,633	85,522
Salaries and benefits payable	7	10	7	10
Due to other governments	85	3,757,755	3,757,839	1
Total Liabilities	$ 141,596	$ 4,324,416	$ 4,380,479	$ 85,533
Payroll Deductions				
Assets				
Cash and investments	$ 7,683	$ 1,397,937	$ 1,404,849	$ 771
Interest receivable	26	37	26	37
Taxes receivable	11	15	10	16
Total Assets	7,720	1,397,989	1,404,885	824
Liabilities				
Accounts payable	7,720	1,012,551	1,019,447	824
Total Liabilities	$ 7,720	$ 1,012,551	$ 1,019,447	$ 824
Property Tax Assessments				
Assets				
Cash and investments	$ 133,295	$ 3,166,590	$ 3,131,503	$ 168,382
Accounts receivable	-	2	1	1
Taxes receivable	56,918	113,874	56,918	113,874
Due from other governments	12,356		12,356	-
Total Assets	202,569	3,280,466	3,200,778	282,257
Liabilities				
Accounts payable	1,396	223,412	223,414	1,394
Due to other governments	201,173	3,268,970	3,189,280	280,863
Total Liabilities	$ 202,569	$ 3,492,382	$ 3,412,694	$ 282,257

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Warrants				
Assets				
Cash and investments	$ 63,245	$ 6,002,523	$ 5,969,620	$ 96,148
Interest receivable	5	5	5	5
Taxes receivable	11	4	11	4
Total Assets	63,261	6,002,532	5,969,636	96,157
Liabilities				
Accounts payable	63,261	6,003,545	5,970,649	96,157
Total Liabilities	$ 63,261	$ 6,003,545	$ 5,970,649	$ 96,157
Total Agency Funds				
Assets				
Cash and investments	$ 330,889	$ 14,383,083	$ 14,363,727	$ 350,245
Accounts receivable	-	2	1	1
Interest receivable	216	342	216	342
Taxes receivable	57,009	114,354	57,344	114,019
Due from other government	27,032	179	27,047	164
Total Assets	415,146	14,497,960	14,448,335	464,771
Liabilities				
Accounts payable	213,881	7,806,159	7,836,143	183,897
Salaries and benefits payable	7	10	7	10
Due to other government	201,258	7,026,725	6,947,119	280,864
Total Liabilities	$ 415,146	$ 14,832,894	$ 14,783,269	$ 464,771

STATISTICAL SECTION

Photographer
FLO RICHARDS
"Japanese Fan Dancer"

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

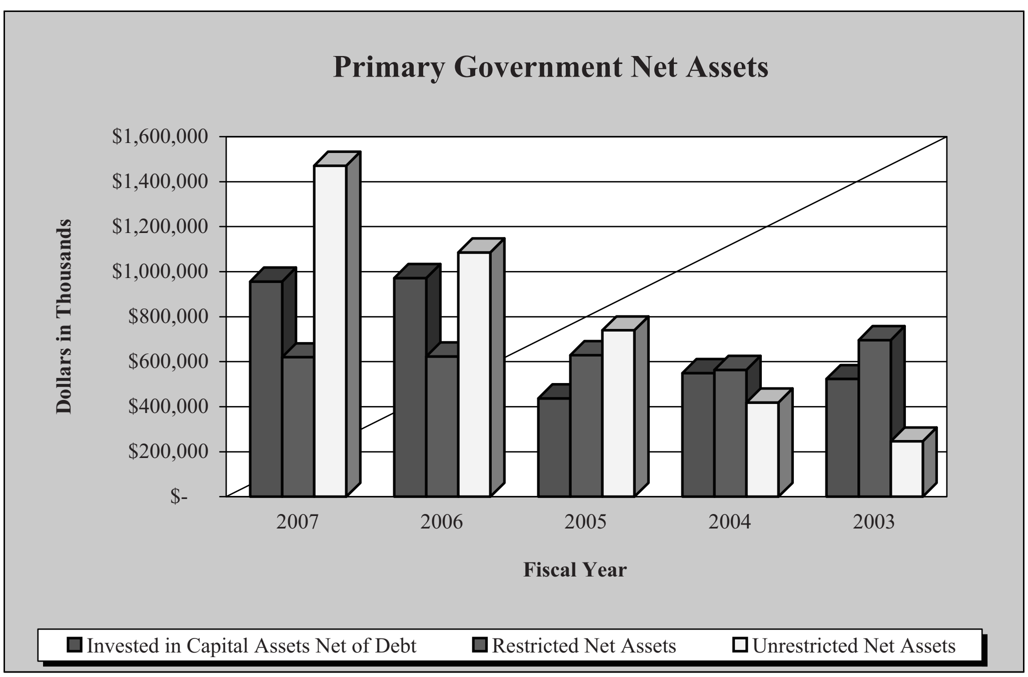
Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years. The County implemented GASB Statement 34 in FY 2001-2002. Statistical Tables present information for the last five years beginning with the first year after GASB Statement 34 implementation.

(This Page Intentionally Left Blank)

Table 1

COUNTY OF RIVERSIDE
Net Assets by Component
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Governmental Activities					
Invested in capital assets, net of related debt	$ 903,076	$ 930,800	$ 407,762	$ 524,624	$ 503,294
Restricted	569,477	582,037	584,441	521,143	662,446
Unrestricted	1,370,350	999,992	671,917	387,007	205,952
Governmental activities, total net assets	2,842,903	2,512,829	1,664,120	1,432,774	1,371,692
Business-type Activities					
Invested in capital assets, net of related debt	53,321	40,986	29,583	25,102	19,972
Restricted	50,629	41,287	45,362	43,232	33,740
Unrestricted	100,567	85,971	67,502	31,602	40,096
Business-type activities, total net assets	204,517	168,244	142,447	99,936	93,808
Primary Government					
Invested in capital assets, net of related debt	956,397	971,786	437,345	549,726	523,266
Restricted	620,106	623,324	629,803	564,375	696,186
Unrestricted	1,470,917	1,085,963	739,419	418,609	246,048
Primary government, total net assets	$ 3,047,420	$ 2,681,073	$ 1,806,567	$ 1,532,710	$ 1,465,500



Source: Auditor-Controller, County of Riverside

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
Program Revenues					
Governmental Activities:					
Charges for services	$ 609,195	$ 575,071	$ 458,992	$ 436,029	$ 393,482
Operating grants and contributions	1,210,941	1,100,674	983,290	1,086,456	1,050,230
Capital grants and contributions	48,186	31,001	64,252	33,041	32,537
Governmental activities program revenues	1,868,322	1,706,746	1,506,534	1,555,526	1,476,249
Business-type Activities:					
Charges for services	475,611	465,391	480,455	385,028	299,419
Capital grants and contributions	261	227	-	125	9,712
Business-type activities program revenues	475,872	465,618	480,455	385,153	309,131
Primary government program revenues	2,344,194	2,172,364	1,986,989	1,940,679	1,785,380
Expenses					
Governmental Activities:					
General government	296,917	259,993	187,911	232,322	183,132
Public protection	935,550	801,044	792,287	710,053	620,663
Public ways and facilities	57,578	61,443	79,649	93,529	87,092
Health and sanitation	350,082	350,451	290,001	376,338	330,830
Public assistance	688,213	634,522	552,298	590,719	588,502
Education	14,847	11,168	10,112	10,280	8,609
Recreation and cultural	11,941	7,188	8,617	9,666	8,842
Interest on long-term debt	81,197	75,721	48,717	29,890	33,666
Governmental activities expenses	2,436,325	2,201,530	1,969,592	2,052,797	1,861,336
Business-type Activities:					
Regional Medical Center	329,128	290,962	356,255	296,227	228,339
Waste Management Department	60,772	66,453	55,563	40,056	36,579
Housing Authority	70,218	62,909	62,206	61,599	57,977
Flood Control	6,242	5,705	4,928	4,318	2,054
County Service Areas	329	285	320	329	294
Business-type activities expense	466,689	426,314	479,272	402,529	325,243
Primary government expenses	$2,903,014	$2,627,844	$2,448,864	$2,455,326	$2,186,579
Net (expense)/revenue					
Governmental activities	(568,003)	(494,784)	(463,058)	(497,271)	(385,087)
Business-type activities	9,183	39,304	1,183	(17,376)	(16,112)
Primary government, net (expense) / revenue	(558,820)	(455,480)	(461,875)	(514,647)	(401,199)

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

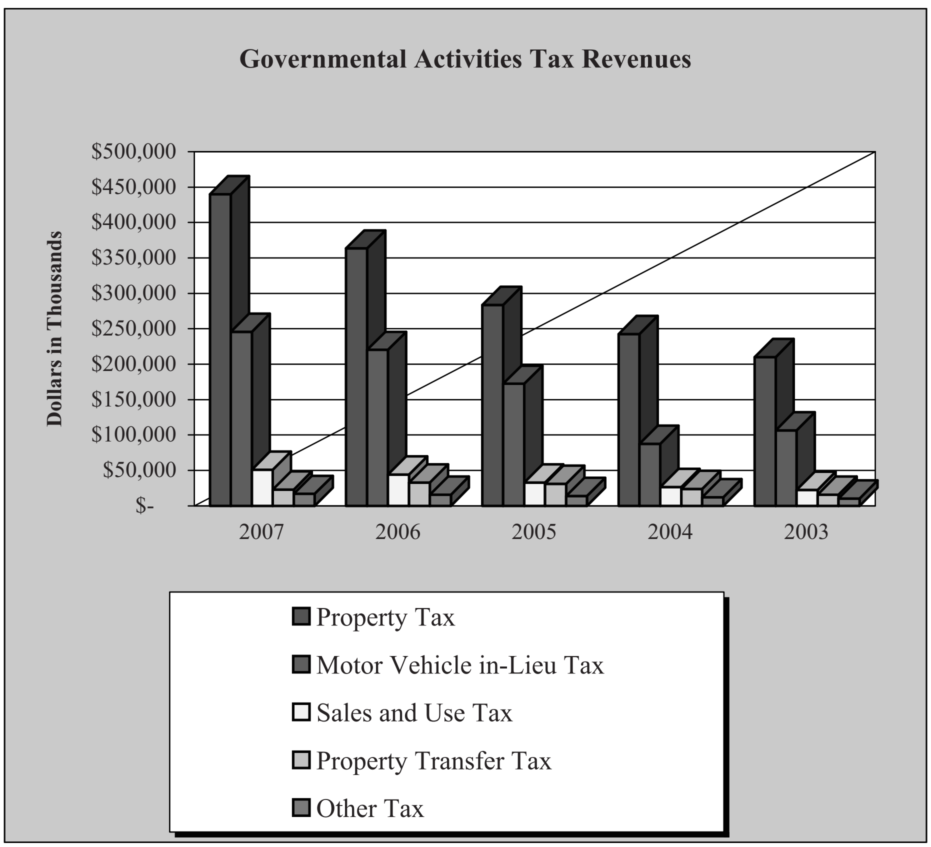
	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Continued:					
Primary government, net (expense) / revenue	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property taxes	462,817	396,167	314,666	266,391	225,775
Sales tax and use tax	51,093	44,286	33,091	26,633	22,444
Other taxes	16,865	15,603	13,885	12,108	10,377
Intergovernmental revenue - not restricted to programs:					
Motor vehicle in-lieu taxes	245,723	220,190	172,265	87,435	106,466
Fines, forfeitures, and penalties	-	-	70,578	43,344	37,914
Investment earnings	122,517	78,288	39,907	16,835	24,909
Proceeds on sale of capital assets	-	-	(18,407)	1,491	504
Other	13,191	96,265	117,737	146,392	117,706
Transfers	(16,892)	19,888	(31,000)	(16,791)	(13,287)
Governmental activities	895,314	870,687	712,722	583,838	532,808
Business-type Activities:					
Investment earnings	10,198	6,381	4,234	2,505	3,235
Gain on sale of capital assets	-	-	346	4,208	754
Transfers	16,892	(19,888)	31,000	16,791	13,287
Business-type activities	27,090	(13,507)	35,580	23,504	17,276
Total primary government	922,404	857,180	748,302	607,342	550,084
Change in net assets					
Governmental activities	327,311	375,903	249,664	86,567	147,721
Business-type activities	36,273	25,797	36,763	6,128	1,164
Primary government change in net assets	$ 363,584	$ 401,700	$ 286,427	$ 92,695	$ 148,885

Source: Auditor-Controller, County of Riverside

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Property Tax	Property Transfer Tax	Sales and Use Tax	Motor Vehicle In-Lieu Tax	Other Tax	Total
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

Table 4

COUNTY OF RIVERSIDE

Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
General Fund					
Reserved	$ 88,233	$ 100,436	$ 121,249	$ 100,940	$ 103,489
Unreserved, designated	339,773	277,833	185,014	70,361	89,011
Unreserved, undesignated	142,958	68,649	46,191	77,752	26,078
Total general fund	570,964	446,918	352,454	249,053	218,578
Public Facilities Improvements					
Reserved	256,338	222,983	175,699	152,842	146,588
Unreserved, undesignated	-	-	-	184	-
Total public facilities improvements	256,338	222,983	175,699	153,026	146,588
Redevelopment Capital Projects					
Reserved	269,263	88,391	61,460	-	-
Unreserved, designated	118,186	120,313	75,702	-	-
Total redevelopment capital projects	387,449	208,704	137,162	-	-
Nonmajor Governmental Funds					
Reserved	192,566	197,878	149,222	159,413	159,357
Unreserved, designated reported in:					
Special revenue funds	187,664	212,407	86,593	13,041	11,929
Capital projects funds	9,671	2,056	1,805	20,353	5,128
Unreserved, undesignated reported in:					
Special revenue funds	148,361	109,608	197,438	189,570	186,964
Capital projects funds	-	-	-	(8,241)	981
Total nonmajor governmental funds	538,262	521,949	435,058	374,136	364,359
Total all governmental funds	$ 1,753,013	$ 1,400,554	$ 1,100,373	$ 776,215	$ 729,525

Source: Auditor-Controller, County of Riverside

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

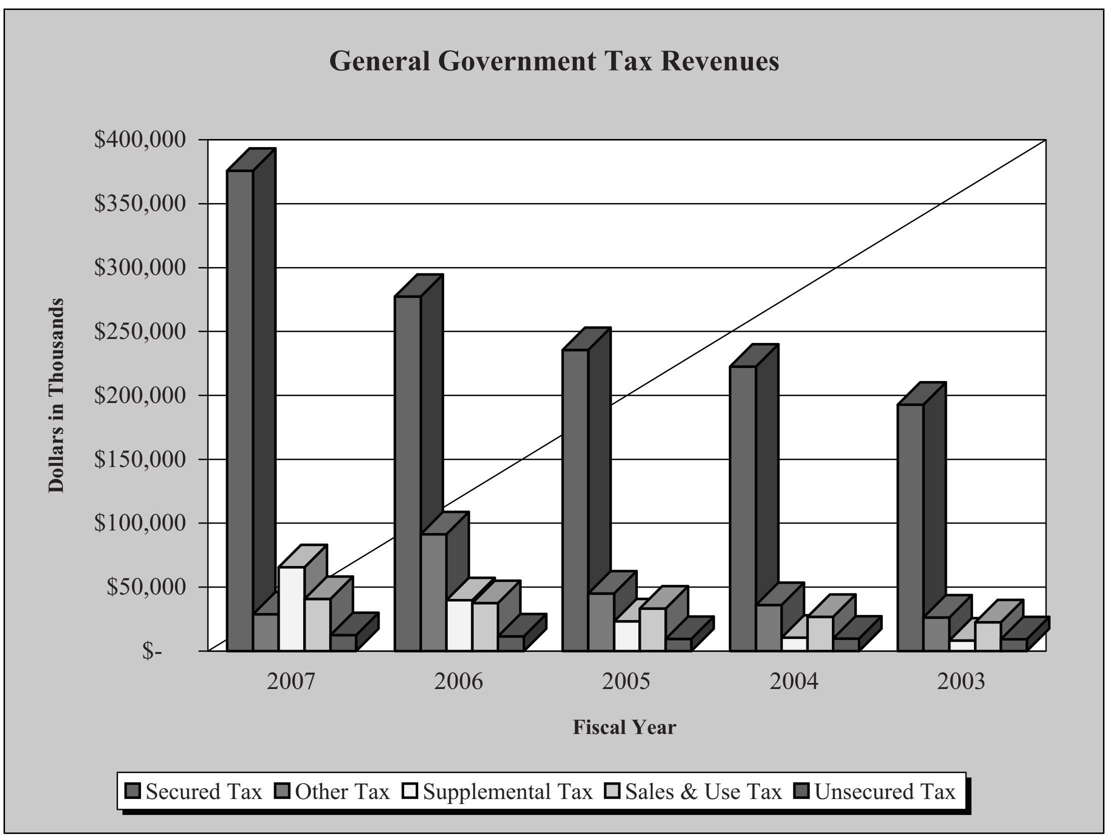
	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Revenues					
Taxes	$ 523,028	$ 457,117	$ 346,248	$ 305,132	$ 258,596
Licenses, permits, and franchise fees	25,981	21,733	22,343	26,418	25,677
Fines, forfeitures, and penalties	82,946	62,984	70,578	43,297	37,241
Use of money and property:					
Interest	113,789	73,838	37,624	16,145	23,331
Rents and concessions	43,171	41,798	39,831	31,952	39,833
Aid from other governmental agencies:					
Federal	496,685	451,036	446,628	430,970	428,433
State	937,630	830,634	705,289	713,146	696,466
Other	89,111	69,042	55,661	46,750	46,099
Charges for services	431,676	439,594	383,497	368,497	327,918
Other revenue	115,863	110,870	146,800	100,404	132,900
Total revenues	2,859,880	2,558,646	2,254,499	2,082,711	2,016,494
Expenditures					
General government	320,254	270,340	250,568	217,416	204,861
Public protection	972,006	855,133	1,039,822	677,798	613,781
Public ways and facilities	157,055	141,017	111,088	133,973	120,490
Health and sanitation	348,921	346,738	339,444	365,727	339,123
Public assistance	686,295	629,553	652,069	576,267	570,458
Education	14,830	11,108	9,889	10,241	9,261
Recreation and culture	11,707	12,727	20,058	9,242	10,722
Debt service:					
Principal	44,222	45,516	34,452	32,118	37,643
Interest	78,204	73,707	46,439	24,523	31,220
Cost of issuance	5,565	4,925	9,283	504	-
Capital outlay	58,525	25,639	9,680	1,604	22,489
Total expenditures	2,697,584	2,416,403	2,522,792	2,049,413	1,960,048
Revenues over (under) expenditures	162,296	142,243	(268,293)	33,298	56,446
Other financing sources (uses)					
Transfers in	313,044	294,835	203,411	163,383	58,661
Transfers out	(328,624)	(277,680)	(229,835)	(179,701)	(71,879)
Issuance of debt	293,773	178,750	670,530	21,645	-
Premium on long-term debt	2,876	857	4,827	-	-
Issuance of refunding bonds	(103,396)	(35,684)	(53,338)	-	-
Proceeds from the sale of capital assets	916	2,064	35	494	-
Capital leases	8,811	7,929	6,616	1,008	8,435
Total other financing sources (uses)	187,400	171,071	602,246	6,829	(4,783)
Net change in fund balances	$ 349,696	$ 313,314	$ 333,953	$ 40,127	$ 51,663
Debt service as a % of non-capital expenditures	5.30%	5.70%	3.74%	2.89%	3.68%

Source: Auditor-Controller, County of Riverside

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
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

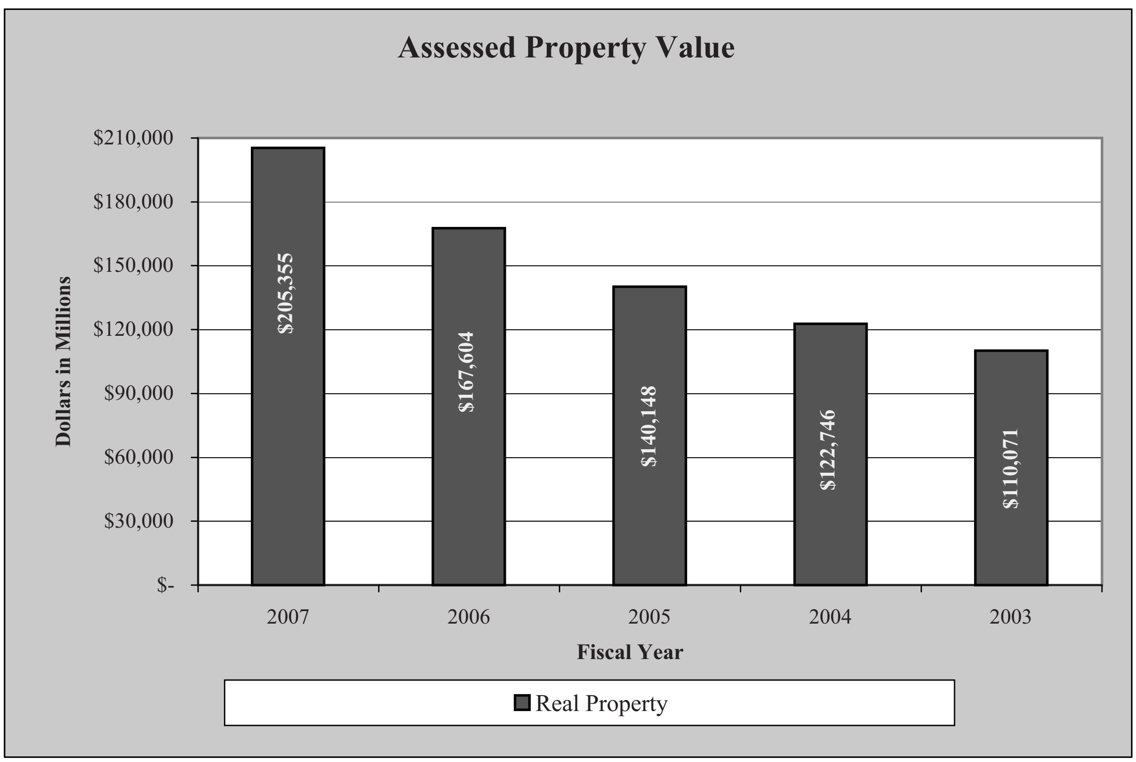


Source: Auditor-Controller, County of Riverside

Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Five Fiscal Years
(Amounts expressed in thousands)

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Real Property					
Secured property	$ 198,619,682	$ 161,287,719	$ 134,299,740	$ 117,379,593	$ 105,080,028
Unsecured property	6,735,421	6,316,569	5,848,602	5,365,993	4,990,478
Total Gross Assessed Value	205,355,103	167,604,288	140,148,342	122,745,586	110,070,506
Less:					
Tax-exempt real property	5,109,756	4,993,449	4,657,680	4,264,442	3,878,514
Total Taxable Assessed Value	$ 200,245,347	$ 162,610,839	$ 135,490,662	$ 118,481,144	$ 106,191,992
Total Direct Tax Rate	1.0772	1.0805	1.0866	1.0771	1.0787
Estimated Actual Taxable Value	$ 266,993,796	$ 216,814,452	$ 180,654,216	$ 157,974,859	$ 141,589,323
Assessed Value as a % of Actual Value	76.91%	77.30%	77.58%	77.70%	77.74%



Source: Assessor-Clerk-Recorder, County of Riverside

Table 8

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

	County of Riverside	Range of Overlapping Rates			
Fiscal Year	Total County Rate	Total City Rate	Total School District Rate	Total Special District Rate	Total Direct & Overlapping Rates
2007	1.00000%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1% to 1.54324%
2006	1.00000%	.00426% to .00861%	.01435% to .10210%	0% to .50997%	1% to 1.50997%
2005	1.00000%	.00529% to .01092%	.01192% to .09581%	0% to .50000%	1% to 1.50000%
2004	1.00000%	0% to .00608%	0% to .09819%	0% to .72543%	1% to 1.72543%
2003	1.00000%	0% to .00792%	0% to .72543%	0% to .71888%	1% to 1.71888%

Note: 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
(Amounts expressed in thousands)
Current Year and Nine Years Ago

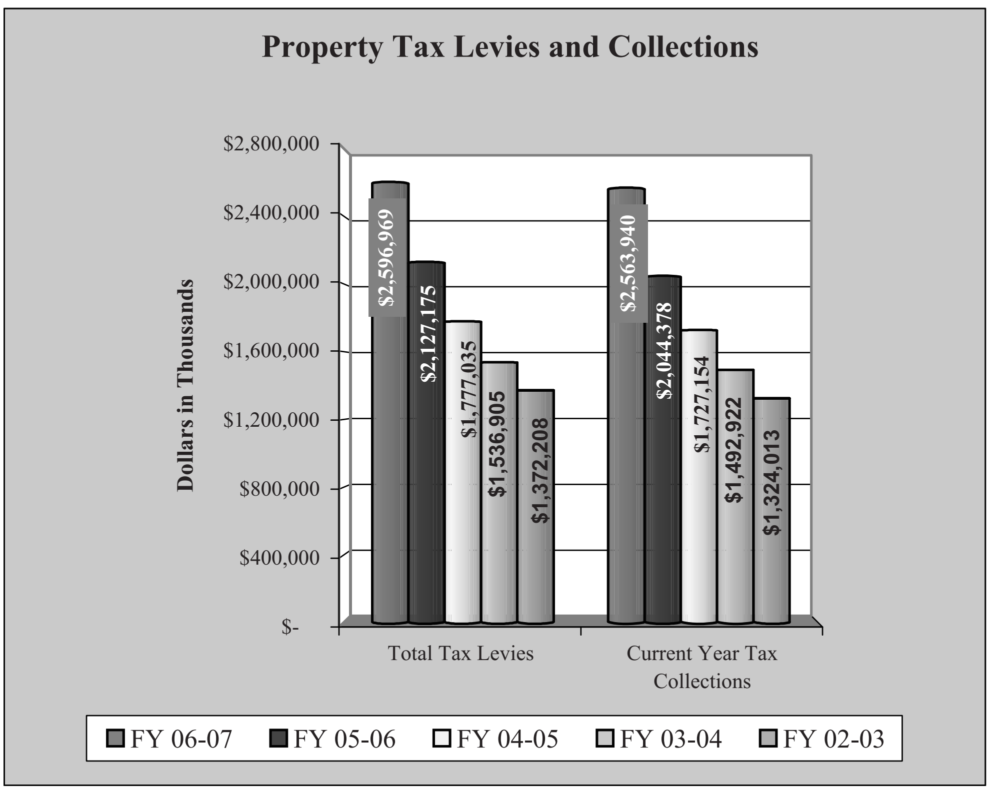
	Fiscal Year			
	2007		1998	
Tax Payer	**Taxable Assessed Value**	**Percentage of Total County Taxable Assessed Value**	**Taxable Assessed Value**	**Percentage of Total County Taxable Assessed Value**
So. California Edison Co.	$ 8,679	0.41%	$ 7,166	0.74%
Verizon Network	7,242	0.34%	-	0.00%
Centex Homes	7,057	0.33%	-	0.00%
Pulte Home Corp	5,400	0.25%	-	0.00%
KB Home Coastal Inc.	3,743	0.18%	-	0.00%
So. California Gas Co.	3,737	0.18%	3,445	0.35%
Ryland Homes of California Inc.	3,558	0.17%	-	0.00%
Western Pacific Housing Inc.	3,266	0.15%	-	0.00%
Blythe Energy, LLC	3,008	0.14%	-	0.00%
Wolf Creek Development	2,567	0.12%	-	0.00%
General Telephone Co. of California	-	0.00%	9,064	0.93%
McKenzie Vista	-	0.00%	3,019	0.31%
Pacific Bell	1,641	0.08%	2,836	0.29%
KSL Desert Resorts, Inc.	2,402	0.11%	2,269	0.23%
Landmark Land Co. of California, Inc.	-	0.00%	2,160	0.22%
International Rectifier Corp.	-	0.00%	2,082	0.21%
Desert Springs Marriott Ltd. Partinership	-	0.00%	1,975	0.20%
Pardee Grossman Cottonwood Canyon	-	0.00%	1,972	0.20%
Total	$ 52,300	2.46%	$ 35,988	3.69%

Source: Treasurer-Tax Collector, County of Riverside

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Five Fiscal Years
(Amounts expressed in thousands)

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

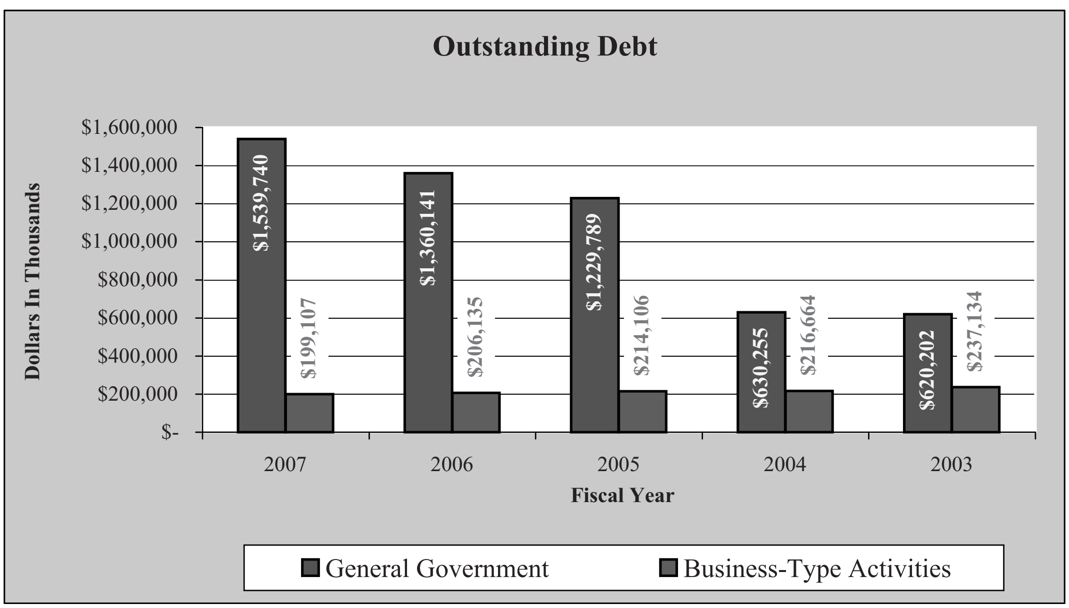


Source: Auditor-Controller, County of Riverside

Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Five Fiscal Years
(Amounts expressed in thousands, except per capita amount)

	Fiscal year				
	2007	2006	2005	2004	2003
General Government					
Bonds	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Certificates of participation	335,866	348,486	325,572	387,869	357,855
Note and loans	310,139	113,383	150,344	67,010	68,060
Capital leases	87,337	83,829	75,845	83,618	102,529
Business-Type Activities					
Bonds	181,263	191,142	200,555	210,558	228,392
Certificates of participation	-	-	1,040	2,040	3,000
Capital leases	17,844	14,993	12,511	4,066	5,742
Total Primary Government	$ 1,738,847	$ 1,566,276	$ 1,443,895	$ 846,919	$ 857,336
Percentage of Personal Income	3.08%	2.94%	2.92%	1.88%	2.01%
Per Capita	$ 856	$ 807	$ 769	$ 477	$ 499



Note: Per Capita is an estimate for 2006 and 2007

Source: California State Department of Finance and Auditor-Controller, County of Riverside

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Five Fiscal Years
(Amounts expressed in thousands, except per capita amount)

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Bonds	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Less:					
Amounts available in debt service fund	73,308	79,935	61,941	72,798	133,049
Total Net Obligation Bonds Outstanding	$ 733,090	$ 734,508	$ 616,087	$ 18,960	$ (41,291)
Percentage of Estimated Actual Taxable Value of Property	0.27%	0.27%	0.32%	0.46%	0.44%
Per Capita	$ 361	$ 379	$ 328	$ 11	$ (24)

Note: Details regarding the county's outstanding debt can be found in the notes to the basic financial statements

Source: California State Department of Finance

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(Amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 7,468,703	86.13%	$ 6,432,792
Subtotal, overlapping debt			6,432,792
County of Riverside direct debt			1,035,911
Total direct and overlapping debt			$ 7,468,703

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is born by the residents and businesses of the County of Riverside. This process resognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Five Fiscal Years
(Amounts expressed in thousands)

	Fiscal Year				
	2007	2006	2005	2004	2003
Debt limit	$ 2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307	$ 1,353,391
Total net debt applicable to limit	(733,090)	(603,194)	(616,087)	(635,290)	(620,202)
Legal debt margin	$ 1,865,279	$ 1,522,638	$ 1,119,438	$ 876,017	$ 733,189
Total net debt applicable to the limit as a percentage of debt limit	28.2%	28.4%	35.5%	42.0%	45.8%

Legal Debt Margin Calculated for Fiscal Year 2007

Assessed value	$ 205,744,450
Less: Homeowners exemptions	2,125,076
Total assessed value	207,869,526
Debt limit (1.25% of total assessed value)	2,598,369
Debt applicable to limit:	
General obligation bonds	806,398
Less: Amount set aside for repayment of general obligation debt	73,308
Total net debt applicable to limit	733,090
Legal debt margin	$ 1,865,279

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 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Five Fiscal Years
(Amounts expressed in thousands)

	Lease Revenue Bonds					
Fiscal Year	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service: Principal	Debt Service: Interest	Coverage
2007	$ 27,046	$ 5,939	$ 21,107	$ 12,115	$ 16,976	0.7256
2006	25,371	785	24,586	11,600	17,355	0.8491
2005	21,601	676	20,925	11,175	17,551	0.7284
2004	20,715	5,586	15,129	9,490	9,418	0.8001
2003	17,008	1,273	15,735	8,300	11,474	0.7957

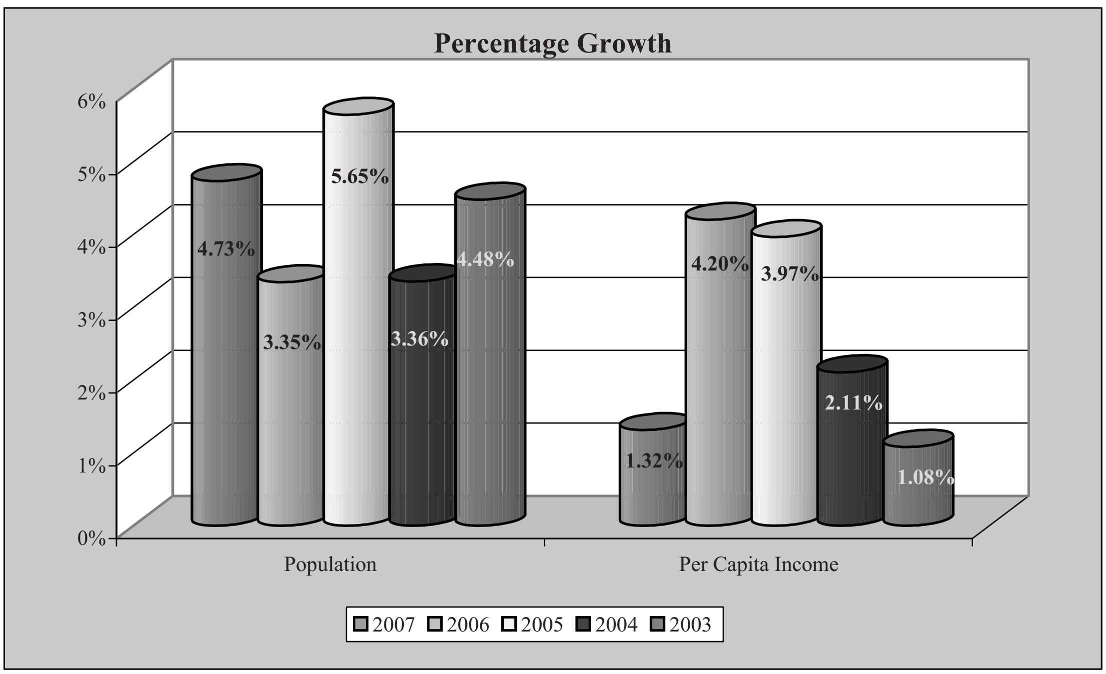
Note: Details regarding the county's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Five Fiscal Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2007	2,031,625	$53,246,505 [1]	$ 27,810 [1]	33 [2]	12.2 [2]	404,331	5.70%
2006	1,939,814	53,246,505 [1]	27,449 [1]	33 [2]	12.2 [2]	394,687	5.10%
2005	1,877,000	49,443,185	26,342	33 [2]	12.2 [2]	380,267	5.20%
2004	1,776,700	45,016,790	25,337	33 [2]	12.2 [2]	364,857	5.80%
2003	1,719,000	42,655,266	24,814	33 [2]	12.2 [2]	349,607	6.20%



Notes: [1] Projection based on 13 year running average
[2] Median age and education level based on census 2000

Sources: U.S. Department of Commerce
California State Department of Finance
Riverside County Superintendent of Schools
State of California, Employment Development Department
State Department of Commerce and Labor
Riverside County Progressive Report

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago

	Fiscal Year			
	2007		1998	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	19,669	2.27%	11,687	1.90%
March Air Reserve Base	8,750	1.01%	-	
U. C. Riverside	6,657	0.77%	-	
Stater Brothers Market	6,125	0.71%	3,200	0.52%
Riverside Unified School District	5,099	0.59%	-	
Pechanga Resort & Casino	4,800	0.55%	-	
Guidant corp.	4,500	0.52%	1,300	0.21%
Riverside Community College District	3,753	0.43%	-	
Kaiser Permanente	3,200	0.37%	1,600	0.26%
Morongo Casino Resort & Spa	3,000	0.35%	-	
Eisenhower Medical Center	-		1,822	0.30%
Fleetwood Enterprise, Inc.	-		1,800	0.29%
Valley Health System	-		1,750	0.28%
Marriott Desert springs Resort	-		1,600	0.26%
La Quinta Hotel Golf & Tennis	-		1,500	0.24%
Bourns, Inc.	-		1,500	0.24%
The press-Enterprise	-		1,228	0.20%
Total	65,553	7.57%	28,987	4.71%

Note: Only the top ten employers that provided data to the Business Press are listed for each year.

Source: The Business Press, Riverside, California

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Five Fiscal Years

Function/Program	Full-time Equivalent Employees 2007	2006	2005	2004	2003
General government					
Legislative and administrative	92	93	87	92	93
Finance	477	445	424	445	449
Counsel	69	58	52	50	50
Personnel	191	179	160	153	144
Elections	39	31	34	36	39
Communication	-	-	-	11	10
Property management	387	323	305	312	306
Promotion	168	142	126	121	110
Other general	-	-	1	1	1
Public protection					
Judicial	1,371	1,204	1,150	1,213	1,260
Police protection	2,354	2,113	1,926	1,914	1,902
Detention and correction	1,972	1,811	1,748	1,803	1,832
Fire protection	165	145	126	135	122
Protection/inspection	274	254	233	216	206
Other protection	541	523	441	446	419
Administration	50	39	36	37	35
Public ways and facilities					
Public ways	517	497	488	491	476
Health and sanitation					
Health	2,023	1,939	1,862	1,901	1,929
Hospital care	31	28	30	32	31
California children's services	159	152	143	127	119
Public assistance					
Aid programs	2,948	2,841	2,796	2,744	2,720
Veterans' services	12	11	10	10	11
Other assistance	302	283	309	338	452
Education, recreation and culture					
Library services	1	1	1	1	1
Agricultural extension	5	5	4	4	5
Cultural services	2	2	2	2	-
County business-type functions					
Hospital care	1,889	1,680	1,589	1,526	1,538
Sanitation	170	158	149	130	94
Internal service	2,934	2,538	2,147	2,305	2,058
Special districts	526	540	528	528	514
Total	19,669	18,035	16,907	17,124	16,926

Source: County of Riverside

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Five Fiscal Years

Function/Program			Fiscal year 2007	2006	2005	2004	2003
Sheriff							
	Number of bookings		63,512	56,926	55,375	52,497	49,617
	Coroner case load		9,430	8,943	8,558	7,826	7,772
	Calls for services	c	277,496	250,000	240,182	219,145	206,122
Fire							
	Medical assistance		89,329	86,129	80,484	76,601	70,851
	Fires extinguished		6,372	5,060	14,696	14,816	14,714
	Other services		16,310	19,035	10,870	10,786	10,689
	Communities served		78	78	78	78	78
Probation							
	Adults on probation	a	15,974	16,051	13,937	13,282	11,618
	Juveniles in secure detention	b	343	322	310	367	355
	Juveniles in treatment facilities	b	126	113	98	107	98
	Juveniles in detention facilities	a	14,283	13,218	12,405	14,435	13,708
Waste Management							
	Landfill tonnage		1,325,284	1,423,469	1,328,935	1,231,767	1,148,312
	Recycling tonnage		3,048	3,758	2,619	2,850	2,066
County Library							
	Total circulation - books		2,352,624	2,051,276	2,324,539	2,222,575	2,293,424
	Reference questions answered		383,428	454,590	430,226	423,925	461,598
	Patrons		2,352,403	2,433,646	2,226,360	1,447,505	1,621,147
	Programs offered		4,546	2,353	2,274	3,759	3,588
	Program attendance		80,100	84,994	45,605	68,437	61,921
Assessor-Clerk-Recorder							
	Assessments		920,555	896,998	859,413	831,610	791,348
	Official records recorded		957,123	1,082,688	1,039,166	1,019,271	794,257
	Vital records copies issued		88,640	82,015	73,379	68,892	70,071
	Official records copies issued		35,319	35,691	36,480	36,231	33,506
County Regional Medical Center							
	Emergency room treatments		76,666	73,448	68,105	66,411	66,136
	Emergency room services - MH		7,624	7,536	8,076	8,276	8,126
	Clinic visits		123,479	106,943	109,568	113,171	118,477
	Admissions		24,393	22,262	21,723	20,587	19,690
	Patient days		112,138	105,203	96,820	92,643	91,114
	Discharges		24,430	22,244	21,741	20,554	19,705
Community Health Agency							
	Facilities inspections		31,760	32,000	40,642	38,105	36,546
	Patient visits		139,885	123,843	135,539	125,936	123,230
	Patient services		438,639	369,041	339,095	376,534	336,909
	Animal impounds		27,362	29,206	20,467	21,307	21,661
	Spays and neuters		5,645	5,806	2,401	3,080	2,372

Note:
a = Average monthly
b = Average daily
c = Unincorporated areas

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Five Fiscal Years

Function/Program		Fiscal year 2007	2006	2005	2004	2003	
Public Social Services							
	CalWORKs clients	20,336	19,880	20,846	20,296	19,908	
	Food stamp clients	30,781	28,749	27,992	24,796	23,026	
	Medi-Cal clients	105,578	108,887	110,994	105,598	99,332	
	In-home support services	13,934	12,590	12,171	11,314	10,201	
	Foster care placements	4,306	5,175	5,088	4,418	4,215	
	Child welfare services	12,333	11,639	11,153	9,411	10,467	
Community Action Partnership							
	Utility assistance (households)	13,337	10,944	11,783	12,846	14,706	
	Weatherization (households)	465	801	795	711	857	
	Energy education attendees	14,590	10,389	11,508	1,953	37,445	a
	Disaster relief (residents)	13,551	8,605	1,514	-	-	b
	Income tax returns prepared	1,384	2,651	-	-	-	b
	After school programs (students)	10,905	537	51	271	51	
	Homeless program (bed nights)	13,198	31,328	40,245	30,316	63,703	
	Homeless program (meals)	26,396	142,578	372,048	170,937	453,238	
	Leadership program enrollment	-	113	11	-	-	b
Registrar of Voters							
	Voting precincts	1,368	976	2,012	1,574	2,087	
	Polling places	610	486	1,090	815	1,136	
	Voters	818,584	934,940	1,481,719	1,302,252	1,335,785	
	Poll workers	2,696	1,908	4,675	3,306	4,668	
Agricultural Commissioner							
	Export phytosanitary certificates	22,266	21,746	20,037	14,692	15,623	
	Pesticide use inspections	840	1,199	1,105	1,366	1,257	
	Weights and measures regulated	117,039	110,837	106,149	102,780	95,334	
	Agriculture quality inspections	1,061	541	1,067	1,251	1,202	
	Plant pest inspections	14,532	4,975	5,933	6,296	5,421	
	Nursery acreage inspected	9,226	7,382	7,431	5,355	6,501	
TLMA - Building & Safety							
	Building permits issued	5,786	10,232	9,980	10,452	10,106	
	Building plans checked	5,151	8,759	8,251	9,128	8,776	
	Building structures inspected	8,580	9,593	8,182	8,887	8,533	
Veterans' Services							
	Phone inquiries answered	23,287	21,917	25,276	-	-	b
	Client interviews	8,199	7,467	7,559	-	-	b
	Claims filed	3,786	3,372	3,503	-	-	b

Notes: a - Number of pamphlets mailed
b - Program not yet started / not tracked

Phytosanitary = Plant pest cleanliness
Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Table 20

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

Function/Program	Fiscal year 2007	2006	2005	2004	2003
Sheriff					
Patrol stations	10	10	10	10	10
Patrol vehicles	702	598	583	576	550
Fire					
Stations	49	48	48	48	48
Trucks	141	135	125	126	117
Waste Management					
Landfills	6	7	7	8	8
Capacity in tons	51,609,663	52,392,284	50,948,302	50,872,281	42,712,387
Parks and Recreation					
Regional parks	13	13	13	13	13
Historic sites	6	6	6	6	6
Nature centers	5	5	5	5	5
Archaeological sites	7	7	7	7	7
Wildlife reserves	16	16	16	16	16
County Libraries					
Branch libraries	29	29	29	28	27
Book mobiles	2	2	2	2	2
Books in collection	1,784,149	1,221,744	1,477,670	1,098,082	1,029,424
County Regional Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	30	30	30	30	30
Beds licensed	439	439	439	439	439

Source: Various County Departments

Special Acknowledgments

Our County's diverse history has continued to be enriched with the tremendous growth we have experienced over the past few decades. This year's Comprehensive Annual Financial Report theme of "Diversity" celebrates the people and cultures that make the County of Riverside unique. The photographs in this publication were requested to illustrate the value we place on diversity.

A special thanks to the following people for their contributions to this year's Comprehensive Annual Financial Report:

The entire staff of the General Accounting Division of the
Auditor-Controller's Office (ACO) for its dedication,
and the following ACO divisions for their contributions:
Internal Audits and Specialized Accounting Division
Payroll Division
Property Tax Division

All Riverside County Departments particularly the following:
Treasurer-Tax Collector Office
Executive Office
Printing Services
Human Resources

Photography and artistic design
M. Bernard Edmonds, I
Artistic Editor

The Photo Artist Network:

Susan Ahn
Otis Alexander
Alice Anderson
Ron Anderson
Carole Baker
Lyle Ballance
Cindy Barber
Jewel Barber
Helen Christmon
Jill Coleman
Ken Cox
Alexander Cruz
Sharyn Dana
Melissa Eiselein
Paul Fick
Eileen Fontes
Bob Forsythe
Robin Gray
Donald Haggart
Larry Huddleston
Charles Knowles
Leslie Knowles
Daniel Kokosenski
Rheiana Lenox
Margaret Laney
Vern Locke
Melissa McCluskey
Larry Montecino
Bob Moon
William Nicoletti
Frantz Nicoll
Steve Oberholtzer
Lynne O'Connell
Ron Parks
Richard S. Paul
Kathy Peters
Constance Reid
Shirley Reynolds
Florence Richards
Elaine Roorda
Larry Sammons
Yolanda Sentner
Geoffrey Shaw
Joe Shaw
Carol Smith
Constance St. Jean
Bill Thomas
Robert Upton
Helen Waller
Harold Wolff
Randy Wright

Additional photography by: Maria Chavez and Suzy Jackson

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The information in this APPENDIX C concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds; (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds; or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. 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.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2008A Bonds. The Series 2008A 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 security certificate will be issued for each maturity of the Series 2008A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2008A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008A Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from

DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008A 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 2008A Bonds, except in the event that use of the book-entry system for the Series 2008A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2008A 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 2008A 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 2008A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008A 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. Beneficial Owners of the Series 2008A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents. For example, Beneficial Owners of the Series 2008A Bonds may wish to ascertain that the nominee holding the Series 2008A 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. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2008A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of 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 2008A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 2008A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Series 2008A 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 County 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 (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal of, premium, if any, and interest evidenced by the Series 2008A Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County 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.

NONE OF THE COUNTY, THE CORPORATION OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF 2008 CERTIFICATES FOR PREPAYMENT.

None of the County, the Corporation, the Trustee or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Series 2008A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Corporation, the Trustee or the Underwriters is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2008A Bonds or an error or delay relating thereto.

DTC may discontinue providing its services as depository with respect to the Series 2008A Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008A Bonds are required to be printed and delivered.

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

The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the County or the Trustee take any responsibility for the accuracy thereof.

APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture, the Facilities Lease and the Site Lease that are not summarized elsewhere in this Official Statement. For a summary description of the Series 2008A Bonds, see "THE SERIES 2008A BONDS." These summaries do not purport to be comprehensive, and reference should be made to said documents, copies of which may be obtained from the Trustee, for the complete text thereof.

DEFINITIONS OF CERTAIN TERMS

"Account" means, as the case may be, each or all or any one of the accounts established in Article X of the Indenture.

"Additional Bonds" means Bonds executed and delivered pursuant to Section 203 of the Indenture, other than the Series 2008A Bonds issued, executed and delivered under the Indenture.

"Additional Leases" has the meaning given it in Section 1314 of the Indenture.

"Additional Rental" means the amounts specified as such pursuant to the Leases.

"Administrative Expense Fund" means the Administrative Expense Fund established in Section 1009 of the Indenture.

"Alternate Credit Facility" means a successor to the Credit Facility, which successor shall be an irrevocable letter of credit upon which draws may be made for payments of principal of and interest on the 2008A Bonds and for the purchase of 2008A Bonds tendered by the owners thereof pursuant to the Indenture.

"Alternate Liquidity Facility" means a successor to the Liquidity Facility, which successor shall be a standby bond purchase agreement, an irrevocable letter of credit, a line or lines of credit or other similar agreement or agreements or any other agreement or agreements used to provide liquidity support for the 2008A Bonds which provides for the purchase of such Bonds under certain circumstances by the provider thereof, issued and delivered to the Trustee in accordance with Section 702 of the Indenture, or an Alternate Credit Facility.

"Auditor" means the Auditor of the County and any of such Auditor's authorized deputies or assistants.

"Authorized Denomination" means with respect to any 2008A Bond, (A) during any Long-Term Interest Rate Period, $5,000 or any integral multiple thereof, (B) during any Daily Interest Rate Period or Weekly Interest Rate Period, $100,000 or any multiple of $5,000 in excess thereof.

“Authorized Officer” means the Chairman of the Board and/or Vice Chairman of the Corporation and/or any officer or employee of the Corporation or the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation or by the Board of Supervisors of the County, respectively. For purposes of the investment of funds under the Indenture, “Authorized Officer” also shall include the Treasurer of the County and the Treasurer’s deputies.

“Available Money” means moneys, including investment earnings thereon, for which an opinion acceptable to Moody’s of counsel experienced in bankruptcy matters has been delivered to the Trustee to the effect that the use of such amounts would not be voidable as preferential payments under federal bankruptcy laws with respect to an insolvency proceeding of the County or the Corporation.

“Base Rental” means, except as otherwise specified in the Indenture, the amounts specified as such pursuant to the Leases.

“Board of Directors” means the Board of Directors of the Corporation, as constituted from time to time, or if said Board of Directors shall be abolished, such other entity or entities succeeding to the principal functions thereof or to whom the power and duties granted or imposed by the Indenture shall be given by law.

“Bond” or “Bonds” means any Bond or Bonds, as the case may be, executed and delivered under and pursuant to the Indenture, including Additional Bonds, and Refunding Bonds, as appropriate.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing and favorable reputation in the field of law relating to municipal finance, selected by the Corporation or by the County on behalf of the Corporation.

“Bond Insurance Policy” means the financial guaranty insurance policy issued by the Bond Insurer that guarantees payment of principal and interest on the Series 2008A Bonds.

“Bond Insurer” means Assured Guaranty Corporation, or any successor thereto.

“Bond Owner” or “Owner of Bonds” or “Owner” means any person who shall be the registered owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar for such purpose.

“Bond Register” means the registration books maintained by the Bond Registrar referred to in Section 904 of the Indenture.

“Bond Registrar” means the Trustee pursuant to Section 904 of the Indenture.

“Business Day” means a day which is not a Saturday or Sunday or a day on which banking institutions located in California and New York are required or authorized to remain closed for commercial bank purposes.

"Certified Resolution" means a copy of a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Corporation to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

"Closing Date" means December 10, 2008.

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

"Commission" means the Securities and Exchange Commission.

"Corporation" means the County of Riverside Asset Leasing Corporation and its successors and assigns. Any action required or permitted to be taken by the Corporation under the Indenture or under any of the documents related hereto may be taken by an Authorized Officer.

"Costs of Issuance" means all the costs of executing and delivering the Series 2008A Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Facilities Lease, the Series 2008A Bonds, the Qualified Swap and the official statement pertaining to the Series 2008A Bonds; rating agency fees; liquidity facility fees and expenses; credit facility fees and expenses; bond insurance premium; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Leased Premises; any computer and other expenses incurred in connection with the Series 2008A Bonds; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); financial advisor and other consultant fees; and any other fees and expenses incurred in connection with the execution and delivery of the Series 2008A Bonds or the implementation of the financing for the Leased Premises, to the extent such fees and expenses are approved by the County.

"Cost of Issuance Account" means the Costs of Issuance Account established pursuant to Section 1002 of the Indenture.

"Co-Trustee" means a Co-Trustee appointed in accordance with Section 1418 of the Indenture.

"County" means the County of Riverside, California and its successors and assigns.

"Credit Agreement" means initially that certain Reimbursement Agreement dated as of December 1, 2008, between the County and Union Bank of California, N.A., as the same may be amended and supplemented from time to time and upon issuance of any Alternative Credit Facility, the agreement with the County or Corporation pursuant to which such Alternate Credit Facility is issued.

"Credit Facility" means initially the irrevocable direct draw letter of credit issued by the Credit Facility Provider under the Credit Agreement, as the same may be amended from time to time, and upon the issuance of any Alternate Credit Facility, such Alternate Credit Facility.

"Credit Facility Payment Account" means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

"Credit Facility Provider" means (a) initially, Union Bank of California, N.A. and (b) upon the issuance of an Alternate Credit Facility, the provider of such Alternate Credit Facility.

"Daily Interest Rate" means, with respect to the 2008A Bonds, means the variable interest rate on the 2008A Bonds established in accordance with Section 401(e) of the Indenture.

"Daily Interest Rate Period" means, with respect to the 2008A Bonds, each period during which a Daily Interest Rate for the 2008A Bonds is in effect.

"Debt Service" for any period means, with respect to the Series 2008A Bonds, an amount equal to the sum of (i) interest accruing during such period on the Series 2008A Bonds, and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue dally in equal amounts from the next preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment, or from the Delivery Date, whichever date is later). Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Fund" means the Debt Service Fund established in Section 1006 of the Indenture.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established in Section 1008 of the Indenture.

"Debt Service Reserve Requirement" means $6,750,520 constituting the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any Fiscal Year. For purposes of this definition, interest payable on the Series 2008A Bonds shall be calculated at an assumed Swap Fixed Rate of 5.20%.

"Default Rate" means the meaning ascribed to a similar term in the Credit Facility, and Alternate Credit Facility or an Alternate Liquidity Facility.

"Delivery Date" means December 10, 2008.

"Depository" means any bank or trust company organized under the laws of any state of the United States or any national banking association selected by the Corporation and the County as a depository of moneys and securities held under the provisions of the Indenture.

"DTC" means The Depository Trust Company, New York, New York and its successors and assigns.

"Earnings Account" means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

"Event of Default" has the meaning given to such term in Section 1301 of the Indenture.

"Excess Bond Interest Amount" has the meaning set forth in Section 401(m) of the Indenture.

"Excess Earnings Fund" means the Excess Earnings Fund established in Section 1007 of the Indenture.

"Facilities Lease" means that certain Facilities Lease, dated as of May 1, 2000, by and between the Corporation and the County pursuant to which the Corporation leases the Leased Premises to the County, as from time to time amended or supplemented.

"Fiduciary" or "Fiduciaries" means the Bond Registrar, the Trustee, any duly appointed Successor or successors to the Trustee or the Bond Registrar, any Co-Trustee or any Depository, if any, or any or all of them as may be appropriate.

"Financial Newspaper or Journal" means "The Wall Street Journal," "The Bond Buyer" or any other newspaper or journal devoted to financial news of general circulation in The City of Los Angeles, State of California, and in The City of New York, State of New York, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays.

"Fiscal Year" means the twelve-month period commencing on July 1 of each year and ending on the following June 30.

"Fund" or "Funds" means, as the case may be, each or all or any one of the funds and accounts established in Section 1002 of the Indenture.

"Indenture" means the Indenture of Trust dated as of May 1, 2000, by and among the Corporation, the County and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms thereof.

"Insurance Agreement" means the Reimbursement Agreement dated as of December 1, 2008 between the Corporation, the County and the Bond Insurer.

"Interest Account" means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

"Interest Accrual Date" means (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each month during that Weekly Interest Rate Period, (ii) with respect to any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month during that Daily Interest Rate Period, and (iii) with respect to any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date.

"Interest Payment Date" means with respect to the 2008A Bonds, (i) with respect to any Weekly Interest Rate Period and with respect to any Purchased Bonds, the first Wednesday of each calendar month commencing the first Wednesday of January 2009; provided that if any such Wednesday shall not be a Business Day, interest accrued through the immediately preceding Tuesday shall be paid on the next succeeding Business Day, (ii) with respect to any Daily Interest Rate Period, the first Business Day of each calendar month, (iii) with respect to any Long-Term Interest Rate Period, each May 1 and November 1 or, if such May 1 or November 1 shall not be a Business Day, the next succeeding Business Day, (iv) with respect to each Interest Rate Period the day next succeeding the last day thereof, and (v) any date specified in the Liquidity Facility as a date on which interest is to be paid. The 2008A Bonds shall initially bear interest at a Weekly Interest Rate for a Weekly Interest Rate Period.

"Interest Rate Period" means any Daily Interest Rate Period, the Weekly Interest Rate Period or the Long-Term Interest Rate Period, as the case may be.

"Leased Premises" means the real property described in Exhibit A to the Site Lease and the Facilities Lease and all improvements thereon.

"Leases" means, collectively, the Facilities Lease and the Site Lease, together with any amendments or supplements thereto.

"Liquidity Facility" means (a) initially, the Credit Facility, as the same may be amended or supplemented from time to time, or (b) upon the issuance of any Alternate Credit Facility, such Alternate Credit Facility, or (c) upon the issuance of any Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Provider" means (a) initially, the Credit Facility Provider, or any successor thereto, or (b) in the event of issuance of an Alternate Liquidity Facility, the provider of such Alternate Liquidity Facility.

"Long-Term Interest Rate" means, with respect to the 2008A Bonds, a term, non-variable interest rate on the 2008A Bonds established in accordance with Section 401 of the Indenture.

"Long-Tern; Interest Rate Period" means, with respect to the 2008A Bonds, each period during which a Longs Term Interest Rate for the 2008A Bonds is in effect.

"Maximum Rate" means 12% per annum; provided that, in the case of Purchased Bonds, Maximum Rate means 22% per annum.

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

"Net Corporation Payment" means, the excess, if any, of the amount to be paid on any date by the Trustee on behalf of the Corporation to a Qualified Swap Provider over the amount to be paid by a Qualified Swap Provider to the Trustee on behalf of the Corporation, in each instance pursuant to the terms of a Qualified Swap and solely in respect of amounts due other than pursuant to a termination of a Qualified Swap.

"Nominee" means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant hereto.

"Nonarbitrage Certificate" or "Tax Certificate" means the Tax and Nonarbitrage Certificate of the County and the Corporation executed on the Closing Date.

"Officers' Certificate" or "Certificate of the Corporation," when used with respect to the Corporation, means a certificate signed by the Chairman of the Board or President or any Vice Chairman or Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation.

"Opinion of Bond Counsel" means an opinion signed by Bond Counsel.

"Optional Purchase Date" means the date on which 2008A Bonds shall be purchased by the Corporation in connection with a mandatory tender thereof pursuant to Section 403.

"Optional Purchase Date" means the date on which 2008A Bonds shall be purchased by the Corporation in connection with a mandatory tender thereof pursuant to Section 403; which date shall be any day the 2008A Bonds are subject to optional or mandatory tender under Section 402 or subject to optional redemption under Section 604(a) or (b).

"Outstanding," when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being executed and delivered under the Indenture except:

(i) Bonds cancelled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, including earnings thereon, if any, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption has been given as in Section 608 provided;

(iii) Bonds in lieu of or in substitution for which other Bonds has been executed and delivered pursuant to Article IX or Section 608 or 1605;

(iv) Bonds owned by the Corporation or the County, but only to the extent cancellation is directed by the Corporation or the County; and

(v) Bonds deemed to have been paid as provided in Section 1701.

Bonds paid with the proceeds of a claim under the Bond Insurance Policy or the Credit Facility shall be deemed to remain Outstanding under the Indenture until all amounts owned to the Bond Insurer and the Credit Facility Provider has been paid in full. Bonds tendered under

Articles IV and IVA shall be deemed to remain Outstanding under the Indenture unless expressly surrendered to the Trustee by the Corporation or the County for cancellation. The County and the Corporation covenant and agree that in the event at any time there are insufficient funds in the Debt Service Fund to pay the principal and interest then due on Outstanding Bonds they will surrender or cause to be surrendered to the Trustee for cancellation Bonds held by them to the extent of such deficiency.

"Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as securities depository.

"Paying Agent" means any paying agent for the Series 2008A Bonds appointed by the Corporation pursuant to Section 501(c) of the Indenture, and any successor appointed pursuant to Section 501(c).

"Prepayment Account" means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

"Principal Account" means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

"Principal Installment" means, so long as any Bonds are Outstanding, (i) the principal amount of Bonds due on any future Interest Payment Date for which no Sinking Account Installments have been established, or (ii) the unsatisfied balance of any Sinking Account Installments due on any future Interest Payment Date for Bonds, plus the amount of the sinking account redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Account Installments, or (iii) if any future dates coincide as to different Bonds, the principal amount of Bonds and of such unsatisfied balance of Sinking Account Installments due on such date plus applicable redemption premiums, if any.

"Principal Office of the Remarketing Agent" means the address for the Remarketing Agent set forth in Section 501(a) of the Indenture or such other office thereof designated in writing to the Corporation, the Trustee, the Tender Agent and the Liquidity Provider.

"Principal Office of the Trustee" means the principal corporate trust office of the Trustee located in Los Angeles, California; provided that for transfer, registration, exchange, surrender and payment of the Series 2008A Bonds, such term means the corporate trust office of U.S. Bank National Association in St. Paul, Minnesota or such other office designated by the Trustee to the Corporation.

"Purchase Account" means the account of the 2008A Bond Purchase Fund so designated and established in Section 501(b)(ii) of the Indenture.

"Purchased Bonds" means Bonds purchased with moneys provided under the Liquidity Facility pursuant to Article V and Bonds issued in exchange for or in replacement or substitution thereof until such Bonds are remarketed or until the Owner thereof elects not to sell such Bonds as described in Section 508 of the Indenture.

"Purchased Bonds Rate" means the Draw Rate or the Default Rate as defined in the Liquidity Facility.

"Purchase Period" means the period from the date of effectiveness of the Liquidity Facility then in place to and including the first to occur of (i) the stated expiration date thereof or such later date as may become effective thereunder, (ii) the date no 2008A Bonds are outstanding (iii) the first Business Day on which all 2008A Bonds bear interest at a Long-Term Interest Rate to maturity, (iv) the close of business on the 30th day following the date on which a Notice of Termination (as defined in any Liquidity Facility) has been received by the Trustee; (v) the Stated Termination Date as defined in the Credit Facility; (vi) a draw on the Credit Facility to purchase 2008A Bonds in a mandatory tender requested by the Credit Facility Provider pursuant to Section 6.02 of the Credit Facility; or (vii) the date on which the Available Commitment (as defined in any Liquidity Facility) has been reduced to zero or terminated in its entirety pursuant to any Liquidity Facility or Credit Facility.

"Qualified Investments" means and include any of the following securities if and to the extent the same are permitted by law and by any policy guidelines promulgated by the Corporation or the County:

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

(b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations

(d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

7. Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better.

8. "State Obligations", which means:

(a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the Trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the

County of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report");

(d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

(f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the Trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" Moody's and acceptable to the Bond Insurer (each an "Eligible Provider"), provided that:

(a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral");

(b) the Trustee or a third party acting solely as agent therefore or for the County (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

(c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the County and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(d) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

(e) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(f) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the County, the Trustee and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by the Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the County or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to the Bond Insurer (each an "Eligible Provider"); provided that:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the County and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the provider shall send monthly reports to the Trustee, the County and the Bond Insurer setting forth the balance the County or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(d) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(e) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

(f) the County, the Trustee and the Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(g) the County, the Trustee and the Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (ii) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (iii) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(h) the investment agreement shall provide that if during its term:

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral with the Issuer, the Trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the County or the Trustee (who shall give such direction if so directed by the Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the County or trustee;

(i) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the County and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(j) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(k) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the County or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the County or trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the County or trustee, as appropriate;

(l) any other investments approved by the Bond Insurer.

"Qualified Swap" means (a) the Amended and Restated ISDA Master Agreement dated as of December 10, 2008 between the Corporation and Citigroup Financial Products Inc. (the "Citigroup Swap"), and (b) upon the termination and payment of amounts due under the Citigroup Swap or in connection with the issuance of Additional Bonds or Refunding Bonds and any other financial arrangement (i) that is entered into by the Corporation with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Corporation shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to all or a portion of the principal amount of the 2008A Bonds Outstanding, and that such entity shall pay to the Corporation an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Series 2008A Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Corporation as a Qualified Swap with respect to the Series 2008A Bonds.

"Qualified -Swap Provider" means (a) with respect to the Qualified Swap referred to in clause (a) of the definition of Qualified Swap, Citigroup Financial Products Inc., and (b) with respect to a Qualified Swap referred to in clause (b) of such definition, a financial institution (i) whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time the subject Qualified Swap is entered into) at least as high as A3 by Moody's and A- by S&P, or the equivalent thereof by any successor thereto and (ii) who is approved by the insurer (such approval not to be unreasonably withheld).

"Rating Agency" means each of Moody's and S&P.

"Rating Confirmation" means written confirmation from such Rating Agency that the proposed action or event will not in and of itself result in a reduction or withdrawal in such Rating Agency's current rating on the Series 2008A Bonds.

"Record Date" means with respect to any 2008A Bond, (i) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period and any Weekly Interest Period, the Business Day immediately preceding each Interest Payment Date, (ii) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the April 15 and October 15 immediately preceding such Interest Payment Date, or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Refunding Bonds" means all Bonds, whether issued in one or more series, executed and delivered on original issuance pursuant to Section 801, and any Bonds thereafter executed and delivered in lieu of or in substitution for such Bonds pursuant to Article IX or Section 608.

"Remarketing Agent" means, as to the 2008A Bonds, the initial and any successor remarketing agent appointed in accordance with Section 502 of the Indenture.

"Remarketing Agreement" means, with respect to the 2008A Bonds, the Remarketing Agreement, dated as of December 1, 2008, between the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

"Remarketing Account" means the Remarketing Account so designated and established in Section 501(b)(ii) of the Indenture.

"Revenue Fund" means the Revenue Fund established in Section 1002 of the Indenture.

“Reserve Fund Credit Facility” means a letter of credit, line of credit, surety bond or insurance policy or similar facility deposited by the Corporation or the County in the Debt Service Reserve Fund pursuant to Section 1008(b).

“Revenues” means (i) all revenues, issues, income, rents, royalties, profits and receipts derived or to be derived by the Corporation from or attributable to its leasehold interest in the Leased Premises, including all revenues attributable to the Leased Premises or to the payment of the costs thereof received or to be received by the Corporation under the Leases or any part thereof or any contractual arrangement with respect to the use of the Leased Premises, including payments of Base Rental, (ii) the proceeds of any insurance, including the proceeds of any self-insurance fund, covering loss relating to the Leased Premises, (iii) interest received or to be received on any moneys or securities held pursuant to the Indenture and required or permitted to be paid and which are paid into the Revenue Fund (except for amounts required to be on deposit in the Excess Earnings Fund), (iv) all damage payments received from the County and (v) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Leases or in accordance with the Indenture.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such rating agency shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer in any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County by notice to the Trustee.

“Securities Depository Participant’ means a member of, or participant in, the Securities Depository.

“Serial Bond” means, with respect to Additional Bonds or Refunding Bonds, Bonds designated as such in the Supplemental Indenture relating to such Bonds.

“SIFMA” means the Securities Industry and Financial Markets Association (formerly the Bond Market Association), and any successors thereto.

“SIFMA Swap Index” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Corporation and effective from such date. In the event Municipal Markets Data no longer produces an index satisfying the requirements of the preceding sentence, the SIFMA Swap Index shall be deemed to be the S&P Weekly High Grade Index.

“Sinking Account Installment” means an amount so designated which is established pursuant to clause (G) of paragraph (iii) of subsection (a) of Section 202 of the Indenture.

“Site Lease” means that certain Site Lease, dated as of May 1, 2000, by and between the Corporation and the County pursuant to which the County leases the Leased Premises to the Corporation, as from time to time amended or supplemented.

“Special Payment Account” means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“State” means the State of California.

“Supplemental Indenture” means any indenture supplemental to or amendatory of the Indenture, adopted by the Corporation in accordance with Article XV of the Indenture.

“Swap Account” means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Swap Fixed Rate” means the “Fixed Rate” under and as defined in the applicable Qualified Swap Agreement.

“Swap Payment Date” means the date on which a Net Corporation Payment is due.

“Swap Surety Bond” means the interest rate swap insurance policy issued by the Bond Insurer with respect to the initial Qualified Swap.

“Swap Termination” means either the termination of a Qualified Swap pursuant to the term thereof or the deemed termination thereof.

“Swap Termination Account” means the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Tender Agent” means the initial and any successor tender agent appointed in accordance with Section 501(b) of the Indenture. “Principal Office” of the Tender Agent means the address for the Tender Agent set forth in Section 501(b) of the Indenture or such other office thereof designated in writing to the Corporation, the Trustee, the Remarketing Agent and the Liquidity Provider.

“Termination Tender” means a mandatory tender requested by the Credit Facility Provider pursuant to Section 6.02 of the Credit Facility, or the meaning ascribed thereto in any Liquidity Facility.

“Trustee” means U.S. Bank National Association, its successor or successors and any other corporation or Co-Trustee which may at any time be substituted in its place or designated as such pursuant to Article XIV of the Indenture.

“Trust Estate” means all the property, rights and privileges described herein, including without limitation (a) all right, title and interest of the Corporation in, to and under the Site Lease and the Facilities Lease (other than the Corporation’s rights to receive Additional Rental pursuant to Section 3.1(c) of the Facilities Lease and indemnification payments pursuant to Section 11 of the Facilities Lease) and (b) subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture (i) the Revenues and (ii) the amounts in the Funds (other than the Rebate Fund) established by the Indenture and held by the Trustee, including the investments thereof.

“2008A Bond Purchase Fund” means the County of Riverside Asset Leasing Corporation Lease Revenue Bonds (Southwest Justice Center Refunding), 2008A Purchase Fund so designated and established in Section 501(b)(ii) of the Indenture.

“Weekly Interest Rate” means a variable interest rate on the 2008A Bonds established in accordance with Section 401(d) of the Indenture.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect.

“Written Requisition,” “Written Consent,” “Written Certificate,” “Written Order” and “Written Request” means, respectively, a written requisition, consent, certificate, order or request signed, as the case may be, by or on behalf of the Corporation by its Chairman or its Vice Chairman or its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary or by any person (whether or not an officer of the Corporation) or signed by or on behalf of the County by the County Executive Officer, Deputy Executive Officer or by any other person who is specifically authorized by resolution of the Board of Directors or the County Board of Supervisors, respectively, to sign or execute such a document on its behalf, or be any other Authorized Officer.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and other entities.

THE INDENTURE

The Indenture sets forth the terms of the Series 2008A Bonds, various rights of the owners of the Series 2008A Bonds, various rights, duties and immunities of the Trustee, and various rights, duties and immunities of the County.

The Trustee is appointed and accepts appointment pursuant to the Indenture to receive, hold and disburse in accordance with the terms thereof the money to be paid to it to execute and deliver Bonds representing proportionate interests in the Facilities Lease to the original purchasers, to apply and disburse payments received pursuant to the Facilities Lease to owners of such Bonds, and to perform certain other functions provided in the Indenture.

A summary of the terms of the Series 2008A Bonds is provided in the Official Statement under the heading “THE SERIES 2008A BONDS.”

Funds and Accounts. Under the Indenture, the Trustee will establish the funds and accounts therein described, and invest, transfer and disburse moneys on deposit therein. The Indenture establishes the Costs of Issuance Account, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Excess Earnings Fund and certain accounts in each of such funds.

Establishment and Application of Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used to pay Costs of Issuance of the Bonds. Moneys contained in the

Costs of Issuance Account six months after the date of issuance of the Bonds shall be deposited into the Revenue Account.

Establishment and Application of Revenue Fund. The Indenture establishes in trust a special fund designated the "Revenue Fund." Within the Revenue Fund, the Trustee will establish the following accounts: the General Revenue Account and the Credit Facility Revenue Account. All Revenues from all sources other than the Credit Facility shall be deposited to the credit of the General Revenue Account. All amounts drawn under the Credit Facility shall be deposited to the credit of the Credit Facility Revenue Account. Amounts in the General Revenue Account and the Credit Facility Revenue Account shall at all times be kept separate and apart and not commingled.

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and deposit into certain funds and Accounts established under the Indenture the amounts required under the Indenture to be deposited therein, as described below. Amounts not required to be transferred from the Revenue Fund into the Debt Service Fund, the Debt Service Reserve Fund or the Administrative Expense Fund will, upon direction by the County, be remitted to the Corporation on November 2 of each year during the term of the Indenture.

Establishment and Application of Debt Service Fund. The Indenture establishes in trust a special fund designated the "Debt Service Fund." Within the Debt Service Fund, the Trustee will establish the following accounts: "Interest Account", "Principal Account", "Credit Facility Payment Account" (which may have a Principal Subaccount, an Interest Subaccount and a Prepayment Subaccount), "Prepayment Account", "Swap Account" and "Swap Termination Account."

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and deposit in the Interest Account, Principal Account and Swap Account of the Debt Service Fund, respectively, an amount, together with money on deposit in the Interest Account, Principal Account and the Swap Account, respectively, which equals the interest then due, the Principal Installment and Sinking Account Installment, if any, then due and the Net Corporation Payment then due, provided, that if amounts on deposit in the Revenue Fund are insufficient, then funds will be credited to the Interest Account and the Swap Account therein pro rata until amounts so credited equal the required amounts and, thereafter, to the Principal Account.

Interest Account. The Trustee shall pay out of the Interest Account on each Interest Payment Date for any of the Bonds the amount required for the interest payable on such date. The interest on Bonds shall be payable from amounts on deposit in the Revenue Fund which are transferred to the Debt Service Fund pursuant to Section 1005 of the Indenture. The Trustee shall pay out of the Principal Account on each Interest Payment Date, the amount required for the Principal Installment and/or Sinking Account Installment, if any, payable on such due date.

The Trustee shall also pay out of the Interest Account the accrued interest included in the purchase price of Bonds purchased for retirement. The Trustee shall pay out of the Swap Account on each Swap Payment Date for any Qualified Swap the required Net Corporation Payment due on such date as directed or confirmed by the Corporation or the County.

Principal Account. The Trustee will pay out of the Principal Account on each Interest Payment Date, the amount required for the Principal Installment and/or Sinking Account Installment, if any, payable on such due date.

Swap Account. The Trustee will pay out of the Swap Account on each interest Payment Date for any Qualified Swap the required Net Corporation Payment on such date.

Swap Termination Account. The Trustee will pay out of the Swap Termination Account any amounts required to be paid by the Corporation to a Qualified Swap Provider in the event of a Swap Termination as directed or confirmed by the Corporation or the County.

Credit Facility Payment Account. Notwithstanding anything to the contrary in the Indenture, so long as the Credit Facility is in place and the Credit Facility Provider is honoring timely drawn requests made thereunder, the Trustee will draw upon the Credit Facility in accordance with the terms thereof not later than 9:00 a.m. on the day any payment with respect to the 2008A Bonds is due in order to have funds sufficient in time and amount to make all payments of principal of and interest on the 2008A Bonds. Proceeds of draws on the Credit Facility shall be deposited into the Credit Facility Revenue Account of the Revenue Fund and, not later than 12:00 noon on each Interest Payment Date, transferred to the Principal Subaccount, Interest Subaccount and Prepayment Subaccount in the Credit Facility Payment Account, as applicable, and applied to the payment of principal and interest due on the 2008A Bonds. Amounts in the Principal Account, Interest Account and Prepayment Account in the Debt Service Fund shall, on each Interest Payment Date, be transferred to the Credit Facility Provider as reimbursement for draws made on the Credit Facility.

Establishment and Application of Excess Earnings Fund. The Trustee will establish an "Excess Earnings Fund", which the Trustee shall maintain and keep separate and apart from all other moneys held by the Trustee. Pursuant to the provisions of the Nonarbitrage Certificate, the Corporation, at the direction of the County, shall determine what amounts must be deposited into the Excess Earnings Fund, pursuant to Section 1215 of the Indenture to comply with the provisions of the Nonarbitrage Certificate and, to the extent permitted by law, shall direct the Trustee to transfer such amounts from the Costs of Issuance Account and the Revenue Fund to the Excess Earnings Fund. All amounts initially deposited in the Excess Earnings Fund and investment earnings thereon shall be retained therein until transferred in accordance herewith and with the Nonarbitrage Certificate. Notwithstanding any other provision of the Indenture to the contrary, to the extent permitted by the Nonarbitrage Certificate, any moneys contained in the Excess Earnings Fund not required to be retained therein or paid to the federal government, as set forth in a Written Certificate of the Corporation, shall prior to the completion of the Leased Premises, as certified to the Trustee in the Certificate of Completion, be transferred (i) to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit equal to the Debt Service Reserve Requirement, (ii) to the Administrative Expense Fund to the extent the amount on deposit therein is less than $50,000, (iii) to the Interest Account of the Debt Service Fund, (iv) to the Swap Account and (v) to the Swap Termination Account.

Establishment and Application of Debt Service Reserve Fund. The Indenture establishes in trust a special fund designated the "Debt Service Reserve Fund," which will remain in existence as provided in the Indenture until the Base Rental is paid in full pursuant to the Facilities Lease or until there are no longer any Bonds Outstanding.

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and, after making the required deposits, if any, to the Debt Service Fund, deposit in the in the Debt Service Reserve Fund to the extent that the amount therein is less than the Debt Service Reserve Requirement.

If on any Interest Payment Date the amounts in the Principal Account and the Interest Account in the Debt Service Fund are less than the principal and interest payments due with respect to the Outstanding Bonds on such date, then the Trustee will transfer from the Debt Service Reserve Fund for credit to the Principal Account and the Interest Account, respectively, amounts sufficient to make up such deficiencies.

In the event a Reserve Fund Credit Facility is substituted for the moneys held by the Trustee in the Debt Service Reserve Fund pursuant to the terms of the Indenture then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the Debt Service Reserve Fund and (2) amounts required by the terms of the Indenture to be deposited or transferred to the Debt Service Reserve Fund shall (y) in the event the Reserve Fund Credit Facility has been drawn upon, be paid to the Reserve Fund Credit Facility provider (as directed by the Corporation) if the Corporation has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount of the Reserve Fund Credit Facility equal to such payment or (z) otherwise be transferred or deposited pursuant to the terms of the Indenture as if no deposit or transfer to the Debt Service Reserve Fund is required.

Establishment and Application of Administrative Expense Fund. The Indenture establishes in trust a special fund designated the "Administrative Expense Fund." All expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of Bonds) incidental to the execution and delivery of the Series 2008A Bonds, including but without limiting the generality of the foregoing; salaries, wages, expenses, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Corporation or the County or charges whether or not required to be paid by either of them in order to comply with the terms of the Series 2008A Bonds or of the Indenture will be paid from moneys in this fund upon a request from the County to the Trustee.

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and, after making the required deposits, if any, to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund, deposit in the Administrative Expense Fund, a sum which, together with other moneys previously credited to the Administrative Expense Fund, would result in a balance following such transfer in the Administrative Expense Fund of $50,000.

Amounts in the Administrative Expense Fund which the Corporation at any time determines to be in excess of the requirements of such Administrative Expense Fund, such determination to be evidenced by a Written Certificate of the Corporation to that effect signed by an Authorized Officer, will be paid to the Corporation

Establishment and Application of 2008A Bond Purchase Fund. The Tender Agent establishes and maintains the 2008A Bond Purchase Fund containing a Remarketing Account and a Purchase Account, Funds for the payment of 2008A Bonds required to be purchased in accordance with Section 402 of the Indenture from the Owners thereof will be derived from the Remarketing Account and the Purchase Account, in that order.

Remarketing Account. All proceeds of the sale of such 2008A Bonds remarketed to any person pursuant to Section 504 of the Indenture and furnished to the Tender Agent by the Remarketing Agent will be deposited in the Remarketing Account.

Purchase Account. Amounts furnished by or at the direction of the Trustee to the Tender Agent representing moneys received from draws on the Liquidity Facility will be deposited in the Purchase Account.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Facilities Lease, such Additional Rental is to be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received.

Investments Authorized. Moneys held in all Funds and Accounts will be invested and reinvested by the Trustee, pursuant to written directions provided by an Authorized Officer of the County, to the fullest extent practicable in cash deposits or Qualified Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds or Accounts; provided that moneys in the Debt Service Reserve Fund in no event will be invested in cash deposits or Qualified Investments which mature more than five years from the date of such investment, or later than the final maturity of the Series 2008A Bonds, whichever is earlier. Moneys held in the Revenue Fund may be invested and reinvested, pursuant to any directions provided by the Authorized Officer of the County, in cash deposits or Qualified Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Fund or Accounts. Moneys in the Administrative Expense Fund may be invested, subject to any directions provided by an Authorized Officer of the County, in cash deposits or Qualified Investments which mature within twelve months of the initial time of investment therein. Notwithstanding the foregoing and anything to the contrary contained in the Indenture, Qualified Investments credited to such Funds or Accounts shall be invested consistent with Section 1103 of the Indenture and will mature not later than such times as shall be necessary to provide moneys when needed to make required payments from such Funds and Accounts. Subject to the provisions of Section 1002 of the Indenture and the provisions of the Nonarbitrage Certificate, the Trustee may commingle any of the Funds or Accounts or subaccounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds, accounts and subaccounts held by the Trustee thereunder will be accounted for separately as required by the Indenture, and provided further that moneys drawn under the Credit Facility shall not be commingled with any other funds for investment purposes or otherwise.

All investment earnings on amounts on deposit in the respective Funds and Accounts which are in the possession of the Trustee shall be deposited back into such Funds and Accounts; provided, however, that, subject to the Nonarbitrage Certificate, the Corporation may from time to time provide written instruction to the Trustee as to the deposit of such investment earnings.

Repair or Replacement; Application of Insurance Proceeds and Consolidation Awards. If any useful portion of the Leased Premises, including any additions or improvements thereto, are damaged or destroyed, or are taken by eminent domain proceedings, the Corporation will as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the Corporation is notified in writing by the County that insurance proceeds and other legally available moneys are sufficient to provide for the redemption of (i) all Outstanding Bonds or (ii) the Outstanding Bonds relating to the portion of the Leased Premises damaged, destroyed or taken by eminent domain, provided that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such redemption and payments under any Qualified Swap, in which case the Series 2008A Bonds shall be so redeemed, and the County shall not be required to repair or replace such Leased Premises.

The proceeds of any insurance, including the proceeds of any self-insurance fund, and of any condemnation award, paid on account of any damage, destruction or taking of any portion of the Leased Premises (other than any rental interruption insurance) will be held by the Trustee in a special fund or account, and made available for, and to the extent necessary be applied to, the cost of repair or replacement of the Leased Premises or the relevant portion thereof; provided, however, that in the event the County determines to repair or replace the damaged or destroyed portion of the Leased Premises, the County, pursuant to the Facilities Lease, will not be required to deposit such amounts with the Trustee. Such replacement may consist of the acquisition of additional Leased Premises components without regard to whether such additional Leased Premises components are of the same or a different nature than the damaged, destroyed or taken Leased Premises components, provided that such additional Leased Premises components are properly subjected to the terms of the Facilities Lease or Site Lease to which such component relates, have a useful life the same as or longer than the useful life of the damaged, destroyed or taken Leased Premises components at the time of such damage or destruction, and such additional Leased Premises components will result in a benefit to the County which provides, in the aggregate, for Base Rental payments payable under the Facilities Lease sufficient to pay (A) principal and interest on the Bonds to then be Outstanding and (B) payments under any Qualified Swap to which such component relates.

The proceeds of any insurance, including the proceeds of any self-insurance fund, or of any condemnation award, not applied within 12 months after receipt thereof by the County to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken has not been given to the Trustee by the County within such 12 months, or which the County has at any time notified the Trustee are not to be so applied, will be deposited into the Prepayment Account within the Debt Service Fund and applied to the redemption of Bonds in whole or in part in the manner specified in Article VI of the Indenture.

If the proceeds of insurance, including the proceeds of any self-insurance fund or of any condemnation award, are to be applied to the repair or replacement of any portion of the Leased Premises are insufficient for such purpose, the deficiency may be supplied out of moneys in the Debt Service Reserve Fund to the extent, as shown by a Written Certificate of the Corporation executed by an Authorized Officer filed with the Trustee, not needed to be reserved for the purposes provided therefore.

Rental Interruption Insurance. The proceeds of any rental interruption insurance shall be paid into the Revenue Fund.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the property upon which any portion of the Leased Premises is located are to be applied and disbursed as follows. If the Corporation and the County determine that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Premises and will not result in an abatement of Base Rental payable by the County under the Facilities Lease, such proceeds are to be deposited by the Trustee upon written direction of the County into the Debt Service Reserve Fund to the extent that the amount therein is less than the Debt Service Reserve Requirement. Amounts not required to be so deposited are to be remitted to the County and used for any lawful purpose thereof. If the Corporation and the County determine that such title defect will result in an abatement of Base Rental payable by the County under the Facilities Lease, as described in a Written Certificate of the Corporation and delivered to the Trustee, then the Trustee will immediately deposit such proceeds in the Prepayment Account of the Debt Service Fund and such proceeds shall be applied to the prepayment of Bonds in the manner specified in the Indenture.

Amendments to the Indenture. Any modification or amendment of the Indenture and of the rights and obligations of the Corporation or the County and of the Owners of the Series 2008A Bonds, in any particular, may be made by a Supplemental Indenture, with the written consent of the Bond Insurer, the Credit Facility Provider, the Qualified Swap Provider and the Liquidity Provider (such consent not to be unreasonably withheld) and the written consent given as provided in Section 1602 of the Indenture: (a) of the Owners of at feast fifty percent (50%) in principal amount of the Series 2008A Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Series 2008A Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty (50%) in principal amount of the Series 2008A Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding the consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1601 of the Indenture. No such modification or amendment will permit a change in the terms of any Sinking Account

Installment or the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or will reduce the percentage or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of Section 1601 of the Indenture, a Bond will be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owner of such Bonds. The Trustee may in its discretion determine whether, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by a modification or amendment of the Indenture, and any such determination will be binding and conclusive on the Corporation and all Owners of Series 2008A Bonds.

Amendments to Facilities Lease and Site Lease. The Facilities Lease and the Site Facilities Lease may be amended in writing by agreement between the parties thereto, with the consent of the Trustee and with the consent of the Bond Insurer, the Credit Facility Provider, the Qualified Swap Provider and the Liquidity Provider (such consents not to be unreasonably withheld), but no such amendment will become effective as to the owners of Outstanding Bonds unless and until approved in writing by the owners of a majority in aggregate principal amount of Outstanding Bonds. Notwithstanding the foregoing, the Facilities Lease and the Site Lease and the tights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee and notice to the Bond Insurer, the Credit Facility Provider and the Qualified Swap Provider but without the consent of the Bond insurer and any owners of the Series 2008A Bonds, upon the written agreement of the County and the Corporation, but only (1) for the purpose of substituting property to be leased, (2) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease or the Site Lease, (3) in regard to questions arising under the Facilities Lease or the Site Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the Facilities Lease or the Site Lease and which does not adversely affect the interests of the owners of the Series 2008A Bonds, the Qualified Swap Provider or the Bond Insurer, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the owners of the Series 2008A Bonds or the Bond Insurer.

Events of Default and Remedies. The following are "Events of Default" under the Indenture:

(i) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) default in the due and punctual payment of any installment of interest on any Bond, the unsatisfied balance of any Sinking Account Installment therefor (except when such Sinking Account Installment is due on the maturity date of such Bond) or Net Corporation Payment, when and as such interest installment, Sinking Account Installment or Net Corporation Payment shall become due and payable;

(iii) default by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Series 2008A Bonds contained, and such default shall continue for a period of 30 days after written notice thereof to the Corporation by the Trustee or to the Corporation and to the Trustee by the Owners of not less than twenty percent (20%) in principal amount of the Series 2008A Bonds Outstanding;

(iv) the Corporation is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, makes an assignment for the benefit of creditors, or consents to the appointment of a receiver of itself or property covered by the Leases;

(v) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Corporation, a receiver of the Corporation or of the property covered by The Leases, and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date of such appointment;

(vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Corporation under the provisions of any bankruptcy act and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date or entry of such order, judgment or decree;

(vii) under the provisions of any other law now or hereafter existing for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Corporation or of the property covered by the Leases or any part thereof, and such custody or control is not terminated within 60 days from the date of assumption of such custody or control;

(viii) the County, for any reason whatsoever, fails in the payment of the Base Rental payments at the times, in the amounts and in the manner required by the Leases, and, after notice to the County, such failure continues to and including the Interest Payment Date immediately following the date on which such Base Rental payment was required to be deposited with the Trustee;

If one or more Events of Default occurs and is continuing, the Trustee may proceed, with the prior written consent of the Bond Insurer (as long as the Bond Insurance Policy remains in full force and effect and the Bond Insurer is not in default of its payment obligations thereunder) or shall proceed, upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding to the extent indemnified to its satisfaction, (a) in the case of an Event of Default under subsection (viii), to exercise the remedies set forth in Section 12 of the Facilities Lease or (b) in the case of an Event of Default under subsection (i) through (vii), to exercise the remedies otherwise available to the Trustee in law or equity.

If at any time after an Event of Default has occurred the moneys in the Debt Service Fund and the Debt Service Reserve Fund are not be sufficient to pay the principal of and the interest on the Series 2008A Bonds and the Net Corporation Payments pursuant to a Qualified Swap as the same become due and payable, such moneys, together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied by the Trustee as follows:

First: To the payments of reasonable and proper costs, expenses, compensation and fees of the Trustee, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Trustee.

Second: Unless the principal of all of the Series 2008A Bonds becomes due and payable, all such moneys shall then be applied:

(i) To the payment to the persons entitled thereto (which shall be the Credit Facility Provider with respect to draws on the Credit Facility applied to the payment of interest) of all installments of interest then due, in the order of the maturity of the installments of such interest, and to the Qualified Swap Provider the Net Corporation Payment then due, and, if the amount available shall not be sufficient to pay in full any particular interest installment and the Net Corporation Payment, then to the payment ratably, according to the amounts due on such interest installment and Net Corporation Payment, to the persons entitled thereto and the Swap Provider, as applicable, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2008A Bonds; and

(ii) To the payment of the principal of the Series 2008A Bonds as they become due in accordance with the provisions of the Indenture and, if the amount available shall not be sufficient to pay in full all Bonds due, then to such payment of principal ratably, according to the amounts due on such Bonds.

Third: If the principal as of the date of such payment of all of the Series 2008A Bonds be due and payable, all such moneys will be applied to the payment of the principal as of the date of such payment and interest then due and unpaid upon the Series 2008A Bonds, or due to the Credit Facility Provider to the extent of draws on the Credit Facility applied to the payment of principal and interest, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest or of any Bond over any other Bond, ratably, according to the amount due respectively fair principal as of the date of such payment and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2008A Bonds.

Fourth: To the payment of any termination fee owing under any Qualified Swap.

Fifth: To the person or entity legally entitled thereto.

Bond Insurance Provisions.

Surrender, Cancellation, Termination, Amendment or Modification of Bond Insurance Policy or Swap Surety Bond or Substitution of Bond Insurer.

Neither the Corporation nor the County shall substitute the Bond Insurer, nor shall the Corporation nor the County surrender, cancel, terminate, amend or modify in any material respect the Bond Insurance Policy or the Swap Surety Bond without (i) the prior written consent of the Liquidity Provider or Credit Facility Provider with respect to the Bond Insurance Policy, and the Qualified Swap Provider with respect to the Swap Surety Bond, and (ii) receipt of written evidence from each Rating Agency to the effect that such surrender, cancellation, termination, amendment or modification, as the case may be, in and of itself, will not result in the withdrawal or reduction of the rating(s) then applicable to the 2008A Bonds, as the case may be.

The Trustee shall give notice by first class mail to the Owners of the 2008A Bond Owners on or before the 15th day preceding the date on which the Bond Insurance Policy is surrendered, cancelled, terminated, amended or modified in any material respect pursuant to Section 706(a). Any such notice shall, to the extent applicable, (1) describe such surrender, cancellation, termination, amendment or modification, and the effective date thereof, (2) specify that such surrender, cancellation, termination, amendment or modification will not result in a withdrawal or reduction of the rating(s) then applicable to the 2008A Bonds, and (3) provide the date of effectiveness of any replacement Bond Insurance Policy as applicable. The Corporation will give the Trustee written notification of any surrender, cancellation, termination, amendment or modification of the Bond Insurance Policy as soon as practicable. The Corporation shall provide the Trustee with written notice of any information required to enable the Trustee to give the foregoing notice and shall provide the Trustee with the form of such notice; provided, however, that in the event the Corporation shall fail to provide such notice, the Trustee shall provide such notice.

Reporting Requirements. The County will furnish to the Bond Insurer:

1. The fiscal year budget of the County within thirty (30) days after adoption of such budget;

2. Annual audited financial statements of the County prepared by an independent certified public accountant, together with a certificate of the County stating that no event of default has occurred or is continuing under the Indenture or the Leases;

3. Prior to issuing additional debt secured on parity with the 2008A Bonds, any disclosure document or financing agreement pertaining to such additional debt, which disclosure document or financing agreement shall include, without limitation, the applicable maturity schedule, interest rate or rates, redemption and security provisions pertaining to any such additional debt;

4. Within thirty (30) days following any litigation or investigation that may have a material adverse affect on the financial position of the County notice of such litigation;

5. Immediate notice of any draw on the debt service reserve fund;

6. Immediate notice of any abatement event;

7. Any notice that is required to be given to Owners of the 2008A Bonds, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to the financing documents shall also be provided to the Bond Insurer, simultaneously with the sending of such notices. In addition, to the extent that the County has entered into a continuing disclosure agreement with respect to the 2008A Bonds, all information furnished pursuant to such agreement shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information. All notices required to be given to the Bond Insurer shall be in writing and shall be sent by registered or certified mail addressed to the Assured Guaranty Corp., 1325 Avenue of the Americas, New York, New York 10019, Attention: General Counsel, with a copy to the Assured Guaranty Corp., Attention: Risk Management Department-Public Finance Surveillance.

8. The Bond Insurer has the right to receive such additional information as it may reasonably request.

9. The County will permit the Bond Insurer to discuss the affairs, finances and accounts of the County or any information the Bond Insurer may reasonably request regarding the security for the 2008A Bonds with appropriate officers of the County, and will use best efforts to enable the Bond Insurer to have access to the facilities, books and records of the County on any business day upon reasonable prior notice.

10. The Trustee shall notify the Bond Insurer of any failure of the County to provide notices, certificates and other information under the Indenture, the Leases or the continuing disclosure agreement.

Defeasance. In the event that the principal and/or interest due on the 2008A Bonds shall be paid by the Bond Insurer pursuant to the Policy, the 2008A Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Corporation, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Corporation to the registered owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2008A Bonds.

In addition, in the event the 2008A Bonds are defeased in accordance with Section 1701 of the Indenture, the Bond Insurer will require the following items:

1. An opinion of Bond Counsel that the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest on the 2008A Bonds.

2. An escrow agreement and an opinion of counsel regarding the validity and enforceability of the escrow agreement. The escrow agreement shall provide that:

   a. Any substitution of securities shall require verification by an independent certified public accountant and the prior written consent of the Bond Insurer.

   b. The Corporation will not exercise any optional redemption of 2008A Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition of any such redemption there shall be provided to the Bond Insurer a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.

   c. The Corporation shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Bond Insurer.

Trustee.

1. The Bond Insurer shall receive prior written notice of any name change of the Trustee or the removal, resignation or termination of the Trustee.

2. No removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.

3. The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of its obligations under the financing documents.

Amendments and Supplements. With respect to amendments or supplements to the financing documents which do not require the consent of the Bond Owners, the Bond Insurer must be given notice of any such amendments or supplements. With respect to amendments or supplements to the financing documents which do require the consent of the Bond Owners, the Bond Insurer's prior written consent is required. All financing documents must contain a provision that requires that copies of any amendments or supplements to such documents which are consented to by the Bond Insurer shall be sent to the rating agencies that have assigned a rating to the 2008A Bonds. Notwithstanding any other provision of such financing document, in determining whether the rights of Bond Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Bond Owners as if there were no Policy.

The Bond Insurer as Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted under the Indenture.

Control Rights. So long as the Bond Insurer is honoring draws on its Bond Insurance Policy the Bond Insurer shall be deemed to be the holder of all of the 2008A Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default (as defined in the Indenture), and (b) granting any consent, direction or approval or taking any action permitted by or required under the Indenture, to be granted or taken by the holders of such 2008A Bonds.

So long as the Bond Insurer is honoring draws on its Bond Insurance Policy anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in the Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bond Owners or the Trustee for the benefit of the Bond Owners under the Indenture. In the event the Bond Insurance Policy is not in full force and effect or the Bond Insurer has failed to honor draws under its Bond Insurance Policy, references in Article VIIA and Article XIII of the Indenture to Bond Insurer means the Credit Facility Provider.

Consent Rights of the Bond Insurer.

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

2. Consent of the Bond Insurer in Addition to Bond Owner Consent. Wherever the Indenture requires the consent of Bond Owners, the Bond Insurer's prior written consent shall also be required.

3. Consent of the Bond Insurer in the Event of Insolvency. Any reorganization or liquidation plan with respect to the County must be acceptable to the Bond Insurer. In the event of any such reorganization or liquidation, the Bond Insurer has the right to vote on behalf of all Bond Owners who hold 2008A Bonds guaranteed by the Bond Insurer, absent a payment default by the Bond Insurer under the Policy.

4. Consent of the Bond Insurer Upon Default. Upon the occurrence of an Event of Default, the Trustee may, with the prior written consent of the Bond Insurer, and shall at the direction of the Bond Insurer or the Bond Owners with the prior written consent of the Bond Insurer, by written notice to the Corporation and the County and the Bond Insurer, as applicable, exercise any and all remedies available under the Indenture and the Leases.

Payment Procedure Under the Policy.

1. At least two (2) Business Days prior to each payment date on the 2008A Bonds, the Trustee will determine whether there will be sufficient funds (excluding funds available to be drawn under the Credit Facility) to pay all principal of and interest on the 2008A Bonds due on the related payment date and shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the 2008A Bonds to which such deficiency is applicable and whether such 2008A Bonds will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

2. The Trustee shall, after giving notice to the Bond Insurer as provided above, make available to the Bond Insurer and, at the Bond Insurer's direction, to any Fiscal Agent, the registration books of the County maintained by the Trustee and all records relating to the funds maintained under the Indenture.

3. The Trustee shall provide the Bond Insurer and any Fiscal Agent with a list of registered owners of 2008A Bonds, the Credit Facility Provider and the Qualified Swap Provider entitled to receive principal or interest payments from the Bond Insurer under the terms of the Policy, and shall make arrangements with the Bond Insurer, the Fiscal Agent or another designee of the Bond Insurer to (i) mail checks or drafts to the registered owners of 2008A Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) pay principal upon 2008A Bonds surrendered to the Bond Insurer, the Fiscal Agent or another designee of the Bond Insurer by the registered owners of 2008A Bonds entitled to receive full or partial principal payments from the Bond Insurer.

4. The Trustee shall, at the time it provides notice to the Bond Insurer of any deficiency pursuant to clause (a) above, notify registered owners of 2008A Bonds, the Credit Facility Provider and the Qualified Swap Provider entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the Bond Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the Bond Insurer or any Fiscal Agent, in form satisfactory to the Bond Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the Bond Insurer, they must surrender the related 2008A Bonds for payment first to the Trustee, which will note on such 2008A Bonds the portion of the principal paid by the Trustee and second to the Bond Insurer or its

designee, together with an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such 2008A Bonds to be registered in the name of the Bond Insurer, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the Bond Insurer, they must surrender the related 2008A Bonds for payment to the Bond Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the Bond Insurer, to permit ownership of such 2008A Bonds to be registered in the name of the Bond Insurer.

5. In addition, if the Trustee has notice that any holder of the 2008A Bonds or the Credit Facility Provider has been required to disgorge payments or reimbursements of principal or interest on the 2008A Bonds previously due for payment pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder or the Credit Facility Provider within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Bond Insurer or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

6. The Trustee will be hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the 2008A Bonds as follows:

    a. If and to the extent there is a deficiency in amounts required to pay interest on the 2008A Bonds (excluding funds available to be drawn under the Credit Facility), the Trustee shall (a) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective holders or the Credit Facility Provider (and not as Trustee) in accordance with the tenor of the Policy payment from the Bond Insurer with respect to the claims for interest so assigned, and (c) disburse the same to such respective holders or the Credit Facility Provider; and

    b. If and to the extent of a deficiency in amounts required to pay principal of the 2008A Bonds (excluding funds available to be drawn under the Credit Facility), the Trustee shall (a) execute and deliver to the Bond Insurer, in form satisfactory to the Bond Insurer, an instrument appointing the Bond Insurer as agent for such holder in any legal proceeding related to the payment of such principal and an assignment to the Bond Insurer of the 2008A Bond surrendered to the Bond Insurer in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Bond Insurer is received), (b) receive as designee of the respective holders or the Credit Facility Provider (and not as Trustee) in accordance with the tenor of the Policy payment therefore from the Bond Insurer, and (c) disburse the same to such holders or the Credit Facility Provider.

7. Payments with respect to claims by the Credit Facility Provider for amounts drawn under the Credit Facility and not reimbursed by the Corporation or the County will include interest on such unreimbursed amounts at the Draw Rate (as defined in the Credit Agreement). For purposes of claims under the Bond Insurance Policy, the Credit Facility Provider shall be deemed a holder of 2008A Bonds to the extent of any payments to other holders from the proceeds of draws on the Credit Facility for which the Credit Facility Provider has not been reimbursed in accordance with the terms of the Credit Agreement.

8. Payments with respect to claims for interest on and principal of 2008A Bonds disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Corporation or the County with respect to such 2008A Bonds, and the Bond Insurer shall become the owner of such unpaid 2008A Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

9. Irrespective of whether any such assignment is executed and delivered, the County and the Trustee hereby agree for the benefit of the Bond Insurer that:

    a. they recognize that to the extent the Bond Insurer makes payments directly or indirectly (e.g., by paying through the Trustee or reimbursing the Credit Facility Provider), on account of principal of or interest on the 2008A Bonds, the Bond Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the County, with interest thereon as provided and solely from the sources stated in the financing documents and the 2008A Bonds; and

    b. they will accordingly pay to the Bond Insurer the amount of such principal and interest, with interest thereon as provided in the Indenture and the 2008A Bonds, but only from the sources and in the manner provided in the Indenture for the payment of principal of and interest on the 2008A Bonds to holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

10. The County hereby agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Bond Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Indenture or any other financing document, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the County or any affiliate thereof) relating to the Indenture or any other financing document, any party to the Indenture or any other financing document or the transaction contemplated by the financing documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Indenture or any other financing document, or the pursuit of any remedies under the Indenture or any other financing document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, the Indenture or any other financing document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii) - (iv) above. In addition, the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other financing document. The County will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the "Reimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the Bond Insurer shall specify. The provisions of this paragraph shall survive the redemption, defeasance or termination of the 2008A Bonds or the terminations of any financing document.

11. In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the County agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Bond Insurer

within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by the Indenture or any other financing document by reason of:

a. any omission or action (other than of or by the Bond Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the 2008A Bonds;

b. the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Corporation or the County in connection with any transaction arising from or relating to the Indenture or any other financing document;

c. the violation by the County of any law, rule or regulation, or any judgment, order or decree applicable to it;

d. the breach by the Corporation or the County of any representation, warranty or covenant under the Indenture or any other financing document or the occurrence, in respect of the Corporation or the County, under the Indenture or any other financing document of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

e. any untrue statement or alleged untrue statement of a material fact contained in any official statement, if any, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by the Bond Insurer in writing expressly for use therein.

12. Non-Reliance on the Bond Insurer. The Corporation has made its own independent investigation and decision as to whether to insure the payment when due of the principal of and interest on the 2008A Bonds and whether the Policy is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. The Corporation and the County acknowledge that the Bond Insurer has not made, and therefore the Corporation or the County is not relying on, any recommendation from the Bond Insurer that the Corporation or the County insure the 2008A Bonds or obtain the Policy; it being understood

and agreed that communications from the Bond Insurer (whether written or oral) referring to, containing information about or negotiating the terms and conditions of the Policy, any related insurance document or the documentation governing the 2008A Bonds do not constitute a recommendation to insure the 2008A Bonds or obtain the Policy. The Corporation and the County further acknowledge that the Bond Insurer has not made any representation, warranty or undertaking, and has not given any assurance or guaranty, in each case, expressed or implied, concerning the rating of the Bond Insurer's financial strength by the rating agencies. The County and the Corporation understand that such ratings may not continue for any given time period and instead may change over time, including without limitation being placed under review for possible downgrade, revised downward or withdrawn entirely by the relevant rating agency if, in the judgment of such rating agency, circumstances so warrant. The Corporation and the County acknowledge and agree that the Bond Insurer undertakes no responsibility to bring to its attention, and has no liability for, the placement of a rating under review for possible downgrade or the downward revision or withdrawal of any rating obtained, and that any such review for possible downgrade, downward revision or withdrawal may have an adverse effect on the 2008A Bonds.

13. the Bond Insurer shall be entitled to pay principal or interest on the 2008A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the County (as such terms are defined in the Policy) and any amounts due on the 2008A Bonds as a result of acceleration of the maturity thereof in accordance with the Indenture, whether or not the Bond Insurer has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy. The Bond Insurer acknowledges that the 2008A Bonds and amounts due from the County under the Facilities Lease are not subject to acceleration.

14. In addition, the Bond Insurer shall, to the extent it makes any payment of principal or interest on the 2008A Bonds become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the County maintained by the Trustee, upon receipt of proof of payment of interest thereon to the registered holders of the 2008A Bonds, and (ii) in the case of claims for principal, the Trustee, if any, shall note the Bond Insurer's rights as subrogee on the registration books of the County maintained by the Trustee, upon surrender of the 2008A Bonds together with receipt of proof of payment of principal thereof.

THE FACILITIES LEASE

The Facilities Lease sets out the terms under which the Corporation will lease the Leased Premises to the County, and the County will pay the Base Rental (which includes the Scheduled Base Rental and the Excess Base Rental), the amounts of which will be determined by the Facilities Lease. In addition to the Base Rental, the County agrees to pay as Additional Rental all of the following: (i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises or upon any interest of the Corporation, the Trustee or the Owners therein or in this Facilities Lease; (ii) Insurance premiums, if any, on all insurance required under the provisions of Section 4.3 of the Facilities Lease; (iii) All fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Bonds) of the Corporation in connection with the issuance of the Bonds, including, but not limited to, Trustee fees, Remarketing fees, Liquidity Facility fees and annual Rating Agency fees; and (iv) Any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of this Facilities Lease or of the Indenture (including, but not limited to, amounts due pursuant to the Insurance Agreement, the Liquidity Facility or any Qualified Swap).

The Facilities Lease is a triple net lease; rentals provided for in the Facilities Lease will be an absolute net return to the Corporation free and clear of any expenses, charges, counterclaim or recoupment or set-offs whatsoever.

Upon payment of all Base Rental and Additional Rental required by the Facilities Lease or defeasance or retirement of the Series 2008A Bonds, title to the Facilities, and any additions thereto, will be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of the Facilities Lease.

The Base Rental payable by the County is generally due on the 25^{th} day of each month during the Lease Term. Base Rental payments are subject to abatement as described below.

Rental Abatement. Except to the extent of amounts, if any, legally available to the County for payments to respect of the Base Rental and Additional Rental, such payments due will be abated during any period in which, by reason of delay in construction or material damage, destruction, condemnation or defect in title to the Leased Premises, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement will be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defect do not substantially interfere with the use and right of possession by the County. Such abatement will continue for the period commencing with the date of such substantial interference due to damage, destruction, condemnation or title defects and ending with the restoration of the Leased Premises to tenantable condition.

Substitution of Leased Premises. The County at its sole discretion may substitute other property for the Leased Premises with the consent of the Bond Insurer and any Qualified Swap Provider, which such consent shall not be unreasonably withheld, provided, however, that: (i) substitution does not, in the Opinion of Bond Counsel, adversely affect the tax-exempt status of the Series 2008A Bonds; (ii) the County certifies to the Trustee that the minimum fair rental value of the property being substituted for the Leased Premises is equal to the annual Base Rental payable under the Facilities Lease after the substitution, and the useful life of the substituted property is equal or greater than the lesser of the useful life of the released property or the remaining term of the Facilities Lease; (iii) the County has been advised by rating agencies that have provided ratings on Outstanding Bonds, that such substitution will not, in and of itself, result in a reduction of such ratings on the Series 2008A Bonds; and (iv) the County has obtained title insurance on the substituted property.

Replacement, Maintenance and Repairs. The County will, at its own expense, during the term of the Facilities Lease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and will replace any portion of the Leased Premises which is destroyed; provided, that the County is not required to repair or replace any such portion of the Leased Premises if there will be applied to the prepayment of Bonds insurance proceeds or other legally available funds sufficient to prepay (i) all of the Series 2008A Bonds Outstanding, or (ii) the Series 2008A Bonds relating to the portion of the Leased Premises destroyed, provided that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such prepayment. The County will 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 Leased Premises. The Corporation will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises.

Insurance. The Facilities Lease requires the County to secure and maintain or cause to be secured and maintained at times with insurers of recognized responsibilities or through a program of self-insurance to the extent specifically permitted in the Facilities Lease insurance with respect to the Leased Premises of the type and in amounts described therein.

All policies or Bonds issued by the respective insurers for insurance, with the exception of workers' compensation insurance, are to provide that such policies or Bonds shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee.

All policies or Bonds of insurance required by the Facilities Lease are to name the County as an Additional Insured, and the Corporation and its directors and the Trustee as additional insureds.

Proceeds of insurance (other than rental interruption insurance) received in respect of destruction of or damage to the Leased Premises by fire, earthquake or other casualty or event are to be paid to the Trustee for application in accordance with the provisions of the Indenture. If the County elects pursuant to the Indenture to apply such proceeds to the replacement, repair or reconstruction of the Leased Premises, the Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

Notwithstanding the generality of the foregoing, the County is not required to maintain or cause to be maintained more insurance than is specifically reined to in the Facilities Lease or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

Liens. The County will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Corporation therein, and will cause each such lien to be fully discharged and released, provided, however, that the County or the Corporation (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County will forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. The County will not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Corporation and the County as provided in the Facilities Lease. Except as expressly provided in the Facilities Lease, the County will 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 arises at any time.

Eminent Domain. If the Leased Premises, or so much thereof as to render the remainder of the Leased Premises unusable for the County's purposes under the Facilities Lease, is taken under the power of eminent domain, then the Facilities Lease will terminate as of the day possession is so taken, or, if the County is the condemnor, then the Facilities Lease will terminate as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental in accordance with the terms of the Facilities Lease. If less than a substantial portion of the Leased Premises will be taken under the power of eminent domain, and the remainder is usable for County purposes, then there will be an abatement of Base Rental only to the extent of the portion of the Leased Premises which is unusable and the Facilities Lease will continue in full force and effect. Any award made in eminent domain proceedings for the taking will be paid to the Trustee for application in accordance with the provisions of the Indenture. If the County elects pursuant to the provisions of the Indenture to apply such proceeds to the repair or replacement of the Leased Premises, then the Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

Assignment and Lease. The Facilities Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law, or otherwise; provided, however, that, the County may sublease all or any portion of the Leased Premises, and may grant concessions to others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises. The County will at all limes terrain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Facilities Lease will be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in the Facilities Lease or to relieve the County from any other obligations contained in the Facilities Lease. In no event will the County sublease or permit the use of all or any part of the Leased Premises to any person so as to cause the interest with respect to the Series 2008A Bonds to be subject to federal income tax or State of California personal income tax.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the County agrees to indemnify and hold harmless the Corporation and its officers and directors against any and all liabilities which might arise out of or are related to the Leased Premises, the Series 2008A Bonds, any Qualified Swap and the Insurance Agreement, and the County further agrees to defend the Corporation and its officers and directors in any action arising out of or related to the Leased Premises and the Series 2008A Bonds.

Default. Events of default under the Facilities Lease include: (i) failure of the County to deposit with the Trustee any Base Rental payment required to be so deposited by the close of business on the day such deposit is required to be made, (ii) failure of the County to pay any Additional Rental payment by the due date thereof; and (iii) breach by the County of any other terms, covenants or conditions contained in the Facilities Lease or the Indenture, and failure to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Corporation to the County, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, and any assignee of the rights of the Corporation under the Facilities Lease, will have the right, at its option, without any further demand or notice, (i) to terminate the Facilities Lease, or, with the consent of the County which consent shall not be unreasonably withheld to keep the Facilities Lease in full force and effect, and in either event, to re-enter the Leased Premises and eject all parties in possession therefrom, and re-let the Leased Premises as the agent and for the account of the County upon such terms and conditions as the Corporation may deem advisable, in which event the rents received on such re-letting or sale shall be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Leased Premises to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commissions actually paid, and second to the Revenue Fund for the payment of Base Rental in accordance with the Facilities Lease and the Indenture, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then, if the Facilities Lease shall not have been terminated, the County shall pay to the Corporation any net deficiency existing on the date when Base Rental or Additional Rental is due under the Facilities Lease; or (ii) so long as the Corporation or its assignee does not terminate the Facilities Lease or the County's right to possession and use, to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rental payments as they become due under the Facilities Lease (pursuant to Section 1951.4 of the California Civil Code). All damages and other payments received by the Corporation or its assignee pursuant to the exercise of its rights and remedies are to be applied in the manner set forth in the Indenture.

No Acceleration. Notwithstanding any other provision of the Facilities Lease or the Indenture, in no event will the Corporation have the right to accelerate the payment of any Base Rental.

Amendment. The Facilities Lease may be amended only in accordance with and as permitted by the terms of Section 1606 of the Indenture.

THE SITE LEASE

The Site Lease provides the terms under which the County agrees to lease the Leased Premises to the Corporation for the term of the Facilities Lease for the purposes described in the Facilities Lease and such purposes as may be incidental thereto.

Rent. The Corporation is to pay to the County as advance rent the sum of One Dollar ($1.00) and other good and valuable consideration, as full consideration for the Site Lease over its term.

Assignment and Sublease. The Corporation may not assign, mortgage; hypothecate or otherwise encumber the Site Lease and any rights thereunder and the leasehold created thereby by trust agreement, indenture or deed of trust or otherwise or sublet the Leased Premises without the written consent of the County, except that the County expressly approves and consents to the issuance by the Corporation of its Leasehold Revenue Bonds pursuant to the Indenture and the entering into by the Corporation of any Qualified Swap and the insurance of said Bonds and the execution of a reimbursement agreement with the insurer of said Bonds.

Taxes. The County covenants and agrees to pay any and all taxes and assessments levied or assessed upon the Leased Premises.

Eminent Domain. If the whole or any part of the Leased Premises is taken under the power of eminent domain, the interest of the Corporation will be recognized and is determined to be the aggregate amount of unpaid principal and interest on Outstanding Bonds plus the amount, if any, required to terminate all outstanding Qualified Swaps and to reimburse the Insurer if it has met any of the obligations of the Corporation under either a Qualified Swap or the Series 2008A Bonds, and will be paid to the Trustee in accordance with the terms of the Facilities Lease and the Indenture.

Amendments. The Site Lease may be amended only in accordance with and as permitted by the terms of Section 1606 of the Indenture.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Riverside (the "County") as of December 1, 2008 in connection with the execution and delivery of the County of Riverside Variable Rate Demand Leasehold Revenue Refunding Bonds Series 2008A (Southwest Justice Center Refunding) (the "Bonds"). The Bonds are being executed and delivered pursuant to an Indenture of Trust, dated as of December 1, 2008 (the "Indenture"), by and among the County, the County of Riverside Asset Leasing Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds are also being executed and delivered pursuant to a Resolution of the Board of Supervisors of the County adopted on November 25, 2008 (the "Resolution"). The County hereby covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners (as defined below) of the Bonds and in order to assist the Participating Underwriters (as defined below, in complying with the Rule (as defined below).

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

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

"*Beneficial Owner*" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Commission*" means the Securities and Exchange Commission.

"*Dissemination Agent*" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

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

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Commission are currently found at http://www.sec.gov/info/municipal/nrmsir.htm.

"*Participating Underwriters*" means any of the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"*Repository*" means each National Repository and each State Repository.

"*Rule*" means paragraph (b)(5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State Repository*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

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 report for the County's Fiscal Year ended June 30, 2008, provide to each Repository copies of an Annual Report of the County, which is consistent with the requirements of Section 4 of this Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if it is not available by that date. The County shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the County hereunder. The Dissemination Agent and Trustee may conclusively rely upon such certification of the County. If the County's Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under Subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in Subsection (a) above for providing an Annual Report to each Repository, the County shall provide such Annual Report to the Dissemination Agent (if one has been appointed) and to the Trustee (if the Trustee is not the Dissemination Agent). If the County is unable to provide to each Repository such Annual Report by the date specified in Subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit A to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Annual Report has been furnished to the Dissemination Agent, file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing each Repository to which it was provided.

Section 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the County for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Subsection 3(a) of this Certificate, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) 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.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the County or related public entities, which have been submitted to each Repository or the 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 included by reference.

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.

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 Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions or events affecting the tax status of the Bonds;

(vii) modifications to the rights of Owners of the Bonds;

(viii) bond calls other than mandatory sinking fund redemptions;

(ix) defeasances;

(x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and

(xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in Subsections (a)(viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Certificates pursuant to the Indenture.

(d) The Trustee, if not the Dissemination Agent, shall, within 10 Business Days of obtaining actual knowledge of the occurrence of any of the Listed Events (with no obligation to determine the materiality thereof), contact the County, inform such person of the event, and request that the County promptly notify the Dissemination Agent, or if there is no Dissemination Agent, the Trustee, in writing whether or not to report the event pursuant to paragraph (b). For the purpose of this Certificate "actual knowledge" means actual knowledge at the principal corporate trust office of the Trustee by an officer of the Trustee with responsibility for matters related to the administration of the Indenture.

Section 6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds or upon delivery to the County and to the Dissemination Agent (if any) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Subsection 5(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 Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 60 days' written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

Section 8. Amendment Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Subsection 3(a), Section 4, or Subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

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

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. 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 Subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall 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 Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Certificate, the County shall have an obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Certificate shall be governed by the laws of the State of California and the federal securities laws.

Section 14. Filing With Central Post Office. Any filing under this Certificate may alternatively be made by transmitting such filing to the Texas Municipal Advisory Council as provided at http:www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the Texas Municipal Advisory Council dated September 7, 2004, or to the Municipal Securities Rulemaking Board's Electronic Municipal Markets Access system, once such system becomes operational.

Section 15. Notices. Any notice required to be delivered to a party under this Certificate shall be deemed to have been sufficiently given or served for all purposes by being delivered or sent by telex or by being deposited, postage prepaid, in a post office letter box, addressed, as the case may be, as set forth below, or such other addresses as may have been filed in writing with the Dissemination Agent.

to the Trustee:	U.S. Bank National Association 550 S. Hope Street, Suite 500 Los Angeles, CA 90071 Attention: Corporate Trust Department
to the County:	County of Riverside County Administration Center 4080 Lemon Street, 4th Floor Riverside, CA 92501-3651 Attention: County Executive Officer

Section 16. Counterparts. This Certificate may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the County and the Dissemination Agent (if any) shall preserve undestroyed, shall together constitute but one and the same instrument.

COUNTY OF RIVERSIDE

By ___________________________________
Authorized Officer

[Signature Page for Continuing Disclosure Certificate]

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	County of Riverside, California
Name of Bond Issue:	$78,895,000 County of Riverside Variable Rate Demand Leasehold Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding)
Issuance Date:	December 10, 2008

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of December 1, 2008, executed and delivered by the County. [The County anticipates that the Annual Report will be filed by ____________].

Dated: ______________

COUNTY OF RIVERSIDE

By ____________________________________
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

County of Riverside Asset Leasing Corporation
Riverside, California

County of Riverside
Riverside, California

RE: $78,895,000 County of Riverside Asset Leasing Corporation Variable Rate Demand Lease Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding)

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 $78,895,000 aggregate principal amount of its Variable Rate Demand Lease Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding) (the "Bonds"). The Bonds are authorized under the Articles of Incorporation of the Corporation and the laws of the State of California. The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2008 (the "Indenture"), by and among the Corporation, the County of Riverside, California (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

As bond counsel, we have examined the Indenture, the Site Lease dated as of December 1, 2008 (the "Site Lease") between the County and the Corporation, the Facilities Lease dated as of December 1, 2008 between the Corporation and the County (the "Facilities Lease"), the Tax Certificate of the Corporation and the County dated the date hereof (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 of 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.

The opinions expressed herein are based upon 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 neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We express no opinion as to any provision in the Indenture, the Site Lease or the Facilities Lease with respect to the priority of any pledge or security interest, indemnification, or governing law. We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any personal property described in the Facilities Lease or the Site Lease, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

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.

On the basis of such examination, our reliance upon 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 Bonds constitute the valid and binding limited obligations of the Corporation;

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

3. The Facilities Lease and the Site Lease have been executed and delivered by, and constitute the valid and binding obligations of, the Corporation and the County. The obligation of the County to make the Base Rental Payments during the terms of the Facilities Lease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor; and

4. The Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the County, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

The opinions set forth in paragraphs 1and 2 above assume that the Trustee has duly authenticated the Bonds and that the Indenture is legally valid, binding and enforceable agreement of the Trustee. In addition, the enforceability of the agreements, covenants and obligations described in paragraphs 1 and 2 above may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws). In addition, the enforceability of such agreements, covenants and obligations is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and the limitations on legal remedies against government entities in the State of California. We express no opinion regarding the availability of equitable remedies.

5. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the Tax Certificate, the County and the Corporation have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the County and the Corporation have made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those representations and certifications.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

Except as stated in the preceding three paragraphs, we express no opinion as to any other Federal or state tax consequences of the ownership, receipt of interest on or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

We call attention to the fact that the opinions expressed herein and the exclusion of interest due on the Bonds from gross income for Federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department – Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:__________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
VARIABLE RATE DEMAND LEASEHOLD REVENUE REFUNDING BONDS, SERIES 2008A (SOUTHWEST JUSTICE CENTER REFUNDING)

Printed on Recycled Paper
IMAGEMASTER 800.452.5152