

\$41,170,072.65
County of Riverside Asset Leasing Corporation
Leasehold Revenue Bonds, 1997 Series A
(County of Riverside Hospital Project)

Dated: Delivery Date

Due: As shown below.

The 1997A Bonds are issuable as fully-registered bonds registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 1997A Bonds. Purchases of the 1997A Bonds may be made in book-entry form only, in the denominations such that the Accreted Value of each such 1997A Bond on the stated maturity thereof will be \$5,000 or an integral multiple thereof through brokers and dealers who are, or who act through, DTC Participants. Beneficial owners of the 1997A Bonds will not receive physical delivery of bond certificates. Payment of Accreted Value at Maturity on the 1997A Bonds will be made to DTC by First Trust of California, National Association, as Trustee. Disbursement of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC participants. See "THE 1997A BONDS — GENERAL — Book-Entry System for 1997A Bonds" herein. The 1997A Bonds are Capital Appreciation Bonds. Interest on the Capital Appreciation Bonds will accrue from the date of delivery and compound on June 1, 1997 and on June 1 and December 1 thereafter, payable at maturity. No payments are due the owners of the 1997A Bonds until the maturity of the 1997A Bonds. Upon receipt of payments of principal and interest, DTC will in turn remit such principal and interest to participants in the DTC system for subsequent disbursement to purchasers of interests in the 1997A Bonds, all as more fully described herein.

The 1997A Bonds are subject to redemption prior to their stated maturity under certain circumstances as described herein.

In the opinion of O'Melveny & Myers LLP, Bond Counsel, assuming the accuracy of certain representations and compliance by the County and the Corporation with certain tax covenants described herein, the interest on the 1997A Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and is exempt from personal income taxes of the State of California under present state law. In addition, Original Issue Discount ("OID"), if any, with respect to the 1997A Bonds properly allocable to the Owners of such 1997A Bonds, is treated the same as interest and is excluded from the gross income of each Owner of the 1997A Bonds for federal income tax purposes and is exempt from personal income taxes of the State of California to the same extent as interest. In addition, Bond Counsel is of the opinion that the 1997A Bonds are not "private activity bonds" and, therefore, the interest of the 1997A Bonds will not be treated as a specific item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Interest and OID, if any, are included in the computation of certain federal taxes on corporations. See "TAX MATTERS" herein.

The County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project) (the "1997A Bonds") are being issued to (i) provide additional funds for the completion of the facilities project; and (ii) pay the costs of issuance, all as more fully described herein.

The 1997A Bonds will be payable from revenues, consisting primarily of Base Rental payments to be made by the County of Riverside (the "County") to the County of Riverside Asset Leasing Corporation (the "Corporation") for certain real property, equipment and improvements to be constructed thereon and in connection therewith (the "Project") under a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County, as amended, and an Equipment Lease, dated as of July 1, 1989, by and between the Corporation and the County, respectively (collectively referred to herein as the "Lease"). The 1997A Bonds will be secured on a parity basis with \$64,895,000 outstanding 1989 Series A Bonds, \$134,535,000 outstanding 1993 Series A Bonds and \$14,525,000 outstanding 1993 Series B Bonds.

The County has covenanted in the Lease to take such action as may be necessary to include Base Rental and Additional Rental payments due under the Lease in its annual budget, and to make necessary annual appropriations therefor.

THE 1997A BONDS WILL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE PROCEEDS, REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE 1997A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE THE BASE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA.

The scheduled payment of principal of and interest on the 1997A Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 1997A Bonds by MBIA Insurance Corporation. See "BOND INSURANCE" herein.



This cover page is not intended to be a summary of the terms of or security for the 1997A Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**MATURITIES, INITIAL PRINCIPAL AMOUNTS,
 COUPONS, PRICES OR YIELDS**

\$41,170,072.65 Aggregate Initial Value of Capital Appreciation Bonds

Maturity June 1	Initial Amount	Initial Amount Per \$5,000 Maturity	Yield	Cusip No.	Maturity June 1	Initial Amount	Initial Amount Per \$5,000 Maturity	Yield	Cusip No.
2013	\$3,033,863.25	\$2,002.55	5.70%	768903AX4	2020	\$4,981,186.90	\$1,276.90	5.95%	768903BE5
2014	2,834,647.50	1,877.25	5.75%	768903AY2	2021	4,664,425.70	1,195.70	5.98%	768903BF2
2015	1,406,480.00	1,758.10	5.80%	768903AZ9	2022	4,375,946.75	1,121.75	6.00%	768903BG0
2016	1,314,275.10	1,644.90	5.85%	768903BA3	2023	4,124,722.35	1,057.35	6.00%	768903BH8
2017	1,230,040.00	1,537.55	5.90%	768903BB1	2024	3,877,594.00	994.00	6.01%	768903BJ4
2018	1,147,164.25	1,435.75	5.95%	768903BC9	2025	3,654,651.85	936.85	6.01%	768903BK1
2019	1,080,492.00	1,354.00	5.95%	768903BD7	2026	3,444,583.00	883.00	6.01%	768903BL9

The 1997A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by O'Melveny & Myers LLP, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Curls, Brown & Roushon, Los Angeles, California, and for the Corporation and the County by the Riverside County Counsel. It is expected that the 1997A Bonds will be available for delivery through the DTC book-entry system on or about February 20, 1997.

Smith Barney Inc.

Samuel A. Ramirez & Co., Inc.

Dated: February 6, 1997

COUNTY OF RIVERSIDE, CALIFORNIA

Board of Supervisors

Robert Buster
First District



John Tavaglione
Second District

James A. Venable
Third District

Roy Wilson
Fourth District

Tom Mullen
Fifth District

County Officials

Larry Parrish
County Executive Officer

R. Wayne Watts
Treasurer-Tax Collector

Anthony J. Bellanca, C.P.A.
Auditor/Controller

William C. Katzenstein
County Counsel

Gregg Marrama
Finance Director

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Joe Colladay, President

Wanda Hird

Wayne Keith

David Kolk

John McDonough

O'Melveny & Myers LLP
Bond Counsel

Rauscher Pierce Refsnes, Inc.
Financial Advisor

First Trust of California, National Association
Trustee

No dealer, broker, salesperson or other person has been authorized by the County of Riverside, California (the "County of Riverside"), the County of Riverside Asset Leasing Corporation (the "Corporation") or the Underwriters to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the County of Riverside, the Corporation or the Underwriters. 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 1997A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the 1997A Bonds.

Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriters. Neither the Underwriters nor their counsel have undertaken any independent investigation to determine whether the information provided by the County or other sources is accurate, correct or complete. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted in connection with the sale of the 1997A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1997A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE 1997A BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE FRONT COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$41,170,072.65

**County of Riverside Asset Leasing Corporation
Leasehold Revenue Bonds, 1997 Series A
(County of Riverside Hospital Project)**

INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with the offering of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project), \$41,170,072.65 initial amount of Capital Appreciation Bonds (the "1997A Bonds"). The 1997A Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 1989, as amended and supplemented, including, as amended and supplemented by Supplemental Indenture of Trust No. 4, dated as of February 1, 1997 (collectively, the "Indenture"), by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside, California (the "County") and First Trust of California, National Association, as Trustee (the "Trustee").

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

In 1989, the Corporation issued \$200,102,532.50 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project) (the "1989 Bonds"). The 1989 Bonds were issued to provide funds to acquire and construct certain improvements (the "Improvements") to be constructed on certain real property (the "Property") leased by the Corporation to the County pursuant to a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County (as amended, the "Facilities Lease") See "THE PROJECT - Project Costs" herein. The 1997A Bonds are payable on a parity with \$64,895,000 aggregate principal amount of outstanding 1989 Bonds.

In 1993, the Corporation issued \$134,535,000 Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project) (the "1993 Series A Bonds") and \$14,525,000 Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "1993 Series B Bonds" together with the 1993 Series A Bonds, the "1993 Bonds") for the purpose of refunding the 1989 Serial Bonds, the 2010 Term Bonds, the 2014 Term Bonds and 1989 Capital Appreciation Bonds. All of the 1993 Bonds are outstanding and are payable on a parity with the 1997A Bonds.

The 1989 Bonds, the 1993 Bonds, the 1997A Bonds and any Additional Bonds (as defined in the Indenture of Trust, dated as of July 1, 1989) issued from time to time pursuant to and under the Indenture are referred to collectively as the "Bonds."

The 1997A Bonds are being issued for the purpose of (i) providing additional funds for the completion of the Facilities Project; and (ii) paying the costs of issuance for the 1997A Bonds.

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

MBIA Insurance Corporation ("MBIA" or the "Insurer") will issue a municipal bond insurance policy insuring the principal of and interest on the 1997A Bonds.

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

THE PROJECT

History

The County has owned and operated hospital facilities since 1893. The Riverside General Hospital - University Medical Center (the "Existing Hospital") was established in 1900. Structures at this site were built between 1918 and 1979, and currently house 264 available beds. The Existing Hospital is owned and operated by the County, under the control and direction of the Riverside County Board of Supervisors (the "Board of Supervisors").

The Existing Hospital is a full-service teaching and tertiary facility, and also serves as a regional trauma center and neonatal care and referral center. It offers all subspecialty services except heart and transplant services. The Existing Hospital is affiliated with the Loma Linda University School of Medicine for the clinical training of resident physicians and medical students. It operates a family practice residency program for approximately 21 family practice physicians. The Existing Hospital is also affiliated with several local colleges and community colleges for the training of nurses and professional health care workers.

The County believes that the Existing Hospital is inadequate for the current health care needs of the County's residents due to the age of the buildings within the campus, inefficiencies and seismic safety of the structures. The Existing Hospital does not currently meet the state Uniform Building Code

requirements pertaining to earthquake seismic standards nor the American Disability Act regarding the physically impaired. In addition, space and functional needs are not in compliance with current State licensing requirements.

The Board initiated studies for replacement of the current facility in 1980, purchased land in June, 1990, and began construction of the new Hospital in September, 1994. The expected construction completion date is September, 1997.

Site

The New Hospital is located in the City of Moreno Valley, the second largest city in the County. The site is more centrally located in the County than the Existing Hospital site and is closer to the population center of the County.

Site selection occurred after extensive studies of alternative sites and was based on an environmental impact report certified and filed with the State of California in August, 1990. The County purchased an 80 acre parcel of land in June, 1990, from the University of California, Riverside. An additional 23.5 acres was purchased in August, 1992. The 80 acre site has been sub-divided into a 40-acre parcel upon which the hospital is being constructed, and two 20-acre parcels, one on either side of the hospital site. The County expects to pursue development of the additional land, which is not required for the hospital. The following projects are currently in progress on the two 20-acre parcels and the 23.5 acre parcel: (i) kidney dialysis center; (ii) day care center; (iii) paramedic and technical college; (iv) skilled nursing/long term care facility; and (v) deli/dessert shop. None of the proceeds from the 1997A Bonds will be spent on these ancillary commercial projects.

Hospital Facilities

The New Hospital will be a public hospital owned by the Corporation and operated by the County and will replace the Existing Hospital. The New Hospital will be approximately 517,000 gross square feet in size and will include, among other things: (i) 364 acute-care in-patient beds; (ii) an emergency room capable of handling 90,000 emergency visits per year; (iii) an obstetric suite capable of delivering 7,500 infants per year; and (iv) outpatient and clinical facilities with the ability to accommodate approximately 250,000 outpatient visits per year. The New Hospital has been planned and designed to meet the County's mandated health care requirements into the next century and is expected to be a key component of the Managed Care Plan currently being operated by a joint powers authority created by the counties of Riverside and San Bernardino. See "Recent Developments in Health Care Delivery" below.

Construction Status

The County entered into a construction contract with PCL Construction Services for the New Hospital on August 16, 1994. As of December 1, 1996, construction was 77% complete. The New Hospital structure is now completely enclosed. Completed portions of the construction include site preparation, foundation, underground electrical and plumbing, structural steel, and concrete floors. Work

is in process on mechanical, electrical, plumbing, fire protection, elevators, steel studs and drywall installation, exterior walls and weather proofing, roofing and Southern California Edison is installing additional facilities for permanent power.

The original construction contract was let in the amount of \$84,470,000 and the current hospital construction budget is \$96,917,000. Of the total increase, \$4,000,000 is to provide more sophisticated seismic protection as mandated by the State pursuant to recent engineering findings and Uniform Building Code revisions resulting from the Northridge Earthquake. Approved change orders as of December 29, 1996 were in the amount of \$8,287,428. The balance remaining available in the construction contingency account as of December 1996 is \$3,159,572.

The County expects to accept beneficial occupancy of the structure on or about December, 1997 and to occupy the facility on or about March, 1998.

Project Management

The PCL Group of Companies was founded in 1906, is employee-owned, and has completed over \$2.3 billion of hospital and health care projects since 1978 throughout the United States and Canada, including over \$279 million in California. For the year ended November 31, 1995, the PCL Group of Companies showed total assets of \$518,303,000 with Shareholder's Equity of \$65,333,000.

The lead architect for the project is Rochlin, Baran and Balbona, Inc., located in Los Angeles, California. The firm was selected based on extensive experience in California health care facilities. The architect has been involved in the construction of approximately 3,000 hospitals, clinics, medical office buildings, laboratories and skilled nursing and research facilities since its founding in 1952. The combined value of projects in which the firm is involved annually is approximately \$200 million, measured by total construction costs.

The Project Management Team is led by the County's General Services Agency with staff and management expertise provided by O'Brien Kreitzberg, a subsidiary of Dames and Moore. O'Brien Kreitzberg provides the owner's interface between the architect and the contractor and performs such services as value engineering, constructability reviews, cost estimates, scheduling, plans and specifications compliance, change order negotiations and construction/equipment management. Established in 1972, O'Brien Kreitzberg has managed construction of more than 450 major projects worth over \$80 billion.

Permits, Approvals and Licenses

The environmental approvals for this project were completed on March 27, 1990, when the Board of Supervisors certified that (1) the final Environmental Impact Report ("EIR") for the Riverside County General Hospital Medical Center was completed in compliance with the California Environmental Quality Act. ("CEQA") and the Riverside County Rules to Implement CEQA; and (2) that the final EIR was presented to the Board and that the Board reviewed and considered the information contained in the final EIR before selecting the Site.

The County received a building permit from the Office of Statewide Health Planning and Development ("OSHPD") on August 18, 1994.

The County is in the process of obtaining the necessary permits from the South Coast Air Quality Management District ("SCAQMD") pertaining to exhaust emissions from boilers, emergency generators and ethylene oxide sterilizers. The SCAQMD is conducting its review of these operations and the County expects to receive the required permits prior to beneficial occupancy.

The New Hospital will have a helistop for the transport of emergency patients. The California Department of Transportation ("CALTRANS") issues permits to operate. The permit process is underway and is expected to be completed prior to completion of the facility.

Project Costs

The County's current estimate of the total cost of the land acquisition and construction of the Project is \$151,500,000. This amount does not include approximately \$25,500,000 for installing and equipping the Project and between \$7,000,000 to \$8,000,000 for transition-related costs from the Existing Hospital to the New Hospital and any additional contingency required.

At the time the 1989 Bonds were issued, the County estimated that the cost of the Project, including the costs of equipment, would be approximately \$154,000,000. The increase in the estimated cost of the Project since 1989 relates primarily to the following factors: (i) the Project budget in 1989 was prepared before site acquisition costs and infrastructure requirements were clearly defined and a construction contract was negotiated; (ii) increases in equipment requirements; (iii) increases in construction management, supervision and testing costs associated with the phasing of the Project; and (iv) OSHPD requirements for seismic upgrades related to the Northridge earthquake; (v) charges for consultants to provide an analysis and recommendation of the space utilization of the Project to achieve efficient use of the space; and (vi) transition-related costs which were not included in the estimate.

Based upon the current construction cost estimates relating to the New Hospital, the County believes that the proceeds from the 1989 and 1997A Bonds, together with available interest earnings thereon and other funds legally available to the County, will be sufficient to complete the construction of the New Hospital.

The Acquisition and Construction Account

At the time the 1989 Bonds were executed and delivered, the Indenture required certain events to occur prior to the time funds were disbursed from the Acquisition and Construction Account (the "Construction Escrow Break"), including the execution of a construction contract and provision of payment and performance bonds by a responsible surety company. If the conditions were not met, bonds were to have been called. The County met all of the requirements on December 1, 1994, the Construction Escrow Break Date.

At the time the 1989 Bonds were executed and delivered, the County anticipated that the Construction Escrow Break Date would occur in February, 1992. The change in dates was due primarily to the time required to locate and acquire an acceptable site and required revisions in the phasing of the Project schedule due to site-specific needs.

Although the County anticipates that construction and acquisition of the Project will be completed within 36 months of the Construction Escrow Break Date, the County was required by the terms of the Supplemental Indenture of Trust No. 3, dated as of January 1, 1993 to transfer, from and after the Construction Escrow Break Date, all moneys deposited in the Earnings Account representing earnings on invested Bond proceeds (other than any such earnings transferred to the Excess Earnings Fund and the Debt Service Reserve Fund) to the Capitalized Interest Account in the Debt Service Fund until the amount in the Capitalized Interest Subaccount was sufficient to pay interest on that portion of the 1997A Bonds with respect to which the County is not already making Base Rental payments, for 45 months, which is 11 months after the anticipated completion date of the New Hospital, and 8 months after expected occupancy. Such additional funding of the Capitalized Interest Subaccount was completed in June, 1995.

Recent Developments in Health Care Delivery

In March of 1993, the California State Department of Health Services ("DHS") issued a State Strategic Plan for Medi-Cal Managed Care ("the Plan"). The Plan is designed to transfer the delivery of care for the majority of Medi-Cal beneficiaries from a fee-for-service payment system to a capitated managed care system. DHS believes that by shifting the risk of health care to managed care plans, it may be able to control the burgeoning costs of the Medi-Cal program. Riverside and San Bernardino Counties have been designated as "two-plan counties" in the State to initiate the Medi-Cal managed care program.

The Plan allows each of twelve two-plan counties in the program the opportunity to develop a managed care program to support the Safety Net/Indigent Care Providers in partnership with traditional Medi-Cal Providers in their counties. This public/private partnership is designated the Local Initiative by the State. Each county will also have one designated mainstream commercial provider ("Commercial Provider") that is a pre-paid health plan. The Local Initiative and Commercial Provider are the two Medi-Cal Managed Care Plans to be offered in San Bernardino and Riverside Counties and will provide the Medi-Cal beneficiaries a choice in selecting their medical services. They will also provide competition in terms of access and service.

The Counties of Riverside and San Bernardino have created a joint powers authority, known as the Inland Empire Health Plan ("IEHP"), that will operate a Health Maintenance Organization and will administer the Local Initiative in both counties.

IEHP filed with the Department of Corporations for its Knox-Keene License on October 23, 1995. It will also file an application with DHS for its regulatory license to provide services to Medi-Cal recipients. Dr. Brad Gilbert, former Public Health Director of Riverside County was named IEHP Medical Director on February 13, 1996. IEHP commenced operations on June 1, 1996. On September

1, 1996, IEHP began assigning Medi-Cal Managed Care beneficiaries under the Agreement between IEHP and the County of Riverside to Riverside General Hospital. The initial number of Medi-Cal Managed Care beneficiaries assigned by IEHP to Riverside General Hospital totals approximately 10,000. Riverside General Hospital expects a total number of Medi-Cal Managed Care beneficiaries assigned by June, 1997 to be approximately 35,000.

The County entered into a contract with IEHP on February 20, 1996 to provide Medi-Cal managed care via Riverside General Hospital and its affiliated physicians and clinics. Riverside General Hospital has been designated as the principle hospital facility for IEHP in the western Riverside region, granting the Hospital an exclusive contract in a service area defined as a 15 mile, thirty minute radius. IEHP has announced that an additional subsidy will be available to all hospitals providing Medi-Cal services to help defray associated costs of indigent care. Under the formula, Riverside General Hospital is expected to receive approximately 75% of the available subsidy in Riverside County. IEHP has also announced its intention to contract with the Riverside County Public Health Department for prevention and health education services.

Molina Health Plan, designated by the State of California as Commercial Provider in Riverside and San Bernardino, also has entered into an arrangement with Riverside General Hospital, giving the Hospital an arrangement with both the Commercial Provider and Local Initiative plans in the service area.

The County believes that the contracts outlined above will enable Riverside General Hospital to continue as the major provider of Medi-Cal services in Riverside, thereby maximizing federal and state resources (including disproportionate and other matching funds) necessary to meet its indigent obligations.

In 1991, Riverside General Hospital and the Riverside County Public Health Department were re-organized under the Health Services Agency of Riverside County ("the Agency"). The Agency is now an integrated public health system comprised of the hospital and eleven health clinics which have combined to provide a full range of public health services. The clinics are being reorganized to provide primary care services under Managed Care and are a major source of referrals of Medi-Cal services to Riverside General Hospital. Under Managed Care, primary care, including obstetrics and pediatric services will be available in outlying clinics. Eight of the eleven clinics have received federal designation as Federally Qualified Health Centers and two have been designated Rural Health Centers. These designations enable the clinics to receive cost reimbursement under Medi-Cal as well as participate in managed care.

The above is consistent with a Strategic Plan adopted by the Board in September 1995. This Strategic Plan was developed with the assistance of the firm, Institute for the Future, and the combined input of officials throughout the county. The Strategic Plan documents the steps that have been or will be taken to reorganize county health and hospital services into an integrated health system able to fully participate in managed care. The adoption of the Strategic Plan is unique among the thirteen counties and may serve as a model Plan for counties throughout the State.

The combined effect of the actions out-lined above will be to strengthen the Hospital's ability to participate in Medi-Cal managed care, protect important market share, and maximize the resources available to the County for indigent care. The County can give no assurance, however, as to the success of meeting these goals.

Sources of Revenues

From and after the issuance of the 1997A Bonds, the 1997A Bonds, the 1993 Bonds and the 1989 Bonds will be payable from Revenues consisting primarily of Base Rental payments to be made by the County to the Corporation pursuant to the terms of the Lease. The County covenants in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental payments.

The County anticipates the receipt of Medicare payments, the State of California Medi-Cal ("Medi-Cal") payments (Federal Medicaid Program), private insurance payments and private payor payments from the operation of the Project, a portion of which amount will be used to supplement amounts in the County's General Fund available for the payment of Base Rental and Additional Rental. The Medicare system reimburses hospitals for inpatient capital costs for services provided to Medicare beneficiaries based on national average costs per case through a ten-year phase-in, adjusted for certain previously committed capital costs. The State selectively contracts with hospitals to provide acute inpatient services to Medi-Cal patients. Such selective contracting consists of per diem, per discharge, and other contractual arrangements agreed to between the State and the contracting hospital.

Riverside General Hospital maintains a per-discharge contract with the State for all eligible Medi-Cal beneficiaries covered under a fee-for-service program. Riverside General Hospital last negotiated an adjustment to the per-discharge amount in July, 1991. In addition, Riverside General Hospital currently qualifies as a Medi-Cal Disproportionate Share provider and, therefore, receives supplemental Medi-Cal payments under Senate Bill 855 and 1255.

The Federal OBRA 1993 legislation effectively limited the amount of Disproportionate Share Payments qualifying hospitals may receive during a Federal fiscal year. The OBRA 1993 legislation has not currently restricted the amount of Riverside General Hospital's Disproportionate Share payments made available under the program.

The contract with the State is to remain in effect until it is renegotiated, subject to the terms and conditions set forth in the contract.

Private insurance companies selectively contract with hospitals to provide services under various private insurance company plans. The Existing Hospital has entered into three contracts with private insurance companies. The Functional and Space Program for the Project developed by Pacific Associates ("Pacific") also anticipates that the New Hospital and the Existing Hospital will service an increased number and wider range of patients, including private payor patients.

The County estimates that the completed fully operating Project will maintain or increase the Existing Hospital's present portion of privately insured, private payor and Medicare patients and that the Existing Hospital and the New Hospital will continue to be reimbursed through the State of California Medi-Cal program for providing acute inpatient services to Medi-Cal patients. However, future legislation (including the State budget) and competitive forces may affect the amount, if any, received by the County from these sources and the timing of receipt of such payments.

The County also anticipates the receipt of moneys as a result of the construction and acquisition of the Project which will be used in their entirety to supplement amounts in the County's General Fund available for the payment of Base Rental. The following are anticipated sources of moneys as a result of the construction and acquisition of the Project.

SB1732 Revenues. Senate Bill 1732, later amended by Senate Bill 2665, was adopted as Section 14085.5 of the California Welfare and Institutions Code (the "Section 14085.5") was adopted by the Legislature of the State of California (the "State") in 1988. Section 14085.5 provides for a pass-through of an approved portion of debt service by the State and Federal governments to qualifying Disproportionate Share Hospitals. Section 14085.5 permits hospitals which serve a disproportionate number of Medi-Cal patients to receive reimbursement for a portion of the costs of qualified capital projects and directs the State to make supplemental reimbursement payments to those hospitals which meet the requirements of such Section. The amount of reimbursement for a hospital during any fiscal year would be computed through a formula which takes into account debt service for that year on the bonds issued to finance any such capital project, and the percentage of hospital patient days attributable to Medi-Cal patients, except that in no instance may the percentage figure determined pursuant to the ratio of the total paid Medi-Cal patient days to total patient days be decreased by more than 10 percent in the case of the State (with no limitation in the case of federal supplemental reimbursement) of the initial ratio prior to retirement of the bonds. Projects for which reimbursement is permitted include structures and fixed equipment; land and moveable equipment are excluded. The reimbursement is made by the State as part of its payment to a hospital under the hospital's Medi-Cal contract.

Supplemental reimbursement received under Section 14085.5 is required to be placed by the County in a special account exclusively for debt service with respect to such bonds. Reimbursements commence when a certificate of occupancy has been delivered. As with all Medi-Cal payments, the reimbursements are dependent on the continued existence of the Medi-Cal program and appropriations for the program through the State budget process.

The County currently anticipates that as much as 46% of the allowable capital costs of the Project will qualify for the capital cost reimbursement pass-through provisions of Section 14085.5 as that program currently exists.

The Existing Hospital currently meets the disproportionate share status requirement. The statute requires that in order to be eligible to receive funds, a hospital must meet the criteria defining disproportionate share status for the three most recent years for which final data is available. The hospital must also maintain an inpatient service contract under the Selective

Provider Contracting Program ("SPCP"). The County believes that the Existing Hospital has met the disproportionate share criteria through June 30, 1997, and continued disproportionate share eligibility is expected by the County. The Existing Hospital also maintains an SPCP contract. Therefore, it currently meets the eligibility criteria. However, the Existing Hospital must continue to maintain disproportionate share status and its Medi-Cal contract in order to receive reimbursement.

In June, 1989 the County filed a validation action pursuant to California Code of Civil Procedure Sections 860 through 871 in the County of Riverside Superior Court seeking a judgment clarifying provisions of Section 14085.5 and the eligibility of the Existing Hospital and of the Project under Section 14085.5. A judgment was entered in the validation action on August 23, 1989. The court held, among other things, that: (1) the Existing Hospital is a disproportionate share hospital within the meaning of Section 14085.5, qualified to receive supplemental reimbursement for a project qualifying under such Section; (2) if the plans for the Project are submitted to the Office of the State Architect and the Office of Statewide Health Planning and Development between July 1, 1989 and June 30, 1994, then the Project will qualify for supplemental reimbursement; and (3) that Section 14085.5(b) requires the State to commence making the initial supplemental reimbursement payment to the County for the Project if appropriations are available for that purpose no later than thirty working days after receipt by the County of the certificate of occupancy and verification of services relating to the Project. There can be no assurance, however, that Section 14085.5 will not be amended in the future such that the matters set forth in the judgment will be adversely affected.

On June 30, 1992 and September 7, 1992, final plans for the Project were submitted to the Office of the State Architect and the Office of Statewide Health Planning and Development, respectively. Additionally, on November 5, 1992, the Department of Health Services, State of California - Health and Welfare Agency, advised the County that debt service on new bonds issued to refund bonds used to finance a project eligible for supplemental reimbursement payments pursuant to Section 14085.5 are eligible for such supplemental reimbursement. As a result, the County believes that the New Hospital will qualify for supplemental reimbursement payments calculated pursuant to Section 14085.5 to the extent funded from Bond proceeds. The County cannot predict, however, whether the State will appropriate in its annual budgets the supplemental reimbursement payments payable to the County. If supplemental reimbursement payments are appropriated by the State and received by the County, such payments will be available to pay a portion of the Base Rental payments.

No opinion will be rendered by Bond Counsel with respect to the qualification of the Existing Hospital, the New Hospital and the Project for supplemental reimbursement payments pursuant to Section 14085.5, the obligation of the State to appropriate moneys for such payments, the enforceability of the pledge of the State contained in Section 14085.5, the Indenture and the 1997A Bonds, nor with respect to the effect of subsequent amendments to Section 14085.5.

Tax Increment Revenues. In consideration of the County agreeing to locate the Project within the City of Moreno Valley, the Redevelopment Agency of the City of Moreno Valley entered into a contract in December, 1987 with the County pursuant to which the Redevelopment Agency is required to remit to the County over the next 25 years a portion of the tax increment apportioned and payable to the Redevelopment Agency by the County based upon increases in the assessed valuation of land and improvements within such redevelopment area (the "Tax Increment Revenues"). Under the contract, commencing with fiscal year 1988-89, the first \$7 million per year of Tax Increment Revenues will be allocated to the Redevelopment Agency and the next \$5 million per year of Tax Increment Revenues, to a total of \$75,000,000 over the term of the contract, will be allocated to the County. The County estimates that the Tax Increment Revenues will amount to the full \$75,000,000 over such 25 year period. For the fiscal years ending June 30, 1989 through June 30, 1996, Tax Increment Revenues were \$807,177, \$2,369,997, \$3,736,128, \$5,055,482, \$6,317,446, \$7,072,320, \$7,578,660 and \$6,320,940, respectively. The County estimates that Tax Increment Revenues for the fiscal year ending June 30, 1997 will be approximately \$5,630,000. To date the County has received \$650,000. No additional Tax Increment Revenues are expected to be received until the year 2003, however, the County believes it will receive the full amount over the term of the agreement. Tax Increment Revenues are required to be used by the County for the planning, acquisition, construction, equipping, operation or lease payment of the New Hospital. The contract also provides that if substantial steps toward establishment of the New Hospital have not been taken by the County on or before July 1, 1997, then all monies that would otherwise be paid to the County under the contract will instead be paid to the Redevelopment Agency. The County believes that this requirement has been met.

The Auditor-Controller has indicated that the interpretation of the 1987 pass through agreement with the City of Moreno Valley Redevelopment Agency is under dispute. To date, the potential amount in dispute is estimated at \$970,000. It is unknown what the impact will be over the 25 year agreement if the dispute is ultimately resolved entirely in favor of the Redevelopment Agency.

Medicare Payments. The Existing Hospital has participated in the Medicare program since inception of the Medicare program. The Medicare program, prior to recent legislation, reimbursed eligible capital expenditures on a pass-through basis, based upon the level of Medicare patient services to total Existing Hospital patient services. Recent legislation, however, modified the Medicare capital cost methodology, to reimburse capital costs on the basis of national average costs per case through a ten-year phase-in, adjusted for certain previously committed capital costs.

Although the County anticipates the receipt of moneys in connection with the construction and acquisition of the Project from the above-mentioned sources, the amount, timing and the continuation of payments in the future cannot be projected with any degree of certainty. To the extent any such moneys are received by the County, the County anticipates that such moneys will be available for the purposes described above or to supplement the amounts in the General Fund available to be appropriated on an annual basis for the payment of Base Rental.

ESTIMATED SOURCES AND USES OF 1997A BOND PROCEEDS

The proceeds to be received from the sale of the 1997A Bonds are expected to be applied as follows:

Sources of Funds

Initial Value of 1997A Bonds	\$41,170,072.65
Total Sources of Funds	\$41,170,072.65

Uses of Funds

Deposit to 1997 Acquisition and Construction Account	\$39,700,000.00
Deposit to 1997 Costs of Issuance Account ⁽¹⁾	<u>1,470,072.65</u>
Total Uses of Funds	\$41,170,072.65

⁽¹⁾ Includes bond insurance fees, bond counsel fees, trustee fees, rating agency fees and underwriters' discount.

THE 1997A BONDS - GENERAL

General Provisions

The 1997A Bonds will be dated the date of delivery. Interest on the 1997A Bonds will be compounded on the dates and at the rates set forth on the cover page of this Official Statement and shall be payable solely on maturity.

The 1997A Bonds will mature in the final compounded amounts and on the dates set forth on the cover page of this Official Statement. Accreted Value at maturity is payable by First Trust of California, National Association, as Trustee, to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such Accreted Value at maturity to the DTC Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the 1997A Bonds, as described in APPENDIX I - "BOOK-ENTRY SYSTEM."

The 1997A Bonds will be issuable in denominations such that the Accreted Value of each such 1997A Bonds on the stated maturity date thereof will be \$5,000 or an integral multiple thereof and will represent the interest accruing thereon from the date of delivery and compounded on June 1, 1997 and on each June 1 and December 1 thereafter, payable at maturity. See APPENDIX F - "TABLE OF ACCRETED VALUE OF THE 1997A BONDS".

Redemption Provisions of the 1997A Bonds

The 1997A Bonds are not subject to redemption prior to maturity at the option of the Corporation except as described in the following paragraph.

Notwithstanding the preceding paragraph, in the event of a deposit of funds into the Prepayment Account by virtue of (i) the County's decision not to use insurance or condemnation proceeds to make repairs to the Facilities Project, (ii) an abatement of Base Rental due to a title defect relating to the Facilities Project, or (iii) the substitution of a Credit Facility for funds held by the Trustee in the Debt Service Reserve Fund, the Trustee shall provide for the call and redemption of the 1997A Bonds, at the Accreted Value on the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

The 1997A Bonds of each maturity Outstanding on the date immediately preceding the date set for such redemption shall be redeemed in amounts so as to reduce the Debt Service relating to such Bonds scheduled to be paid in each year by an amount which is as equal as practicable for each other such year. Moneys remaining in the Interest Account or Principal Account following such Interest Payment Date, if any, shall be paid immediately to the County.

Procedure for and Notice of Redemption of 1997A Bonds. The Trustee will cause notice of each redemption to be given to the Owner of any 1997A Bonds designated for redemption by first-class mail, postage prepaid at the address which appears upon the registration books of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The

failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any 1997A Bonds.

Selection of 1997A Bonds for Redemption. Whenever less than all the 1997A Bonds of like maturity are to be redeemed, the Trustee shall select 1997A Bonds for redemption by lot in such manner as the Trustee in its discretion may deem fair and appropriate.

Book-Entry System for 1997A Bonds

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 1997A Bonds. The 1997A Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC's partnership nominee. One fully registered bond certificate will be issued for each maturity of the 1997A Bonds, each in the final compounded amount of such maturity and will be deposited with DTC. See APPENDIX I- "BOOK-ENTRY SYSTEM."

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

The Bonds constitute special limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured as to principal, Accreted Value at maturity and redemption price thereof and interest thereon, and as to any premiums upon the redemption of any thereof, solely from (i) the proceeds of the Bonds, (ii) the Revenues, (iii) the Funds and Accounts under the Indenture (other than the Excess Earnings Account, the County Contribution Account and any fund or account established pursuant to Section 1201(b) of the Indenture, relating to the deposit of moneys to refund any Bonds, and (iv) other property subject to the lien of the Indenture and do not constitute obligations, nor evidence any indebtedness, of the County or the State. The Bonds are not secured, in whole or in part, by Investment Securities. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

Approximately \$190,985,480 of the proceeds of the 1989 Bonds were invested pursuant to a guaranteed investment agreement with Toronto-Dominion Holdings (U.S.A.), Inc., a subsidiary of The Toronto-Dominion Bank. As of December 31, 1996, approximately \$126,602,936 of the proceeds had been withdrawn to pay the Cost of the Project. The County currently is making Base Rental payments with respect to the portion of the proceeds withdrawn to date to purchase the land and from amounts held in the Capitalized Interest Subaccount. The balance invested pursuant to the guaranteed investment agreement as of December 31, 1996 was approximately \$64,382,545. Amounts invested pursuant to the guaranteed investment contract are invested at a yield equal to the yield on the 1989 Bonds. The term of the guaranteed investment contract ends on December 1, 1998.

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

Base Rental. The obligation of the County to make Base Rental payments when due is a general fund obligation of the County and does not constitute a debt of the County for which the County is obligated to pledge or levy any form of taxation or for which the County has levied or pledged any form of taxation. Base Rental payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from proceeds of the Bonds, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Debt Service Reserve Fund established under the Indenture. For a description of amounts on deposit in the Capitalized Interest Subaccount and amounts to be transferred to the Capitalized Interest Subaccount to pay interest due and payable on the Bonds to the 11th month after the anticipated completion date of the New Hospital, see "THE PROJECT - Disbursement of Moneys in the Acquisition and Construction Account".

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

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

So long as the County has the use and occupancy of the Project, the obligation of the County to make Base Rental and Additional Rental payments and payment of all other amounts provided for in the Lease, and to perform its obligations thereunder will be absolute and unconditional and such payments

will not be subject to set-off, counterclaim or recoupment.

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

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

Debt Service Reserve Fund

A Debt Service Reserve Fund in an amount equal to the lesser of (i) the maximum amount of principal and interest (and Accreted Value, in the case of Capital Appreciation Bonds) payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds or (ii) ten percent (10%) of the sum of the principal amount of the Bonds except for Capital Appreciation Bonds, less original issue discount, if any, plus the aggregate Initial Amount of Capital Appreciation Bonds, provided that solely for purposes of this calculation, the interest rate with respect to the 1993 Series B shall be the Long Rate payable with respect to such 1993 Series B Bonds during the initial Long Period (the "Debt Service Reserve Requirement") is pledged to pay principal of and interest on the Outstanding Bonds. Amounts in the Debt Service Reserve Fund are to be used for such purpose only in the event amounts in the Debt Service Fund are insufficient to make such payments. If on any Interest Payment Date the amounts in the Principal Account or Interest Account of the Debt Service Fund are less than the principal and interest then due with respect to the Outstanding Bonds on such date, then the Trustee will transfer from the Debt Service Reserve Fund, for credit to the Interest Account and/or Principal Account, amounts sufficient to make up such deficiencies.

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

The Debt Service Reserve Fund is a common reserve fund to all of the outstanding 1989 Bonds, the 1993 Bonds and the 1997A Bonds.

Bond Insurance

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "MBIA") for use in this Official Statement. Reference is made to Appendix J for a specimen of the Insurer's policy.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Corporation to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 1997A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 1997A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 1997A Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the 1997A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 1997A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other trustee for the 1997A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a 1997A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 1997A Bonds or presentment of such other proof of ownership of the 1997A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 1997A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 1997A Bonds in any legal proceeding related to payment of insured amounts on the 1997A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such 1997A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA, Inc. is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

As of December 31, 1995, the Insurer had admitted assets of \$3.8 billion (audited), total liabilities of \$2.5 billion (audited) and total capital and surplus of \$1.3 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 1996, the Insurer had admitted assets of \$4.3 billion (unaudited), total liabilities of \$2.9 billion (unaudited), and total capital and surplus of \$1.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Furthermore, copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available without charge from the Insurer. A copy of the Annual Report on Form 10-K of MBIA Inc. is available from the Insurer or the Securities and Exchange Commission. The address of the Insurer is 113 King Street, Armonk, New York 10504. The telephone number of the Insurer is (914) 273-4545.

Moody's Investors Service ("Moody's") rates the claims paying ability of the Insurer "Aaa".

Standard & Poor's Ratings Services ("S&P"), a division of The McGraw-Hill Companies, Inc., rates the claims paying ability of the Insurer "AAA".

Fitch Investors Service, L.P., rates the claims paying ability of the Insurer "AAA".

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be 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 the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.3 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Insurance

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

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

The County will obtain a CLTA title insurance policy covering the Project in an amount equal to the aggregate principal amount of the 1997A Bonds.

Base Rental Payment Schedule

Base Rental payments must be deposited by the County with the Trustee on the first day of the month immediately preceding each Interest Payment Date. Base Rental payments are scheduled to be applied on each Interest Payment Date to pay the principal of and interest on the Bonds according to the schedule set forth in APPENDIX E - "SCHEDULE OF BASE RENTAL PAYMENTS" attached hereto.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 1997A Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 1997A Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors along with all other information in this Official Statement in evaluating the 1997A Bonds. There can be no assurance that other risk factors will not become material in the future.

Limited Obligations

THE BASE RENTAL PAYMENTS ARE PAYABLE FROM THE GENERAL FUND OF THE COUNTY. THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE 1997A BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS UNDER THE LEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA. THE 1997A BONDS DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE CORPORATION.

The County covenants in the Lease to include appropriations in its annual budget for Base Rental payments. These appropriations are currently made from the County's Hospital Enterprise Fund. In the event the County's Hospital Enterprise Fund does not have sufficient revenues to pay Base Rental, the County has covenanted to pay the balance of such Base Rental from funds legally available to the County, including moneys in the County's General Fund. See APPENDIX A - "THE COUNTY OF RIVERSIDE" and APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE COUNTY OF RIVERSIDE" attached hereto for information on amounts historically available in the General Fund. Amounts historically available in the General Fund, however, are not necessarily an indication of amounts that will be available in the General Fund in the future. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other County services before making Base Rental payments. The same result could occur if, because of State Constitutional limits on expenditures or other restrictions, the County is not permitted to appropriate and spend all of its collected taxes.

Abatement

The County is required under the Lease to maintain insurance on the Project, including "all risk" insurance in an amount not less than the aggregate principal amount and the aggregate Accreted Value of the Outstanding Bonds and rental interruption insurance in an amount equal to two year's maximum Base Rental payments. See APPENDIX G - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- The Facilities Lease -- Insurance, The Equipment Lease -- Insurance" herein. If the Project is damaged, destroyed or taken by eminent domain and "all risk" insurance proceeds are received as a result thereof, the Corporation and the County must notify the Trustee in writing whether the Corporation and the County intend to repair or replace the portion of the Project or item of Equipment with respect to which such proceeds were received. The Corporation must replace or repair such portion of the Project or item of Equipment as required under the Lease, unless the County deposits with the Trustee an amount sufficient for the redemption of Bonds relating to such portion of the Project or item of Equipment. Base Rental payments will be abated proportionately during any period in which, by reason of material damage, destruction, condemnation, or defects in title to the Project or any item of Equipment, there is a substantial interference with the County's use of the Project. 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 Project to tenantable condition or items of Equipment to useable condition. Such abated portion of Base Rental payments will be payable only to the extent of amounts held in the Debt Service Fund or the Debt Service Reserve Fund, amounts received from rental interruption insurance and liquidated damages and amounts which may otherwise be available to the Trustee. **Such reduced or abated Base Rental payments, together with other moneys available to the Trustee, may not be sufficient, after exhaustion of the moneys on deposit in the funds listed above and expiration of rental interruption insurance, to pay principal of and interest on the 1997A Bonds in the amounts and at the rates set forth thereon. The failure to make such payment of principal and interest would not under such circumstances constitute a default under the Indenture, the Lease or the Bonds.**

Acquisition and construction relating to the Project has yet to be completed. Construction of the Project commenced in September, 1994, and will be completed on or about December, 1997. As of December 31, 1996, approximately \$25,403,006 was on deposit in the Capitalized Interest Subaccount of the Debt Service Fund. Such amount is sufficient to pay interest due and payable on the Bonds to 8 months after the expected Project completion. The County currently expects that the New Hospital will open to the public in March, 1998. Delays in the construction of the Project which extend beyond the period for which interest on the 1997A Bonds will be capitalized (i.e., beyond 8 months after the anticipated completion date of the New Hospital) may cause abatement of Base Rental payments payable pursuant to the Lease and postpone the County's use and occupancy of the Project resulting in inadequate Revenues available to pay interest due and payable on the Bonds.

Default and Limitation on Remedies

If the County defaults on its obligations to make Base Rental payments with respect to the Project, the Corporation may, so long as it does not terminate the County's right of possession, maintain the Base Rental payments in effect and hold the County liable for all such payments on an annual basis. Alternatively, the Corporation may terminate the Lease or, with the consent of the County, keep the Lease in full force and effect, and in either event, re-enter the Project and eject all parties in possession therefrom and re-let or sell the Project as the agent and for the account of the County. Due to the specialized nature of the Project, no assurance can be given that the Corporation will be able to re-let the Project so as to provide rental income sufficient to make Base Rental payments in a sufficient amount or in timely manner. Any suit for money damages would be subject to limitations on legal remedies against counties in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See APPENDIX G - "SUMMARY OF PRINCIPAL DOCUMENTS-The Facilities Lease" herein.

If the County defaults on its obligations to make Base Rental payments, the Corporation may have limited ability to re-let the Project so as to preserve the tax exempt nature of the interest on the 1997A Bonds. In the event of a default, there is no available remedy of acceleration of the total Base Rental payments due over the term of the Lease. The County will only be liable for Base Rental payments on an annual basis, and the Corporation would be required to seek a separate judgment each year for that year's Base Rental payments.

The County anticipates the receipt of moneys in connection with the acquisition and construction of the Project, and the operation thereof, from various sources. See "THE PROJECT - Sources of Revenues" herein. Such moneys to the extent received by the County, will supplement legally available amounts in the General Fund which will be used for the payment of the Base Rental and Additional Rental in accordance with the Lease. There can be no assurance as to the amount, if any, of such moneys, the date such moneys will begin to be available or the continuation of receipt of such moneys in the future.

Limitations 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 that attempts to limit the imposition of new or higher taxes by local agencies, including the County. Moreover, voters on November 5, 1996, approved Proposition 218 -- the "Right to Vote on Taxes Act" 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 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.

Federal Welfare Reform

On August 22, 1996, the President signed the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (the "Welfare Reform Act"), which makes substantial modifications to the welfare system. Among other changes, the Welfare Reform Act will allow the states to deny access to some welfare assistance programs to legal immigrants (but not to refugees), which could have a significant impact on the County's budget. For example, the elimination of eligibility of legal immigrants from the Supplemental Security Income (SSI) program could effect approximately 7,000 individuals in Riverside County. Local Social Security Administration (SSA) staff have estimated that as many as one half of these individuals could be determined ineligible for SSI when SSA staff finish their case reviews later this year. If the State denies legal immigrants access to such assistance without amending California Welfare and Institutions Code Section 17000, which mandates that counties provide support and relief to those residents who are not supported by other means, the expenditures required to be made by the County for general assistance could increase significantly. However, due to several factors, including a significantly smaller grant, non-cash benefit system, and lower asset limits, it is uncertain how many of these individuals might apply for, and be determined eligible for, the County's General Relief program.

It is unknown what aspects of welfare reform the State will choose to implement and whether or not the State will mitigate impacts to the County. While the full impact of the Welfare Reform Act is currently unknown, it could have a material adverse impact on the financial condition of the County.

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 were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Bond would be treated as a creditor in the municipal bankruptcy. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of owners of Bonds; and (iv) 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 Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Code finds that such a plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Lease or the Bonds that makes the bankruptcy or insolvency of the County in event of default.

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.

The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Auditor-Controller, Purchasing Agent and County Counsel serve as staff to the Corporation.

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 1,381,900 as of January 1, 1996, reflecting a 1.9% increase over January 1, 1995.

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 assignment is rotated among the Board members annually based on seniority in descending order. 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 Riverside 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 -- THE COUNTY OF RIVERSIDE" for a more detailed description of the County.

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The County Treasurer maintains one Pooled Investment Fund (PIF) for all local jurisdictions having funds on deposit in the County Treasury. As of December 31, 1996, the portfolio assets comprising the PIF totaled \$1,449,473,068. On April 30, 1996, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory vs. discretionary" depositors. State law requires that all operating moneys of the County, school districts and certain special districts be held by the County Treasurer. Collectively these mandatory deposits constituted approximately 90% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that 22 districts, constituting approximately 10% or \$150 million of the funds on deposit in the PIF as of April 30, 1996, 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 be maintained a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are made in accordance with the County Treasurer's December 1, 1996 Investment Policy Statement, 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. The policy statement specifically excludes future investments in all derivative securities and mutual bond funds, where the underlying portfolio assets are subject to daily market value adjustments. 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. Furthermore, the County Treasury is not engaged in any security lending agreement on the portfolio, and there is no contemplation of entering into a security lending agreement in the foreseeable future.

The structure of the Pooled Investment Fund as of December 31, 1996 was:

U.S. Treasury Bills & Notes	\$479,052,254	33.1%
Federal Agency Securities	249,346,784	17.2%
Collateralized Time Deposits	10,000,000	0.7%
Treasury Money Market Funds	50,000,000	3.4%
Corporate Notes	0	0.0%
Municipal Notes (County Teeter Notes)	95,424,327	6.6%
Medium Term Notes	10,199,831	0.7%
Banker's Acceptances	83,939,921	5.8%
Commercial Paper	346,509,951	23.9%
Repurchase Agreements	<u>125,000,000</u>	<u>8.6%</u>
Total	\$1,449,473,068	100.0%

Weighted Average Yield 5.33%
 Weighted Average Maturity 351 days (0.96 years)

Contained within the category of Federal Agency securities are two Federal Home Loan Bank inverse-floaters classified as "derivative" investment securities totaling \$15,000,000 or 1.0% of the portfolio. The securities will be held to their maturity in November and December 1998, respectively, and therefore will not require that the portfolio suffer a principal loss.

Since December 1994, the Treasurer has begun the practice of preparing a "Monthly Disclosure Report on the County Pooled Investment Fund" for distribution to the Board of Supervisors, County Executive Office, Auditor-Controller, County Counsel, County Superintendent of Schools and to the Investment Oversight Committee as a matter of public record. The report discloses, as of the last business day of the month, the structural composition of the portfolio, the market-to-book value of the security holdings, the maturity matrix, and the portfolio earnings performance as compared to the average 90-day Treasury bill rate.

Since the County began to mark-to-market the value of investment securities within the portfolio, the reported "paper losses" of the portfolio have ranged from \$55,055,050, or 4.01%, in December 1994 to a gain of \$2,027,793, or 0.2%, in November 1996. 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, Section 53844 requires that the investment income be credited to the specific fund from which the investment was made.

In a continuing effort to strengthen the market value and enhance the liquidity position of the portfolio, the Treasurer has adopted a portfolio strategy that shortens the overall duration of the portfolio to a maximum of three years. To achieve this objective the Treasurer is requiring that all new investments be limited to maturities less than 120 days until such time as the securities maturing within one year continue to remain at 50% of the portfolio value, with the remaining 50% maturing within two to three years. On November 30, 1996, the portfolio had a total of 62.7% of the portfolio maturing within one year.

The County has maintained a conservative investment posture for the past 12 years. Consistent with the County's conservative fiscal practices, the Board established on December 20, 1994 a local "Investment Oversight Review Committee" composed of the County Executive Officer, Auditor-Controller, Treasurer, County Counsel, County Superintendent of Schools and five County residents 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. The committee is in addition to other internal control measures, utilized by the County to manage, audit, and safeguard public funds. In addition, the County has obtained a rating on the PIF of "AAA/V-1+" from Fitch Investors Service, L.P. and a "AAA/MR1" rating from Moody's Investors Service.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to November 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after November 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean

"the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors.

Legislation enacted by the State Legislature to implement Article XII A provides that, notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) the principal residence and the first \$1,000,000 of the Full Cash Value of other real property between parents and children, do not constitute a "purchase" or "change of ownership" triggering reappraisal under Article XIII A. Other amendments permitted the State Legislature to allow persons over the age of 55 who meet certain criteria or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Other amendments permit the State Legislature to allow persons who are either 55 years of age or older, or who are "severely disabled," to transfer the old residence's assessed value to their new residence located in either the same or a different county and acquired or newly constructed within two years of the sale of their old residence.

In the November 1990 election, the voters approving an amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" certain additions and improvements, including seismic retrofitting improvements and improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to provide that there would be no increase in the Full Cash Value base in the event of reconstruction of property damaged or destroyed in a disaster. Because of the recent decrease in property values in certain areas of the State, certain counties have announced that they will review the assessed value of properties within those counties. See APPENDIX A -- "THE COUNTY OF RIVERSIDE-Ad Valorem Property Taxes."

Section 4 of Article XIII A provides that cities, counties and special districts cannot, without a two-thirds vote of the qualified electors, impose special taxes, which has been interpreted to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIII B of the State Constitution

State and local government agencies in California are each subject to annual "appropriations limits" imposed by Article XIII B of the Constitution of the State of California ("Article XIII B"). Article XIII B prohibits government agencies and the State from spending "appropriations subject to

limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charge or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product or service"; (ii) the investment of tax revenues; and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds that are not "proceeds of taxes" appropriated for debt service on indebtedness existing prior to the passage of Article XIII B or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 has liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIII B. If county revenues during any two consecutive Fiscal Years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, *et seq.* of the California Government Code defines certain terms used in Article XIII B and sets forth the methods of determining the appropriations limits for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective November 1, 1990, which implemented Proposition 111, the County has determined that its appropriations limit for "proceeds of taxes" for Fiscal Year 1996-97 is \$830,569,355. Pursuant to the Fiscal Year 1996-97 budget, "appropriations subject to the limitation" are \$402,340,892, or \$428,228,463 under the limit.

Articles XIII C and XIII D of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218 -- the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution, which affect the ability of the County to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before such taxes become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes (even if deposited in the general fund) require a two-thirds vote. The voter approval requirements reduce the Board of Supervisor's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the County will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C removes limitations on the initiative power in matters of local taxes assessments, fees and charges. Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described below) would be applied to Article XIII C. The County has identified its hotel tax as the only tax, assessment

or fee (other than as described below) that could be subject to this initiative power. See "Statutory Limitations" below. No assurance can be given, however, that the voters of the County will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

Article XIII D contains several new provisions making it generally more difficult for local agencies, such as the County, to levy and maintain "assessments" for local services and programs. "Assessments" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. The provisions of Article XIII D will make it more difficult for the County to establish assessment-based programs in the future.

Article XIII D also contains several new provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a county 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 existing property related fees and charges must conform to specific requirements and prohibitions set forth in the Article. 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.

The County does not anticipate that the implementation of Proposition 218 will have any immediate impact on its General Fund. However, parcel charges in 41 of the County's 67 county service areas ("CSAs") have been classified as fees and charges, assessments or special taxes under either Article XIII C or Article XIII D, and will require the approval of local property owners or voters, as the case may be, prior to July 1, 1997, if the County is to continue collecting such charges. If the existing parcel charges cannot be collected, the services provided through the CSAs (e.g. sewer and refuse collection, street lighting, landscaping and fire protection) may have to be funded, if they are funded at all, through the County's General Fund. Should County residents and property owners fail to approve continuance of the applicable parcel charges, the County presently intends to curtail such services rather than use amounts in the General Fund to support them.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Statutory Limitations

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which among other things (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote for the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities (except for county or city documentary transfer taxes), except as permitted by Article XIII A and (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities. Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

On September 28, 1995, the California Supreme Court filed its decision in *Santa Clara County Local Transportation Authority v. Carl Guardino*, 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), which upheld a Court of Appeal decision invalidating a 1/2-cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote of the electorate for the levy of a "special tax," as required by Proposition 62. The *Santa Clara* decision did not address the question of whether or not it should be applied retroactively.

In deciding the *Santa Clara* case on Proposition 62 grounds, the Court disapproved the decision in *City of Woodlake v. Logan*, 230 Cal. App. 3d 1058 (1991) ("*Woodlake*"), where the Court of Appeal had held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. The California Supreme Court determined that the voter approval requirement of Proposition 62 is a condition precedent to the enactment of each tax statute to which it applies, while referendum refers to a process invoked only after a statute has been enacted. Numerous taxes to which Proposition 62 would apply were imposed or increased without voter approval in reliance on *Woodlake*. The Court notes as apparently distinguishable, but did not confirm, the decision in *City of Westminster v. County of Orange*, 204 Cal. App. 3d 623 (1988), which held unconstitutional the provision of Proposition 62 requiring voter approval of taxes imposed during the "window period" of August 1, 1985 until November 5, 1986.

Proposition 62 as an initiative statute does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature. After the passage of Proposition 218, however, certain provisions of Proposition 62 (e.g. voter approval of taxes) are governed by the State Constitution.

Prior to 1986 the County levied a hotel tax, and subsequently increased the hotel tax in 1990. In October, 1990, the County increased its hotel tax from eight to ten percent, the current tax levied on the occupancy of any hotel room in the unincorporated areas of the County. The County collected

approximately \$200,000 as a result of this increase in Fiscal Year 1995-96 and estimates that overall approximately \$1.1 million has been collected as a result of the increase. If a court determined that the hotel tax increase in 1990 (after the effective date of Proposition 62) is in violation of Proposition 62, it would invalidate the increase and require, in accordance with Proposition 62, that the portion of the 1% general ad valorem property tax levy allocated to that jurisdiction be reduced by \$1 for every \$1 in revenue attributable to the invalid hotel tax for each year that such tax increase was collected.

TAX MATTERS

In the opinion of O'Melveny & Myers LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the 1997A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, Bond Counsel is of the opinion that the 1997A Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, the interest on the 1997A Bonds is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. Interest on the 1997A Bonds received by a corporation, however, will be included in adjusted current earnings for purposes of computing its alternative minimum tax liability.

The original issue discount ("OID"), if any, on the 1997A Bonds properly allocable to a registered owner is treated as interest for federal income tax purposes and is excluded from gross income to the same extent as the interest on the 1997A Bonds. OID, if any, is includable in adjusted current earnings as it accrues each year rather than at the time OID is actually paid to and received by the registered owners of the 1997A Bonds upon the maturity of such Bonds. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of the 1997A Bonds) rather than ratably, and an owner's adjusted basis in such 1997A Bonds, used to determine the amount of gain or loss on disposition of such 1997A Bonds, will be increased by the amount of such accrued OID.

Bond Counsel is further of the opinion that the interest on the 1997A Bonds is exempt from personal income taxes of the State of California under present state law.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the Corporation and the County in the Indenture and in the Tax and Nonarbitrage Certificate concerning the investment and use of the 1997A Bond proceeds, the rebate to the United States Government of certain earnings thereon to the extent required and the use of the facilities financed or refinanced with the proceeds of the 1997A Bonds. In addition, Bond Counsel has assumed that any such representations are true and correct and that the Corporation and the County will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the 1997A Bonds from gross income under Section 103(a) of the Code in the event that any such representations by the Corporation or the County are untrue or the Corporation or the County fail to comply with such covenants, unless such failure to comply is based on the advice or opinion of Bond Counsel. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date of issuance of the 1997A Bonds on the exclusion of interest on the 1997A Bonds from gross income for federal income tax purposes. In addition, no assurance can be given that such legislation would not directly or indirectly reduce the benefit of the receipt of interest which is otherwise excluded from gross

income for federal income tax purposes.

Bond Counsel has expressed no opinion regarding any impact of ownership of, receipt of interest on, or disposition of the 1997A Bonds other than as expressly described above. Prospective purchasers of the 1997A Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest on, or disposition of, the 1997A Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 1997A Bonds, or in the case of a financial institution, that portion of an Owner's interest expense allocable to interest on the 1997A Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the 1997A Bonds; (iii) interest on the 1997A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code; (iv) passive investment income, including interest on the 1997A Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and (v) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining the taxability of such benefits, receipt or accruals of interest on the 1997A Bonds. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Owner.

LEGAL MATTERS

O'Melveny & Myers LLP, Bond Counsel, will render an opinion with respect to the validity of the 1997A Bonds. The proposed form of Bond Counsel's opinion is included as Appendix D hereto. Such approving opinion will be provided to the original purchasers upon delivery of the 1997A Bonds. Certain legal matters will be passed upon for the Underwriters by Curls, Brown & Roushon, Los Angeles, California and for the Corporation and the County by the Riverside County Counsel.

LITIGATION

General

There is no proceeding or litigation of any nature now pending to restrain or enjoin the issuance, sale, execution or delivery of the 1997A Bonds, or in any way contesting or affecting the validity of the 1997A Bonds, the proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or securities provided for payment of the 1997A Bonds, the existence or powers of the Corporation or the title of any officers of the Corporation to their respective positions.

The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgments which may result from suits and claims will not, in the opinion of County management, materially affect the County's finances or impair its ability to make rental payments due under the Lease.

The County has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. In the opinion of County Counsel, the ultimate outcome of these claims will not materially affect the operations of the County.

FINANCIAL STATEMENTS

The County's Financial Statements for Fiscal Year 1995-96, included in this Official Statement, have been audited by Ernst & Young LLP, independent auditors, as stated in their report herein. Attention is called to the scope limitation described in the auditor's report accompanying each of the Financial Statements. See APPENDIX B -- "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 1996."

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders and beneficial owners of the 1997A Bonds to provide annually certain financial information and operating data relating to the County (the "Annual Report"), commencing with the report for the County's fiscal year ending June 30, 1997 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 Information Depository, if any. The notices of material events will be filed by the County with the Municipal Securities Rulemaking Board and with the State Information Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material event is described in APPENDIX H - "SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

RATINGS

The 1997A Bonds have been rated "Aaa" by Moody's Investors Service ("Moody's"), "AAA" by Standard & Poor's Ratings Services ("S&P") and "AAA" by Fitch Investors Service ("Fitch").

The municipal bond insurance issued by MBIA currently results in bond issues being rated "Aaa" by Moody's, "AAA" by S&P and "AAA" by Fitch. MBIA has issued a commitment for the delivery of its municipal bond insurance policy with respect to the 1997A Bonds on the date of issuance and delivery thereof. The 1997A Bonds will be rated at the time of delivery thereof based upon the MBIA

municipal bond insurance policy. No assurance can be given that the ratings assigned to the 1997A Bonds will not be different from those currently assigned to bond issues insured by MBIA.

FINANCIAL ADVISOR

Rauscher Pierce Refsnes, Inc., Pasadena, California, has served as financial advisor to the County (the "Financial Advisor") in connection with the sale, execution and delivery of the 1997A Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the County to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

UNDERWRITING

Smith Barney Inc. and Samuel A. Ramirez & Co., Inc. (the "Underwriters") have agreed to purchase the 1997A Bonds. The Underwriters will be entitled to an underwriting fee for the 1997A Bonds in the amount of \$368,528.91. The underwriting fees will be paid from the proceeds of the 1997A Bonds. The Underwriters will purchase all of the 1997A Bonds if any are purchased. The Underwriters may offer and sell the 1997A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase for the 1997A Bonds.

ADDITIONAL INFORMATION

The attached Appendices are integral parts of this Official Statement and should be read in their entirety. The terms used in this Official Statement and defined herein shall have the meanings ascribed to them in the text. The terms used in this Official Statement and not defined herein shall have the meanings ascribed to them in the Lease or the Indenture.

All data and tables contained herein have been taken or constructed from County records and other sources, unless otherwise indicated. Appropriate County officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading. An appropriate County official will execute a certificate to this effect upon delivery of the 1997A Bonds. This Official Statement and its distribution have been duly authorized and approved by the County and the Corporation.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By: /s/ GREGG MARRAMA
Assistant Secretary

COUNTY OF RIVERSIDE

By: /s/ LARRY PARRISH
County Executive Officer

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APPENDIX A

THE COUNTY OF RIVERSIDE

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 1,381,900 as of January 1, 1996, reflecting a 1.9% increase over January 1, 1995. Population rose 49.2% from 1960 to 1970, and 38.7% from 1970 to 1980. The 1990 U.S. Census shows the County's population to be 1,170,413, an 84.6% increase over the 1980 population.

The largest cities in the County are the cities of Riverside, Moreno Valley, Corona, Hemet, Indio, Palm Springs, Temecula 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 Southern California Association of Governments estimates the County's population will exceed 1,800,000 by the Year 2000.

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

COUNTY OF RIVERSIDE
Population of Cities Within the County
(As of January 1)

<u>CITY</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1994⁽¹⁾</u>	<u>1995⁽¹⁾</u>	<u>1996⁽¹⁾</u>
Banning	10,250	12,034	14,020	20,570	23,400	23,600	23,850
Beaumont	4,288	5,484	6,818	9,685	10,450	10,400	10,450
Blythe	6,023	7,047	6,805	8,428	12,850	16,450	18,350
Calimesa	-	-	-	-	7,250	7,225	7,300
Canyon Lake	-	-	-	-	11,050	11,150	11,300
Cathedral City	-	-	-	30,085	34,250	34,900	35,450
Coachella	-	8,353	9,129	16,896	19,600	20,200	21,050
Corona	13,336	27,519	37,791	76,095	94,700	95,400	99,500
Desert Hot Springs	-	2,738	5,941	11,668	14,100	14,550	14,850
Hemet	5,416	12,252	22,454	36,094	51,800	52,000	52,600
Indian Wells	-	760	1,394	2,647	3,040	3,030	3,080
Indio	9,745	14,459	21,611	36,793	41,300	41,400	42,100
Lake Elsinore	-	3,530	5,982	18,285	23,650	24,550	25,600
La Quinta	-	-	-	11,215	16,300	17,100	18,050
Moreno Valley	-	-	-	118,779	132,100	131,900	133,400
Murrieta	-	-	-	-	30,250	32,550	34,550
Norco	-	14,511	19,732	23,302	24,350	24,250	24,500
Palm Desert	-	-	11,081	23,252	26,750	32,750	33,450
Palm Springs	13,468	20,936	32,359	40,181	41,650	41,300	41,700
Perris	2,950	4,228	6,827	21,460	29,600	30,250	30,500
Rancho Mirage	-	-	6,281	9,778	10,500	10,450	10,550
Riverside	84,332	140,489	170,591	226,505	239,600	241,100	243,400
San Jacinto	2,553	N/A	7,098	16,210	23,500	23,550	23,900
Temecula	-	-	-	27,099	35,750	39,000	41,850
TOTALS:							
Incorporated	152,361	274,340	385,914	785,027	955,900	979,300	1,001,300
Unincorporated	<u>153,830</u>	<u>182,576</u>	<u>248,009</u>	<u>385,386</u>	<u>376,100</u>	<u>376,300</u>	<u>380,500</u>
County-Wide	<u>306,191</u>	<u>456,916</u>	<u>633,923</u>	<u>1,170,413</u>	<u>1,332,000</u>	<u>1,355,600</u>	<u>1,381,900</u>
California	15,717,204	18,136,045	23,668,562	29,473,000	31,960,623	32,344,074	32,231,000

⁽¹⁾ Totals may not equal sum due to independent rounding; census counts remain unrounded.

Source: U.S. Census Bureau, except California 1994, 1995 and 1996 data is from the State Department of Finance.

Income

The following table reflects aggregate personal, per capita and median household income for the County.

COUNTY OF RIVERSIDE Estimated Annual Income

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Total Aggregate Personal Income (in millions)	\$23,934	\$25,087	\$26,571	\$27,979
Per Capita Income	18,189	19,046	19,812	20,951
Median Household Income	33,479	35,056	36,466	38,562

Source: Inland Empire Economic Databank and Forecasting Center

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 PMSA Annual Average Employment (In Thousands)

<u>INDUSTRY</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Agriculture	22.7	21.9	21.9	21.4	22.3
Construction	43.7	40.4	37.5	38.7	42.8
Finance, Insurance and Real Estate	31.0	31.5	32.0	32.1	29.2
Government	155.1	157.5	155.6	158.0	160.8
Manufacturing:					
Nondurables	25.8	28.4	28.7	29.8	32.5
Durables	55.9	58.5	57.4	56.6	61.2
Mining	1.3	1.3	1.2	1.2	1.2
Retail Trade	156.7	157.7	162.7	163.7	169.2
Services	182.7	186.5	189.6	193.3	202.1
Transportation and Public Utilities	34.5	36.4	37.2	38.0	41.2
Wholesale Trade	<u>32.1</u>	<u>31.5</u>	<u>31.9</u>	<u>33.7</u>	<u>35.8</u>
TOTAL	<u>741.5</u>	<u>751.6</u>	<u>755.7</u>	<u>766.5</u>	<u>798.3</u>

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

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

**COUNTY OF RIVERSIDE
Major Employers⁽¹⁾**

COMPANY NAME	LOCATION	PRODUCT/SERVICE	ESTIMATED NUMBER OF EMPLOYEES
County of Riverside	Countywide	Government	10,934
University of California, Riverside	Riverside	Education	4,550
Stater Bros.	Countywide	Supermarkets	3,000
Moreno Valley Unified School District	Moreno Valley	Education	2,800
City of Riverside	Riverside	Government	2,671
Corona-Norco USD	Corona	Education	2,400
Riverside USD	Riverside	Education	2,260
Riverside Community College District	Riverside	Education	1,800
Valley Health System	Hemet	Health Care	1,750
U.S. Postal Service	Countywide	Mail Delivery	1,725
Fleetwood Enterprises, Inc.	Countywide	Manufactured Housing	1,718
Eisenhower Medical Center	Rancho Mirage	Health Care	1,708
Kaiser Permanente	Riverside	Health Care	1,700
Desert Hospital	Palm Springs	Health Care	1,600
Bourns, Inc.	Riverside	Electronics	1,500
La Quinta Resort & Club	La Quinta	Resort Hotel	1,480
Marriott Desert Springs Resort	Palm Desert	Resort Hotel	1,400
March Air Reserve Base	Riverside	Military Reserve Base	1,335 ⁽²⁾
The Press Enterprise	Riverside	Newspaper	1,216
California Rehabilitation Center	Norco	Corrections	1,147
Parkview Community Hospital	Riverside	Health Care	1,139
Starcrest	Perris	Mail Retail	1,100
Guidant (Formerly ACS)	Temecula	Medical Devices	1,057
Deutsch	Banning	Electronics	1,056
Riverside Community Hospital	Riverside	Health Care	1,053

⁽¹⁾ The County itself does not directly maintain employment records, but relies upon a variety of independent surveys, as well as upon its own surveys to identify major employers compiled as of January 28, 1997.

⁽²⁾ Represents civilian employment only. March Air Force Base converted to a "Reserves Only" base on April 1, 1996, under the provisions of the Federal Base Closure and Realignment Act. A joint powers authority has been formed to manage the reuse of the base. As of January 1, 1997, total base employment was 6,299, including Reserve and National Guard units, some of which are on active duty.

Source: County Economic Development Agency

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

COUNTY OF RIVERSIDE
County, State and National Unemployment Data

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
County	9.78%	11.38%	11.88%	10.51%	9.58%	8.50%
California	7.55%	9.11%	9.20%	8.59%	7.77%	7.30%
United States	6.85%	7.49%	6.91%	6.10%	5.59%	5.30%

Source: Inland Empire Economic Databank and Forecasting Center

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 eight 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 and Moreno Valley Mall at Towngate. 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 1991 through the first quarter of 1996:

COUNTY OF RIVERSIDE
Taxable Sales Transactions
(In Thousands)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996⁽¹⁾</u>
Apparel Stores	\$ 356,386	\$ 389,382	\$ 395,084	\$ 406,973	\$ 421,007	\$ 115,908
General Merchandise Stores	893,037	1,031,952	1,118,197	1,196,137	1,230,975	273,076
Drug Stores	164,986	171,959	149,052	154,096	161,004	43,208
Food Stores	746,894	786,616	653,556	648,486	657,598	169,253
Packaged Liquor Stores	63,409	62,328	57,368	53,418	53,928	13,523
Eating and Drinking Places	818,857	827,009	849,961	884,970	919,233	260,586
Home Furnishing and Appliances	280,492	256,641	257,506	289,604	316,508	80,010
Building Materials & Farm Implements	624,326	565,399	584,512	633,273	649,490	157,013
Auto Dealers and Auto Supplies	1,013,720	1,051,795	1,140,007	1,283,950	1,387,403	376,718
Service Stations	658,268	755,479	739,399	741,435	767,675	195,013
Other Retail Stores	<u>769,515</u>	<u>785,547</u>	<u>772,061</u>	<u>838,874</u>	<u>870,593</u>	<u>244,029</u>
Retail Stores Total	\$6,389,890	\$6,684,107	\$6,716,703	\$7,131,216	\$ 7,345,414	1,928,337
All Other Outlets	<u>2,521,231</u>	<u>2,543,326</u>	<u>2,558,573</u>	<u>2,683,317</u>	<u>2,885,204</u>	<u>788,493</u>
Total All Outlets	<u>\$8,911,121</u>	<u>\$9,227,433</u>	<u>\$9,275,276</u>	<u>\$9,814,533</u>	<u>\$10,320,618</u>	<u>\$2,716,830</u>

⁽¹⁾ Totals for the first quarter of 1996 only.

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

Building Activity

The following two tables provide a six-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 1991. The high for single-family building permits occurred in 1994.

COUNTY OF RIVERSIDE Building Permit Valuations (In Thousands)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Residential	\$1,039,639	\$1,010,542	\$ 896,867	\$1,064,177	\$ 941,435	\$1,049,447
Non-Residential	<u>456,336</u>	<u>433,449</u>	<u>247,482</u>	<u>243,471</u>	<u>333,724</u>	<u>316,475</u>
TOTAL	<u>\$1,495,975</u>	<u>\$1,443,991</u>	<u>\$1,144,349</u>	<u>\$1,307,648</u>	<u>\$1,275,159</u>	<u>\$1,365,922</u>

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE Number of New Dwelling Units

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Single Family	6,976	7,607	7,012	7,690	6,803	7,023
Multi-Family	<u>2,380</u>	<u>599</u>	<u>287</u>	<u>596</u>	<u>143</u>	<u>478</u>
TOTAL	<u>9,356</u>	<u>8,206</u>	<u>7,299</u>	<u>8,286</u>	<u>6,946</u>	<u>7,501</u>

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE Average Home Sales and Average Sale Prices

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996⁽¹⁾</u>
Homes Sold ⁽²⁾	24,041	20,973	20,914	23,941	21,787	25,000
Home Sales Price ⁽³⁾	\$154,460	\$154,132	\$146,376	\$145,238	\$139,827	\$142,000

⁽¹⁾ Includes estimated fourth quarter results.

⁽²⁾ New and existing homes.

⁽³⁾ Average price of actual sales.

Source: Experion (Formerly TRW, Redi-Property Services), Inland Empire Economic DataBank and Forecasting Center

Agriculture

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, 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 1991 through 1995 is presented in the following table.

COUNTY OF RIVERSIDE Value of Agricultural Production

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Citrus Fruits	\$214,742,300	\$199,469,300	\$156,642,200	\$107,022,600	\$109,557,400
Trees and Vines	210,431,000	187,764,600	206,412,500	214,397,400	229,793,200
Vegetables, Melons, Miscellaneous	112,934,000	108,954,300	152,482,300	141,751,000	228,196,000
Field and Seed Crops	64,575,900	62,871,200	67,816,600	82,186,100	79,408,100
Nursery	43,144,600	50,256,700	47,550,700	79,537,200	71,169,100
Apiculture	3,973,300	5,317,500	8,526,400	5,815,100	4,279,500
Aquaculture Products	<u>5,889,600</u>	<u>5,837,000</u>	<u>7,703,100</u>	<u>14,995,400</u>	<u>15,604,800</u>
Total Crop Valuation	655,690,700	620,470,600	647,133,800	\$645,704,800	\$738,008,100
 Livestock and Poultry Valuation	 <u>386,636,200</u>	 <u>377,182,900</u>	 <u>413,123,800</u>	 <u>423,781,200</u>	 <u>425,422,200</u>
 Grand Total	 <u>\$1,042,326,900</u>	 <u>\$997,653,500</u>	 <u>\$1,060,257,600</u>	 <u>\$1,069,486,000</u>	 <u>\$1,163,430,300</u>

Source: Riverside County Agricultural Commissioner

Transportation

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego Counties is important to the County's employment picture. 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. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (U.S. 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles and Orange Counties from the County. Transcontinental passenger rail service is provided by Amtrak with a stop in Indio. Freight service to major west coast and national markets is provided by three transcontinental railroads -- Santa Fe, Union Pacific and Southern Pacific. 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. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The City of Banning also operates a local bus system.

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. Major County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. Riverside, Corona and Banning Municipal Airports are also general aviation airports. There is a military base at March Air Force 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 thereafter 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 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 two universities and a four-year college located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist College.

Environmental Control Services

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

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 Geronio Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District.

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 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 adopted its Fiscal Year (FY) 1996-97 Final Budget (the "Final Budget") on August 13, 1996. The Final Budget approved total General Fund expenditures of \$1.122 billion. Such expenditures are for primary County services including public protection, health and sanitation and public assistance. These three areas comprise approximately 90% of the County's total expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. Approximately 61% of the Final Budget is to be paid from State and Federal sources. The portion of the County's revenue that is not dependent upon State and Federal sources is considered to be "discretionary." The County uses the discretionary portion of General Fund revenues to match, if necessary, external sources of revenue and 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 \$48.9 million in FY 1994-95, \$52.9 million in FY 1995-96 and is estimated at \$55.5 million in FY 1996-97.

The Final Budget included \$35 million in permanent, ongoing reductions as part of a multi-year process to reduce a structural deficit caused by a shift in property taxes by the State in FY 1993-94 from counties to the Education Revenue Augmentation Fund ("ERAF") for school and community college districts. (The County's total structural deficit has required \$68 million in reductions over the last 4 years.) In addition, \$10.9 million in one time revenue was used to balance the final budget. With these measures, the County has brought its structural deficit down to approximately \$17 million, which is expected to be completely eliminated in FY 1997-98 through a budget strategy that includes further budget reductions and increased on-going revenue from an improved economy. In FY 1993-94, \$55 million of this reduction was off-set by a credit extended to counties entering into the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds ("Teeter Plan") for the first time. See "Teeter Plan" below. This one-time credit provided the opportunity to implement a down-sizing program in phases to accommodate the permanent reduction in funding from the State.

While most of the recent economic forecasts have been positive, the recovery in growth of County revenue is expected to lag the general recovery due to the processes involved in levying and distributing property taxes, sales taxes and other discretionary revenues. No growth in assessed valuation is expected in FY 1996-97, primarily due to assessed valuation decreases offsetting new construction values.

The County has received assessment appeals applicable to FY 1995-96 totalling approximately \$5.5 billion. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. See "Ad Valorem Property Taxes" below. A total of \$2.8 billion of assessments, representing \$28 million in general purpose taxes, was reduced from the County tax roll for FY 1993-94 and FY 1994-95, representing 35% of the total assessed valuation which was appealed. The General Fund impact of this combined reduction was approximately \$3.4 million. The remainder of the FY 1994-95 and the FY 1995-96 assessment appeals are expected to be completed between June 1, 1996 and June 1, 1997.

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 FY 1996-97 budget will be determined primarily by three components: (i) the remainder of the FY 1994-95 and FY 1995-96 assessment appeals still to be completed; (ii) approximately 30% of the FY 1996-97 appeals being completed during FY 1996-97; and (iii) additional assessment revenue of approximately \$2.8 million,

which the County Assessor projects will be billed during FY 1996-97 and reduce the impact of FY 1996-97 appeals. The Final Budget property tax estimate includes a reduction of \$1 million due to assessment appeals. As data becomes available to project the actual budgetary impact, budget adjustments may need to be made.

On January 28, 1997, the County Executive Officer released the mid-year budget report. While revenues appear to be tracking the Final Budget estimates, the mid-year report concluded that certain adjustments were necessary. The County Executive Officer recommended mid-year adjustments to the Final Budget which, on a net basis, resulted in an additional expenditure of \$1.8 million, which otherwise would have been available for contingency. The mid-year report also identified areas of concern that could require as much as \$2.8 million of additional funding in FY 1996-97. County staff will monitor these potential additional expenditures and recommend action as needed.

The Final General Fund Budgets adopted by the County for FY 1994-95, FY 1995-96 and FY 1996-97 are set forth below. The County prepares its budget on a cash basis except for Aid from Other Governmental Agencies, Charges for Current Services, and Other Revenues, which are budgeted on a modified accrual basis.

COUNTY OF RIVERSIDE
Final General Fund Budgets
Fiscal Years 1994-95, 1995-96 and 1996-97
(In Millions)

	Final 1994-95 <u>Budget</u>	Final 1995-96 <u>Budget</u>	Final 1996-97 <u>Budget</u>
<u>REQUIREMENTS</u>			
General Government	\$ 82.2	\$ 93.3	\$ 50.5 ⁽³⁾
Public Protection	328.9	329.2	382.8
Health and Sanitation ⁽¹⁾	201.9	195.2	212.9
Public Assistance	396.2	387.3	434.5
Education	0.3	0.3	0.3
Recreation and Cultural	0.2	0.2	0.5
Debt Retirement - Capital Leases	27.5	27.8	26.6
Contingencies	9.0	11.0	14.0
Increase Reserves		<u>5.0</u>	
Total Requirements	<u>\$1,046.2</u>	<u>\$1,049.3</u>	<u>\$1,122.1</u>
<u>AVAILABLE FUNDS</u>			
Beginning Unrestricted Fund Balance	\$ 43.7	\$ 35.3	\$ 9.0
Estimated Revenues			
Property Taxes ⁽²⁾	121.8	123.3	110.6
Other Taxes	25.7	21.7	22.0
Licenses, Permits and Franchises	13.4	13.8	13.2
Fines, Forfeitures and Penalties	8.5	9.7	11.4
Use of Money and Property	20.4	18.1	16.1
Aid from Other Governmental Agencies			
State	413.6	429.0	482.8
Federal	204.0	195.5	210.0
Other	0.4	0.4	0.4
Charges for Current Services	119.9	153.2	165.3
Other Revenues	<u>74.8</u>	<u>49.3</u>	<u>81.3</u>
Total Available Funds	<u>\$1,046.2</u>	<u>\$1,049.3</u>	<u>\$1,122.1</u>

- (1) Includes State payments and reimbursements for programs that fund disproportionate share hospitals (hospitals that serve a disproportionately high percentage of Medi-Cal and other low income patients) in the amounts of approximately \$19.3 million, \$15.8 million and \$24.7 million, respectively (supplemental Medi-Cal payments under SB 855 and SB 1255).
- (2) The final budget for FY 1994-95 reflects the shift of approximately 50% of the County's share of current secured taxes to schools and the results of implementing the Teeter Plan. See "Teeter Plan."
- (3) State trial court funding shifted \$34.7 million from General Government to Public Protection.

Source: County Auditor-Controller.

Funding by State and Federal Government

For FY 1996-97, approximately 43% of the County's General Fund budget consisted of payments from the State and 18.7% consisted of payments from the Federal Government.

The FY 1996-97 State Budget was adopted on July 14, 1996, with no significant impact on the County's Final Budget. Absent from the State Budget, due to the State administration and the State Legislature's failure to reach agreement, was adequate trial court funding. Because the County is responsible for funding not provided by the State, any reduction or delay in trial court funding will become a County General Fund liability. The State is currently considering legislation to provide funding approximately equivalent to the funding of FY 1995-96.

Teeter Plan

In 1993, the Board adopted the Teeter Plan as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County (see "Other Taxing Agencies" below) on the basis of the tax levy, rather than on the basis of actual tax collections. 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 FY 1996-97, 70% of all taxing entities are participating in the Teeter Plan.

The County will, on or before July 31 of each fiscal year, pay any uncollected tax levy to participating taxing entities. This payment is accomplished through the sale of the delinquent taxes to the County of Riverside Asset Leasing Corporation (the "Corporation"), which issues a note to the County Treasury to finance the purchase. Subsequently, all collections of secured delinquent taxes are paid to the Corporation. Penalties and interest collected are deposited to the Tax Loss Reserve Fund required by the Teeter Plan. At any time that the amount deposited in the Tax Loss Reserve Fund exceeds 1% of the secured tax levy subject to the Teeter Plan, the excess is transferred to the County's General Fund. The County estimates receiving \$13,500,000 in FY 1996-97 from such fund.

For FY 1993-94 and FY 1994-95, the County issued individual Limited Obligation Tax Receivable Notes, Series 93 and Series 94, respectively, to provide for the financing of the delinquent taxes. In FY 1995-96, the County elected to refund the outstanding principal amount of the prior years' notes in combination with the issuance of the Limited Obligation Tax Receivable Notes, Series 95. Because this process provided accountability, efficiency and controls, the County has incorporated it as the standard practice for future Teeter Plan financings. All Teeter Plan notes are purchased by the County Treasurer and held in the County's pooled investment fund. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND."

The following table illustrates the history of County Teeter Plan financings.

**COUNTY OF RIVERSIDE
Teeter Plan Financings**

<u>Notes</u>	<u>Delinquent Taxes</u>	<u>Outstanding Prior Year Principal</u>	<u>Total Issuance</u>	<u>Date</u>
Series 1993	\$110,764,197	-0-	\$110,764,197	January 5, 1994
Series 1994	48,031,861	-0-	48,031,861	July 28, 1994
Series 1995	40,708,244	\$69,572,511	110,280,755	August 1, 1995
Series 1996	37,185,689	58,517,210	95,702,899	August 21, 1996

Ad Valorem Property Taxes

Approximately 9.85% of the County's Final Budget consists of ad valorem property tax collections (see table entitled "Final General Fund Budgets" above). Taxes are levied for each fiscal year (July 1 to June 30, inclusive) on taxable real and personal properties that are situated in the County as of the preceding January 1.

The County levies and collects the 1% levy allowed under Article XIII A of the California Constitution (Proposition 13) and any additional taxes levied for voter-approved debt and duly approved assessments. The County collects on behalf of all agencies within its boundaries and forwards payments to other governmental agencies throughout the year. See "Teeter Plan" above. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll.

The "secured roll" is that part of the assessment roll containing State assessed property and property secured by a lien on real property, which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax defaulted property is declared to be subject to the County Tax Collector's power of sale and may be subsequently sold by the Tax Collector within two years.

The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rented premises, which is not secured by the underlying property. Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% of the delinquent taxes per month begins to accrue beginning November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes:

(1) instituting 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 record in the County Recorder's Office in order to obtain a lien on certain property of the taxpayer, and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

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.

Taxpayers have the right to appeal the amount of the assessed value used to calculate the property tax assessment. Such appeals must be made by March 1 of the fiscal year pertaining to the taxes payable. The County Assessor reviews the applications for reduction in assessed value to determine if the property's value is not reflective of current market conditions. The taxpayer has the right to appeal the Assessor's decision from July 1 through September 15 of the following fiscal year.

COUNTY OF RIVERSIDE
Ad Valorem Property Taxes - Levies and Collections⁽¹⁾
Fiscal Years 1990-91 through 1996-97

SECURED PROPERTY TAX ROLL

<u>Fiscal Year</u>	<u>Secured Property Tax Levy</u>	<u>Current Levy Delinquent June 30</u>	<u>Percentage of Current Taxes Delinquent June 30</u>	<u>Total Collections⁽²⁾</u>	<u>Percentage of Total Collections to Current Levy</u>
1990-91	\$759,601,032	\$57,775,923	7.61%	\$734,111,019	96.64%
1991-92	862,080,813	78,426,843	9.10%	834,017,357	96.74%
1992-93	930,930,604	84,479,336	9.07%	912,871,160	98.06%
1993-94	941,680,298	76,547,902 ⁽³⁾	8.13%	954,696,240	101.38%
1994-95	948,727,678	68,916,650	7.26%	973,953,378	102.66%
1995-96	958,384,214	55,095,925	5.75%	983,383,857	102.61%
1996-97	948,771,329	54,554,351 ⁽⁴⁾	5.75% ⁽⁴⁾	973,534,261 ⁽⁴⁾	102.61% ⁽⁴⁾

UNSECURED PROPERTY TAX ROLL

<u>Fiscal Year</u>	<u>Unsecured Property Tax Levy</u>	<u>Total Collections⁽²⁾</u>	<u>Percentage of Total Collections to Original Levy</u>
1990-91	\$25,008,546	\$26,308,353	105.20%
1991-92	26,672,999	30,078,277	112.77%
1992-93	27,519,547	29,688,067	107.88%
1993-94	28,148,126	30,177,206	107.21%
1994-95	27,925,546	30,376,694	108.78%
1995-96	28,779,287	31,649,332	109.97%
1996-97	29,750,582	32,716,715 ⁽⁴⁾	109.97% ⁽⁴⁾

⁽¹⁾ The Levy and Collection data reflects the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals. The County receives a share of the 1% levy, which for the FY 1996-97 is estimated to total approximately \$78.5 million.

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

⁽³⁾ 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.

⁽⁴⁾ Estimate only.

Source: County Auditor-Controller

COUNTY OF RIVERSIDE
Summary of Supplemental Roll
Ad Valorem Property Taxation
Fiscal Years 1990-91 through 1995-96

<u>Fiscal Year</u>	Tax Levy for Increased <u>Assessments</u> ⁽¹⁾⁽²⁾	Refunds for Decreased <u>Assessments</u> ⁽¹⁾	<u>Net Tax Levy</u>	<u>Collections</u> ⁽¹⁾⁽³⁾
1990-91	\$59,427,159	\$1,819,284	\$57,607,875	\$48,128,084
1991-92	35,777,800	1,988,481	33,789,319	31,876,976
1992-93	24,629,702	2,785,323	21,844,379	20,595,982
1993-94	15,525,496	4,314,271	11,211,225	14,014,151
1994-95	16,194,896	6,638,055	9,556,841	21,860,083
1995-96	14,185,628	6,895,458	7,290,170	15,806,432

- (1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies. The County General Fund receives approximately 11% of the 1% ad valorem property taxes from the supplemental roll.
- (2) The reduction in the supplemental tax since FY 1990-91 is due to the reduction in new construction in the County.
- (3) Includes current and prior years' taxes, redemption penalties and interest collected.

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

COUNTY OF RIVERSIDE
Assessed Valuation History by Category and Property Type⁽¹⁾
Fiscal Years 1992-93 through 1996-97
(In Millions)

<u>Category</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
SECURED PROPERTY:					
Land	\$26,175	\$27,114	\$27,174	\$27,027	\$26,534
Structures	41,861	43,341	43,241	43,597	43,526
Personal Property	565	590	610	656	610
Utilities	<u>2,456</u>	<u>2,545</u>	<u>2,462</u>	<u>2,360</u>	<u>2,261</u>
Total Secured	\$71,057	\$73,590	\$73,487	\$73,640	\$72,931
UNSECURED PROPERTY:					
Land	\$ 25	\$ 22	\$ 13	\$ 33	\$ 29
Improvements	1,135	1,158	1,230	1,289	1,316
Personal Property	<u>1,285</u>	<u>1,338</u>	<u>1,314</u>	<u>1,339</u>	<u>1,391</u>
Total Unsecured	\$2,445	\$2,518	\$2,557	\$2,661	\$2,736
Grand Total	<u>\$73,502</u>	<u>\$76,108</u>	<u>\$76,044</u>	<u>\$76,301</u>	<u>\$75,667</u>

⁽¹⁾ Assessed valuation is reported as of July 1 of each year at 100% of full taxable value. Pursuant to Article XIII A of the California Constitution (Property 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.

Source: County Auditor-Controller/County Assessor

Largest Taxpayers

The 15 largest taxpayers in the County, as shown on the FY 1996-97 tax roll, and the approximate amounts of their property tax payments (for all taxing jurisdictions within the County) for such fiscal year are shown below. The total amount of property taxes levied on these taxpayers in FY 1996-97 (as indicated in the table below) represented approximately 4.5% of the total levy.

COUNTY OF RIVERSIDE Fifteen Largest Taxpayers in Fiscal Year 1996-97 Secured and Unsecured Assessments

	<u>Nature of Business</u>	<u>Total Taxes Levied in FY 1996-97</u>
General Telephone of California	Public Utility	\$ 8,951,000
Southern California Edison Company	Public Utility	7,592,450
Southern California Gas Co.	Public Utility	3,346,393
McKenzie Vista	Residential/Comm Land Dev.	3,017,894
Landmark Land Company of California, Inc.	Residential/Comm Land Dev.	2,108,168
Pulte Home Corporation	Residential/Comm Land Dev.	2,077,268
Wells Fargo Bank	Bank	2,007,610
Pardee Grossman Cottonwood Canyon	Residential/Comm Land Dev.	1,972,046
Secretary Housing & Urban Dev.	HUD-Govt. Repossessed Housing	1,933,517
Desert Springs Marriott Ltd. Partnership	Hotel	1,912,743
Metal Container Corp.	Manufacturing	1,821,396
OTR	Retail Sales	1,696,795
R. H. Acquisition Co.	Residential/Comm Dev.	1,658,268
Cal Paloma De Sol LLC	Residential/Comm Dev.	1,638,055
Wal Mart Store, Inc.	Retail Sales	<u>1,620,802</u>
TOTAL		\$43,354,405

Source: County Treasurer and Tax Collector

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 FY 1995-96, the County retained approximately 12% of the total amount collected. 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 only on the "frozen" tax base, except for those instances where the affected taxing agencies have negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds.

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 1990-91 through 1996-97

<u>Fiscal Year</u>	<u>Frozen Base Value</u>	<u>Full Cash Value Increments⁽¹⁾</u>	<u>Total Tax Allocations⁽²⁾</u>
1990-91	\$6,450,868,018	\$ 9,925,810,568	\$102,230,480
1991-92	6,512,902,547	11,876,128,279	122,040,076
1992-93	6,691,403,381	13,381,230,705	136,924,493
1993-94	6,718,110,520	14,104,775,709	143,596,496
1994-95	7,624,042,510	14,270,345,110	146,456,151
1995-96	8,153,019,644	14,511,477,774	147,112,474
1996-97	8,168,238,236	14,310,497,618	145,706,128 ⁽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 subsequently paid to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.

⁽³⁾ Of the total tax allocation in FY 1996-97, \$33,289,091 is attributable to amounts that would have accrued to the County's General Fund. Of this amount, \$18,649,000 is returned to the General Fund through negotiated agreements.

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 34 unincorporated communities. As of June 30, 1996, the Agency had a total land area of 42,203 acres and a base year assessed value, including State-owned land, of \$616.6 million. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in FY 1996-97 was estimated at \$2,433,051. The Agency has recently merged and amended the Jurupa Valley Redevelopment Project Area, increasing the total land area by 10,755 acres and increasing the base year assessed value by approximately \$860.7 million (excluding State-owned land).

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 California 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 and must be conducted annually. The County's financial statements for the fiscal years ended June 30, 1995 and June 30, 1996 were audited by Ernst & Young LLP. See APPENDIX B -- "COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 1996."

The statements of revenues, expenditures and changes in unrestricted fund balances of the County's General Fund for FY 1990-91 through FY 1995-96 are shown in the following table.

COUNTY OF RIVERSIDE
Statements of Revenues, Expenditures and Changes
in Unreserved Fund Balances - General Fund
Fiscal Years 1991-92 through 1995-96

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
BEGINNING UNRESERVED FUND BALANCE:	\$34,504,682	\$46,569,586	\$ 39,336,877	\$77,502,509 ⁽¹⁾	\$40,372,450
REVENUES					
Taxes	187,885,636	185,909,100	205,492,039	149,325,363	137,747,812
Licenses, permits and franchises	12,802,617	18,642,982	15,561,254	11,651,855	14,669,980
Fines, forfeitures and penalties	6,904,670	6,141,496	9,230,485	8,531,586	11,781,100
Use of money and property	11,030,638	17,476,419	18,428,908	18,077,231	18,867,385
Rents and concessions	922,074	947,738	2,956,040	569,848	222,047
Government Aid - State	295,469,181	313,609,778	379,136,791	394,606,021	448,202,740 ⁽⁵⁾
Government Aid - Federal	142,998,177	156,913,469	180,835,686	196,277,082	312,753,052 ⁽⁵⁾
Charges for current services	97,620,262	106,135,362	98,906,208	120,167,666	158,740,779
Other revenues	<u>41,276,975⁽⁴⁾</u>	<u>14,313,140</u>	<u>17,010,159</u>	<u>24,071,933</u>	<u>24,096,493</u>
TOTAL REVENUES	\$796,910,230	\$820,089,484	\$927,557,570	\$923,278,585	\$1,127,081,388
EXPENDITURES					
General government	\$60,283,808	\$64,378,956	\$73,497,018	\$80,931,596	\$64,568,222
Public protection	273,553,560	286,856,465	295,281,088	326,815,182	324,222,776
Health and sanitation ⁽²⁾	159,511,055	166,947,381	218,208,577	207,731,264	202,542,004
Public assistance	306,077,043	328,119,598	364,991,776	389,421,142	529,073,647 ⁽⁵⁾
Education	338,024	301,782	277,322	277,932	288,193
Recreation and cultural	3,337,243	257,187	236,679	237,479	320,492
Capital Outlay	-0-	-0-	-0-	1,161,000	3,580,000
Debt service and capital leases	<u>3,359,803</u>	<u>6,090,496</u>	<u>5,824,258</u>	<u>4,049,202</u>	<u>7,515,154</u>
TOTAL EXPENDITURES	\$806,460,536	\$852,951,865	\$958,316,718	\$1,010,624,797	\$1,132,110,488
Excess (deficit) of revenues over expenditures	<u>(9,550,306)</u>	<u>(32,862,381)</u>	<u>(30,759,148)</u>	<u>(87,346,212)</u>	<u>(5,029,100)</u>
Change in reserve for encumbrance	340,391	(2,345,332)	(3,541,534)	(606,067)	2,039,209
Changes in other reserves	(181,266)	(89,187)	(909,559)	(639,339)	(3,155,188)
Transfer from other funds ⁽²⁾	33,915,768	43,146,577	90,414,038	70,568,836	40,513,787
Transfer to other funds ⁽³⁾	(12,459,683)	(13,142,386)	(17,858,940)	(20,268,277)	(52,211,541)
Capital Leases	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,161,000</u>	<u>3,580,000</u>
Ending Unreserved Fund Balance:	\$46,569,586	\$41,276,877	\$76,681,734	\$40,372,450	\$26,109,617
Less: Designated Unreserved Fund Balance	<u>8,696,089</u>	<u>8,609,970</u>	<u>12,703,805</u>	<u>3,022,083</u>	<u>3,802,633</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$37,873,497</u>	<u>\$32,666,907</u>	<u>\$63,977,929</u>	<u>\$37,350,367</u>	<u>\$22,306,984</u>

- ⁽¹⁾ Beginning unreserved fund balance does not equal prior year ending unreserved fund balance due to an equity restatement.
- ⁽²⁾ Includes \$33,915,768 in FY 1991-92, \$43,146,577 in FY 1992-93, and \$90,414,038 in FY 1993-94 under "EXPENDITURES" and "Transfer from Other Funds," reflecting the County's payment under the SB 855 program, which matches County and State funds to additional federal MediCal funds for the County Hospital.
- ⁽³⁾ Transfers include principal repayments that are made from the debt service fund.
- ⁽⁴⁾ Includes PERS Credit of \$20,413,535. The PERS credit is a one-time distribution of excess earnings from the State Public Employees Retirement System (PERS) to member agencies.
- ⁽⁵⁾ Government Aid revenues and Public Assistance expenditures increased primarily due to the adoption of Government Accounting Standards Board Statement No. 24, which requires the County to account for food stamps and other pass-through grants.

Source: County Auditor-Controller

COUNTY OF RIVERSIDE
General Fund Balance Sheets
at June 30, 1992 through June 30, 1996

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
ASSETS					
Cash & Marketable Securities	\$ 10,178,223	\$ 19,104,001	\$ 34,984,091	\$ -0-	\$ -0- ⁽⁶⁾
Taxes Receivable	29,094,927	34,456,452	6,467,047 ⁽³⁾	4,272,058	4,341,392
Accounts Receivable	474,108	1,135,347	7,539,254 ⁽⁴⁾	6,845,917	9,187,427
Interest Receivable	703,393	1,383,391	1,836,084	1,269,669	1,603,010
Advances to Other Funds	2,267,856	2,147,657	2,147,657	2,322,657	2,149,500
Due from Other Funds	85,193,110 ⁽¹⁾	62,855,898	110,418,859 ⁽⁵⁾	89,135,608 ⁽⁵⁾	298,438,737
Due from Other Governments	41,858,936	44,218,011	43,194,050	55,559,240	67,669,625
Deposits	1,383,876	2,469,995	2,469,995	2,469,996	2,469,996
Inventories	1,526,505	1,771,590	2,080,200	2,259,056	21,138,994 ⁽⁷⁾
Prepaid Expenses	<u>2,168</u>	<u>158,150</u>	<u>582,749</u>	<u>765,439</u>	<u>1,831,441</u>
Total Assets	<u>\$172,683,102</u>	<u>\$169,700,492</u>	<u>\$211,719,986</u>	<u>\$164,899,640</u>	<u>\$408,830,122</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts Payable	\$ 13,302,036	\$ 9,418,329	\$ 12,323,955	\$ 8,213,469	\$ 6,828,701
Salaries & Benefits Payable	20,367,806	22,592,453	26,215,759	13,894,157	12,061,327
Due to Other Funds	999,962	5,885,162	175,375	8,352,508	49,427,092
Due to Other Governments	9,440,438 ⁽²⁾	581,750	2,903,438	9,362,095	3,089,295
Tax and Revenue Anticipation Notes Payable					160,000,000 ⁽⁸⁾
Deferred Revenue	72,414,274	77,922,403	76,945,913	66,985,942	124,963,037
Interest Payable	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>7,515,556</u>
Total Liabilities	\$116,524,516	\$116,400,097	\$118,564,440	\$106,808,171	\$363,885,008
FUND BALANCE:					
Reserved	\$ 9,589,000	\$ 12,023,519	\$ 16,473,812	\$17,719,019	\$18,835,497
Unreserved	<u>46,569,586</u>	<u>41,276,876</u>	<u>76,681,734</u>	<u>40,372,450</u>	<u>26,109,617</u>
Fund Balance	\$ 56,158,586	\$ 53,300,395	\$ 93,155,546	\$58,091,469	\$44,945,114
Total Liabilities & Fund Balance	<u>\$172,683,102</u>	<u>\$169,700,492</u>	<u>\$211,719,986</u>	<u>\$164,899,640</u>	<u>\$408,830,122</u>

- (1) Includes accruals from trust funds arising in the initial year of realignment accounting by the State for Mental Health, Health Services and Social Services.
- (2) Includes an early receipt of cash for Public Service, Public Assistance that was paid in July 1992.
- (3) Decrease reflects the impact of the implementation of the Teeter Plan and the elimination of delinquent secured roll taxes receivable.
- (4) Includes amounts that were due from the State, which were restated in prior years to "Due from Other Governments."
- (5) Includes amounts from Riverside General Hospital under SB 855 and SB 1255 and amounts from the Tax Loss Reserve Fund of the Teeter Plan.
- (6) The General Fund experienced a negative cash balance of \$7,548,000 at June 30, 1995 and of \$49,420,000 at June 30, 1996, which is reported as an interfund borrowing. There was a total of \$292,719,000 available to cover the negative cash balance on June 30, 1996.
- (7) Increase is primarily due to the adoption of Government Accounting Standards Board Statement No. 24, which requires the County to account for food stamps inventory.
- (8) The County's annual note borrowing usually matures on June 30. Because June 30, 1996 falls on a weekend the note payable was carried forward and paid off on Monday, July 1, 1996.

Source: County Auditor-Controller

Long-Term Obligations of County

During its 103 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 December 31, 1996, the County had no direct general obligation bonded indebtedness, and has no authorized but unissued general obligation debt.

COUNTY OF RIVERSIDE
Estimated Direct and Overlapping Obligations

1996-97 Assessed Valuation: \$59,924,255,284 (after deducting \$14,147,263,792 redevelopment incremental valuation; includes unitary utility valuation)

<u>DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:</u>	<u>% Applicable</u>	<u>Debt 1/1/97</u>
Riverside County	100%	\$ 0
Riverside County Flood Control and Water Conservation District, Zone #1	100.	3,950,000
Metropolitan Water District	5.010	30,305,240
Unified School Districts	Various	142,388,513
City of Corona	100.	9,355,000
Other Cities	100.	705,000
Eastern Municipal Water District Improvement Districts	100.	22,695,000
Elsinore Valley Municipal Water District Improvement Districts	100.	3,306,000
Coachella County Water District Improvement Districts	100.	34,968,250
Rancho California Water District	100.	35,711,034
Other Water Districts	Various	1,067,151
Other Special Districts	Various	313,103
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		\$284,764,291
Less: City of Corona self-supporting water bonds		2,305,000
Eastern Municipal Water District and High Valleys Water District self-supporting bonds		2,542,750
TOTAL NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		\$279,916,541

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT AND ASSESSMENT DEBT:</u>		
Riverside County General Fund Obligations	100.	\$459,280,000 ⁽¹⁾
Riverside County Board of Education Obligations	100.	21,122,115
School Districts General Fund Obligations	100.	369,649,160
City of Riverside General Fund Obligations	100.	23,790,000
City of Palm Springs Certificates of Participation	100.	83,277,000
City of Corona Certificates of Participation	100.	26,525,000
City of Moreno Valley Certificates of Participation	100.	20,785,000
Other City General Fund Obligations	100.	36,817,732
Elsinore Valley Municipal Water District Certificates of Participation	100.	63,804,770
Rancho California Water District Water Facilities Corporation	100.	222,358,256
Other Water District Certificates of Participation	Various	25,119,584
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	29,159,356
Community Facilities Districts	100.	815,095,847
Riverside County 1915 Act Bonds	100.	146,790,000
City and Special District 1915 Act Bonds (Estimated)	100.	222,739,627
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		\$2,566,313,447
Less: City Authorities self-supporting bonds		8,870,874
Temecula Unified School District Certificates of Participation (self supporting from tax increment revenues)		6,700,000
Elsinore Valley Municipal Water District Certificates of Participation self-supporting bonds		63,804,770
Other Special District self-supporting bonds		1,492,911
Moreno Valley Community Facilities District #87-1 (100% self-supporting from tax increment revenues)		21,200,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		\$2,464,244,892
GROSS COMBINED TOTAL DEBT		\$2,851,077,738⁽²⁾
NET COMBINED TOTAL DEBT		\$2,744,161,433

⁽¹⁾ Excludes certificates of participations to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to Assessed Valuation:

Direct General Obligation Debt	0.00%
Direct Gross General Obligation Debt	0.48%
Direct Net General Obligation Debt	0.47%
Combined Direct Debt (\$459,280,000)	0.77%
Combined Gross Debt	4.76%
Combined Net Debt	4.58%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/96: \$245,318

Source: California Municipal Statistics, Inc.

Lease Obligations

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

The following tables summarize the County's outstanding lease rental obligations as of December 1, 1996, and its annual lease requirements.

COUNTY OF RIVERSIDE Summary of Lease Rental Obligations (Payable from the County's General Fund) as of December 1, 1996

<u>Issue</u>	<u>Final Maturity Year</u>	<u>Original Issue Amounts</u>	<u>Obligations Outstanding</u>	<u>Annual Base Rental</u>	<u>Total Future Lease Payments As of 12/1/96</u>
Riverside County Public Facilities Project 1985 Certificates of Participation - Type I	2015	\$148,500,000	\$128,700,000	\$9,958,500 ⁽¹⁾	\$222,594,000
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	9,130,000	1,006,735	14,862,609
County of Riverside Equipment 1988A	2000	51,255,000	7,415,000	4,297,525 ⁽²⁾	8,237,488
Riverside County Hospital Project Leasehold Revenue Bonds, 1989 Series A;	2019	200,102,532	64,895,000 ⁽⁶⁾		
1993 Refunding Leasehold Revenue Bonds (Series A & B)	2014	149,060,000 ⁽⁷⁾	149,060,000 ⁽⁷⁾	13,476,728 ⁽³⁾	397,415,048
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	8,400,000	776,600 ⁽⁴⁾	20,442,000
County of Riverside 1991 Certificates of Participation Series A (Capital Projects)	2021	48,260,000	43,130,000	4,361,545 ⁽²⁾	76,880,125
Series B (Equipment Projects)	2002	48,480,000	16,810,000	7,760,125 ⁽²⁾	19,644,200
1993 Master Refunding Project Certificates of Participation ⁽⁵⁾	2018	33,640,000	26,615,000	3,824,508 ⁽²⁾	36,840,340
Certificates of Participation (1994 Desert Justice Facility Project)	2026	32,330,000	32,330,000	1,903,318	63,321,960
Palm Desert Financing Authority Lease Revenue Bonds Series 1996 (Blythe County Administrative Center Project)	2026	7,010,000	7,010,000	537,131 ⁽²⁾	16,136,306
TOTAL:		<u>\$737,647,532</u>	<u>\$493,585,000</u>	<u>\$47,902,715</u>	<u>\$876,374,076</u>

⁽¹⁾ Annual base rental estimated at assumed interest rate of 6.0% per annum. The average interest rate for the twelve month period ending Dec. 30, 1996 was approximately 3.15%.

⁽²⁾ Annual base rental for FY 1996-97. The annual base rental varies and is equal to the debt service requirement.

⁽³⁾ Annual base rental for FY 1996-97. Base rental for the 1989 Leasehold Revenue Bonds and 1993 Refunding Leasehold Revenue Bonds will be paid from capitalized interest until the hospital is operational in FY 1997-98.

⁽⁴⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve month period ending 12/31/96 was approximately 5.65%.

⁽⁵⁾ The 1993 Master Refunding Project refunded the Riverside County Parks Facilities Corporation 1975 Leasehold Mortgage Revenue Bonds, the Palm Springs Civic Center Authority 1977 Lease Revenue Bonds, the 1986 Cross-Over Refunding Certificates of Participation (Type II), and the Juvenile Facilities Corporation 1988 Certificates of Participation.

⁽⁶⁾ Bonds to be refunded.

⁽⁷⁾ Includes \$14,525,000 of Adjustable Rate Bonds which have been set in a fixed rate mode until December 1, 1997.

Source: County Executive Office

COUNTY OF RIVERSIDE

Annual Lease Requirements⁽¹⁾

Fiscal Year	1985	1986	1988A	1989/93	1990	1991A	1991B	1993 Master Refunding	1994 Desert Justice Facility	1996 Blythe Admin. Ctr.	Fiscal Year Total
	Public Facilities ⁽²⁾	CA Health Facility	Equipment	Hospital Project	Monterey Ave. ⁽³⁾	Capital Projects	Equipment				
1996-97	\$12,465,848	\$1,006,735	\$4,297,525	\$13,476,728	\$860,500	\$4,361,545	\$7,760,125	\$3,824,508	\$1,903,315	\$223,566	\$50,180,395
1997-98	11,264,605	1,006,273	3,018,640	13,378,640	851,500	4,365,245	6,146,525	3,827,128	2,518,746	535,219	46,912,758
1998-99	11,309,085	1,005,776	2,787,615	19,701,028	842,500	4,346,655	4,336,838	3,826,785	2,518,503	536,109	51,210,893
1999-00	11,435,728	1,005,244	2,011,045	19,697,928	833,500	4,349,283	3,418,238	3,585,898	2,515,578	536,475	49,388,915
2000-01	11,541,221	1,004,674	420,188	19,697,116	824,500	4,342,810	2,535,988	3,586,251	2,514,840	536,347	47,003,933
2001-02	11,625,565	1,004,060		19,695,990	911,000	4,347,410	2,222,338	3,349,529	2,511,593	535,769	46,203,253
2002-03	11,785,022	1,003,404		19,699,950	893,000	4,337,413	449,138	3,347,579	2,510,633	534,791	44,560,928
2003-04	11,916,281	1,002,700		19,699,350	875,000	4,327,963		3,326,455	2,516,483	533,400	44,197,631
2004-05	12,115,602	1,001,944		19,699,950	857,000	4,323,666		1,085,288	2,509,058	531,584	42,124,091
2005-06	12,115,602	1,001,140		19,698,700	838,000	4,322,509		1,080,747	2,508,263	534,188	42,100,149
2006-07	12,115,602	1,000,269		16,699,888	821,000	2,628,791		1,078,625	2,503,728	531,194	40,379,096
2007-08	12,115,602	999,338		19,697,188	898,500	2,625,947		1,073,244	2,499,163	532,300	40,441,281
2008-09	12,115,602	938,340		19,698,368	871,500	2,622,431		1,074,688	2,499,513	532,419	40,412,860
2009-10	12,115,602	997,270		19,700,562	844,500	2,622,728		1,083,256	2,495,963	531,900	40,391,781
2010-11	12,115,602	996,126		19,700,612	817,500	2,627,041		1,078,950	2,493,363	530,744	40,359,937
2011-12	12,115,602	248,842		19,698,988	866,000	2,616,031		469,881	2,491,413	533,791	39,060,548
2012-13	12,115,602			11,977,438	850,000	2,614,356		471,769	2,489,813	530,784	31,049,762
2013-14	12,115,602			11,979,438	814,000	2,020,084		472,506	2,488,263	531,706	30,421,600
2014-15	12,115,602			15,505,938	873,500	2,018,981		472,094	2,486,463	531,634	34,004,212
2015-16	12,115,602			15,510,312	828,500	2,013,284		470,531	2,484,113	530,569	33,952,911
2016-17				15,509,688	879,000	2,012,688		472,675	2,480,913	528,509	21,883,472
2017-18				15,511,562	825,000	2,006,884		468,525	2,476,563	530,291	21,818,825
2018-19				15,517,812	866,500	2,005,569		468,081	2,473,281	525,913	21,852,156
2019-20					803,500	2,003,281			2,465,313	525,375	5,797,469
2020-21					836,000	1,999,716			2,464,219	528,347	5,828,281
2021-22						1,999,413			2,459,531	524,828	4,983,772
2022-23										524,819	524,819
2023-24										523,153	523,153
2024-25										524,666	524,666
2025-26										524,191	524,191
2026-27										521,728	521,728

⁽¹⁾ Includes payments on leases securing revenue bonds and certificates of participation. Does not include operating leases or private capital leases. Some portion of payments is provided for by capitalized interest. General Fund payments for several issues are partially offset by contributions from special districts, enterprise funds and state and federal reimbursements.
⁽²⁾ Annual base rental estimated at assumed interest rate of 6.5% per annum. In the 12 month period ending 12/30/96, the average interest rate was approximately 3.15%.
⁽³⁾ Annual base rental estimated at assumed interest rate of 9% per annum. The average interest rate for the twelve month period ending 12/31/96, was approximately 5.65%.

Source: County Executive Office

The County plans on entering into lease obligations for three County facilities within the first quarter of 1997.

<u>Project</u>	<u>Principal Amount</u>
County Hospital	\$93,000,000 ⁽¹⁾
Family Law Project	11,000,000
Historic Courthouse	<u>15,000,000</u>
TOTAL	\$119,000,000

⁽¹⁾ \$64,895,000 represents a refinancing of existing obligations.

Employees

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

COUNTY OF RIVERSIDE
Permanent Employees
1986 through 1996
(As of December)

<u>Year</u>	<u>Permanent Employees⁽¹⁾</u>
1986	7,670
1987	7,938
1988	8,574
1989	9,393
1990	10,173
1991	10,440
1992	10,337
1993	10,334
1994	10,648
1995	11,018
1996	11,076

⁽¹⁾ Excludes temporary, seasonal and Job Training Partnership Act employees, which in 1996 totaled approximately 920 employees.

Source: County Auditor-Controller

County employees are represented by thirteen bargaining units. Ten of these units are represented by four labor organizations. The largest of these labor organizations is the Public Employees Association of Riverside County ("PERC"). PERC consists of seven bargaining units that represent approximately 84% of all County employees in a variety of job classifications. Management, confidential and exempt bargaining units are covered by a County ordinance.

The County's law enforcement employees (non-management) are represented by the Riverside Sheriffs' Association ("RSA"). Management employees of the law enforcement group are represented by the Riverside County Law Enforcement Management Group. The prosecuting attorneys of the District Attorney's Office are represented by the Deputy District Attorney's Association.

The agreements with PERC units will expire on June 30, 1997, and the agreement with RSA will expire on December 31, 1998. The agreement with PERC, which became effective July 1, 1993, changed the retirement plan, effective June 22, 1995, to provide for an annual retirement equal to 2% of salary multiplied by the number of years worked at age 55, compared to 1.46% of salary at age 55 under the previous plan, and provided for a wage increase of 3.3% effective July 1, 1996. During the last ten years there has been no major County employee work stoppage.

Retirement Program

The County participates in the State's Public Employees' Retirement System ("PERS"). The retirement plan, as amended, provides simultaneous coverage of eligible employees with PERS and social security. The plan provides basic retirement benefits for service, disability or death. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment for employees hired prior to December 25, 1992 and during the three highest years of employment for employees hired after that date. The plan also provides for cost-of-living adjustments of 2% per year after retirement. On June 30, 1994, the plan covered approximately 10,400 active members.

PERS is funded by contributions from the County, which include contributions of both the County's share and its employees' share. As of July 1, 1996, the County's employer contributions to PERS for miscellaneous members is 7.846% of total salaries paid. The County as the employer will contribute 13.977% of total salaries paid for safety members (which include police and fire personnel). These contribution rates are based on actuarial data calculated as of June 30, 1994.

The County's contribution rates vary annually as a result of actuarial calculations, experience of the County's employees, benefits provided under the contract and quadrennial changes in actuarial assumptions. The members' contribution rates are fixed at 9% of salaries for safety and 7% of salaries for miscellaneous. The County pays the employee share of safety retirement for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement for all 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 all of the employee share.) 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 subsequent years.

In FY 1994-95, County contributions for retirement, including the employer and employee shares, totalled \$56.4 million.

As of June 30, 1994, PERS reported the actuarial status of County accounts, as follows:

<u>Present Value of:</u>	<u>Miscellaneous Members</u>	<u>Safety Members</u>
Benefits	\$1,115,424,393	\$476,976,779
Future Employer Costs	209,310,654	126,460,573
Future Employee Costs	201,704,906	47,306,058
Assets	<u>689,940,976</u>	<u>314,591,330</u>
Total Available	\$1,100,956,536	\$488,357,961
Unfunded (Overfunded)		
Liability	\$ 14,567,857	\$(11,381,182)

A portion of the employer rate, expressed as a percent of payroll, is calculated to amortize the Unfunded Liability. The Unfunded Liability for the Miscellaneous Account will be amortized over twenty-years (through year 2016).

Of the \$11,381,182 surplus in the Safety Account, 40 percent (calculated at book value) will be transferred to the County's Surplus Account and the remainder will be used as a credit against the employer's rate, amortized through the year 2000 if for prior service and the year 2011 if for current service.

The calculation of the funding status of the retirement accounts is made annually. Therefore, regardless of the current status of the funds, there may be a prior year surplus carried forward in the Surplus Accounts. The balances in the County's surplus accounts as of June 30, 1994, are as follows:

Miscellaneous Surplus Account	\$ 5,355,238
Safety Surplus Account	\$13,180,505

Balances in Surplus Accounts may be used to off-set required employer contributions to the retirement plan. The use of the Surplus Account is being phased out due to previously enacted legislation. While 40 percent of the overfunded liability as of June 30, 1994 was transferred to this account, only 20 percent of any unfunded liability as of June 30, 1995 will be so transferred. All amounts in Surplus Accounts must be expended by June 30, 1997, or revert to an asset account.

In FY 1994-95, salary negotiations resulted in a modification to the retirement plan for Miscellaneous members allowing for 2% of salary upon retirement at age 55, compared to 1.46% of salary at age 55 under the current plan. This change became effective June 22, 1995, and was implemented in lieu of a pay raise for FY 1995-96. The amortization of the estimated \$50 million cost of the ensuing liability is included in the rates to be charged beginning July 1, 1996.

Insurance

The County has self-insurance programs for public liability, medical malpractice, disability income, unemployment and workers' compensation claims. General liability claims are self-insured to \$1 million for each occurrence and the balance (to \$10 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice claims are self-insured to \$1.25 million for each occurrence and insured by an independent carrier for the balance to \$10 million for each occurrence.

The basis for medical malpractice excess insurance is "claims made." Workers compensation claims are self-insured to \$500,000 and insured by an independent carrier for the balance to statutory limits. Long-term disability income claims are fully insured by an independent carrier.

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, 1995 are reported in these funds. Where these funds have a retained deficit, or insufficient reserves to cover all incurred but not reported claims, the County is developing a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 1996 was \$73 million.

APPENDIX B
AUDITED FINANCIAL STATEMENTS OF THE COUNTY OF RIVERSIDE

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County of Riverside

Office of
County Auditor-Controller

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(909) 275-3800
FAX (909) 275-3802

Anthony J. Bellanca, CPA
Auditor-Controller

Howard M. Ochi, CPA
Assistant Auditor-Controller

December 18, 1996

The Honorable Board of Supervisors
County of Riverside
4080 Lemon Street, 14th Floor
Riverside, California 92501

Chairperson and Members of the Board:

The Comprehensive Annual Financial Report of the County of Riverside for the Fiscal Year Ended June 30, 1996, is hereby submitted in accordance with Section 25253 of the Government Code of the State of California. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County of Riverside. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds, account groups 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 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The Introductory Section includes the transmittal letter, a list of principal officials and the County of Riverside's organizational chart. The Financial Section includes the general purpose financial statements and the combining and individual fund and account group financial statements and schedules, as well as the independent auditors' report on the financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

The County of Riverside is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-128, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance, findings and recommendations, and the independent auditors' report on internal control and compliance with applicable laws and regulations, are included in separate annual publications.

The financial reporting entity (the government) includes all the funds and account groups 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 provides a full range of general government services. These services include justice, police, fire protection, public roads and facilities, health and sanitation, public assistance, education and recreational and cultural events.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, Housing Authority of the County of Riverside, Riverside County Flood Control and Water Conservation District, Riverside County Regional Park and Open-Space District, Waste Resources Management District, Riverside County Desert Facilities Corporation, Redevelopment Agency for the County of Riverside, County of Riverside Asset Leasing Corporation, Riverside County Service Areas and Indio Civic Center Authority are reported as funds of the primary government, the County of Riverside. The County of Riverside has no discretely presented component units.

ECONOMIC CONDITION AND OUTLOOK

Riverside County, the State's fourth largest county by area, encompasses 7,295 square miles and extends 184 miles across Southern California, from the Arizona border west to within 10 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 and their respective populations are the cities of Riverside - 243,400 (the County seat) and Moreno Valley - 133,400.

The County's population was 1,381,900 on January 1, 1996, an increase of 1.9% compared to the revised estimates for 1995 from the 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.) Riverside County ranks 6th largest in population in the State. Approximately 27.5 % of the residents live in the unincorporated area. The County is a part of the Riverside-San Bernardino-Ontario Primary Metropolitan Statistical Area (PMSA) which includes all of Riverside and San Bernardino Counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment.

In the past five years through March 1996, total employment in the PMSA rose 8.7% while population increased 7% in the County. As of March 1, 1996 unemployment in the PMSA was 7.6%, compared to 5.8% for the United States. As of March 1, 1995, unemployment in PMSA was 8.5% compared to 6.5% for the United States. The positive change in the PMSA unemployment was primarily attributable to large and growing commercial and service sector employment.

Riverside County experienced a .78% decline in property values for the 1996-97 fiscal year. Per the Assessor, this decrease incorporates an increased assessed valuation of approximately \$5.9 billion (the combined effect of approximately a 1.11% C.P.I. increase, ownership changes, and new construction) offset by a reduction of approximately \$6.44 billion in assessed value of approximately 200,662 properties due to the assessor's aggressive recognition of declines in market value in accordance with Proposition 8. The total property roll is \$73.5 billion for fiscal year 1996-97, which was the seventh highest of the State's 58 counties. Last year there was an .15% increase in property values.

The Final Budget for Fiscal Year 1996-97 uses all of budgetable, available fund balance in the amount of \$9 million and includes budgetary adjustments needed to fill an estimated \$57.5 million gap between ongoing revenues and estimated expenditures by reducing ongoing estimated expenditures by \$36.6 million and filling the remaining gap of \$20.9 million through a combination of one-time funding and other budgetary adjustments. In adopting this budget, the Board also directed an increase in Contingency funding by setting aside \$14 million for this purpose. Although this strategy impacted service delivery in some areas, it has significantly strengthened the County's long-term viability. The gap between ongoing revenues and ongoing expenditures is estimated to be \$14 million for fiscal year 1997-98. The County expects to close this gap by reducing expenditures, increasing revenues or a combination of both.

MAJOR INITIATIVES

In August 1996, the County opened its newest court facility in Indio, the Larson Justice Center. This 145,000 square foot facility, for which \$32,330,000 in public financing was issued in 1994, houses 12 courts, administrative space and a substantial holding area. The financing is being repaid with a combination of court fines earmarked for construction and dedicated redevelopment pass through funds.

The new County General Hospital in Moreno Valley is under construction and is expected to be completed in the fall of 1997. This \$164 million facility will accommodate both in-patient and out-patient functions in a 500,000 square foot building. The \$215 million in bonds issued for this project is expected to be repaid with a combination of State, Federal and local revenues and is likely to require General Fund support, particularly in the early years.

The County is in the process of restoration and seismic retrofit of the Historic Courthouse in downtown Riverside. The original building was completed in 1903 and an addition was made in 1933. When restoration of this historic structure is complete, this will be a working courthouse accommodating nine courts and associated administrative space. The project is budgeted at \$24 million, of which \$12 million in interest earnings from a 1985 financing will be augmented by an approximate \$12 million in new financing. The financing will be repaid with a court filing fee assessed specifically for this project. The project is expected to be completed in 1998.

The County is developing two new court facilities in the downtown Riverside area. The first, a Family Law Court, is in the design phase and is expected to accommodate four courts in 57,000 square feet of space. The County plans to issue approximately \$11 million in Certificates of Participation to finance the facility, which will be repaid with a combination of filing fees assessed specifically for this purpose and savings in current lease payments. Under contract with the State of California, the County will provide a build-to-suit courthouse for the Fourth District County of Appeals on property currently owned by the County. This \$10 million project will be financed by the County but will be a financial obligation of the State.

Other projects in various stages of development include a joint County-schools administrative center in Blythe which is expected to open in January and a new Recorder's building which is currently in the design phase. A new health clinic in Riverside opened in December 1996.

Hearings on a future project to expand El Sobrante Landfill in western Riverside County started in May 1996. The El Sobrante Landfill Expansion hearings have currently been suspended but the matters are expected to return to the County Board of Supervisors for additional hearings in the spring of 1997. This project, if approved, would provide long-term landfill capacity based on a Memorandum of Understanding between Riverside County and Western Waste Industries approved by the Board of Supervisors in 1991. Approximately 60% of the project would be available to receive waste from other Southern California cities and counties. If this project receives both local and State approvals, the County could receive substantial revenue to support County services. However, due to significant changes in the competitive nature of disposal contracts and the availability of other disposal options, the revenue stream projections for this project are currently estimated at \$1 to \$3 million per year.

PLANNING AND GROWTH MANAGEMENT

Strategic Plan

Development of a County Strategic Plan is now ongoing with completion projected for Fall 1997. This planning effort encompasses all areas of County operations with the general objectives of improving quality of service, increasing efficiency and enhancing communication and coordination between County agencies and other units of local government. The plan will also incorporate goals and strategies which were developed as part of a six-year Growth Management planning effort in the early 1990's. When completed, the plan should more closely link growth issues and strategic County initiatives to the budget and other implementation mechanisms.

The second edition of the County's Capital improvement Plan was adopted by the Board of Supervisors in August 1994. The plan reflects anticipated facility and infrastructure needs through the year 2000. Revisions to this Plan are being prepared for consideration by the Board of Supervisors in the first quarter of 1997.

In December 1996, the County expects to complete an update of the Court facility needs assessment which was first issued in 1987. The update focuses on court needs in the southwest and central portions of the County and reflects the consolidation of the previously separated municipal and superior functions. The update will provide basic architectural assumptions for a new court facility at the Southwest County Justice Center. The portions of the 1987 study related to Family Law and Juvenile needs were updated in 1993.

The Board has adopted a financial strategy designed to help ensure the County's long-term financial health by, among other things, limiting the use of one-time revenue for one-time needs.

Development Agreement Fees

In December 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code 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 costs 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 \$4,277 per residential unit. With annual Consumer Price Index adjustments, the most current fee becoming effective on January 1, 1996, is \$5,334 consisting of the following components:

	<u>Development Agreement Fee</u>
Public Facilities	\$ 2,359
Regional Parklands and Trails	436
Habitat Conservation and Open Space	
Land Bank Offset	324
Public Services Offset	<u>2,215</u>
Total	<u>\$ 5,334</u>

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 service proportional to the expanded population. The total of unexpended uncommitted development agreement funds in departmental trust is \$8,696,000 as of June 30, 1996.

Development Mitigation Fees

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 is to finance the construction of County facilities necessary to accommodate future residential growth in the County and the future need for parkland, recreational trails, conservation of habitat and open space. Revenue from the fee will be used toward the construction of the facilities on the list of County Public Facilities Needs Through the Year 2000; for the purchase of parkland and the development of recreational trails as outlined in the County General Plan; for the preservation of habitat for specific listed plants and animals; and for open space as outlined in the General Plan.

Ordinance No. 659 established a fee within each Regional Statistical Area (RSA). They range from a low of \$2,135 in RSA 48 to a high of \$2,883 in RSA 50. The fees have not been adjusted since originally adjusted in 1988. The total of unexpended uncommitted development mitigation funds in departmental trust is \$14,523,000 as of June 30, 1996.

FINANCIAL INFORMATION

Internal Control. Management of the County is responsible for establishing and maintaining internal control designed to ensure assets of the government are protected from loss, theft, or misuse; and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal control is 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 also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluations by management and the internal audit staff of the County.

As part of the County's single audit, described earlier, tests were made of the County's internal control and of its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not sufficient to support an opinion on the County's internal control or its compliance with laws and regulations related to nonmajor federal financial assistance programs, the audit for the fiscal year ended June 30, 1995, disclosed no material internal control weaknesses or material violations of laws and regulations.

Budgetary Controls. In addition, the County maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Supervisors under the provisions of Section 29088-29091 of the Government Code. The County Budget is prepared and adopted on or before August 30 of each fiscal year, except as provided by state statutes and Board of Supervisors resolution. The budget for fiscal year 1996-97 was adopted on August 13, 1996. Activities of the General Fund, special revenue funds, and some debt service and capital projects funds are included in the annual appropriated budget. The level of budgetary control (that is, that level which cannot be exceeded without action by the Board of Supervisors) is the fund budget unit, which represents an Organization (cost center) within a Department or an Agency, at the appropriation (object) level. Transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues must be approved by the Board of Supervisors. Transfers of appropriations between expenditure appropriation classifications, within the same budget unit, may be 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.

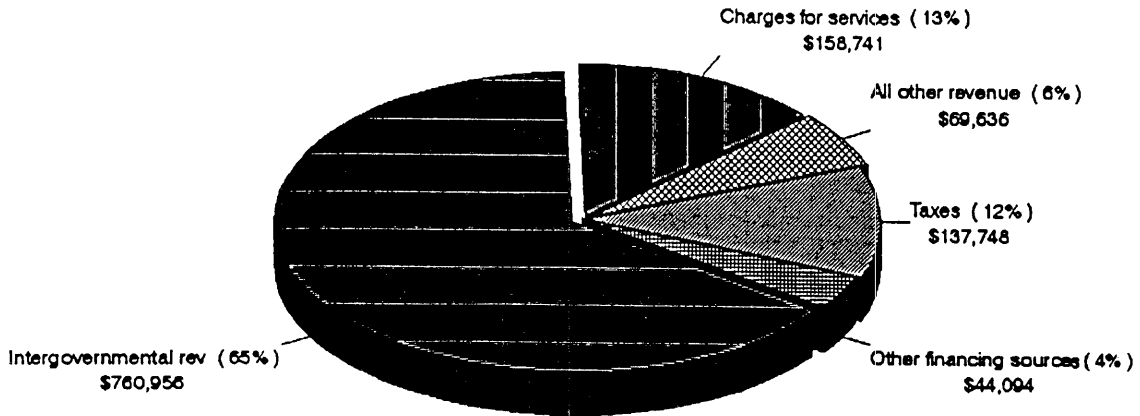
GENERAL GOVERNMENT FUNCTIONS

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

<u>Revenues and Other Financing Sources</u>	<u>Fiscal Year</u>		<u>Fiscal Year</u>	
	<u>1995-96</u>	<u>Percent of Total</u>	<u>1994-95</u>	<u>Percent of Total</u>
Taxes	\$ 137,748	12%	\$ 149,325	15%
Intergovernmental revenues	760,956	65%	590,883	60%
Charges for services	158,741	13%	120,168	12%
All other revenue	69,636	6%	62,903	6%
Other financing sources	44,094	4%	71,730	7%
Total	<u>\$ 1,171,175</u>	<u>100%</u>	<u>\$ 995,009</u>	<u>100%</u>

Tax revenues decreased in 1996 primarily because of the reduction in assessed values of property and the reduction under the Alternative Method of Tax Distribution (Teeter Plan) in the funds available to the County. Intergovernmental revenues increased due primarily to the adoption of Government Accounting Standards Board Statement No. 24, which requires the County to account for food stamps benefits and other cash pass-through grants as revenue and due to increased public assistance. Charges for services increased due primarily to increased law enforcement rates charged to contract cities and providing law enforcement services to an additional city and the recognition of revenue rather than an offset of expenditures (as was done in prior year) for fire protection and health services. Other financing sources decreased as a result of decreased funding of the Disproportionate Share Hospital Funding Program (SB 855).

**COUNTY OF RIVERSIDE
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES
FOR THE YEAR ENDED JUNE 30, 1996 (In thousands)**



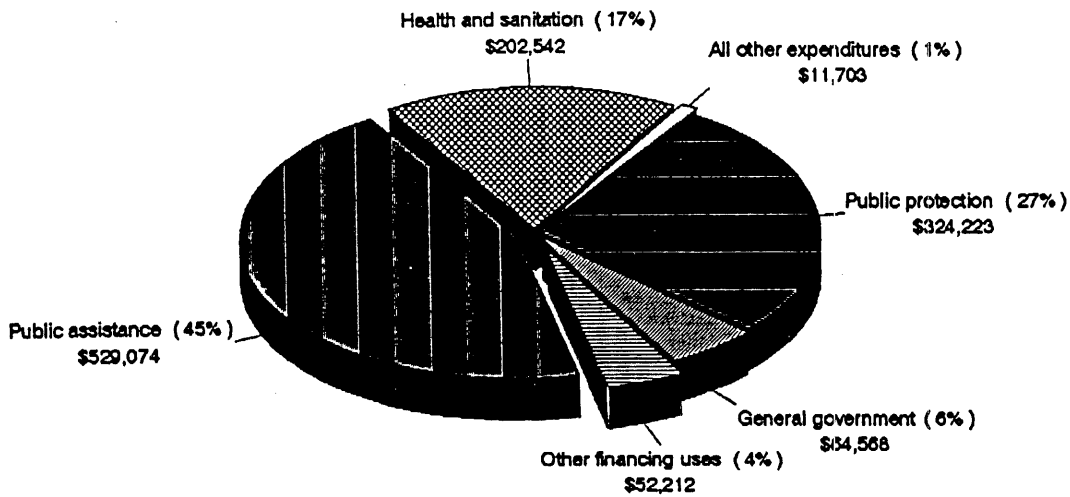
Total Revenues and Other Financing Sources = \$1,171,175

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

<u>Expenditures and Other Financing Uses</u>	<u>Fiscal Year</u>	<u>Percent</u>	<u>Fiscal Year</u>	<u>Percent</u>
	<u>1995-96</u>	<u>of Total</u>	<u>1994-95</u>	<u>of Total</u>
General government	\$ 64,568	6%	\$ 80,932	8%
Public protection	324,223	27%	326,815	31%
Health and sanitation	202,542	17%	207,731	20%
Public assistance	529,074	45%	389,422	38%
All other expenditures	11,703	1%	5,725	1%
Other financing uses	52,212	4%	20,268	2%
Total	<u>\$ 1,184,322</u>	<u>100%</u>	<u>\$ 1,030,893</u>	<u>100%</u>

General government decreased due primarily to less capital improvements. Public assistance increased primarily due to the adoption of Government Accounting Standards Board Statement No. 24, which requires the County to account for food stamps and other cash pass-through grants as expenditures and reflecting the elevated need for public assistance services. Other financing uses increased due primarily to the General Fund operating transfers to Trial Courts (which are now reported as a Special Revenue Fund). Expenditures for Trial Courts were included in public protection in the preceding year.

**COUNTY OF RIVERSIDE
GENERAL FUND EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 1996 (in thousands)**



Total Expenditures and Other Financing Uses = \$1,184,322

General Fund Cash Balance and Fund Balance. The cash balance of the General Fund decreased from negative \$7,548,000 at June 30, 1995 to negative \$49,420,000 at June 30, 1996. This decrease was due to a planned use of fund balance and cash disbursements exceeding cash receipts. The negative \$49,420,000 is reported as an interfund borrowing from Departmental Agency Funds. At June 30, 1996 there was a total of \$292,719,000 of County pooled deposits (including Departmental Agency Funds) available to cover the negative balance. The General Fund has experienced increased reliance on interfund borrowing to relieve its temporary negative cash positions.

The fund balance of the General Fund decreased by 23% in fiscal year 1995-96 due in large part to the County's planned use of available fund balance to balance the budget. The County's fund balance represents the equivalent of 10 working days of expenditures.

Proprietary Operations. This fund type includes Enterprise Funds which account for operations providing goods or services to the general public on a continuing basis and Internal Service Funds which account for goods or services furnished by one department of the County to other departments of the County or to other governmental agencies. The accounting for these funds is in a manner similar to private enterprises, therefore the intent of the governing body is that all costs are to be financed or recovered primarily through user charges and determination of net income is considered important. The activities of the County's Hospital, Housing Authority, Waste Resources Management District and Flood Control District are the principal Enterprise Funds, while equipment rental, maintenance, data processing and self-insurance are the principal activities accounted for as Internal Service Funds.

Cash Management. Approximately 95% (\$128,402,000) of the County's cash deposits were either insured by federal depository insurance or collateralized. All collateral on cash deposits was held either by the County, its agent, or a financial institution's trust department in the County's name. Approximately 70% (\$1,054,921,000) of the investments held by the County at June 30, 1996 are classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. This category includes investments that are insured, or registered, or held by the County or its agent in the County's name. The maturities of the investments in the County Treasurer's investment pool generally range from 1 day to 2.5 years, with the average weighted maturity being 1.08 years.

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. Ongoing cash flow projections are maintained for the coming twelve months to assure that adequate funds are available to meet daily cash expenditure requirements. The investment policies are to be 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 contract arrangements generally determine the investment parameters 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), an agent multiple-employer 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, part-time and seasonal benefited County employees are eligible to participate in the system. Temporary non-benefited hourly employees do not participate in the system until 1,000 hours are worked each year. 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 member (non-prosecution unit) employees hired after the above date make their own contributions for the first five years. Miscellaneous prosecution unit member employees hired on or after September 3, 1992 make their own contributions for the first year. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years.

Effective July 1, 1991, all temporary non-benefited employees were enrolled under the County's 401(a) Qualified Retirement Plan administered by the Public Employee's Benefit Services Corporation (PEBSCO). This plan requires a 3.75% of compensation contribution from the employee.

Debt Administration. On July 1, 1996, the County had several debt issues outstanding, principally certificates of participation - lease rental obligations. Riverside County's long-term lease debt rating is A by Moody's Investors Service, Inc., A by Standard & Poor's Corporation, and A+ by Fitch Investors Service, Inc. Sound financial management policies and practices and continued budgetary adjustments to meet increased service demands and changing economic conditions should provide the County with sufficient financial strength to meet its obligations as pledged. Net bonded debt per capita equaled \$257.13 as of June 30, 1996.

Since 1981, the County has had a short term financing program to cover "dry periods" of its General Fund cash flow during the fiscal year July 1 through June 30. In fiscal year 1996-97, the County issued \$160 million in Tax and Revenue Anticipation Notes to satisfy short-term cash flow needs. The same amount was borrowed in FY 1995-96. The County received ratings MIG 1 from Moody's Investors Service, SP-1+ from Standard and Poor's Corporation, and F-1+ from Fitch Investors Service, Inc.

In October 1993, the Board of Supervisors of the County of Riverside formally passed the resolution necessary for the County to adopt the Teeter Plan (alternate method of property tax distribution). This Plan required the "buy-out" of delinquent secured taxes and the annual advance of unpaid taxes to participating agencies. In order to fund the County's on-going obligations under Teeter, the County has entered into a financing arrangement with the County of Riverside Asset Leasing Corporation (CORAL), a California non-profit, public benefit corporation, whereby the taxes receivable are sold to CORAL, and CORAL issues notes which are purchased by the County Treasurer as an investment. In August 1996, CORAL refunded all outstanding notes and provided for the payment of delinquent 1995-96 taxes to the County through the issuance of \$95,703,000 in Limited Obligation Tax Receivable Notes which were purchased by the County Treasurer as an investment.

Under the direction of the Board of Supervisors, the County's Debt Advisory Committee reviews all debt issuances of the County and its subsidiary organizations and advises the Board accordingly.

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, medical malpractice, short-term disability income, and workers' compensation and purchases all-risk property including flood, a level of earthquake as well as boiler and machinery insurance coverages subject to a deductible. The County records estimated liabilities for claims filed and for incurred but not reported claims. Additionally, the County self-insures unemployment insurance.

The County purchases policies of excess insurance for medical malpractice, general liability including auto and workers' compensation. Medical malpractice utilizes a policy that provides annual coverage on a claims-made basis. In addition, the County purchases specialty coverages for aviation liabilities, fidelity and crime bonds and long-term disability.

The County participates in the CSAC Excess Insurance Authority which 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.

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, 1996, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the County is considering methods to provide increased funding and/or reduce costs to reduce the deficit. Revenues of these Internal Service Funds are primarily provided by 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 Ernst & Young LLP, independent certified public accountants. In addition to meeting its contractual requirements for the audit of the Comprehensive Annual Financial Report, the audit also was designed to meet the requirements of the federal Single Audit Act of 1984 and related OMB Circular A-128. The auditors' report on the general purpose financial statements and combining, individual fund and account group statements and schedules 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 year ended June 30, 1995. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.


In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County of Riverside has received a Certificate of Achievement for the last eight consecutive years. We believe our current report continues to conform to Certificate of Achievement program requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this Comprehensive Annual Financial Report on a timely basis could not be accomplished without the dedicated and efficient services of the entire staff of the Auditor-Controller's Office as well as the staffs of the contributing component units. I would like to acknowledge the special efforts of the General Accounting Division and our independent auditors, Ernst & Young LLP, for their assistance in the report preparation.

I also wish to thank the members of the Board of Supervisors and County Executive Officer for their interest and support in planning and conducting the financial operations of the County of Riverside in a progressive manner.

Respectfully Submitted,


ANTHONY J. BELLANCA, CPA
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE
BOARD OF SUPERVISORS AND COUNTY OFFICIALS

BOARD OF SUPERVISORS

KAY CENICEROS, CHAIRPERSON
District 3

BOB A. BUSTER
District 1

JOHN TAVAGLIONE
District 2

S. ROY WILSON
District 4

THOMAS MULLEN
District 5

OTHER COUNTY OFFICIALS

R. WAYNE WATTS
Treasurer & Tax Collector

ANTHONY J. BELLANCA, CPA
Auditor - Controller

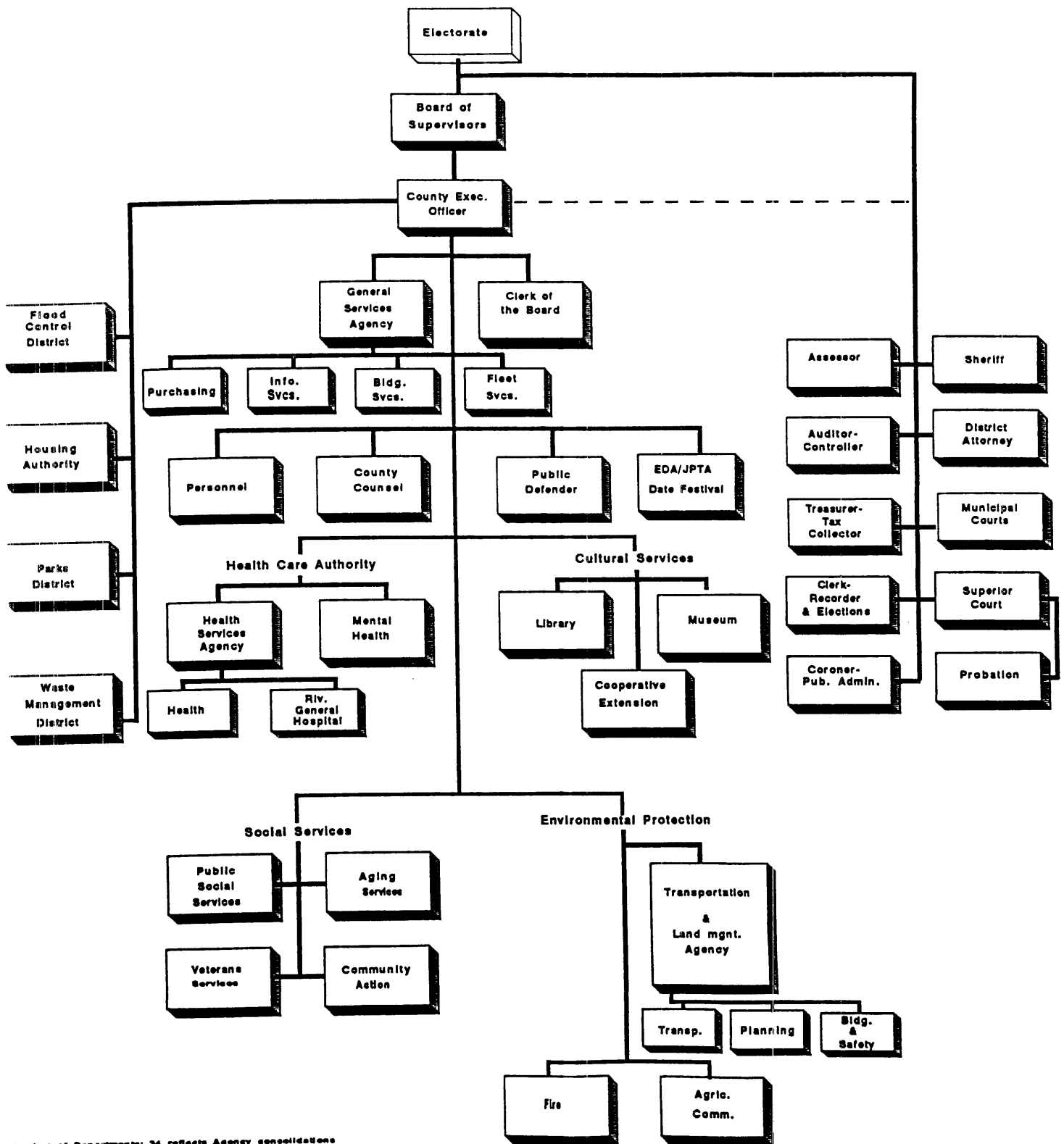
LARRY PARRISH
County Executive Officer

GARY L. ORSO
Assessor

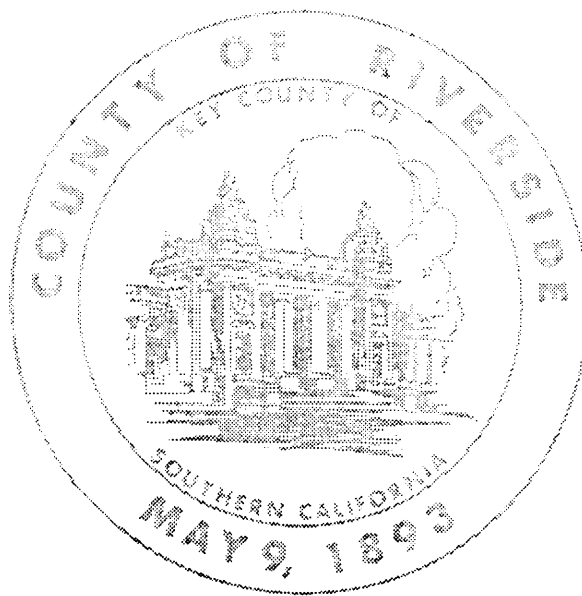
WILLIAM C. KATZENSTEIN
County Counsel



County of Riverside Organization Chart



Number of Departments: 34 reflects Agency consolidations
 Number of Elected Dept. Heads: 7



Report of Independent Auditors

Board of Supervisors
County of Riverside

We have audited the accompanying general purpose financial statements of the County of Riverside as of and for the year ended June 30, 1996, as listed in the table of contents. These financial statements are the responsibility of the County of Riverside management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

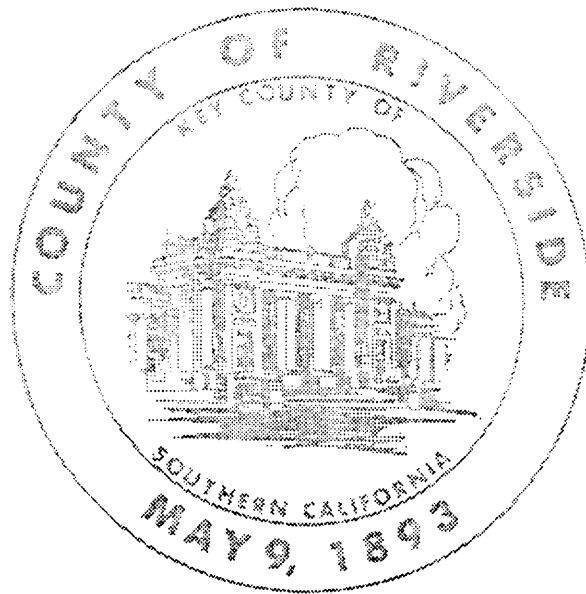
In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Riverside as of June 30, 1996, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Riverside. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the statistical section of this report and therefore, express no opinion thereon.

December 6, 1996

Ernst + Young LLP



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, 1995

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.



Arthur R. Lynch
President

Jeffrey L. Essler
Executive Director

COUNTY OF RIVERSIDE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1996 (In Thousands)

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
ASSETS AND OTHER DEBITS						
Cash and investments (Note 3)	\$	82,932	4,423	51,747	19,106	84,655
Taxes receivable	4,341	3,700	124		7	
Accounts receivable, net of allowance \$21,890	9,187	392		94	23,143	531
Interest receivable	1,603	466	566	707	452	471
Prepaid items	1,831	197			2,239	6
Advances to other funds (Note 6)	2,150	100	6,190			
Due from other funds (Note 6)	298,439	26,143	1,761	25,031	154	446
Due from other governments	67,670	7,577	29	318	10,611	63
Loans receivable		332	182			
Deposits	2,470	132				
Inventories	21,139	528		1,454	2,952	1,168
Land, structures and improvements, and equipment (Note 5)					305,270	71,831
Accumulated depreciation and amortization					(74,569)	(53,617)
Restricted cash and investments (Notes 3 and 4)			108,889	28,822	158,931	
Amount available for retirement of long-term debt						
Amount to be provided for compensation payable						
Amount to be provided for retirement of long-term debt						
TOTAL ASSETS AND OTHER DEBITS	\$ 408,830	122,499	122,164	108,173	448,296	105,554
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$ 6,829	5,101		2,136	5,951	682
Salaries and benefits payable	12,061	1,632			2,914	483
Advances from other funds (Note 6)		1,221			254	100
Due to other funds (Note 6)	49,427	4,587	3,059	737	8,339	240
Due to other governments	3,089	1,050	633	520	2,860	
Due to third party payors					568	
Tax anticipation notes payable (Note 22)	160,000					
Deferred revenue	124,963	18,215	5,948	24,656		1,873
Interest payable	7,516				2,174	
Deposits payable					570	
Accrued compensation payable (Note 9)					6,622	1,978
Accrued closure and post-closure care costs (Note 7)					52,362	
Accrued remediation costs (Note 21)					22,827	
Notes and loans payable (Note 9)					1,536	
Deferred compensation payable (Note 16)						
Bonds payable & certificates of participation (Note 9)					276,454	1,699
Capital lease obligations (Note 9)						11,628
Estimated claims liability						75,203
Other liabilities					1,107	
TOTAL LIABILITIES	363,885	31,806	9,640	28,049	384,538	93,886
FUND EQUITY AND OTHER CREDITS:						
Investment in general fixed assets						
Contributed capital (Note 10)					14,950	4,417
Retained earnings (Note 2)					48,808	7,251
Fund balance:						
Reserved (Note 10)	18,835	2,994	112,524	42,873		
Unreserved:						
Designated (Note 10)	3,803	66,170		12,932		
Undesignated (deficit)	22,307	19,529		24,319		
TOTAL FUND EQUITY AND OTHER CREDITS	44,945	90,693	112,524	80,124	63,758	11,668
LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 408,830	122,499	122,164	108,173	448,296	105,554

See accompanying notes to general purpose financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	
	GENERAL FIXED ASSET	GENERAL LONG- TERM DEBT		
1,097,867			1,340,750	ASSETS AND OTHER DEBITS
36			8,208	Cash and investments (Note 3)
4,308			37,655	Taxes receivable
3,093			7,358	Accounts receivable, net of allowance \$21,890
			4,273	Interest receivable
			8,440	Prepaid items
49,420			401,394	Advances to other funds (Note 6)
28,497			114,765	Due from other funds (Note 6)
			514	Due from other governments
			3,024	Loans receivable
422			27,241	Deposits
				Inventories
	521,571		898,672	Land, structures and improvements, and equipment (Note 5)
			(128,186)	Accumulated depreciation and amortization
			296,642	Restricted cash and investments (Notes 3 and 4)
		106,152	106,152	Amount available for retirement of long-term debt
		49,506	49,506	Amount to be provided for compensation payable
		292,995	292,995	Amount to be provided for retirement of long-term debt
<u>1,183,663</u>	<u>521,571</u>	<u>448,653</u>	<u>3,469,403</u>	TOTAL ASSETS AND OTHER DEBITS
				LIABILITIES, FUND EQUITY AND OTHER CREDITS
				LIABILITIES:
144,209			164,908	Accounts payable
			17,090	Salaries and benefits payable
50		6,815	8,440	Advances from other funds (Note 6)
335,005			401,394	Due to other funds (Note 6)
548,445			556,597	Due to other governments
26,041			26,609	Due to third party payors
			160,000	Tax anticipation notes payable (Note 22)
			175,655	Deferred revenue
			9,690	Interest payable
20,136			20,706	Deposits payable
		49,506	58,106	Accrued compensation payable (Note 9)
			52,362	Accrued closure and post-closure care costs (Note 7)
			22,827	Accrued remediation costs (Note 21)
		8,429	9,965	Notes and loans payable (Note 9)
109,747			109,747	Deferred compensation payable (Note 16)
		369,980	648,133	Bonds payable & certificates of participation (Note 9)
		13,923	25,551	Capital lease obligations (Note 9)
			75,203	Estimated claims liability
			1,107	Other liabilities
<u>1,183,633</u>		<u>448,653</u>	<u>2,544,090</u>	TOTAL LIABILITIES
				FUND EQUITY AND OTHER CREDITS:
	521,571		521,571	Investment in general fixed assets
			19,367	Contributed capital (Note 10)
			56,059	Retained earnings (Note 2)
				Fund balance:
			177,226	Reserved (Note 10)
				Unreserved:
			84,905	Designated (Note 10)
30			66,185	Undesignated (deficit)
<u>30</u>	<u>521,571</u>		<u>925,313</u>	TOTAL FUND EQUITY AND OTHER CREDITS
<u>1,183,663</u>	<u>521,571</u>	<u>448,653</u>	<u>3,469,403</u>	TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS

**COUNTY OF RIVERSIDE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)**

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
REVENUES			
Taxes	\$ 137,748	52,336	9,490
Licenses, permits and franchises	14,670	623	
Fines, forfeitures, and penalties	11,781	836	
Revenues from use of money and property:			
Interest	18,867	3,554	16,811
Rents and concessions	222	3,414	834
Aid from other governmental agencies:			
State	448,203	39,014	
Federal	312,753	49,431	
Charges for current services	158,741	33,629	
Other revenue	24,096	20,378	51
TOTAL REVENUES	<u>1,127,081</u>	<u>203,215</u>	<u>27,186</u>
EXPENDITURES			
Current:			
General government	64,568	12,386	3,251
Public protection	324,223	75,692	
Public ways and facilities		89,618	
Health and sanitation	202,542		
Public assistance	529,074	48,948	
Education	288	6,876	
Recreation and cultural services	320	6,126	
Capital outlay	3,580	4,445	
Debt service:			
Principal retirement			22,914
Interest	7,515		23,929
Advances retirement			560
TOTAL EXPENDITURES	<u>1,132,110</u>	<u>244,091</u>	<u>50,654</u>
REVENUES (UNDER) EXPENDITURES	<u>(5,029)</u>	<u>(40,876)</u>	<u>(23,468)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in (Note 6)	40,514	34,854	19,931
Operating transfers (out) (Note 6)	(52,212)	(3,947)	(3,201)
Bond proceeds		2,675	
Capital leases	3,580		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(8,118)</u>	<u>33,582</u>	<u>16,730</u>
REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES	<u>(13,147)</u>	<u>(7,294)</u>	<u>(6,738)</u>
FUND BALANCE, JULY 1, 1995 AS RESTATED (Note 10)	58,092	97,592	119,478
Residual equity transfers in (out) (Note 6)		395	(216)
FUND BALANCE, JUNE 30, 1996	<u>\$ 44,945</u>	<u>90,693</u>	<u>112,524</u>

See accompanying notes to general purpose financial statements.

<u>CAPITAL PROJECTS</u>	<u>FIDUCIARY FUND TYPE EXPENDABLE TRUST</u>	<u>TOTAL (MEMORANDUM ONLY)</u>	<u>REVENUES</u>
6,781		206,355	Taxes
		15,293	Licenses, permits and franchises
736		13,353	Fines, forfeitures, and penalties
			Revenues from use of money and property:
3,508	13	42,753	Interest
		4,470	Rents and concessions
			Aid from other governmental agencies:
517	423	488,157	State
		362,184	Federal
3,517		195,887	Charges for current services
1,539		46,064	Other revenue
<u>16,598</u>	<u>436</u>	<u>1,374,516</u>	TOTAL REVENUES
			EXPENDITURES
			Current:
	473	80,678	General government
		399,915	Public protection
		89,618	Public ways and facilities
		202,542	Health and sanitation
		578,022	Public assistance
		7,164	Education
		6,446	Recreation and cultural services
35,583		43,608	Capital outlay
			Debt service:
		22,914	Principal retirement
		31,444	Interest
		560	Advances retirement
<u>35,583</u>	<u>473</u>	<u>1,462,911</u>	TOTAL EXPENDITURES
<u>(18,985)</u>	<u>(37)</u>	<u>(88,395)</u>	REVENUES (UNDER) EXPENDITURES
			OTHER FINANCING SOURCES (USES)
3,525		98,824	Operating transfers in (Note 6)
		(59,360)	Operating transfers (out) (Note 6)
		2,675	Bond proceeds
		3,580	Capital leases
<u>3,525</u>		<u>45,719</u>	TOTAL OTHER FINANCING SOURCES (USES)
<u>(15,460)</u>	<u>(37)</u>	<u>(42,676)</u>	REVENUES AND OTHER SOURCES (UNDER) EXPENDITURES AND OTHER USES
95,763	67	370,992	FUND BALANCE, JULY 1, 1995 AS RESTATED (Note 10)
<u>(179)</u>			Residual equity transfers in (out) (Note 6)
<u><u>80,124</u></u>	<u><u>30</u></u>	<u><u>328,316</u></u>	FUND BALANCE, JUNE 30, 1996

COUNTY OF RIVERSIDE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 138,351	137,748	(603)	55,841	52,336	(3,505)
Licenses, permits and franchises	12,910	14,670	1,760	464	623	159
Fines, forfeitures, and penalties	9,931	11,781	1,850	941	836	(105)
Revenues from use of money and property:						
Interest	17,642	18,867	1,225	1,073	3,554	2,481
Rents and concessions	505	222	(283)	3,309	3,414	105
Aid from other governmental agencies:						
State	456,463	448,203	(8,260)	42,521	39,014	(3,507)
Federal	205,125	312,753	107,628	80,863	49,431	(31,432)
Charges for current services	156,774	158,741	1,967	37,508	33,629	(3,879)
Other revenue	16,171	24,096	7,925	23,702	20,378	(3,324)
TOTAL REVENUES	1,013,872	1,127,081	113,209	246,222	203,215	(43,007)
EXPENDITURES						
Current:						
General government	84,405	64,568	19,837	17,325	12,386	4,939
Public protection	336,360	324,223	12,137	79,777	75,692	4,085
Public ways and facilities				139,098	89,618	49,480
Health and sanitation	213,809	202,542	11,267			
Public assistance	424,239	529,074	(104,835)	65,289	48,948	16,341
Education	290	288	2	6,876	6,876	
Recreation and cultural services	323	320	3	6,913	6,126	787
Capital outlay		3,580	(3,580)	10,884	4,445	6,439
Joint service:						
Principal retirement						
Interest	8,000	7,515	485			
Advances retirement						
TOTAL EXPENDITURES	1,067,426	1,132,110	(64,684)	326,162	244,091	82,071
REVENUES OVER (UNDER) EXPENDITURES	(53,554)	(5,029)	48,525	(79,940)	(40,876)	39,064
OTHER FINANCING SOURCES (USES)						
Operating transfers in	62,384	40,514	(21,870)	49,588	34,854	(14,734)
Operating transfers (out)	(54,990)	(52,212)	2,778	(4,347)	(3,947)	400
Bond proceeds				2,597	2,675	78
Capital leases		3,580	3,580			
TOTAL OTHER FINANCING SOURCES (USES)	7,394	(8,118)	(15,512)	47,838	33,582	(14,256)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (46,160)	(13,147)	33,013	(32,102)	(7,294)	24,808
FUND BALANCE, JULY 1, 1995 AS RESTATED (Note 10)		58,092			97,592	
Residual equity transfers in					395	
FUND BALANCE, JUNE 30, 1996 (Note 13)	\$	44,945			90,693	

See accompanying notes to general purpose financial statements.

BUDGETED DEBT SERVICE FUNDS			BUDGETED CAPITAL PROJECTS FUNDS			
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
8,811	9,490	679	7,849	6,781	(1,068)	REVENUES
						Taxes
			389	736	347	Licenses, permits and franchises
						Fines, forfeitures, and penalties
639	463	(176)	1,719	1,463	(256)	Revenues from use of money and property:
213	231	18				Interest
						Rents and concessions
			485	517	32	Aid from other governmental agencies:
						State
						Federal
			2,820	3,517	697	Charges for current services
			1,985	1,539	(446)	Other revenue
<u>9,663</u>	<u>10,184</u>	<u>521</u>	<u>15,247</u>	<u>14,553</u>	<u>(694)</u>	TOTAL REVENUES
						EXPENDITURES
						Current:
4,075	2,632	1,443				General government
						Public protection
						Public ways and facilities
						Health and sanitation
						Public assistance
						Education
						Recreation and cultural services
			26,121	17,280	8,841	Capital outlay
						Debt service:
2,860	2,847	13				Principal retirement
3,387	3,370	17				Interest
403	560	(157)				Advances retirement
<u>10,725</u>	<u>9,409</u>	<u>1,316</u>	<u>26,121</u>	<u>17,280</u>	<u>8,841</u>	TOTAL EXPENDITURES
<u>(1,062)</u>	<u>775</u>	<u>1,837</u>	<u>(10,874)</u>	<u>(2,727)</u>	<u>8,147</u>	REVENUES OVER (UNDER) EXPENDITURES
						OTHER FINANCING SOURCES (USES)
1,027	1,051	24	1,465	3,525	2,060	Operating transfers in
	(3,201)	(3,201)				Operating transfers (out)
						Bond proceeds
						Capital leases
<u>1,027</u>	<u>(2,150)</u>	<u>(3,177)</u>	<u>1,465</u>	<u>3,525</u>	<u>2,060</u>	TOTAL OTHER FINANCING SOURCES (USES)
<u>(35)</u>	<u>(1,375)</u>	<u>(1,340)</u>	<u>(9,409)</u>	<u>798</u>	<u>10,207</u>	REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES
	6,195			49,635		FUND BALANCE, JULY 1, 1995 AS RESTATED (Note 10)
						Residual equity transfers in
	<u>4,820</u>			<u>50,433</u>		FUND BALANCE, JUNE 30, 1996 (Note 13)

COUNTY OF RIVERSIDE
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS (ACCUMULATED DEFICITS) - ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)

	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES			
Care of patients	\$ 146,757		146,757
Less allowance and uncollectible accounts	16,526		16,526
Patient care revenue-net	130,231		130,231
Current services	50,802	88,323	139,125
Charges to other governments	42,072		42,072
Other	6,991		6,991
TOTAL OPERATING REVENUES	230,096	88,323	318,419
OPERATING EXPENSES			
Cost of materials used		1,584	1,584
Personnel services	70,314	15,961	86,275
Communications	116	1,218	1,334
Insurance	2,410	4,866	7,276
Maintenance of building and equipment	3,603	7,236	10,839
Insurance claims		15,242	15,242
Supplies	20,151	1,821	21,972
Purchased services	33,950	5,779	39,729
Depreciation and amortization	8,993	7,235	16,228
Rents and leases of equipment	232	340	572
Public assistance	30,304		30,304
Utilities	2,716	650	3,366
Closure and post-closure	6,430		6,430
Remediation	3,035		3,035
Other	4,041	7,090	11,131
TOTAL OPERATING EXPENSES	186,295	69,022	255,317
OPERATING INCOME	43,801	19,301	63,102
NON-OPERATING REVENUES (EXPENSES)			
Interest on invested funds	16,090	80	16,170
Interest expense	(18,930)	(791)	(19,721)
Gain on sale of fixed asset	50		50
Miscellaneous (expense)	(4)	(1,293)	(1,297)
TOTAL NON-OPERATING EXPENSES	(2,794)	(2,004)	(4,798)
OPERATING TRANSFERS			
Operating transfers in (Note 6)	250	497	747
Operating transfers (out) (Note 6)	(40,062)	(149)	(40,211)
TOTAL OPERATING TRANSFERS	(39,812)	348	(39,464)
NET INCOME	1,195	17,645	18,840
RETAINED EARNINGS (ACCUMULATED DEFICITS) JULY 1, 1995			
AS RESTATED (Note 10)	47,613	(10,394)	37,219
RETAINED EARNINGS JUNE 30, 1996 (Note 2)	\$ 48,808	7,251	56,059

See accompanying notes to general purpose financial statements.

**COUNTY OF RIVERSIDE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 43,801	19,301	63,102
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	8,993	7,235	16,228
Closure and post closure	411		411
Other non-operating revenue (expense)	(4)	(1,293)	(1,297)
(Increase) decrease in:			
Accounts and taxes receivable	1,067	10	1,077
Interest receivable	24	76	100
Prepaid items	(224)	1	(223)
Due from other funds	1,135	360	1,495
Due from other governments	13,100	6	13,106
Inventories	(132)	92	(40)
Increase (decrease) in:			
Accounts payable	1,206	200	1,406
Salaries and benefits payable	883	27	910
Due to other funds	(2,217)	(1,772)	(3,989)
Due to other governments	922		922
Due to third party payors	(10)		(10)
Deferred revenue	(584)	1,410	826
Deposits payable	56		56
Accrued compensation payable	(1,237)	(123)	(1,360)
Accrued closure and postclosure care costs	4,318		4,318
Accrued remediation costs	2,370		2,370
Estimated claims liability		(11,400)	(11,400)
Other liabilities	1,559		1,559
Total adjustments	<u>31,636</u>	<u>(5,171)</u>	<u>26,465</u>
Net cash provided by operating activities	<u>75,437</u>	<u>14,130</u>	<u>89,567</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net operating transfers in	250	497	747
Net operating transfers (out)	<u>(40,062)</u>	<u>(149)</u>	<u>(40,211)</u>
Net cash provided (used) by noncapital financing activities	<u>(39,812)</u>	<u>348</u>	<u>(39,464)</u>

See accompanying notes to general purpose financial statements.

Continued on next page.

**COUNTY OF RIVERSIDE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds and certificates	\$ (3,579)	(1,105)	(4,684)
Interest paid	(18,931)	(802)	(19,733)
Principal paid on loans and notes payable	(216)		(216)
Funds released from restriction	(342)		(342)
Proceeds from sale of fixed assets	50		50
Acquisition of land, structures, improvements, and equipment	<u>(64,603)</u>	<u>(4,612)</u>	<u>(69,215)</u>
Net cash (used) by capital and related financing activities	<u>(87,621)</u>	<u>(6,519)</u>	<u>(94,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>16,090</u>	<u>80</u>	<u>16,170</u>
Net cash provided by investing activities	<u>16,090</u>	<u>80</u>	<u>16,170</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,906)	8,039	(27,867)
CASH AND CASH EQUIVALENTS AT JULY 1, 1995	<u>213,943</u>	<u>76,616</u>	<u>290,559</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 1996	<u>178,037</u>	<u>84,655</u>	<u>262,692</u>
LESS: Cash and cash equivalents included in restricted assets	<u>(158,931)</u>		<u>(158,931)</u>
CASH AND INVESTMENTS	<u>\$ 19,106</u>	<u>84,655</u>	<u>103,761</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets through capital leases or long-term obligations	<u>\$ 1,212</u>	<u>557</u>	<u>1,769</u>
Acquisition of fixed assets through donation	<u>\$ 148</u>		<u>148</u>

See accompanying notes to general purpose financial statements.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(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 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 public safety, public works, health and sanitation, education, recreation, culture and public assistance. As required by generally accepted accounting principles, these financial statements present the County of Riverside (the primary government) and its component units, entities for which the government 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. Each blended component unit has a June 30 year end. The County has no discretely presented component units.

Using the criteria of Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," management determined the following component units should be blended:

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

Riverside County Flood Control and Water Conservation District (Flood). The governing body of Flood is the County's governing body. Among its duties, it approves Flood's budget, determines Flood's tax rates, approves contracts, and appoints the management. Flood is reported as both governmental and proprietary fund types.

Riverside County Regional Park and Open-Space District (Park). The governing board of Park is the County's governing body. Among its duties, it approves Park's budget, approves contracts, sets fees and charges for park use, and appoints the management. Park is reported as a Governmental Fund Type.

Riverside County Desert Facilities Corporation (Desert Facilities). Desert Facilities has its own five member governing body and provides service almost entirely to the primary government (the County) through the purchase or construction of land and/or facilities which are then leased back to the County. Desert Facilities is reported as a Governmental Fund Type.

Redevelopment Agency for the County of Riverside (RDA). The governing body of RDA is the County's governing body. Among its duties, it approves RDA's budget and appoints the management. 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. CORAL is reported as a Governmental Fund Type.

Waste Resources Management District (Waste). The governing board of Waste is the County's governing body. Among its duties, it approves Waste's budget, approves rate adjustments, approves contracts, and appoints the management. Waste is reported as a proprietary 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.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

Indio Civic Center Authority (Indio CCA). Indio CCA has its own five member governing body. The County has special capital lease arrangements, responsibility for debt and fiscal management of Indio CCA. Indio CCA is fiscally dependent upon the County and provides almost all services entirely to the primary government (the County). Indio CCA is reported as a Governmental Fund Type.

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.

The general purpose financial statements also include as Agency Funds numerous self-governed school and special districts for which cash and investments are held by the County Treasurer. 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. Activities of the school districts and special districts are administered by boards which are separately elected and which are independent of the Board. 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 to 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 general purpose financial statements since each entity conducts its own day-to-day operations and is controlled by its own governing board.

Basis of Presentation

The financial resources and operations of the County are accounted for in funds and account groups.

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which is segregated for the purpose of carrying on specific activities. Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt obligations. Account groups are not funds as they do not reflect available financial resources and related liabilities.

The accompanying general purpose financial statements include the following fund types and account groups:

Governmental Fund Types:

Governmental Funds are used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is upon determination of changes in financial position. The following are the County's Governmental Fund Types:

General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except for those accounted for in other funds.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in Capital Projects Funds) that are restricted to expenditures for specified purposes. Special Revenue Funds also include general funds of certain governmental units or agencies included in the County's reporting entity as a result of the County's oversight responsibility.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

Capital Projects 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.

Proprietary Fund Types:

Proprietary funds are used to account for activities that are similar to those often found in the private sector.

Under Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the County has elected not to apply Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Following are the County's Proprietary Fund Types:

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the periodic determination of net income is deemed important.

Internal Service Funds

Internal Service Funds are used to account for the goods or services furnished by one County department or agency to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types:

Expendable Trust Fund

The Expendable Trust Fund is used to account for assets held by the County on behalf of an outside party. The expendable trust fund is accounted for in essentially the same manner as Governmental Fund Types.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Agency Funds

Agency Funds are used to account for assets held by the County as agent for individuals, private organizations, boards, commissions and other governmental entities or funds not part of the County reporting entity, but for which the County acts in a fiduciary capacity. Agency funds are custodial in nature and do not involve measurement focus.

Account Groups:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all general fixed assets of the County other than those accounted for in Proprietary Funds.

General Long-Term Debt Account Group

The General Long-Term Debt Account Group is used to account for the unmatured principal of general obligation bonds and other general long-term obligations that are not specific liabilities of Proprietary Funds.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund Type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The County uses the modified accrual basis of accounting for the Governmental Fund Types (General, Special Revenue, Debt Service, and Capital Projects) and Expendable Trust Fund and Agency Funds. Revenues are recognized when susceptible to accrual, i.e., measurable and available to finance operations of the current period. Secured and unsecured delinquent property taxes estimated to be collectible in future years are recorded as receivables and deferred revenue, with amounts expected to be collected within 60 days after year-end recognized as revenue, if material. Interest income, sales taxes and charges for services are accrued when earned or held by the intermediary collecting agency. Federal and State grants and subventions are recorded as revenue when determined to be available and the related eligible expenditures are incurred. Revenues which are not considered susceptible to accrual include fines, forfeitures and penalties, and licenses, permits, and franchises. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt obligations, which is recognized when payment is due.

The accrual basis of accounting is used for Enterprise Funds and Internal Service Funds. Under this method of accounting, revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred. Enterprise Fund unfilled health care services are included as accounts

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

receivable in the accompanying combined balance sheet because such amounts are accrued as revenue when the services are provided.

For Governmental Funds, the County records accrued vacation and sick leave not expected to be paid until future years in the General Long-Term Debt Account Group. Such amounts applicable to the Proprietary Funds are accrued as liabilities in these funds.

Cash Deposits 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 in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments.

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

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The estimated uncollectible amount from patient accounts receivable of Riverside General Hospital is \$21,890,000.

All jurisdictions within California derive their taxing authority via State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total 1995-96 gross assessed valuation of the County was \$74,730,563,000.

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

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. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (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 payment 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 March 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 flow to the County General Fund. For Fiscal Year 1995-96 there was \$19,239,000 of funds 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 Fund Types 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, land held for resale and food stamps, are valued at the lower of cost (on a first-in, first-out basis) or market in the Proprietary Fund Types.

Inventories for all Governmental Fund Types are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of these funds do not represent current budgetable resources and are therefore offset by a corresponding reservation of fund balance, except for inventories of food stamps of \$19,030,000, which are offset by deferred revenue.

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996**

(1) Summary of Significant Accounting Policies (Continued)

Fixed Assets

Expenditures exceeding \$3,000 for general fixed assets acquired through the General, Special Revenue and Capital Project Funds are capitalized at historical cost in the General Fixed Assets Account Group.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks, are not capitalized. Such infrastructure assets are of value only to the County; therefore, the purposes of stewardship and cumulative accountability for capital expenditures are satisfied without recording these assets in the General Fixed Assets Account Group. Depreciation is not provided on general fixed assets. Fixed assets of the Enterprise and Internal Service Funds are recorded at historical cost or estimated historical cost, less accumulated depreciation. Depreciation expense is provided using the straight-line method over the estimated useful lives of the assets as follows:

Structures and Improvements	20 to 40 years
Equipment	3 to 10 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.

All fixed assets acquired through gifts or contributions are recorded at the estimated market value on the date of receipt.

Leases

The County leases various assets under both operating and capital lease agreements. For Governmental Fund Types, assets under capital leases and the related lease obligations are reported in the General Fixed Assets and General Long-Term Debt Account Groups, respectively. For Proprietary Fund Types, the assets and related lease obligations are recorded in the appropriate Enterprise or Internal Service Fund.

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, Desert Facilities and Housing outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and for bond redemption purposes. Waste has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites.

Employee Compensated Absences

County policy permits employees to accumulate earned but unused vacation, holiday and sick pay benefits. Vacation and holiday pay are accrued when incurred. Proprietary Funds report accrued vacation and holiday pay as a liability of the individual fund while Governmental Funds record amounts not expected to be liquidated with expendable available financial resources in the General Long-Term Debt Account Group. Governmental Funds record no expenditure for these amounts. At June 30, 1996 the amount of accrued vacation and holiday pay reported as a future governmental liability was \$49,506,000.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Employee Compensated Absences (Continued)

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 ten (10) percent of the current salary for five full years of service, plus two (2) percent for each additional year to a maximum of 50 percent 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. Upon retirement or disability retirement these employees may opt to bank accumulated sick leave payouts at the time of retirement to pay for future monthly health insurance premiums. Under this option unused accumulated sick leave is paid at the rate of 11.75 percent of the current salary for five full years of service, plus 2.35 percent for each additional year to a maximum of 58.75 percent with the total payment no more than 125 days of full pay.

Deferred Revenue

Deferred revenue consists, principally, of Federal and State financial assistance received prior to incurring the related reimbursable expenditures, food stamps on hand at year end, and various fees and deposits, which will be recognized as revenue upon the occurrence of a specific event.

Long-term Debt

The County reports long-term debt of Governmental Funds at face value in the General Long-Term Debt Account Group. Certain other Governmental Fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate Proprietary Funds.

For Governmental Fund Types, bond premiums and discounts as well as issuance costs, are recognized during the current period as an other financing use. Bond proceeds are reported as an other financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For Proprietary Fund Types, bond premiums and discounts, as well as issuance costs, 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.

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

Waste, under State and Federal regulations, may be required to perform corrective action for contaminate releases at any of its active or inactive landfills. Waste 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 provides for these costs based on the most recent cost study information available.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(1) Summary of Significant Accounting Policies (Continued)

Revenues and Expenditures

Effective July 1, 1995 the County adopted GASB Statement No. 24, "Accounting and Reporting for Certain Grants and Other Financial Assistance" (GASB 24). GASB 24 requires the County to account for cash pass-through grants, for which the County has no administrative involvement, in its agency funds. Cash pass-through grants, for which the County does have administrative involvement, are recognized as revenue and expenditures or expenses in a Governmental or Proprietary Fund. GASB 24 also requires the County to recognize the distribution of food stamp benefits as revenue and expenditures in the General Fund and to recognize food stamp balances held at year end as inventory offset by deferred revenue. As a result of adopting GASB 24, General Fund Federal and State Aid revenues include \$107,363,000 and \$12,276,000 respectively for food stamps and cash pass-through grants, with a corresponding increase in Public Assistance of \$119,639,000.

Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Memorandum Only - Total Columns

Total columns in the general purpose financial statements are captioned as "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations and changes in cash flows of the County in accordance with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made in the aggregation of this data.

(2) Stewardship, Compliance and Accountability

Budgetary Data

In accordance with the provisions of Section 29000-29143 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, after conducting public hearings concerning the proposed budget, the Board adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the General Fund, Special Revenue Funds, certain Debt Service Funds and certain Capital Projects Funds and are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Annual budgets are not adopted for CORAL and the Other Entities" included in the Debt Service Funds and certain Other Entities included in Capital Projects Funds and, accordingly, these funds are not included in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types.

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, Fixed Assets, Operating Transfers Out and Intrafund Transfers. The separately prepared Expenditure by Appropriation - Budget and Actual report, showing the legal level of control, is available in the Auditor-Controller's Office.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(2) Stewardship, Compliance and Accountability (Continued)

Budgetary Data (Continued)

The County Executive Officer is authorized by the Board to transfer appropriations between appropriation classes within the same budgetary unit. All other transfers of appropriations must be approved by the Board. Supplemental appropriations necessary and normally financed by unanticipated revenue during the year must also be approved by the Board. There were numerous budget adjustments during the fiscal year that were not material to the general purpose financial statements. In most cases the adjustments were to increase appropriations and estimated revenue. All annual appropriations lapse at year end.

Budget amounts reported in the accompanying general purpose financial statements reflect amended amounts. 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.

Encumbrances

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General, Special Revenue and Capital Projects Funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if the unperformed contracts in process at year-end are completed.

Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as a reservation of fund balance and reappropriated in the subsequent year.

Excess of Expenditures Over Appropriations

Within the General Fund actual expenditures exceeded appropriations for Public Assistance by \$104,835,000 due to the reporting of certain pass-through grants and food stamps as expenditures which were not budgeted. These expenditures were offset by a corresponding increase to revenue, which was not budgeted either. General Fund actual expenditures exceeded appropriations for capital outlay by \$3,580,000 due to capital leases reported as capital outlay which were not budgeted. This expenditure was funded by the proceeds from capital leases that exceeded budgeted amounts and the planned use of fund balance.

Within RDA Debt Service Fund, actual expenditures for advances retirement and operating transfers out exceeded appropriations by \$157,000 and \$3,201,000, respectively, due to an underestimation of expenditures. These expenditure were funded by revenues that exceeded budgeted amounts and fund balance.

Within Other Entities Capital Project Fund, actual expenditures for capital outlay exceeded appropriations by \$110,000 due to an underestimation of expenditures. The excess was funded by revenues in excess of estimated revenues and fund balance.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(2) Stewardship, Compliance and Accountability (Continued)

Deficit Fund Equity

The following funds have accumulated deficits at June 30, 1996 (in thousands):

	<u>Accumulated Deficit</u>
Enterprise Funds:	
Blythe Marina	\$ 670
Animal Spay and Neuter	213
Internal Service Funds:	
Hospital Data Processing	390
Fleet Services	1,283
Risk Management	1,215

The County plans to impose charges in future years which will be sufficient to eliminate these fund deficits.

Rebatable Arbitrage

Certain interest earned on the principal of outstanding CORAL bond issues has been found to be in excess of permitted amounts and is required to be paid to the Federal government as a rebate. The amount is recorded in Due to Other Governments as a liability and was \$195,000 at June 30, 1996.

(3) Cash Deposits and Investments

The County's cash deposits and investments are considered to be cash on hand, demand deposits and investments. A significant amount is held by the County Treasurer in a cash and investment pool. As provided for by the Government Code, the County maintains a cash and investment pool that is available for all funds of the County, as well as the funds of other agencies within the County for which the County Treasury is the depository. The County Treasury is not a depository for any public agencies outside the County. The purpose of the Treasurer's pool is to increase interest earnings through investment activities. Interest earned on the pooled funds is apportioned quarterly based on the ending daily balance of each fund. Also included in cash and investments are cash and investments held by, CORAL, the Deferred Compensation Fund, RDA, Housing, certain Joint Powers Authorities, and other component units.

State statutes authorize the County to invest in obligations of the U.S. Treasury, Federal agencies, a U.S. Government-sponsored enterprise, the State of California, local government agencies, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, reverse repurchase agreements, corporate bonds and negotiable certificates of deposits issued by national and State licensed or chartered banks or Federal or State savings and loan associations.

Cash and investments are recorded at cost except for assets of the Deferred Compensation Fund which are recorded at market value. The County intends and has the ability to either hold investments until maturity or until market values equal or exceed cost.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(3) Cash Deposits and Investments (Continued)

Cash Deposits

In accordance with the Governmental Accounting Standards Board Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements," the County's deposits at June 30, 1996 are categorized in the following manner (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name	\$ 14,376	14,376
Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	114,026	114,026
Category 3 - Uncollateralized	<u>6,488</u>	<u>6,488</u>
Total	<u>\$ 134,890</u>	<u>134,890</u>

County warrants, unlike checks, are deducted from the County carrying value of cash at the time the warrants are presented for payment to the bank. There is no timing difference between when the County records the warrants as presented for payment and when the bank is authorized to honor the warrants by the County; therefore, the carrying balance of deposits at June 30, 1996 equals the bank balance. All expenditures for which warrants have been issued at June 30, 1996 are recognized in the operating funds at the time the warrants are issued. The liability for the payment of the warrants and the cash to fund the payment are recorded in a specific trust fund for Warrant Clearing.

The General Fund experienced a negative cash balance of \$49,420,000 at June 30, 1996, which is reported as an interfund borrowing from Departmental Agency Funds. There was a total of \$292,719,000 of County pooled deposits (including Departmental Agency Funds) available to cover the negative cash balance.

On August 20, 1996 the Small Business Job Protection Act of 1996 was signed into law. The Act changed the Internal Revenue Code Section 457 (Deferred Compensation) by protecting participant assets from creditors of a bankrupt or financially troubled public jurisdiction. To effect this change the County must comply with the provisions of this act by January 1, 1999. As of June 30, 1996 there was \$109,501,000 in the Deferred Compensation plan, which is not included as part of the County pooled deposits.

Investments

In accordance with the Governmental Accounting Standard Board's Statement 3, the County's investments are categorized separately below to give an indication of the level of risk assumed by the County at year end.

Category 1 includes investments that are insured, or registered, or held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the County's name. Category 3, of which the County has none, includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent, but not in the County's name.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(3) Cash Deposits and Investments (Continued)

Investments (Continued)

The County's investments are categorized as follows (in thousands):

	<u>1</u>	<u>Category</u> <u>2</u>	<u>Carrying</u> <u>Amount</u>	<u>Market</u> <u>Value</u>
U. S. government securities	\$ 598,093	3,662	601,755	593,038
Banker acceptances	41,205	158,177	199,382	199,438
Commercial paper	274,114	930	275,044	275,035
Municipal bonds	12,200		12,200	12,200
Corporate bonds	45,824		45,824	45,380
Repurchase agreements		94,410	94,410	94,410
Tax allocation bonds		8,947	8,947	8,947
Teeter notes	83,485		83,485	83,485
Total	<u>\$ 1,054,921</u>	<u>266,126</u>	1,321,047	1,311,933
Amounts not categorized because securities that exist in physical or book entry form are not used as evidence of the investment:				
Local agency investments			5,403	5,403
Guaranteed investment contracts			86,015	86,015
Investment in mutual funds			90,037	90,037
Investment Total			<u>\$ 1,502,502</u>	<u>1,493,388</u>

The County Treasury pool portfolio includes certain derivative securities in the form of structured notes totaling \$98,485,126, the majority of which were Teeter notes issued by a component unit of the County and purchased by the County. The structured notes have cash flow characteristics that are dependent on U.S. Treasury bill and other indices and, accordingly, such investments are affected by changes in interest rates. The County's exposure to risk from derivatives in mutual fund investments, if any, is not available.

Summary of Cash Deposits and Investments

The following is a summary of the carrying amount of cash deposits and investments as reported on the Combined Balance Sheet (in thousands):

Cash deposits	\$ 134,890
Investments	1,502,502
Total	<u>\$ 1,637,392</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(4) Restricted Cash and Investments

The amount of assets restricted by legal and contractual purposes at June 30, 1996 is as follows (in thousands):

	Debt Service <u>Funds</u>	Capital Projects <u>Funds</u>	Enterprise <u>Funds</u>	<u>Total</u>
1985 ACES Types I, II	\$ 17,026	20,188		37,214
1986 Cross-Over Refunding Types I, II	74,707			74,707
1988 A Equipment	2,520	97		2,617
1991 A Capital Project	5,059	4,935		9,994
1991 B Equipment	4,329	526		4,855
1993 A & B Bonds, 1989A			92,138	92,138
1993 Master Refunding	2,492	151		2,643
Waste Resources Management - Cash			52,443	52,443
Housing Authority Bond			14,350	14,350
Desert Facilities Corporation	<u>2,756</u>	<u>2,925</u>		<u>5,681</u>
Total Restricted Cash and Investments	<u>\$ 108,889</u>	<u>28,822</u>	<u>158,931</u>	<u>296,642</u>

At June 30, 1996, County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

(5) Fixed Assets

Following is a summary of changes in general fixed assets by class for the year ended June 30, 1996 (in thousands):

	Balance at <u>July 1, 1995</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 1996</u>
Land	\$ 73,592	1,530		75,122
Structures and improvements	331,038	30,727		361,765
Equipment	<u>81,519</u>	<u>4,746</u>	<u>1,581</u>	<u>84,684</u>
Total	<u>\$ 486,149</u>	<u>37,003</u>	<u>1,581</u>	<u>521,571</u>

The following is a summary of Proprietary Funds fixed assets by class as of June 30, 1996 (in thousands):

	<u>Proprietary Funds</u>	
	<u>Enterprise</u>	<u>Internal</u>
Land	\$ 14,064	
Structures and improvements	218,122	1,512
Equipment	<u>73,084</u>	<u>70,319</u>
Total	<u>\$ 305,270</u>	<u>71,831</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(6) Interfund Transactions

The following is a summary of individual interfund receivables and payables at June 30, 1996 (in thousands):

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:	<u>\$ 298,439</u>	<u>49,427</u>
Special Revenue Funds:		
Transportation	15,767	
Community Services	6,460	84
Trial Courts	444	1,186
Other Special Revenue	6	64
Flood Control	2,712	2,886
County Service Areas	754	367
Total Special Revenue Funds	<u>26,143</u>	<u>4,587</u>
Debt Service Funds:		
County of Riverside Asset Leasing Corporation		1,755
Redevelopment Agency	<u>1,761</u>	<u>1,304</u>
Total Debt Service Funds	<u>1,761</u>	<u>3,059</u>
Capital Projects Funds:		
Public Facilities Improvements	11,789	
Correctional Facilities	11,152	
County of Riverside Asset Leasing Corporation	1,755	
Redevelopment Agency	280	737
Other Entities	<u>55</u>	
Total Capital Projects Funds	<u>25,031</u>	<u>737</u>
Enterprise Funds:		
Riverside General Hospital		8,290
Animal Spay and Neuter	135	
Housing Authority	4	4
Flood Control	<u>15</u>	<u>45</u>
Total Enterprise Funds	<u>154</u>	<u>8,339</u>
Internal Service Funds:		
Fleet Services	2	
Flood Control Equipment	<u>444</u>	<u>240</u>
Total Internal Service Funds	<u>446</u>	<u>240</u>
Trust and Agency Funds		
Departmental	49,420	236,416
Development		4,703
Grants		75,587
Property Tax/Assessments		17,832
Endowments		<u>467</u>
Total Trust and Agency Funds	<u>49,420</u>	<u>335,005</u>
Total	<u>\$ 401,394</u>	<u>401,394</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(6) Interfund Transactions (Continued)

The General, Special Revenue, and Debt Service Funds make advances to other funds to assist in meeting their cash flow requirements. Advances at June 30, 1996 consist of the following (in thousands):

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	<u>\$ 2,150</u>	
Special Revenue Funds:		
Transportation	100	
Other Special Revenue		1,161
County Service Areas		<u>60</u>
Total Special Revenue	<u>100</u>	<u>1,221</u>
Debt Service Fund:		
County of Riverside Asset Leasing Corporation	<u>6,190</u>	
Enterprise Fund:		
Animal Spay & Neuter Clinic		<u>254</u>
Internal Service Fund:		
Transportation Equipment		<u>100</u>
Trust & Agency Fund:		
Departmental		<u>50</u>
General Long-Term Debt		<u>6,815</u>
Total	<u>\$ 8,440</u>	<u>8,440</u>

Advances recorded in the General Long-Term Debt Account Group represent advances due from the RDA (a special revenue fund) to CORAL. Such amounts have not been expended or recorded as a Governmental Fund liability because the County does not expect to pay the advance within the coming year.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(6) Interfund Transactions (Continued)

The following is a summary of Operating Transfers In/Out at June 30, 1996 (in thousands):

	Operating <u>Transfers In</u>	Operating <u>Transfers Out</u>
General Fund	<u>\$ 40,514</u>	<u>52,212</u>
Special Revenue Funds:		
Community Services	755	614
Trial Court Funding	32,577	
Flood Control	<u>1,522</u>	<u>3,333</u>
Total Special Revenue Funds	<u>34,854</u>	<u>3,947</u>
Debt Service Funds:		
County of Riverside Asset Leasing Corporation	18,880	
Flood Control	1,051	
Redevelopment Agency		<u>3,201</u>
Total Debt Service Funds	<u>19,931</u>	<u>3,201</u>
Capital Projects Funds:		
Flood Control	324	
Redevelopment Agency	<u>3,201</u>	
Total Capital Projects Funds	<u>3,525</u>	
Enterprise Funds:		
Riverside General Hospital		39,900
Flood Control	<u>250</u>	<u>162</u>
Total Enterprise Funds	<u>250</u>	<u>40,062</u>
Internal Service Funds:		
Flood Control Equipment	<u>497</u>	<u>149</u>
Total Transfers	<u>\$ 99,571</u>	<u>99,571</u>

The following is a summary of Residual Equity Transfers In/Out at June 30, 1996 (in thousands):

	Residual Equity <u>Transfers In</u>	Residual Equity <u>Transfers Out</u>
Special Revenue Fund:		
Community Services	<u>\$ 395</u>	
Debt Service Fund:		
Other Entities		<u>216</u>
Capital Projects Fund:		
Other Entities		<u>179</u>
Total	<u>\$ 395</u>	<u>395</u>

(7) Landfill Closure Costs

Waste has recorded approximately \$56,400,000 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 15% 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 total cost of \$52,362,000 as the remaining estimated capacity of 26,500,000 tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2035. The

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996**

(7) Landfill Closure Costs (Continued)

total estimate of \$108,762,000 is based on what it would cost to perform all closure and post-closure care at year end. Actual costs may be different due to inflation, changes in technology or changes in regulations.

Percentage of landfill capacity used to date and the estimated remaining landfill life by operating landfill are as follows:

<u>Facility Name</u>	<u>Capacity Used at June 30, 1996</u>	<u>Estimated Years Remaining</u>
Anza (Anza)	84.6%	3
Badlands (Moreno Valley)	16.3%	39
Blythe (Blythe)	14.5%	35
Coachella (Coachella)	97.0%	1
Desert Center (Desert Center)	20.0%	23
Double Butte (Winchester)	100%	0
Edom Hill (Cathedral City)	61.8%	8
El Sobrante (Corona)	42.0%	39
Highgrove (Riverside)	92.2%	1
Lamb Canyon (Beaumont)	18.2%	39
Mead Valley (Perris)	93.8%	1
Mecca II (Mecca)	49.5%	3
Oasis (Oasis)	37.6%	16

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, Waste has implemented Pledge of Revenue agreements between Waste and the California Integrated Waste Management Board (CIWMB) for each of its 13 active 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 Waste and the CIWMB. Waste is in compliance with these requirements, and investments of \$39,342,000 are held for these purposes at June 30, 1996, and are classified as restricted cash and investments in the general purpose financial statements. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(8) Operating Leases

The following is a schedule by year of future minimum rental payments, which includes an average 4.5 percent per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1996 (in thousands):

<u>Year Ending June 30:</u>	
1997	\$ 7,066
1998	1,498
1999	698
2000	581
2001	303
Thereafter	<u>1,454</u>
Total Minimum Payments	<u>\$11,600</u>

Rental expense was \$13,667,000, principally in the General Fund, for the year ended June 30, 1996.

(9) Long-Term Obligations

Long-term obligations of the County consist of capital lease obligations, bonds, and other liabilities which are payable from the Debt Service, Enterprise and Internal Service Funds. The calculated legal debt limit for the County is \$914,492,000.

Capital Leases

Capital leases for Governmental Funds are recorded both as capital expenditures and as an other financing source at inception, with the liability recorded in the General Long-Term Debt Account Group and the asset recorded in the General Fixed Assets Account Group. Subsequent lease payments are accounted for in a manner consistent with the accounting treatment for payments of general obligation debt. Capital leases are secured by a pledge of the leased equipment.

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, 1996 (in thousands):

<u>Year ending June 30:</u>	<u>Internal Service Funds</u>	<u>General Long- Term Debt Account Group</u>
1997	\$ 5,729	2,224
1998	4,276	2,104
1999	1,811	2,010
2000	661	1,742
2001	58	1,385
Thereafter	<u>12,535</u>	<u>11,474</u>
Total minimum payments	12,535	20,939
Less amount representing interest	<u>(907)</u>	<u>(7,016)</u>
Present value of net minimum lease payments	<u>\$ 11,628</u>	<u>13,923</u>

The July 1, 1995 balance of the General Long-Term Debt Account Group has been restated by \$9,597,000 to include the California Health Facilities Financing Authority capital lease entered into in a prior year. There are no fund balance impacts as a result of this restatement.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Bonds and Notes Payable

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.

Joint Powers Authority (JPA) and not-for-profit corporation revenue bonds are secured by annual base rental lease payments payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

Housing note payable is secured by a deed of trust.

The Blythe Marina note payable dated April 22, 1963 and amended September 1, 1982 is to be repaid with revenue derived from concessionaires facilities within the project through August 1, 2016.

RDA has two agreements to reimburse CORAL for a portion of the CORAL debt associated with the 1985 Certificates of Participation and the 1991 Certificates of Participation. The terms of the reimbursement agreements call for annual payments to be made by RDA to the CORAL Debt Service Fund over the life of the Certificates. If RDA does not have available funds, such annual payments may be deferred, with interest accruing at a rate equal to that paid on the Certificates. At June 30, 1996 \$1,837,000 and \$4,111,000 are due and unpaid. The comparable amounts at June 30, 1995 were \$2,079,000 and \$4,429,000 for a retirement of \$242,000 and \$318,000 respectively. Upon execution of a formal agreement between RDA and the County in FY 1993-94, CORAL and RDA recognized the advance to/from other funds of \$5,144,000.

CORAL financed debt is used by various departments within the County to acquire equipment and by the County to finance land acquisition and construction of structures and improvements. Assets thus acquired are financed through a master lease agreement. The benefitting departments are assigned proportionate shares of debt that represents their usage and are also billed through the master lease agreement. Proprietary Funds recognize their portion of assigned debt in the individual funds. Departments who are part of a Governmental Fund maintain their portion of debt in the General Long-Term Debt Account Group.

During the year ended June 30, 1996, CORAL incurred interest costs of \$37,263,000 of which \$10,071,000 was capitalized.

The July 1, 1995 balance in the disclosure of changes in General Long-Term Debt has been adjusted to include Advances to Other Funds of \$6,707,000 and Accrued Compensation Payable of \$48,486,000.

A summary of long-term debt obligations follows (in thousands):

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Internal Service Fund Debt

		<u>Balance at June 30, 1996</u>
County of Riverside Asset Leasing Corporation Certificates of Participation, 6.8% to 7.5%: Date issued: June 22, 1988 Maturing in installments through November 1, 2000		
Transportation Equipment	\$ 180	
Fleet Services	<u>26</u>	<u>206</u>
County of Riverside Asset Leasing Corporation Certificates of Participation, 6.0% to 6.5% Date issued: April 1, 1991 Maturing in installments through November 1, 2002		
Transportation Equipment	105	
Information Services	30	
RIFMIS Project	<u>1,358</u>	<u>1,493</u>
Total Principal		<u>\$ 1,699</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Enterprise Fund Debt

	Balance at <u>June 30, 1996</u>
Housing Authority of the County of Riverside note payable, 6.6%	\$ 1,123
Date issued: November 27, 1984	
Original amount: \$19,800	
Maturity date: No set maturity date	
Housing Authority of the County of Riverside bond payable, 7.4%	1,935
Date issued: November 1, 1986	
Original amount: \$1,960	
Maturity date: November 1, 2006	
Housing Authority of the County of Riverside bond payable, 7.2% to 7.9%	54,165
Date issued: October 1, 1988	
Original amount: \$99,500	
Maturity date: October 1, 2018	
Housing Authority of the County of Riverside bond payable, 7.0% to 7.9%	8,895
Date issued: November 1, 1989	
Original amount: \$8,970	
Maturity date: November 1, 2019	
Blythe Marina note payable, 3.7%	413
Date issued: April 22, 1963	
Original amount: \$465	
Maturing in installments through August 1, 2016	
County of Riverside Asset Leasing Corporation - Waste Resources District	
Certificates of Participation, 6.8% to 7.5%	720
Date issued: June 22, 1988	
Maturing in installments through November 1, 2000	
Certificates of Participation, 6.0% to 6.9%	3,802
Date Issued: April 1, 1991	
Maturing in installments through November 1, 2002	
County of Riverside Asset Leasing Corporation-Riverside General Hospital	
Leasehold Revenue Bonds, 6.3%	62,127
Date issued: September 14, 1989	
Maturing in installments through June 1, 2019	
Certificates of Participation, 6.8% to 7.5%	31
Date issued: June 22, 1988	
Maturing in installments through November 1, 2000	
Certificates of Participation, 6.0% to 6.9%	10,849
Date issued: April 1, 1991	
Maturing in installments through November 1, 2021	
Leasehold Revenue Bonds, 5.5% to 6.5%	120,879
Date issued: January 21, 1993	
Maturing in installments through June 1, 2012	
Leasehold Revenue Bonds, 6.8%	13,051
Date issued: January 21, 1993	
Maturing in installments through June 1, 2014	
Total Principal	<u>\$ 277,990</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group

	Balance July 1, <u>1995</u>	Debt Issued or <u>Reassigned</u>	Debt Retired or Assigned	Balance June 30, <u>1996</u>
Advances From Other Funds	\$ 6,707	<u>668</u>	<u>560</u>	<u>6,815</u>
Accrued Compensation Payable	<u>48,486</u>	<u>1,020</u>		<u>49,506</u>
Notes Payable:				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 6.3% to 6.7% Date issued: August 1, 1990 Original amount: \$3,600 Maturing in installments through August 1, 2000	2,434		339	2,095
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 4.4% to 5.8% Date issued: December 1, 1992 Original amount: \$4,750 Maturing in installments through September 1, 2002	3,960		414	3,546
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 3.8% to 5.1% Date issued: December 1, 1995 Original amount: \$2,675 Maturing in installments through September 1, 2005		2,675		2,675
County of Riverside Redevelopment Agency Community Development Block Grant (CDBG) Loan Agreements, 6.0% Date issued: April 17, and July 21, 1987 Original amount: \$1,226 Maturing in installments through July 21, 1997	225		112	113
Total Notes Payable	<u>6,619</u>	<u>2,675</u>	<u>865</u>	<u>8,429</u>
Bonds Payable:				
Riverside County Flood Control and Water Conservation District General Obligation Bonds, 5.0% to 8.6% Date issued: August 15, 1974 Original amount: \$30,000 Maturing in installments through April 1, 2003	6,900		1,647	5,253
Riverside County Flood Control and Water Conservation District General Obligation Bonds, 8.2% to 9.1% Date issued: July 31, 1985 Original amount: \$1,839 Maturing in installments through July 2, 2000	902		130	772
JPA Leasehold Revenue Bonds, Indio Civic Center Authority, 4.5% to 7.5% Date issued: May 1, 1975 Original amount: \$1,300 Maturing in installments through November 1, 1995	125		125	

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (Continued)

	<u>Balance July 1, 1995</u>	<u>Debt Issued or Reassigned</u>	<u>Debt Retired or Assigned</u>	<u>Balance June 30, 1996</u>
County of Riverside Asset Leasing Corporation Certificates of Participation 6.8% to 7.9% Date issued: December 19, 1985 through June 22, 1988 Original amount: \$324,365 Maturing in installments through December 1, 2015	225,080	1,043	9,071	217,052
County of Riverside Asset Leasing Corporation Certificates of Participation 6.0% to 6.9% Date issued: April 1, 1991 Original amount: \$96,740 Maturing in installments through November 1, 2021	53,088	4,100	8,510	48,678
County of Riverside Asset Leasing Corporation Certificates of Participation, 3.3% to 5.8% Date issued: November 1, 1993 Original amount: \$33,640 Maturing in installments through November 1, 2018	30,916		2,261	28,655
County of Riverside Redevelopment Agency Tax Allocation Bonds, 6.2% to 7.6% Date issued: April 17, 1990 Original amount: \$18,020 Maturing in installments through October 1, 2025	17,685		130	17,555
County of Riverside Redevelopment Agency Tax Allocation Bonds, 5.8% to 7.5% Date Issued: August 1, 1991 Original Amount: \$11,415 Maturing in installments through February 1, 2027	11,260		75	11,185
Riverside County Desert Facilities Corporation Taxable Variable Rate Certificates of Participation, 6.0% Date issued: June 20, 1990 Original amount: \$8,800 Maturity date: November 1, 2020 Collateralized by an \$8,800 irrevocable letter of credit to the Desert Facilities Corporation with Bank of America	8,600		100	8,500
Riverside County Desert Facilities Corporation Certificates of Participation, 6.3% Date issued: September 1, 1994 Original amount: \$32,330 Maturing in installments through December 1, 2021	32,330			32,330
Total Bonds Payable	<u>386,886</u>	<u>5,143</u>	<u>22,049</u>	<u>369,980</u>
Capital Lease Obligations	<u>11,489</u>	<u>3,580</u>	<u>1,146</u>	<u>13,923</u>
Total General Long-Term Debt Obligations	<u>\$ 460,187</u>	<u>13,086</u>	<u>24,620</u>	<u>448,653</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (Continued)

CORAL's share of the County's long-term obligations includes the 1986 Cross-over Refunding Certificates of Participation (for prepayment of a portion of the outstanding 1985 Certificates of Participation), the 1993 Leasehold Revenue Bonds (to refund a portion of the outstanding 1989 Leasehold Bonds), and the 1993 Certificates of Participation Master Refunding (to refund a portion of outstanding 1986 Certificates and various other bond issues). Proceeds from the 1986 Certificates, the 1993 Bonds, and the 1993 Certificates totalling \$244,827,000 are held by trustees in escrow accounts.

Debt service on the 1986 Certificates is paid from the escrow account until the August, 1996 Cross-over date, at which time amounts are expected to be sufficient to prepay the outstanding 1985 Certificates of Participation. A portion of the proceeds of the 1993 Bonds and 1993 Certificates was used to acquire investment securities, the principal and interest on which, when due, will provide monies sufficient to pay the redemption price of the 1989 Revenue Bonds and the various debt instruments refunded in the 1993 Master Refunding Project.

CORAL's 1985 Capital Construction Program was issued as seven-day variable rate Certificates of Participation. Due to the variable rate, a letter of credit was required for a 10 year period expiring on December 15, 1995. A new letter of credit was issued by National Westminster Bank and Commerzbank (the Banks), which will expire on November 15, 2000. In conjunction with the issuance of the new letter of credit, CORAL and the County have entered into an Amended and Restate Sublease and Option to Purchase, a Second Amendment to Ground Lease, a Second Amendment to Trust Agreement and an Amended and Restated Assignment Agreement. Among the new provisions required by the Banks is a "cross-default" clause, whereby a default in any payment of any indebtedness of the County in excess of \$10,000 on outstanding principal in excess of \$10,000,000 is defined as an Event of Default on the 1985 Certificates of Participation.

As security for Desert Facilities long-term debt, the County has granted a security interest in the lease payments from the County to Desert Facilities. In addition, for the 1990 issue, payments are guaranteed by a bank letter of credit. For the 1994 issue, an insured policy has also been obtained which guarantees payment in the event of default.

Debt Service Requirement to Maturity

Enterprise Fund debt, other than CORAL financed debt and Housing bonds, has no stated maturities and, accordingly, debt secured by means other than CORAL and Housing bonds has debt service requirements to maturity that are not known. A summary of the General Long-Term Debt, Housing

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Debt Service Requirement to Maturity (Continued)

bonds, and CORAL secured Internal Service Fund and Enterprise Fund debt service requirements, including interest to maturity, as of June 30, 1996 follows (in thousands):

	<u>Housing Authority</u>	<u>Flood Control</u>	<u>CORAL</u>	<u>Desert Facilities Corporation</u>	<u>Redevelopment Agency</u>
1997	\$ 6,075	4,842	51,836	2,759	2,466
1998	6,243	2,105	49,188	3,366	2,472
1999	6,235	2,134	53,688	3,357	2,416
2000	6,234	2,115	52,048	3,344	2,414
2001	6,269	2,080	49,860	3,335	2,314
Thereafter	<u>109,052</u>	<u>3,753</u>	<u>751,295</u>	<u>70,460</u>	<u>61,327</u>
Totals	140,108	17,029	1,007,915	86,621	73,409
Less interest	(75,088)	(2,688)	(475,975)	(45,791)	(44,556)
Less related discount	<u>(25)</u>		<u>(24,397)</u>		
Bonds payable, net	<u>\$ 64,995</u>	<u>14,341</u>	<u>507,543</u>	<u>40,830</u>	<u>28,853</u>

The following is the schedule of the CORAL debt by fund type and account group on an annual basis (in thousands):

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>General Long Term Debt Account Group</u>	<u>Total</u>
1997	\$ 22,490	101	29,245	51,836
1998	21,341	95	27,752	49,188
1999	23,293	104	30,291	53,688
2000	22,582	101	29,365	52,048
2001	21,632	97	28,131	49,860
Thereafter	<u>325,959</u>	<u>1,457</u>	<u>423,879</u>	<u>751,295</u>
Total	437,297	1,955	568,663	1,007,915
Less interest	(207,162)	(127)	(268,686)	(475,975)
Less related discount	<u>(18,676)</u>	<u>(129)</u>	<u>(5,592)</u>	<u>(24,397)</u>
Bonds payable, net	<u>\$ 211,459</u>	<u>1,699</u>	<u>294,385</u>	<u>507,543</u>

Defeasance of Debt

On November 1, 1993, the County issued \$33,640,000 of CORAL Certificates of Participation (1993 Master Refunding Project). The proceeds from the sale of the 1993 certificates were applied to the refunding and defeasance of \$32,730,000 aggregate principal of leasehold mortgage bonds, leasehold revenue bonds and certificates of participation previously issued. Accordingly, the refunded debt has been eliminated and the advance refunding certificates were included in the financial statements. The amount of the refunded debt outstanding at June 30, 1996 is \$26,140,000.

On January 21, 1993, the County issued \$149,060,000 of CORAL Leasehold Revenue Bonds 1993 Series A and 1993 Series B (County of Riverside Hospital Project). The proceeds from the sale of the 1993 bonds were used to advance refund \$141,160,000 of the 1989 Leasehold Revenue Bonds Series A (1989 Bonds). Accordingly, the refunded bonds have been eliminated and the advance refunding bonds included in the financial statements. The amount of the refunded bonds outstanding at June 30, 1996 was \$141,160,000.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Accrued Compensated Absences

Enterprise Funds and Internal Service Funds reported an estimated liability for accrued compensated absences at June 30, 1996 of \$8,600,000. All accrued compensated absences are treated as long-term liabilities due to a lack of data necessary to determine a differentiation between current and long-term amounts.

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 \$202,925,000 of Mortgage Revenue Bonds have been issued and \$108,265,000 are outstanding as of June 30, 1996. 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 General Long-Term Debt Account Group.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$376,830,000 as of June 30, 1996, to provide financing or improvements benefitting certain property owners. 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.

On September 2, 1996, Community Facilities District 88-8 (CFD) was forced to withdraw all remaining funds from the Reserve Fund to pay debt service of the "A" Street - North Special Tax Bonds (issued May 24, 1990, for \$24,000,000). The Reserve Fund will not be restored until and unless the delinquent parcels are brought current, through foreclosure or otherwise. The County is not obligated and does not expect to advance available funds from the County General Fund to the CFD to make up for deficiencies in special tax installments.

Flood has issued special assessment bonds, totaling \$12,000,000 as of June 30, 1996, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood. In accordance with bond covenants, Flood has established a reserve from bond proceeds for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund. During fiscal year ended June 30, 1996, Flood transferred \$132,000 from the Reserve Fund to the Redemption Fund to cover the anticipated short fall in the payments of the assessment installment. Flood's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(9) Long-Term Obligations (Continued)

Special Assessment Bonds (Continued)

Flood is obligated on \$772,000 of special assessment bonds. Reserve funds established pursuant to the issuance of these bonds amounted to \$189,000 at June 30, 1996 and is included in cash and investments in the Debt Service fund.

(10) Fund Equity

Changes to Beginning Fund Balances and Retained Earnings

Certain fund equities at July 1, 1995 have been restated based on additional information pertaining to one or more prior years' activities presented in aggregate.

Special Revenue Funds beginning fund balances were adjusted as follows:

Trial Courts and Other Special Revenue:

Trial Courts is reported as a separate fund with beginning fund balance of \$947,000 and Other Special Revenue has a corresponding decrease to beginning fund balance.

County Services Areas (CSAs):

The beginning fund balance has been decreased by \$70,000 due to the dissolution of CSAs #24, 74, 75, 88, 102, 129, 131, and 147 and the transfers of funds to the appropriate cities.

Debt Service Fund beginning fund balance was adjusted as follows:

Other Entities

The beginning fund balance of Desert Facilities Corporation has been decreased by \$1,412,000 due to corrections as a result of analysis of revenues and expenditures.

Capital Projects Fund beginning fund balance was adjusted as follows:

Other Entities

The beginning fund balance of Desert Facilities Corporation was increased by \$897,000 due to corrections as a result of analysis of revenues and expenditures.

Enterprise Funds beginning retained earnings were adjusted as follows:

Housing Authority

The beginning retained earnings balance of Housing Authority was decreased by a total of \$1,134,000. Beginning retained earnings increased by \$195,000 due to the relief of the Community Development Block Grant Housing Loan Agreement with the Authority for the El Solano Hotel, the outstanding balance of which was converted from a loan to a grant and decreased by \$1,329,000 for expenses relating to bond interest, which were not accrued in the prior year.

Flood Control

The beginning retained earnings balance of Flood Control was increased by \$598,000 and contributed capital was decreased by a corresponding amount.

Internal Service Fund beginning retained earnings was adjusted as follows:

Flood Control Equipment

The beginning retained earnings balance of Flood Control Equipment was increased by \$823,000 and contributed capital was decreased by a corresponding amount.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(10) Fund Equity (Continued)

Changes to Beginning Fund Balances and Retained Earnings (Continued)

The following represents the changes to beginning fund balances and retained earnings (in thousands):

	July 1, 1995 Fund Balance/Retained Earnings (Accumulated Deficit) <u>Previously Reported</u>	Net Change	July 1, 1995 Fund Balance/Retained Earnings as <u>Restated</u>
Special Revenue Funds:			
Trial Courts	\$	947	947
Other Special Revenue	2,437	(947)	1,490
County Service Areas	10,197	(70)	10,127
Debt Service Fund:			
Other Entities	5,598	(1,412)	4,186
Capital Projects Fund:			
Other Entities	15,962	897	16,859
Enterprise Funds:			
Housing Authority	22,741	(1,134)	21,607
Flood Control	(33)	598	565
Internal Service Fund:			
Flood Control Equipment	2,535	823	3,358

Reserved Fund Balances

The following is a summary of reserved fund balances at June 30, 1996 which are not available for appropriation and expenditure (in thousands):

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Debt Service <u>Funds</u>	Capital Project <u>Funds</u>
Reserved:				
Encumbrances	\$ 9,608	1,397		11,700
Imprest cash	317	250		
Prepaid items	1,831	197		
Advances	2,150	100	6,190	
Loans receivable		332	182	
Deposits	2,470	132		
Inventories	2,109	528		1,454
Debt service			106,152	
Construction				29,719
General	350	58		
Total	<u>\$ 18,835</u>	<u>2,994</u>	<u>112,524</u>	<u>42,873</u>

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."

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(10) Fund Equity (Continued)

Designated Unreserved Fund Balances

The following is a summary of unreserved fund balances at June 30, 1996 which have been designated by the Board for specified purposes (in thousands):

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>
Designated:			
Redevelopment, as a result of a cooperative agreement with the City of Riverside	\$2,875		
PERS rebate distribution, as required, for such items as grant reductions and contract city rebates or rate adjustments	147		
Courts fines and forfeitures maintenance of effort shortfall	781		
Capital projects		68,170	12,932
Total	<u>\$3,803</u>	<u>68,170</u>	<u>12,932</u>

Contributed Capital

Summarized below are the changes in contributed capital (in thousands):

	Balance July 1, <u>1995</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>1996</u>
Enterprise Funds:				
Blythe Marina	\$ 106			106
Riverside General Hospital	11,832	148	490	11,490
Waste Resources District	3,354			3,354
Flood Control	598		598	
Total Enterprise Funds	<u>15,890</u>	<u>148</u>	<u>1,088</u>	<u>14,950</u>
Internal Service Funds:				
Hospital Data Processing	85			85
Transportation Equipment	1,277			1,277
Fleet Services	2,439			2,439
Supply Services	16			16
Flood Control Equipment	1,423		823	600
Total Internal Service Funds	<u>5,240</u>		<u>823</u>	<u>4,417</u>
Total Contributed Capital	<u>\$ 21,130</u>	<u>148</u>	<u>1,911</u>	<u>19,367</u>

(11) Risk Management

The County is self-insured for general liability, medical malpractice, workers' compensation claims, short-term disability income, and unemployment claims. The County records estimated liabilities for such claims filed or estimated to be filed for incidents which have occurred. Estimated liability accruals include those incidents that are reported but for which a dollar amount is unknown as well as an amount for those incidents that occurred but are unreported (i.e., IBNRs) at fiscal year end. The funding of these estimates is based on actuarial experience and projections.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(11) Risk Management (Continued)

The County fully self-insures short term disability and unemployment insurance. The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverages. Group health, dental, vision and life insurance programs are fully insured.

General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are \$10,000,000, subject to self-insured retentions (SIR) of \$1,000,000 per occurrence. Medical malpractice utilizes a policy that provides annual coverage on a claims-incurred basis. Maximum coverage under the policy is limited to \$10,000,000 total claims, subject to SIR of \$1,250,000 for each claim. The maximum limits under the excess workers' compensation, Section A, is statutory (unlimited) and Section B, Employer Liability is \$2,000,000 per claim subject to a \$500,000 SIR for each accident for employee for disease. There have been no reductions in the SIR's, however there has been a reduction in policy coverages from the prior year. The County does occasionally structure settlements when feasible and agreeable to both parties.

The County's property insurance program is fully insured for all risk up to \$200,000,000 limits, earthquake and flood (scheduled locations) up to \$60,000,000 limits, and boiler and machinery up to \$50,000,000, with various deductibles. 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 filed or to be filed for incidents which have occurred through June 30, 1996 are reported in these funds. Where certain funds have an accumulated deficit or insufficient reserves, the County is developing a method to provide increased funding to reduce the deficit and increase the reserves. Revenues of these Internal Service Funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses. Cash available in the Risk Management Internal Service Funds at June 30, 1996 plus revenues to be collected during Fiscal Year 1996-97 are expected to be sufficient to cover all Fiscal Year 1996-97 payments. The carrying amount of unpaid claim liabilities is \$75,203,000. The liability amounts are discounted at 6%.

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

	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Unpaid claims, beginning of year	\$ 86,603	82,229
Decrease in provision for insured events of prior year	(12,200)	(3,295)
Incurred claims	22,049	29,917
Claim payments	<u>(21,249)</u>	<u>(22,248)</u>
Unpaid claims, end of year	<u>\$ 75,203</u>	<u>86,603</u>

(12) Medi-Cal and Medicare Programs

The Hospital provides services to patients covered by various reimbursement programs. The principal programs are the Federal Medicare, the State of California Medi-Cal and Legalized Indigent Medical Assistance (LIMA), and the County Medically Indigent Adult (MIA) and Indigent Adult (IA) programs.

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 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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(12) Medi-Cal and Medicare Programs (Continued)

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 Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital 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. In 1996 the difference amounted to \$3,294,000 increase to net patient service revenue. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the fiscal intermediary through June 30, 1995.

Medi-Cal Disproportionate Share

During 1991, legislation was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals which serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Hospital has recorded net proceeds of \$9,202,000 of disproportionate Medi-Cal reimbursements under this program for the year ended June 30, 1996, which is included in amounts due from third-party payers.

The continuation of government reimbursement programs is contingent upon Federal, State and County government policies.

(13) Budget/Actual Reconciliation

Budgets are not adopted for all funds included in the Debt Service and Capital Projects Fund Types. The differences in the excess of revenues and other financing sources over (under) expenditures and other uses between the Combined Statement of Revenues, Expenditures and Changes in Fund Balance and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual is attributable to this entity difference.

Fund balances (in thousands):

	<u>Debt Service</u>	<u>Capital Projects</u>
Fund balances, June 30, 1996, all funds	\$ 112,524	80,124
Less fund balances, June 30, 1996, unbudgeted funds		
CORAL	(104,948)	(27,334)
Certain Other Entities	<u>(2,756)</u>	<u>(2,357)</u>
Fund balances, June 30, 1996, budgeted funds	<u>\$ 4,820</u>	<u>50,433</u>

(14) Segment Information

The County has four enterprise fund segments which record the activities of the Hospital, Waste, Housing, and animal spay and neuter services, and the operations of the Blythe Marina, CSAs, and Flood.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(14) Segment Information (Continued)

Segment information as of and for the fiscal year end June 30, 1996 is as follows (in thousands):

	Riverside General Hospital	Waste Resources District	Housing Authority	All Other	Total
Operating revenues, net	\$ 135,352	44,889	48,705	1,150	230,096
Operating expenses:					
Depreciation	2,176	2,901	3,861	55	8,993
Other	<u>103,236</u>	<u>32,244</u>	<u>40,627</u>	<u>1,195</u>	<u>177,302</u>
Operating income (loss)	29,940	9,744	4,217	(100)	43,801
Non-operating revenue (expenses)	(1,261)	2,380	(3,906)	(7)	(2,794)
Operating transfers in (out)	<u>(39,900)</u>	<u> </u>	<u> </u>	<u>88</u>	<u>(39,812)</u>
Net income (loss)	<u>\$ (11,221)</u>	<u>12,124</u>	<u>311</u>	<u>(19)</u>	<u>1,195</u>
 Property:					
Additions	54,966	7,405	3,341	251	65,963
Retirements		665	754		1,419
Net working capital	20,224	18,021	(2,993)	40	35,292
Total assets	244,998	107,968	93,682	1,648	448,296
Long-term liabilities	212,028	80,856	67,506	518	360,908
Total fund equity	18,361	23,398	21,918	81	63,758

(15) Jointly Governed Organizations

Under Section 605 of the Government Code, the County has entered into jointly governed organizations with various entities for various purposes. The boards of directors are composed of one representative of each member organization (with one exception). 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. Therefore, none of the following jointly governed organizations are included as component units, either blended or discretely, in these financial statements. The jointly governed organizations in which the County participated at June 30, 1996 are as 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.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(15) Jointly Governed Organizations (Continued)

Habitat Conservation Agency was formed in July 1990 with the cities of Riverside, Perris, Hemet, Lake Elsinore, Moreno Valley, Temecula and Corona for the purpose of planning for, 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 and Orange 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 and 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.

(16) Deferred Compensation Plan

The County, Flood, Waste and Housing have made available to their eligible employees a deferred compensation plan, under the terms of Section 457 of the Internal Revenue Code, whereby employees may elect to defer a portion of their salary to be invested in individual savings accounts, until certain circumstances are met. These circumstances are termination by reason of death, disability, resignation, retirement or an unforeseeable emergency. Employees may contribute up to 25% of their annual compensation, not to exceed \$7,500 in any year, into the deferred compensation plan. Amounts accumulated under the plan have been invested in several investment options at the direction of the employee.

Prior to April 1, 1996, all Flood deferred compensations were placed in the County's Deferred Compensation Plan. Subsequent to April 1, 1996, Flood established a deferred compensation fund in its name. All Flood

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996**

(16) Deferred Compensation Plan (Continued)

employees contributions after April 1, 1996 were deposited in Flood's account and are therefore under the control of Flood, not the County.

Amounts invested in the plans represent general liabilities of the County, Flood, Waste and Housing to their employees whose rights are equal to, but not greater than the rights of the general creditors with respect to such amounts. It is the opinion of legal counsels that the County, Flood, Waste and Housing have no liability for losses under the deferred compensation plan, but do have the duty of due care that would be required of an ordinary prudent investor. Plan assets remain the property of the County, Flood, Waste and Housing until paid or made available to participants, subject to the claims of the general creditors.

As of June 30, 1996, the County's and Flood's deferred compensation plans have accumulated \$109,156,000 and \$345,000, respectively, in assets, including investment earnings payable to its employees.

The Small Business Job Protection Act of 1996 changed the Internal Revenue Code Section 457 (Deferred Compensation) by protecting participant assets from creditors of a bankrupt or financially troubled public jurisdiction. To effect this change the employers must comply with the provisions of this act by January 1, 1999.

(17) Retirement Plan

Plan Description

The County, Flood, Park and Waste contribute to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

Payroll information for the year ended June 30, 1996 is as follows, (in thousands):

	<u>County</u>	<u>Flood</u>	<u>Park</u>	<u>Waste</u>
Total covered payroll for employees participating in PERS	\$ 361,710	7,581	1,430	6,515
Total payroll.	\$ 442,758	7,581	1,747	7,673

All full-time, part-time and seasonal benefited County, Flood, Park, and Waste employees are eligible to participate in PERS. Temporary non-benefited hourly employees do not participate in PERS until they have worked 1,000 hours. Benefits vest after five years of service. County employees who retire at or after age 50, with five years of credited service are entitled to an annual retirement benefit, payable monthly for life. Public safety employees may receive an amount that varies from 2 percent at age 50 to a maximum of 2.7 percent at age 55 of the single highest year's salary for each year of credited service. Non-safety employees may receive an amount that varies from 1.092 percent at age 50 to a maximum of 2.418 percent at age 63 of the single highest year's salary for each year of credited service. PERS also provides death and survivor's benefits. These benefit provisions and all other requirements are established by State statute and County ordinance.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help assess the funding status of PERS on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996**

(17) Retirement Plan (Continued)

Funding Status and Progress (Continued)

make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to PERS.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1995. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5 percent a year compounded annually, (b) projected salary increases of 4.5 percent a year compounded annually, attributable to inflation and no across the board real salary increases, and merit increases that vary by length of service.

The pension benefit obligations at June 30, 1995 were as follows (reflects all plan amendments through June 30, 1996) (in thousands):

	<u>County</u>	<u>Flood</u>	<u>Park</u>	<u>Waste</u>
Pension Benefit Obligation:				
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 381,781	9,276	1,210	3
Current employees:				
Accumulated employee contributions including allocated investment earnings	282,736	8,037	1,310	230
Employer-financed vested	300,577	8,920	728	
Employer-financed non-vested	<u>15,617</u>	<u>94</u>	<u>175</u>	<u>618</u>
Total pension benefit obligation	980,711	26,327	3,423	851
Net assets available for benefits at cost	<u>1,137,034</u>	<u>30,964</u>	<u>4,145</u>	<u>526</u>
Unfunded (overfunded) pension benefit obligation	<u>\$ (156,323)</u>	<u>(4,637)</u>	<u>(722)</u>	<u>325</u>
Changes in pension benefit obligation due to changes in benefit provisions	\$ 39,621	1,647	227	
Net assets available for benefits at market	\$ 1,208,667	32,915	4,406	559

Assets are shown at actuarial value (smoothed market value).

Employee and Employer Contribution Obligations

The County makes the contributions 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 date 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. Miscellaneous prosecution unit member employees hired on or after September 3, 1992, will make their own contributions for the first three years.

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996**

(17) Retirement Plan (Continued)

Employee and Employer Contribution Obligations (Continued)

The rates are set by statute and therefore remain unchanged from year to year. The present rates are:

<u>Category</u>		<u>Member Rates as a Percentage of Wages</u>
Local miscellaneous members		7%
Local safety members with benefits under article:	21362	9%
	21363	9%
	21369	7%
	21366	rates based on entry age

For employees who are covered by Social Security, a rate of 4 2/3% is charged for the first \$400.00 per month. The County is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

Flood, Park and Waste make the contributions required of their employees on their behalf and for their account. The present rate is 7%.

PERS uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost Method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability is as follows (in thousands):

	<u>County</u>	<u>Flood</u>	<u>Park</u>	<u>Waste</u>
Amortization period of the unfunded actuarial liability for:				
Miscellaneous members:				
Prior service benefits ends in the year	2016	2000	2000	2000
Current service benefits ends in the year	2016	2011	2022	2011
Safety members;				
For prior service benefits ends in the year	2000			
For current service benefits ends in the year	2011			

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described. Actuarially

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(17) Retirement Plan (Continued)

Employee and Employer Contribution Obligations (Continued)

determined requirements computed through an actuarial valuation performed as of June 30, 1995 are as follows (in thousands):

	<u>County</u>	<u>Flood</u>	<u>Park</u>	<u>Waste</u>
Gross contribution to PERS for 1996	\$ 56,226	1,000	259	1,030
Credits applied	<u>13,280</u>			
Net contribution	<u>\$ 42,946</u>	<u>1,000</u>	<u>259</u>	<u>1,030</u>
Gross employer contributions	\$ 30,449	525	164	571
Percentage of current covered payroll	8.4%	6.5%	11.5%	8.8%
Consisting of:				
Normal cost	\$ 31,199	491	117	571
Percentage of current covered payroll	8.6%	6.0%	8.2%	8.8%
Amortization of the unfunded actuarial accrued liability	\$ (750)	34	47	
Percentage of current covered payroll	-.2%	.5%	5.3%	
Contribution on behalf of employees	\$ 21,611	475	95	459
Employees contribution on their own behalf	<u>4,166</u>			
Total contributions on behalf of employees	<u>\$ 25,777</u>	<u>475</u>	<u>95</u>	<u>459</u>
Percentage of current covered payroll	7.1%	6.3%	6.6%	7.0%

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Prior to Fiscal Year 1993-94 assets were shown at book value. From Fiscal Year 1993-94 the assets are shown at actuarial value (smoothed market value). For Fiscal Years beginning in 1986-87, PERS began to provide information necessary to comply with actuarial disclosure requirements. Until 10 years of data are available, as many years as are available will be presented.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(17) Retirement Plan (Continued)

Trend Information (Continued)

Within the County's financial statements, nine years of historical trend information are available; 1986-87 is the first year that this actuarial information was made available by PERS. Therefore, the trend information for Fiscal Years 1986-87 through 1994-95 is summarized as follows (in thousands):

	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
Net assets available for benefits (at cost)	\$396,620	458,323	515,193	577,442	639,865	725,693	820,166	1,024,237	1,137,034
Pension benefit obligation (PBO)	\$401,807	443,535	501,869	601,642	663,134	724,469	791,975	828,316	980,711
Net assets available for benefits expressed as a percentage of the PBO	98.7%	103.3%	102.7%	96.0%	96.5%	100.2%	103.6%	123.7%	115.9%
Unfunded (overfunded) pension benefit obligation	\$5,187	(14,788)	(13,324)	24,200	23,269	(1,197)	(28,191)	(195,921)	(156,323)
Annual covered payroll	N/A	\$198,318	223,900	269,980	308,744	319,127	352,112	342,836	358,670
Unfunded (overfunded) PBO expressed as a percent of the annual covered payroll	N/A	(7.5%)	(6.0%)	9.0%	7.5%	(.38%)	(8.0%)	(57%)	(43.6%)
Total employer contribution (percent of covered payroll)	N/A	\$20,879 10.5%	20,719 9.3%	24,046 8.9%	26,450 8.6%	32,402 10.2%	31,459 8.9%	30,165 8.8%	30,049 8.4%

Within Flood's financial statements, nine years of historical trend information are available; 1986-87 is the first year that this actuarial information was made available by PERS. Therefore, the trend information for Fiscal Years 1986-87 through 1994-95 is summarized as follows (in thousands):

	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
Net assets available for benefits (at cost)	\$10,588	12,220	14,174	16,283	18,273	20,493	22,896	28,133	30,964
Pension benefit obligation (PBO)	\$11,141	12,772	14,703	17,227	18,680	20,368	22,544	22,313	26,327
Net assets available for benefits expressed as a percentage of the PBO	95.0%	95.7%	96.4%	94.5%	97.8%	100.6%	101.6%	126.1%	117.6%
Unfunded (overfunded) pension benefit obligation	\$553	552	529	944	407	(125)	(352)	(5,820)	(4,637)
Annual covered payroll	\$4,447	5,154	6,119	7,351	8,220	8,365	8,589	8,308	8,353
Unfunded (overfunded) PBO expressed as a percentage of the annual covered payroll	12.4%	10.7%	8.6%	12.8%	4.9%	(1.5%)	(4.1%)	(70.1%)	(55.5%)
Total employer contribution expressed as a percentage of annual covered payroll	N/A	N/A	N/A	N/A	N/A	6.9%	6.6%	6.5%	6.4%

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(17) Retirement Plan (Continued)

Trend Information (Continued)

Within Park's financial statements, four years of historical trend information are available; 1991-92 is the first year that this actuarial information was made available by PERS. Therefore, the trend information for Fiscal Years 1991-92 through 1994-95 is summarized as follows (in thousands):

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>
Net assets available for benefits (at cost)	\$ 12	1,344	1,808	4,145
Pension benefit obligation (PBO)	\$ 5	2,130	2,549	3,424
Net assets available for benefits expressed as a percentage of the PBO	200.0%	63.1%	70.9%	121.0%
Unfunded (overfunded) pension benefit obligation	\$ (6)	785	740	(721)
Annual covered payroll	N/A	\$ 2,072	1,711	1,761
Unfunded (overfunded) PBO expressed as a percentage of the annual covered payroll	(200%)	37.9%	43.3%	(40.9%)
Total employer contribution expressed as a percentage of annual covered payroll	N/A	15.5%	15.5%	17.5%

Within Waste's financial statements, one year of historical trend information is available; 1994-95 is the first year that this actuarial information was made available by PERS. Therefore, the trend information for Fiscal Years 1994-95 is summarized as follows (in thousands):

	<u>1994-95</u>
Net assets available for benefits (at cost)	\$ 526
Pension benefit obligation (PBO)	\$ 852
Net assets available for benefits expressed as a percentage of the PBO	61.8%
Unfunded pension benefit obligation	\$ 326
Annual covered payroll	\$ 7,451
Unfunded PBO expressed as a percentage of the annual covered payroll	4.4%
Total employer contribution expressed as a percentage of annual covered payroll	8.8%

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(18) Money Purchase Pension Retirement Plan

County of Riverside

The County has established a Money Purchase Plan pursuant to IRC Section 401(a) to provide retirement benefits for employees who are not eligible for social security or PERS benefits.

The Plan is funded through a group annuity contract issued by Nationwide Life Insurance Company. Contributions made to the Plan are deposited with Nationwide, and benefits due under the Plan will be paid by Nationwide. A participant is fully vested in his or her contributions, employer contributions and earnings at the time of transaction.

Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. The County will match 100% of employee contributions.

The following information details plan activity during calendar year 1995 (in thousands):

Total covered payroll	\$ 15,286
Total payroll	\$ 458,756
Contribution requirement and actual contribution:	
Employer	\$ 573
Employee	\$ 573
Contribution requirement and actual contribution as a percentage of current year covered payroll	
Employer	3.75%
Employee	3.75%

Housing Authority

Housing has a defined contribution retirement plan that covers all regular employees. The Money Purchase Pension Retirement Plan, established pursuant to IRC Section 401(a), is a plan in which all regular employees are automatically enrolled upon completing 1040 hours of paid services. Employer contributions amount to 11% of the employee's gross pay. The employer's contribution is comprised of two equal shares: the employer's and the contribution on behalf of the employee. Employees are fully vested after five years of participation. Contributions are invested by the plan trustees (Safeco Life Insurance Companies) in various instruments guaranteeing the participant various rates of return ranging from 6% to 8%. Housing's policy is to fund pension costs accrued. Upon retirement, death or total disability, a participant or his beneficiary is entitled to the balance of his or her account.

The following information details plan activity during the current fiscal year (in thousands):

Total covered payroll	\$ 2,833
Total payroll	\$ 4,160
Contribution requirement and actual contribution:	
Employer	\$ 312
Contribution requirement and actual contribution as a percentage of current year covered payroll	
Employer	11.0%

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(19) Post Employment Benefits

In addition to providing retirement benefits, the County provides certain post employment benefits for retired employees, specifically, certain health insurance premium costs to qualifying retired employees and their eligible dependents or survivors pursuant to an agreement with PERS. Employees with a minimum of 5 years of service and are age 50 at retirement qualify to receive the post employment benefits. Currently, approximately 1,281 retirees meet the eligibility requirements and are covered. PERS is responsible for administering the benefits to the retirees.

The contributions are funded on a pay-as-you-go basis, which is allocated among the operating departments based on the proportionate number of current employees and amounted to approximately \$565,000 for the year ended June 30, 1996.

(20) Effect of New Pronouncements

In November 1994, GASB issued Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," effective for periods beginning after June 15, 1996. This Statement establishes financial reporting standards for defined benefit pension plans and for the notes to the financial statements of defined contribution plans of State and local governmental entities. The County has elected not to early adopt this Statement as of June 30, 1996.

In November 1994, the GASB issued Statement No. 26, "Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans." This Statement establishes financial reporting standards for postemployment healthcare plans administered by State and local governmental defined benefit pension plans. It is effective for periods beginning after June 15, 1996. The County has elected not to early adopt this Statement as of June 30, 1996.

In November 1994, the GASB issued Statement No. 27, "Accounting for Pensions by State and Local Government Employers." This Statement establishes standards for the measurement, recognition and display of pension expenditures/expenses and related liabilities, assets, note disclosures and, if applicable, required supplementary information in the financial reports of State and local governmental employers. It is effective for periods beginning after June 15, 1997. The County has elected not to early adopt this Statement as of June 30, 1996.

In May 1995, the GASB issued Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions." This Statement establishes accounting and financial reporting standards for securities lending transactions in which governmental entities transfer their securities to broker-dealers and other entities for collateral, and simultaneously agree to return the collateral for the same securities in the future. It is effective for periods beginning after December 15, 1995. The County has elected not to early adopt this Statement as of June 30, 1996.

In August 1995, the GASB issued Interpretation No. 2, "Disclosure of Conduit Debt Obligations." This Statement establishes financial reporting standards for conduit debt obligations which are certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a State or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The provisions of this interpretation are effective for periods beginning after December 15, 1995. The County has elected not to early adopt this Statement as of June 30, 1996.

In January 1996, the GASB issued Interpretation No. 3, "Financial Reporting for Reverse Repurchase Agreements," effective for periods beginning after December 15, 1995. This Interpretation provides guidance for reporting reverse repurchase agreement balances and transactions among participating funds in

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(20) Effect of New Pronouncements (Continued)

investment pools and for disclosing whether the maturities of the investments made with the proceeds of the agreements generally match the maturities of the agreements. The County has no investments in reverse repurchase agreements.

In February 1996, the GASB issued Interpretation No. 4, "Accounting and Financial Reporting for Capitalization Contributions to Public Entity Risk Pools," effective for periods beginning after June 15, 1996. This Interpretation provides guidance on the accounting and financial reporting for capitalization contributions to public entity risk pools. The County has elected not to early adopt this Statement as of June 30, 1996.

In February 1996, the GASB issued Statement No. 30, "Risk Financing Omnibus." This Statement amends GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," for public entity risk pools and for entities other than pools. For entities other than pools, this Statement includes specific, incremental claim adjustment expenditures and estimated recoveries (such as salvage and subrogation) in the determination of the liability for unpaid claims. The provisions of this Statement are effective for periods beginning after June 15, 1996. The County has elected not to early adopt this Statement as of June 30, 1996.

(21) Commitments and Contingencies

Lawsuits and Other Claims

The County has been named as a defendant in numerous 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 general purpose financial statements. In the opinion of County Counsel, the ultimate outcome of these claims will not materially affect the operations of the County.

Housing has been named as defendant in legal actions and maintains a contingent liability arising from an IRS ruling as to the taxability of bond issues which Housing is associated with in issuance. At present, Housing is seeking indemnification under provisions of the financing document and has filed an appeal in Superior Court regarding a previous judgment. The estimated future costs of these actions are unknown.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 1995 identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, however, County management does not expect such amounts to be material to the general purpose financial statements.

Commitments

At June 30, 1996, the County was entered in various noncancelable construction contracts with outside contractors through Capital Projects and General Fund financing, of which approximately \$23,811,000 will be payable upon future performance under the contracts.

Construction and Consulting Contracts

Waste enters into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at two landfill sites, El Sobrante and Badlands, in accordance with State and

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

(21) Commitments and Contingencies (Continued)

Construction and Consulting Contracts (Continued)

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 approximate \$23,400,000 which will be capitalized as the costs are incurred.

The Hospital entered into a contract for the design and construction of the replacement of Riverside General Hospital. At June 30, 1996, the Hospital has an obligation to pay approximately \$56,000,000 over the duration of the project, expected to be completed in 1997, to fulfill the terms of the agreement. The funds to fulfill this obligation are provided for by the terms of the 1989 Series A Leasehold Revenue Bonds.

Remediation Contingencies

Waste is presently aware of groundwater contamination at nine of its landfills. Based on engineering studies, estimates the present value of the total costs of corrective action for the nine landfills and costs for foreseeable contaminate releases at eight active landfills to range from approximately \$22,827,000 to \$33,500,000. At June 30, 1996, Waste has accrued \$22,827,000 for the estimated costs related to the nine landfills that are in the evaluation monitoring phase.

Waste has established a remediation restricted cash fund to set aside funds for future remediation costs as they are required to be performed. Investments of \$10,283,000 are held for these purposes at June 30, 1996 and are classified as restricted cash and investments in the general purpose financial statements.

(22) Subsequent Events

Tax and Revenue Anticipation Notes

On July 1, 1996, the County redeemed \$160,000,000 of Tax and Revenue Anticipation Notes which were issued on July 1, 1995. At June 30, 1996 this liability is recorded in the General Fund as Tax Anticipation Notes Payable.

On July 1, 1996, the County issued \$160,000,000 of Tax and Revenue Anticipation Notes, due June 30, 1997. \$60,000,000 of Series A Notes bear an annual interest rate of 4.50%. \$100,000,000 of Series B Notes are Adjustable Tender Notes and may bear interest from time to time at Daily, Weekly or Note Interest Rates. The notes, in accordance with California law, are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to Fiscal Year 1996-97 and legally available for payment thereof. Proceeds from the notes will be used for Fiscal Year 1996-97 General Fund expenditures, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the County.

County of Riverside Asset Leasing Corporation "Teeter" Notes

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 had to obtain the cash for the "buyout" of delinquent secured property taxes and the annual advance of unpaid taxes to all entities which elected to participate in the Teeter Plan. In August 1996 the CORAL refunded all Teeter outstanding notes and provided for the payment of delinquent Fiscal Year 1995-96 taxes to the County through the issuance of \$95,703,000 in Limited Obligation Tax Receivable Notes. These notes were purchased by the County Treasurer as an investment.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1996

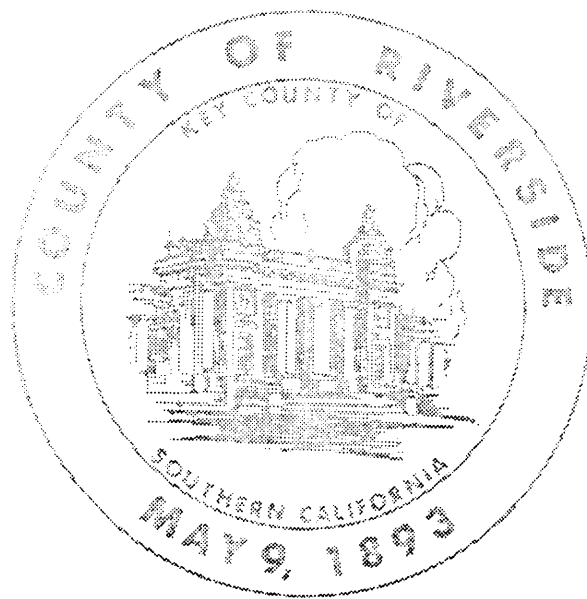
(22) Subsequent Events (Continued)

Proposition 218

On November 5, 1996 California voters approved Proposition 218, "Right to Vote on Taxes Act," which amends the California Constitution and provides voter approval for local tax levies and imposes assessment and property related fee reform. No impact on the County's General Fund is anticipated from implementation of Proposition 218. However, Proposition 218 will ultimately affect 67 CSAs, one Lighting and Landscape Maintenance District, possibly one Mobile Home Rent Mediation fee and one Fire Department Weed Abatement Charge. In June 1997, as many as 45 charges will have to go to ballot. If a charge is rejected by voters, the County will discontinue providing the affected service.

Redemption of Certificates of Participation

On December 1, 1996 CORAL redeemed the 1986 Cross-Over Refunding Certificates of Participation. The County was required to deposit \$4,700,000 for the costs previously incurred to issue and pay interest on the certificates and to pay the required premium for early redemption.



General Fund

The General Fund finances the legally authorized activities of the County of Riverside not provided for in other funds. General Fund revenues are derived from such sources as taxes, licenses, fines, use of money and property, aid from other governmental agencies, charges for services, and other revenue. General Fund expenditures and encumbrances are classified by functions of general government, public protection, health and sanitation, public assistance, education, recreational and cultural services, and debt service. Appropriations are made from the General Fund annually. This Fund will continue to exist indefinitely.

**COUNTY OF RIVERSIDE
COMPARATIVE BALANCE SHEETS - GENERAL FUND
JUNE 30, 1996 and 1995 (In Thousands)**

<u>ASSETS</u>	1996	1995
Taxes receivable	\$ 4,341	4,272
Accounts receivable	9,187	6,846
Interest receivable	1,603	1,270
Prepaid items	1,831	765
Advances to other funds	2,150	2,323
Due from other funds	298,439	89,136
Due from other governments	67,670	55,559
Deposits	2,470	2,470
Inventories	21,139	26,551
TOTAL ASSETS	\$ <u>408,830</u>	<u>189,192</u>
 <u>LIABILITIES AND FUND EQUITY</u>		
<u>LIABILITIES:</u>		
Accounts payable	\$ 6,829	8,213
Salaries and benefits payable	12,061	13,894
Due to other funds	49,427	8,353
Due to other governments	3,089	9,362
Tax anticipation notes payable	160,000	
Deferred revenue	124,963	91,278
Interest payable	7,516	
TOTAL LIABILITIES	<u>363,885</u>	<u>131,100</u>
 <u>FUND BALANCE:</u>		
<u>Reserved:</u>		
Encumbrances	9,608	11,647
Imprest cash	317	375
Prepaid items	1,831	765
Advances	2,150	2,323
Deposits	2,470	
Inventories	2,109	2,259
General	350	350
Total reserved	<u>18,835</u>	<u>17,719</u>
 <u>Unreserved:</u>		
<u>Designated:</u>		
Redevelopment	2,875	2,875
Public safety	781	
PERS credit	147	147
Total designated	<u>3,803</u>	<u>3,022</u>
Undesignated	<u>22,307</u>	<u>37,351</u>
Total unreserved	<u>26,110</u>	<u>40,373</u>
TOTAL FUND BALANCE	<u>44,945</u>	<u>58,092</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>408,830</u>	<u>189,192</u>

COUNTY OF RIVERSIDE
SCHEDULE OF EXPENDITURES AND OPERATING TRANSFERS OUT -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1996 (In Thousands)

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT:			
Salaries and employee benefits	\$ 43,974	43,002	972
Services and supplies	45,401	43,681	1,720
Other charges	6,658	6,473	185
Fixed assets	12,433	3,663	8,770
Operating transfers out	2,325	1,641	684
Intrafund transfers	(34,065)	(33,892)	(173)
Appropriation for contingencies	7,679		7,679
TOTAL GENERAL GOVERNMENT	84,405	64,568	19,837
PUBLIC PROTECTION:			
Salaries and employee benefits	214,306	209,411	4,895
Services and supplies	114,178	108,442	5,736
Other charges	7,739	7,344	395
Fixed assets	2,460	1,718	742
Intrafund transfers	(2,323)	(2,692)	369
TOTAL PUBLIC PROTECTION	336,360	324,223	12,137
HEALTH & SANITATION:			
Salaries and employee benefits	75,186	71,998	3,188
Services and supplies	41,775	39,586	2,189
Other charges	110,012	104,680	5,332
Fixed assets	1,033	336	697
Operating transfers out	32,888	31,964	924
Intrafund transfers	(47,085)	(46,022)	(1,063)
TOTAL HEALTH & SANITATION	213,809	202,542	11,267
PUBLIC ASSISTANCE:			
Salaries and employee benefits	72,466	72,442	24
Services and supplies	26,053	22,767	3,286
Other charges	325,631	433,880	(108,249)
Fixed assets	161	70	91
Intrafund transfers	(72)	(85)	13
TOTAL PUBLIC ASSISTANCE	424,239	529,074	(104,835)
EDUCATION:			
Salaries and employee benefits	94	94	
Services and supplies	196	194	2
TOTAL EDUCATION	290	288	2
RECREATION & CULTURAL SERVICES:			
Salaries and employee benefits	151	151	
Services and supplies	172	169	3
TOTAL RECREATION & CULTURAL SERVICES	323	320	3
CAPITAL OUTLAY		3,580	(3,580)
DEBT SERVICE: Interest	8,000	7,515	485
TOTAL EXPENDITURES	1,067,426	1,132,110	(64,684)
OPERATING TRANSFERS OUT:			
Services and supplies	877	139	738
Other charges	64,468	62,374	2,094
Intrafund transfers	(10,355)	(10,301)	(54)
TOTAL OPERATING TRANSFERS OUT	54,990	52,212	2,778
TOTAL EXPENDITURES AND OPERATING TRANSFERS OUT	\$ 1,122,416	1,184,322	(61,906)



APPENDIX C
AUDITED FINANCIAL STATEMENTS OF THE HOSPITAL

Financial Statements

Riverside General Hospital
University Medical Center

Years ended June 30, 1995 and 1994
with Report of Independent Auditors

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Riverside General Hospital
University Medical Center

Financial Statements

Years ended June 30, 1995 and 1994

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Report of Independent Auditors

Honorable Board of Supervisors
County of Riverside, California

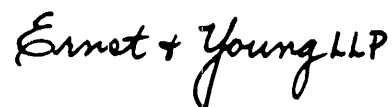
We have audited the accompanying balance sheets of Riverside General Hospital University Medical Center (a component unit of the County of Riverside) as of June 30, 1995 and 1994, and the related statements of revenues and expenses (general fund), changes in net assets, and cash flows (general fund) for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Riverside General Hospital University Medical Center as of June 30, 1995 and 1994, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 7 to the financial statements, in 1995 Riverside General Hospital University Medical Center changed its method of accounting for debt refundings and, accordingly, the accompanying 1994 financial statements have been restated.

October 24, 1995



Riverside General Hospital
University Medical Center

Balance Sheets

	June 30	
	1995	1994
		<i>(Restated)</i>
Assets		
General Fund:		
Current assets:		
Cash and equivalents	\$ 749,000	\$ 21,465,000
Patient accounts receivable, net of estimated uncollectibles of \$19,819,000 in 1995 and \$20,556,000 in 1994	18,300,000	15,759,000
Due from third-party payors	23,187,000	27,918,000
Prepaid expenses and other assets	4,503,000	3,437,000
Total current assets	46,739,000	68,579,000
Assets whose use is limited:		
Under bond trust agreement – held by trustee	143,433,000	170,722,000
Property, plant and equipment, net	66,597,000	39,662,000
Total assets	\$ 256,769,000	\$ 278,963,000
Restricted Fund:		
Cash	\$ 978,000	\$ 343,000

	June 30	
	1995	1994
		<i>(Restated)</i>
Liabilities and net assets		
General Fund:		
Current liabilities:		
Accounts payable	\$ 2,362,000	\$ 2,101,000
Accrued liabilities	8,044,000	9,604,000
Due to other County funds	9,300,000	28,402,000
Current maturities of long-term debt	1,914,000	1,802,000
Total current liabilities	<u>21,620,000</u>	41,909,000
Due to federal government	21,000	291,000
Long-term debt, less current maturities	206,182,000	204,387,000
Total liabilities	<u>227,823,000</u>	246,587,000
Net assets	<u>28,946,000</u>	32,376,000
Total liabilities and net assets	<u><u>\$256,769,000</u></u>	<u><u>\$ 278,963,000</u></u>
Restricted Fund:		
Net assets	<u><u>\$ 978,000</u></u>	<u><u>\$ 343,000</u></u>

See accompanying notes.

Riverside General Hospital
University Medical Center

Statements of Revenues and Expenses

	Year ended June 30	
	1995	1994
		<i>(Restated)</i>
Revenues:		
Net patient service revenues	\$ 107,512,000	\$ 116,851,000
Legalized Indigent Medical Assistance Program revenues	14,368,000	-
Other Medi-Cal disproportionate share revenue	-	10,635,000
Interest income	12,948,000	13,672,000
Other operating revenues	2,758,000	3,392,000
Total revenues	<u>137,586,000</u>	<u>144,550,000</u>
Operating expenses:		
Salaries and benefits	58,249,000	59,696,000
Professional fees	23,388,000	21,509,000
Supplies and services	17,970,000	17,775,000
Interest	15,506,000	16,290,000
Provision for bad debts	16,195,000	16,777,000
Depreciation and amortization	2,948,000	3,520,000
Insurance	3,586,000	3,428,000
Utilities	1,864,000	1,540,000
Other	1,400,000	1,199,000
Total operating expenses	<u>141,106,000</u>	<u>141,734,000</u>
Revenue and gains in excess of expenses and losses (expenses and losses in excess of revenues and gains)	<u>\$ (3,520,000)</u>	<u>\$ 2,816,000</u>

See accompanying notes.

Riverside General Hospital
University Medical Center

Statements of Changes in Net Assets

	Hospital General Net Assets	Hospital Restricted Net Assets
Balance at July 1, 1993, as previously reported	\$ 12,768,000	\$ 106,000
Amortization of loss on defeased bonds	(592,000)	-
Change in accounting for extraordinary loss on defeasance of bonds	17,264,000	-
Balance at July 1, 1993, as restated	29,440,000	106,000
Revenues and gains in excess of expenses and losses	2,816,000	-
Donated capital	-	120,000
Transfer from restricted funds	120,000	(120,000)
Use of Measure A funds	-	(56,000)
Restricted contributions	-	293,000
Balance at June 30, 1994	32,376,000	343,000
Expenses and losses in excess of revenues and gains	(3,520,000)	-
Proceeds from State of California Earthquake Fund	-	500,000
Donated capital	-	90,000
Transfer from restricted funds	90,000	(90,000)
Net proceeds from Measure A funds	-	5,000
Restricted contributions	-	130,000
Balance at June 30, 1995	\$ 28,946,000	\$ 978,000

See accompanying notes.

Riverside General Hospital
University Medical Center

Statements of Cash Flows

	Year ended June 30	
	1995	1994
		<i>(Restated)</i>
Cash flows from operating activities		
Revenues and gains in excess of expenses and losses (expenses and losses in excess of revenue and gains)	\$ (3,520,000)	\$ 2,816,000
Adjustments to reconcile revenues and gains in excess of expenses and losses (expenses and losses in excess of revenues and gains) to net cash provided by (used by) operating activities:		
Depreciation and amortization	2,948,000	3,520,000
Provision for bad debts	16,195,000	16,777,000
Amortization of bond discount and issuance costs	299,000	215,000
Interest income	(12,948,000)	(13,672,000)
Interest expense	15,506,000	16,290,000
Decrease in net amounts due from third-party payors	4,731,000	15,444,000
Increase in patient accounts receivable	(18,736,000)	(15,125,000)
Decrease (increase) in prepaid expenses and other assets	(1,018,000)	1,889,000
Decrease in accounts payable and accrued liabilities	(1,039,000)	(2,540,000)
Decrease in due to other County funds	(19,102,000)	(4,012,000)
Increase (decrease) in due to federal government	(270,000)	42,000
Net cash provided by (used by) operating activities	(16,954,000)	21,644,000
Cash flows from capital and related financing activities		
Repayment of long-term debt	(1,876,000)	(889,000)
Interest paid on long-term debt	(14,583,000)	(15,188,000)
Additions to property, plant and equipment	(116,000)	(74,000)
Net cash used by capital and related financing activities	(16,575,000)	(16,151,000)
Cash flows from investing activities		
Interest and dividends on trustee-held funds	12,900,000	13,724,000
Net decrease in trustee-held funds	(87,000)	(82,000)
Net cash provided by investing activities	12,813,000	13,642,000
Increase (decrease) in cash and equivalents	(20,716,000)	19,135,000
Cash and equivalents at beginning of year	21,465,000	2,330,000
Cash and equivalents at end of year	\$ 749,000	\$ 21,465,000
Supplemental disclosure of cash flow information		
Supplemental schedule of noncash investing and financing activities:		
Capital leases	\$ 2,302,000	\$ 2,570,000
Construction in process financed with trustee-held funds	27,376,000	4,713,000
Transfer from donor restricted fund	90,000	120,000

See accompanying notes.

Riverside General Hospital
University Medical Center

Notes to Financial Statements

June 30, 1995

1. Summary of Significant Accounting Policies

General

Riverside General Hospital University Medical Center (the "Hospital") is operated by the County of Riverside, California (the "County"), and provides short-term acute care for the benefit of the County's residents. The facility is licensed for 345 beds.

The County of Riverside is a legal subdivision of the State of California (the "State") charged with governmental powers. The County's powers are exercised through a Board of Supervisors which, as the governing body of the County, is responsible for the legislative and executive control of the County.

The Hospital is a component unit of the County and is accounted for as an Enterprise Fund. The Hospital does not currently levy taxes to fund operations.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board. The Hospital uses the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized in the period incurred.

Charity Care

Throughout the admission, billing and collection processes, certain patients are identified by the Hospital as qualifying for charity care. The Hospital provides care to these patients without charge or at amounts less than its established rates. The charges foregone for charity care provided by the Hospital are not reported as net patient service revenues. The Hospital accepts all patients regardless of their ability to pay.

Net Patient Service Revenues

Net patient service revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. 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.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

I. Summary of Significant Accounting Policies (continued)

Cash and Equivalents and Assets Whose Use is Limited

The Hospital considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Assets whose use is limited consists of proceeds of borrowings held by a trustee. Cash and equivalents and assets whose use is limited are presented at cost, which approximates market value.

Investment income on trustee-held funds is reported as interest income. Interest income on restricted cash is added to the restricted fund balance.

Concentration of Credit Risk

Receivables from government programs represent the only concentrated group of credit risk for the Hospital and management does not believe that there are any credit risks associated with these governmental agencies. Negotiated and private receivables consist of receivables from various payors, including individuals involved in diverse activities, subject to differing economic conditions, and do not represent any concentrated credit risks to the Hospital. Management continually monitors and adjusts its reserves and allowances associated with these receivables and such allowances have historically been adequate to cover losses realized.

Costs of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Debt financing costs are amortized over the period the obligation is outstanding using the effective interest method. Amortization of financing costs is capitalized during the period of construction of capital assets.

The unamortized loss on advance refunding is amortized using the effective interest method through the year 2014 and is included as a component of interest expense.

Property, Plant and Equipment

Property, plant and equipment is stated at cost, if purchased, or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are generally ten to forty years for buildings and improvements, and five to ten years for equipment. Assets which have been acquired under capital leases are amortized over the life of the lease.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

Medi-Cal Disproportionate Share

During 1991, legislation was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals which serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Hospital has recorded net proceeds of \$12,988,000 and \$43,324,000 of disproportionate Medi-Cal reimbursement under this program for the years ended June 30, 1995 and 1994, which is included in amounts due from third-party payors. Included in the net proceeds of \$43,324,000 for disproportionate Medi-Cal reimbursement are \$10,635,000 in funds related to legislation designed to enhance Medi-Cal disproportionate reimbursement during fiscal year 1994. This form of Medi-Cal disproportionate reimbursement was not received in 1995.

The continuation of government reimbursement programs is contingent upon federal, state and county government policies.

Restricted Contributions

The Hospital maintains a restricted fund for contributions restricted by grantors or donors for specific purposes. Donations restricted by donors for additions to property, plant and equipment are considered as contributions to the permanent capital of the Hospital, and accordingly, are credited directly to the Hospital's restricted fund balance. When the funds are utilized for the purposes intended, they are transferred to the Hospital's general fund net assets balance.

Reclassifications

Certain 1994 amounts have been reclassified in order to conform to the 1995 presentation.

2. Cash and Equivalents and Assets Whose Use is Limited

The Hospital pools all cash with the County for investment purposes in order to maximize interest earnings. Interest on the pooled funds is allocated based on the Hospital's average daily balance. The Hospital's share of the investment activity in the pooled funds managed by the County is not material to the total held by the County. The Hospital's pooled cash is not subject to risk categorization. At June 30, 1995, the market value of the County Treasury pool was \$1,052,964,000. The County Treasury pool portfolio includes certain derivative securities in the form of structured notes, totaling \$105,579,940, the majority of which were Teeter notes issued by a component unit of the County and purchased by the County Treasury pool. The structured notes have cash flow characteristics which are dependent on U.S. Treasury bills and other indicies, and, accordingly, such investments are affected by changes in interest rates.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

2. Cash and Equivalents and Assets Whose Use is Limited (continued)

Under the terms of the trust and other agreements related to the Leasehold Revenue Bonds 1989 Series A (County of Riverside Hospital Project) and Leasehold Revenue Bonds 1993 Series A and 1993 Series B (County of Riverside Hospital Project), the Hospital is required to maintain certain trustee-held funds and to make periodic payments of construction costs, principal and interest, and other restricted uses. All required deposits have been made by the Hospital.

The Hospital's cash and investments, and assets whose use is limited are categorized below to give an indication of the level of risk assumed by the Hospital at June 30, 1995. Category 1 includes investments that are insured or registered or for which the securities are held by the County for the Hospital. Category 2 includes uninsured and unregistered investments for which the securities are held by the County or its agent for the Hospital. Category 3, of which the Hospital has none, includes uninsured and unregistered investments for which the securities are held by the County or its agent but not for the Hospital.

	Category			Carrying Value	Market Value
	1	2	3		
Assets whose use is limited, under bond trust agreement - held by trustee:					
Bank investment contracts	-	\$ 135,512,000	\$ -	\$ 135,512,000	\$ 135,512,000
U.S. government securities	\$ 674,000	-	-	674,000	697,000
	<u>\$ 674,000</u>	<u>\$ 135,512,000</u>	<u>\$ -</u>	<u>136,186,000</u>	<u>136,209,000</u>
Investments not subject to categorization:					
Mutual funds				7,247,000	7,247,000
Total				<u>\$ 143,433,000</u>	<u>\$ 143,456,000</u>

3. Third-Party Reimbursement Agreements

The Hospital provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal and Legalized Indigent Medical Assistance (LIMA), and the County Medically Indigent Adult (MIA) and Indigent Adult (IA) programs.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

3. Third-Party Reimbursement Agreements (continued)

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 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 Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare and Medi-Cal cost reports have been audited by the fiscal intermediary through June 30, 1994 and June 30, 1993, respectively.

Subsequent to June 30, 1995, the Hospital received approximately \$15,368,000 from the LIMA program representing final settlement of cost reports for fiscal years 1990, 1992, and 1993. This amount is included, net of contractual allowances, in due from third-party payors.

4. Charity Care

The Hospital maintains detailed records to identify and monitor the level of charity care it provides to its patients. These records include the amount of unreimbursed costs for services and supplies furnished under its charity care policy.

The following sets forth the level of charity care provided during the years ended June 30:

	1995	1994
Estimated costs and expenses incurred to provide charity care	\$ 36,636,000	\$ 37,909,000
Percentage of costs foregone to total costs	26%	27%

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

5. Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30:

	1995	1994
Land	\$ 50,000	\$ 50,000
Land improvements	208,000	208,000
Buildings and improvements	13,102,000	13,474,000
Equipment	27,019,000	26,433,000
	40,379,000	40,165,000
Less accumulated depreciation and amortization	30,401,000	27,935,000
	9,978,000	12,230,000
New facility project development costs	56,619,000	27,432,000
	\$ 66,597,000	\$ 39,662,000

The Hospital leases a portion of its machinery and equipment under capital leases which expire over the next seven years. Equipment acquired under capital lease obligations at June 30 is as follows:

	1995	1994
Equipment	\$ 14,823,000	\$ 14,357,000
Less accumulated amortization	6,189,000	4,256,000
	8,634,000	10,101,000
Equipment project development costs	3,015,000	1,205,000
	\$ 11,649,000	\$ 11,306,000

6. Due to Federal Government

The interest earned on proceeds from the 1989 Leasehold Revenue Bond issue in excess of permitted amounts is required to be paid to the federal government as a rebate. The amount of excess earnings required to be rebated is approximately \$21,000 and \$291,000 in 1995 and 1994, respectively.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

7. Long-Term Debt

Long-term debt consists of the following at June 30:

	1995	1994
County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A, original amount of \$134,535,000, collateralized by property and equipment, \$53,400,000 Serial Bonds maturing at various dates through 2005, \$81,135,000 term bonds maturing at various dates through June 1, 2012, and 1993 Series B term bonds maturing June 1, 2014, original amount \$14,525,000 collateralized by property and equipment, interest payable semi-annually December 1 and June 1 at rates varying from 5.5% to 6.8%, (net of bond discount and issuance costs of \$2,138,000 in 1995 and \$2,269,000 in 1994 and unamortized advance refunding loss of \$14,306,000 in 1995 and \$15,489,000 in 1994)	\$ 132,616,000	\$ 131,302,000
County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A, original amount of \$200,102,532, collateralized by property and equipment, \$26,645,000 Serial Bonds maturing at various dates through 2001, \$4,197,000 capital appreciation bonds maturing 2002 with a \$10,150,000 value, \$169,260,000 term bonds maturing June 1, 2019, interest payable semi-monthly on December 1 and June 1 at rates varying from 7.0% to 7.45% (partially refunded on January 21, 1993) (net of bond discount and issuance costs of \$2,937,000 in 1995 and \$3,105,000 in 1994)	61,958,000	61,790,000
County of Riverside Asset Leasing Corporation leasehold revenue bonds and certificates of participation – capital lease obligations	13,522,000	13,097,000
	208,096,000	206,189,000
Less current maturities	1,914,000	1,802,000
Long-term portion	\$ 206,182,000	\$ 204,387,000

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

7. Long-Term Debt (continued)

On January 21, 1993, the County issued \$149,060,000 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds 1993 Series A and 1993 Series B (County of Riverside Hospital Project). The proceeds from the sale of the 1993 bonds were used to advance refund \$141,160,000 of the 1989 Leasehold Revenue Bonds Series A (1989 Bonds). The maturities of these investments coincide with the principal and interest payment dates of the refunded bonds and are sufficient to pay all principal and interest on the bonds when due as required by applicable laws. Accordingly, the refunded bonds have been eliminated from the Hospital's financial statements.

The Hospital has elected to retroactively apply the provisions of Governmental Accounting Standards Board Statement 23 (GASB 23), "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities," to account for the advance refunding of the 1989 Bonds as it more appropriately reports the substance of the transaction. Prior to adopting GASB 23, the Hospital recognized the loss related to advance refunding the 1989 Bonds as an extraordinary item in the 1993 Statement of Revenues and Expenses. As a result of adopting GASB 23, the July 1, 1993 general fund net assets and the 1994 financial statements have been restated. Amortization of the loss on advance refunding amounting to approximately \$1,183,000 has been recorded in 1994 and 1995 as a component of interest expense.

Interest costs incurred for the years ended June 30, 1995 and 1994 were approximately \$14,537,000 and \$14,579,000, respectively. Net interest costs capitalized and charged to construction in progress totaled approximately \$1,800,000 in 1995 and \$908,000 in 1994, including reductions for investment income on qualifying funds of approximately \$12,737,000 and \$13,672,000 in 1995 and 1994, respectively. Interest paid was approximately \$14,583,000 in 1995 and \$15,188,000 in 1994. The combined aggregate principal amounts of maturity for long-term debt excluding capital lease obligations, for the five years subsequent to June 30, 1995 are approximately \$6,420,000 in 1999 and \$6,770,000 in 2000.

Riverside General Hospital
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Notes to Financial Statements (continued)

7. Long-Term Debt (continued)

Future minimum annual lease payments under capital lease obligations, leasehold revenue bonds, certificates of participation and the 1989 leasehold revenue bonds together with the present value of the net minimum lease payments at June 30, 1995 are as follows:

Year ending June 30:

1996	\$ 2,981,000
1997	2,714,000
1998	2,488,000
1999	2,142,000
2000	1,852,000
Thereafter	<u>6,573,000</u>
Total minimum lease payments	18,750,000
Less amount representing interest at rates ranging from 5.1% to 7.5%	<u>5,228,000</u>
Present value of net minimum lease payments	13,522,000
Less current portion	<u>1,914,000</u>
Long-term portion of capital lease obligations	<u><u>\$ 11,608,000</u></u>

8. Retirement Benefits

Substantially all Hospital employees participate in the Public Employees' Retirement System (the System) administered by the State of California.

Rates for the County's contributions are set by the State based upon annual experience of County members and on periodic actuarial valuations. The County pays both the employer and employees' share of contributions. Total cost of the plan for Hospital employees only, which is included in the statements of revenues and expenses, is approximately \$4,600,000 and \$4,339,000 in 1995 and 1994, respectively.

Information relating to the actuarial present value of accumulated benefits and net assets available for benefits specific to the Hospital is not currently available from the Public Employees' Retirement System. Additional information concerning the System, including six-year historical trend information, may be found in the County's Comprehensive Annual Financial Report. It is the Hospital's policy to currently fund pension costs incurred as determined by the State.

Riverside General Hospital
University Medical Center

Notes to Financial Statements (continued)

8. Retirement Benefits (continued)

In addition to providing retirement pension benefits, the County provides certain postemployment benefits, specifically health insurance benefits, for retired employees. Employees with a minimum of five years experience qualify to receive the postemployment benefits. Contributions are funded on a pay as you go basis which is allocated among the operating departments, including the Hospital, based on proportionate share of employees. Expenses for the Hospital totaled approximately \$84,000 and \$82,000 in 1995 and 1994, respectively.

9. Insurance

The Hospital is insured for public liability, medical malpractice and disability income claims through an arrangement with the County which is similar to "occurrence basis" insurance coverage. The County is self-insured for these programs and purchases insurance from independent carriers to cover excessive claims (public liability and medical malpractice claims in excess of \$1,000,000 and workers' compensation claims in excess of \$250,000). The Hospital is assessed annually by the County based on an actuarially determined formula which is adjusted based upon the level of funded reserves and past claims experience. In return, the County assumes all risks of loss associated with the insured programs.

10. Commitments and Contingencies

Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Hospital. In the opinion of management and its legal counsel, such claims, if disposed of unfavorably, would not have a material adverse effect on the financial position of the Hospital.

The Hospital entered into a contract for the design and construction of the replacement of Riverside General Hospital. At June 30, 1995, the Hospital has an obligation to pay approximately \$99,000,000 over the duration of the project, expected to be completed in 1997, to fulfill the terms of the agreement. The funds to fulfill this obligation were provided for by the terms of the 1989 Series A Leasehold Revenue Bonds.

**APPENDIX D
FORM OF OPINION OF BOND COUNSEL**

Upon issuance of the 1997A Bonds, O'Melveny & Myers LLP, Bond Counsel, proposes to render its opinion with respect to such Bonds in substantially the following form:

County of Riverside
Asset Leasing Corporation
4080 Lemon Street, 12th Floor
Riverside, California 92501

County of Riverside
4080 Lemon Street, 12th Floor
Riverside, California 92501

Re: County of Riverside Asset Leasing Corporation
Leasehold Revenue Bonds, 1997 Series A
(County of Riverside Hospital Project)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside Asset Leasing Corporation (the "Corporation") in connection with the issuance and sale by the Corporation of lease revenue bonds designated the "County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project)" (the "1997 Bonds") in the aggregate initial amount of \$41,170,072.65.

The Corporation was created pursuant to the Nonprofit Public Benefit Corporation Law (Title 1, Division 2, Part 2 of the Corporations Code of the State of California) on October 27, 1983. The 1997 Bonds are issued by the Corporation on behalf of the County of Riverside, California (the "County"), under the Nonprofit Public Benefit Corporation Law and pursuant to a Supplemental Indenture of Trust No. 4 dated as of February 1, 1997 (the "Supplemental Indenture No. 4"), by and among the Corporation, the County and First Trust of California, National Association, as trustee (the "Trustee"), amending and modifying an Indenture of Trust dated as of July 1, 1989 (as amended and supplemented, the "Indenture"), by and among the Corporation, the County and Security Pacific National Bank, as prior Trustee. Capitalized

terms used herein and not otherwise defined shall have the meanings assigned to them in the Indenture or the Leases (as hereinafter defined).

We have also examined the proceedings taken by the Corporation and the County in connection with the authorization of the execution, delivery and performance of the Lease and Option to Purchase, dated as of July 1, 1989, as amended and modified by Amendment No. 1, dated as of August 1, 1992, Amendment No. 2, dated January 1, 1993 and Amendment No. 3, dated as of February 1, 1997 and the Equipment Lease, dated as of July 1, 1989, as amended and modified by an Amendment No. 1, dated as of February 1, 1997, each by and between the Corporation and the County (collectively, the "Leases").

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Corporation in connection with the issuance of the 1997 Bonds and the sale of said 1997 Bonds to the original purchasers thereof. In this connection, we have also examined such certificates of officers of the Corporation, the County and others as we have considered necessary for the purpose of this opinion.

On the basis of such examination, and in reliance thereon, and of our consideration of such questions of law as we have deemed relevant in the circumstances, we are of the opinion that:

1. The Corporation is a corporation duly organized, existing and in good standing under the laws of the State of California;
2. The Leases have been duly authorized by all necessary corporate action on the part of the Corporation and by all necessary action on the part of the County, have been duly executed by the Corporation and the County and constitute the legally valid and binding obligation of the Corporation and the County, enforceable against the Corporation and the County in accordance with their terms;
3. Supplemental Indenture No. 4 has been duly authorized by all necessary corporate action on the part of the Corporation and by all necessary action on the part of the County, has been duly executed by the Corporation and the County and, assuming such document constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Corporation and the County, enforceable against the Corporation and the County in accordance with its terms;
4. The proceedings for the issuance of the 1997 Bonds have been taken in accordance with the laws and constitution of the State of California, and the 1997 Bonds, having been issued in duly authorized form and executed by the proper officials, and delivered to and paid for by the purchasers, constitute the legally valid and binding obligations of the Corporation, payable solely from the Revenues (as that term is defined in the Indenture) and from certain other funds as provided in the Indenture; and

5. Under existing statutes, regulations, rulings and court decisions, the interest on the 1997 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The original issue discount ("OID"), if any, on the 1997 Bonds properly allocable to a 1997 Bond Owner is treated as interest for Federal income tax purposes to the same extent as interest on the 1997 Bonds.

In addition, we are of the opinion that the 1997 Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, the interest on the 1997 Bonds is not a specified item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following paragraph.

Interest on the 1997 Bonds received by or properly allocated to a corporation will be included in adjusted current earnings for purposes of computing its alternative minimum tax. OID is included in adjusted current earnings as such amounts accrue each year rather than at the time such amounts are actually paid to and received by the Owners of the 1997 Bonds upon the maturity or redemption thereof. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of such 1997 Bonds rather than ratably) and an Owner's adjusted basis in such 1997 Bonds, used to determine the amount of gain or loss on disposition of such 1997 Bonds, will be increased by the amount of such accrued OID.

We are further of the opinion that the interest on the 1997 Bonds is exempt from personal income taxes of the State of California under present state law.

In rendering the opinions expressed in paragraph 5 above, we are relying upon representations and covenants of the Corporation and the County in the Indenture, of the Corporation and the County in the Leases and in the Corporation's and County's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of the 1997 Bond proceeds, the rebate to the federal government of certain earnings thereon and the use of the property financed or refinanced with the proceeds of the 1997 Bonds. In addition, we have assumed that all such representations are true and correct and that the Corporation and the County will comply with their respective covenants. We express no opinion with respect to the exclusion of the interest on the 1997 Bonds from gross income under Sections 103 and 141 through 150 of the Code in the event that any such representations are untrue or the Corporation or the County fails to comply with such covenants. Further, we express no opinion as to the tax exempt status of interest on the 1997A Bonds in the event the Corporation or the County secures an opinion of nationally recognized bond counsel, other than ourselves, that the representations and covenants contained in the Corporation's and County's Tax and Nonarbitrage Certificate may be modified, that any action required thereunder is no longer required or that some further action is required. Except as stated above, we express no opinion as to any Federal tax consequences of the receipt of interest on, or the ownership or disposition of, the 1997 Bonds.

The opinions set forth in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally. The enforceability of the Leases and the Indenture is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. Without limiting the foregoing opinion, we advise you that we have not made or undertake to make any investigation of the state of title or any of the real property or ownership of any personal property described in the Leases, 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 also express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 1997 Bonds or any other offering material related to the 1997 Bonds.

We call attention to the fact the opinions expressed herein and the exclusion of interest on the 1997 Bonds from gross income for Federal income tax purposes may be affected by actions taken or omitted or events occurring or not occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken, omitted, occur or fail to occur.

This letter is delivered to the addressees hereof solely for their benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person without our express permission.

Respectfully submitted,

APPENDIX E

Schedule of Base Rental Payments

Payment Dates	Outstanding Bonds				Total Semi-Annual Debt Service	Total Annual Debt Service
	Series 1989	Series 1993A	Series 1993B*	Series 1997A		
06/01/97	\$2,027,968.75	\$4,176,795.00	\$515,637.50		\$6,720,401.25	\$6,720,401.25
12/01/97	2,027,968.75	4,176,795.00	\$515,637.50		6,720,401.25	
06/01/98	2,027,968.75	4,176,795.00	\$541,056.25		6,745,820.00	\$13,466,221.25
12/01/98	2,027,968.75	4,176,795.00	\$541,056.25		6,745,820.00	
06/01/99	2,027,968.75	10,596,795.00	\$541,056.25		13,165,820.00	\$19,911,640.00
12/01/99	2,027,968.75	4,000,245.00	\$541,056.25		6,569,270.00	
06/01/2000	2,027,968.75	10,770,245.00	\$541,056.25		13,339,270.00	\$19,908,540.00
12/01/2000	2,027,968.75	3,809,838.75	\$541,056.25		6,378,863.75	
06/01/2001	2,027,968.75	10,959,838.75	\$541,056.25		13,528,863.75	\$19,907,727.50
12/01/2001	2,027,968.75	3,604,276.25	\$541,056.25		6,173,301.25	
06/01/2002	2,027,968.75	11,164,276.25	\$541,056.25		13,733,301.25	\$19,906,602.50
12/01/2002	2,027,968.75	3,381,256.25	\$541,056.25		5,950,281.25	
06/01/2003	2,027,968.75	11,391,256.25	\$541,056.25		13,960,281.25	\$19,910,562.50
12/01/2003	2,027,968.75	3,140,956.25	\$541,056.25		5,709,981.25	
06/01/2004	2,027,968.75	11,630,956.25	\$541,056.25		14,199,981.25	\$19,909,962.50
12/01/2004	2,027,968.75	2,886,256.25	\$541,056.25		5,455,281.25	
06/01/2005	2,027,968.75	11,886,256.25	\$541,056.25		14,455,281.25	\$19,910,562.50
12/01/2005	2,027,968.75	2,610,631.25	\$541,056.25		5,179,656.25	
06/01/2006	2,027,968.75	12,160,631.25	\$541,056.25		14,729,656.25	\$19,909,312.50
12/01/2006	2,027,968.75	2,306,225.00	\$541,056.25		4,875,250.00	
06/01/2007	2,027,968.75	12,466,225.00	\$541,056.25		15,035,250.00	\$19,910,500.00
12/01/2007	2,027,968.75	1,982,375.00	\$541,056.25		4,551,400.00	
06/01/2008	2,027,968.75	12,787,375.00	\$541,056.25		15,356,400.00	\$19,907,800.00
12/01/2008	2,027,968.75	1,637,965.63	\$541,056.25		4,206,990.63	
06/01/2009	2,027,968.75	13,132,965.63	\$541,056.25		15,701,990.63	\$19,908,981.25
12/01/2009	2,027,968.75	1,271,562.50	\$541,056.25		3,840,587.50	
06/01/2010	2,027,968.75	13,501,562.50	\$541,056.25		16,070,587.50	\$19,911,175.00
12/01/2010	2,027,968.75	874,087.50	\$541,056.25		3,443,112.50	
06/01/2011	2,027,968.75	13,899,087.50	\$541,056.25		16,468,112.50	\$19,911,225.00
12/01/2011	2,027,968.75	450,775.00	\$541,056.25		3,019,800.00	
06/01/2012	2,027,968.75	14,320,775.00	\$541,056.25		16,889,800.00	\$19,909,600.00
12/01/2012	2,027,968.75		\$541,056.25		2,569,025.00	
06/01/2013	2,027,968.75		\$7,591,056.25	7,575,000.00	17,194,025.00	\$19,763,050.00
12/01/2013	2,027,968.75		\$278,443.75		2,306,412.50	
06/01/2014	2,027,968.75		\$7,753,443.75	7,550,000.00	17,331,412.50	\$19,637,825.00
12/01/2014	2,027,968.75				2,027,968.75	
06/01/2015	13,477,968.75			4,000,000.00	17,477,968.75	\$19,505,937.50
12/01/2015	1,670,156.25				1,670,156.25	
06/01/2016	13,840,156.25			3,995,000.00	17,835,156.25	\$19,505,312.50
12/01/2016	1,289,843.75				1,289,843.75	
06/01/2017	14,219,843.75			4,000,000.00	18,219,843.75	\$19,509,687.50
12/01/2017	885,781.25				885,781.25	
06/01/2018	14,625,781.25			3,995,000.00	18,620,781.25	\$19,506,562.50
12/01/2018	456,406.25				456,406.25	
06/01/2019	15,061,406.25			3,990,000.00	19,051,406.25	\$19,507,812.50
12/01/2019					0.00	
06/01/2020				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2020					0.00	
06/01/2021				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2021					0.00	
06/01/2022				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2022					0.00	
06/01/2023				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2023					0.00	
06/01/2024				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2024					0.00	
06/01/2025				19,505,000.00	19,505,000.00	\$19,505,000.00
12/01/2025					0.00	
06/01/2026				19,505,000.00	19,505,000.00	\$19,505,000.00

* 1993 Series B Bonds assume current rate of 6.75% through December 1, 1997 and 7.0% thereafter.

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APPENDIX F
TABLE OF ACCRETED VALUE OF 1997A BONDS

Date	CABs due 01-Jun-2013	CABs due 01-Jun-2014	CABs due 01-Jun-2015	CABs due 01-Jun-2016	CABs due 01-Jun-2017	CABs due 01-Jun-2018	CABs due 01-Jun-2019	CABs due 01-Jun-2020	CABs due 01-Jun-2021	CABs due 01-Jun-2022	CABs due 01-Jun-2023	CABs due 01-Jun-2024	CABs due 01-Jun-2025	CABs due 01-Jun-2026
20-Feb-97	2,002.55	1,877.25	1,758.10	1,644.90	1,537.55	1,435.75	1,354.00	1,276.90	1,195.70	1,121.75	1,057.35	994.00	936.85	883.80
01-Jun-97	2,034.35	1,907.35	1,786.55	1,671.75	1,562.80	1,459.60	1,376.45	1,298.05	1,215.60	1,140.50	1,075.05	1,010.65	952.55	897.80
01-Dec-97	2,092.35	1,962.20	1,838.35	1,720.65	1,608.90	1,503.00	1,417.40	1,336.70	1,251.95	1,174.75	1,107.30	1,041.05	981.20	924.75
01-Jun-98	2,151.95	2,018.60	1,891.65	1,770.95	1,656.40	1,549.60	1,459.60	1,376.45	1,289.40	1,209.95	1,140.50	1,072.35	1,010.65	952.55
01-Dec-98	2,213.30	2,076.65	1,946.50	1,822.80	1,705.25	1,593.75	1,503.00	1,417.40	1,327.95	1,249.25	1,174.75	1,104.55	1,041.05	981.20
01-Jun-99	2,276.40	2,136.35	2,002.95	1,876.10	1,755.55	1,641.20	1,547.70	1,459.60	1,367.65	1,283.65	1,209.95	1,137.75	1,072.35	1,010.65
01-Dec-99	2,341.25	2,197.75	2,061.05	1,930.95	1,807.35	1,690.00	1,593.75	1,503.00	1,408.55	1,322.15	1,246.25	1,171.95	1,104.55	1,041.05
01-Jun-2000	2,408.00	2,260.95	2,120.80	1,987.45	1,860.65	1,740.30	1,641.20	1,547.70	1,450.65	1,361.85	1,283.65	1,207.15	1,137.75	1,072.35
01-Dec-2000	2,476.60	2,325.95	2,182.30	2,045.60	1,915.55	1,792.05	1,690.00	1,593.75	1,494.05	1,402.70	1,322.15	1,243.45	1,171.95	1,104.55
01-Jun-2001	2,547.20	2,392.80	2,245.60	2,105.40	1,972.05	1,845.35	1,740.30	1,641.20	1,538.70	1,444.75	1,361.85	1,280.80	1,207.15	1,137.75
01-Dec-2001	2,619.80	2,461.60	2,310.75	2,167.00	2,030.25	1,900.25	1,792.05	1,690.00	1,584.75	1,488.10	1,402.70	1,319.30	1,243.45	1,171.95
01-Jun-2002	2,694.45	2,532.40	2,377.75	2,230.40	2,090.15	1,956.80	1,845.35	1,740.30	1,632.10	1,532.75	1,444.75	1,358.95	1,280.80	1,207.15
01-Dec-2002	2,771.25	2,605.20	2,446.70	2,295.65	2,151.80	2,015.00	1,900.25	1,792.05	1,680.90	1,578.75	1,488.10	1,399.75	1,319.30	1,243.45
01-Jun-2003	2,850.25	2,680.10	2,517.65	2,362.80	2,215.25	2,074.95	1,956.80	1,845.35	1,731.20	1,626.10	1,532.75	1,441.85	1,358.95	1,280.80
01-Dec-2003	2,931.45	2,757.15	2,590.65	2,431.90	2,280.60	2,136.70	2,015.00	1,900.25	1,782.95	1,674.90	1,578.75	1,485.15	1,399.75	1,319.30
01-Jun-2004	3,015.00	2,836.40	2,665.80	2,503.00	2,347.90	2,200.25	2,074.95	1,956.80	1,836.25	1,725.15	1,626.10	1,529.80	1,441.85	1,358.95
01-Dec-2004	3,100.95	2,917.95	2,743.10	2,576.25	2,417.15	2,265.70	2,136.70	2,015.00	1,891.15	1,776.90	1,674.90	1,575.75	1,485.15	1,399.75
01-Jun-2005	3,189.30	3,001.85	2,822.65	2,651.60	2,488.45	2,333.15	2,200.25	2,074.95	1,947.70	1,830.20	1,725.15	1,623.10	1,529.80	1,441.85
01-Dec-2005	3,280.20	3,088.15	2,904.50	2,729.15	2,561.90	2,402.55	2,265.70	2,136.70	2,005.95	1,885.10	1,776.90	1,671.90	1,575.75	1,485.15
01-Jun-2006	3,373.70	3,176.95	2,988.75	2,809.00	2,637.45	2,474.00	2,333.15	2,200.25	2,065.90	1,941.65	1,830.20	1,722.10	1,623.10	1,529.80
01-Dec-2006	3,469.85	3,268.30	3,075.40	2,891.15	2,715.25	2,547.60	2,402.55	2,265.70	2,127.70	1,999.90	1,885.10	1,773.90	1,671.90	1,575.75
01-Jun-2007	3,568.75	3,362.25	3,164.60	2,975.70	2,795.35	2,623.40	2,474.00	2,333.15	2,191.30	2,059.90	1,941.65	1,827.20	1,722.10	1,623.10
01-Dec-2007	3,670.45	3,458.90	3,256.40	3,062.75	2,877.85	2,701.45	2,547.60	2,402.55	2,256.85	2,121.70	1,999.90	1,882.10	1,773.90	1,671.90
01-Jun-2008	3,775.05	3,558.35	3,350.80	3,152.35	2,962.75	2,781.85	2,623.40	2,474.00	2,324.30	2,185.35	2,059.90	1,938.65	1,827.20	1,722.10
01-Dec-2008	3,882.65	3,660.65	3,448.00	3,244.55	3,050.15	2,864.60	2,701.45	2,547.60	2,393.80	2,259.90	2,121.70	1,996.90	1,882.10	1,773.90
01-Jun-2009	3,993.30	3,765.90	3,548.00	3,339.45	3,140.10	2,949.80	2,781.85	2,623.40	2,465.40	2,318.45	2,185.35	2,056.90	1,938.65	1,827.20
01-Dec-2009	4,107.10	3,874.15	3,650.90	3,437.15	3,232.75	3,037.55	2,864.60	2,701.45	2,539.10	2,388.00	2,250.90	2,118.70	1,996.90	1,882.10
01-Jun-2010	4,224.15	3,985.55	3,756.75	3,537.65	3,328.10	3,127.95	2,949.80	2,781.85	2,615.00	2,459.65	2,318.45	2,182.40	2,056.90	1,938.65
01-Dec-2010	4,344.55	4,100.15	3,865.70	3,641.15	3,426.30	3,221.00	3,037.55	2,864.60	2,693.20	2,533.45	2,388.00	2,247.95	2,118.70	1,996.90
01-Jun-2011	4,468.40	4,218.00	3,977.80	3,747.65	3,527.35	3,316.80	3,127.95	2,949.80	2,773.75	2,609.45	2,459.65	2,315.50	2,182.40	2,056.90
01-Dec-2011	4,595.75	4,339.30	4,093.15	3,857.25	3,631.45	3,415.50	3,221.00	3,037.55	2,856.65	2,687.70	2,533.45	2,385.10	2,247.95	2,118.70
01-Jun-2012	4,726.70	4,464.05	4,211.85	3,970.10	3,738.55	3,517.10	3,316.80	3,127.95	2,942.10	2,768.35	2,609.45	2,456.80	2,315.50	2,182.40
01-Dec-2012	4,861.40	4,592.40	4,334.00	4,086.20	3,848.85	3,621.75	3,415.50	3,221.00	3,030.05	2,851.40	2,687.70	2,530.60	2,385.10	2,247.95
01-Jun-2013	5,000.00	4,724.40	4,459.70	4,205.75	3,962.40	3,729.50	3,517.10	3,316.80	3,120.65	2,936.95	2,768.35	2,606.65	2,456.80	2,315.50
01-Dec-2013		4,860.25	4,589.05	4,328.75	4,079.25	3,840.45	3,621.75	3,415.50	3,213.95	3,025.05	2,851.40	2,685.00	2,530.60	2,385.10
01-Jun-2014		5,000.00	4,722.10	4,455.35	4,199.60	3,954.70	3,729.50	3,517.10	3,310.05	3,115.80	2,936.95	2,765.65	2,606.65	2,456.80
01-Dec-2014			4,859.05	4,585.70	4,323.50	4,072.35	3,840.45	3,621.75	3,409.05	3,209.30	3,025.05	2,848.80	2,685.00	2,530.60
01-Jun-2015			5,000.00	4,719.85	4,451.05	4,193.50	3,954.70	3,729.50	3,510.95	3,305.55	3,115.80	2,934.40	2,765.65	2,606.65
01-Dec-2015				4,857.90	4,582.35	4,318.25	4,072.35	3,840.45	3,615.95	3,404.75	3,209.30	3,022.55	2,848.80	2,685.00
01-Jun-2016				5,000.00	4,717.55	4,446.75	4,193.50	3,954.70	3,724.05	3,506.85	3,305.55	3,113.40	2,934.40	2,765.65
01-Dec-2016					4,856.70	4,579.00	4,318.25	4,072.35	3,835.50	3,612.10	3,404.75	3,206.95	3,022.55	2,848.80
01-Jun-2017					5,000.00	4,715.25	4,446.75	4,193.50	3,950.10	3,720.45	3,506.85	3,303.30	3,113.40	2,934.40
01-Dec-2017						4,855.50	4,579.00	4,318.25	4,068.20	3,832.05	3,612.10	3,402.60	3,206.95	3,022.55
01-Jun-2018						5,000.00	4,715.25	4,446.75	4,189.85	3,947.00	3,720.45	3,504.85	3,303.30	3,113.40
01-Dec-2018							4,835.50	4,579.00	4,187.40	3,947.00	3,720.45	3,504.85	3,303.30	3,113.40
01-Jun-2019							5,000.00	4,715.25	4,444.15	4,187.40	3,947.00	3,718.65	3,504.85	3,303.30
01-Dec-2019								4,855.50	4,444.15	4,187.40	3,947.00	3,718.65	3,504.85	3,303.30
01-Jun-2020								5,000.00	4,713.85	4,442.40	4,187.40	3,945.50	3,718.65	3,504.85
01-Dec-2020									4,854.80	4,442.40	4,187.40	3,945.50	3,718.65	3,504.85
01-Jun-2021									5,000.00	4,712.95	4,442.40	4,186.20	3,945.50	3,718.65
01-Dec-2021										4,854.35	4,442.40	4,186.20	3,945.50	3,718.65
01-Jun-2022										5,000.00	4,712.95	4,441.55	4,186.20	3,945.50
01-Dec-2022											4,854.35	4,441.55	4,186.20	3,945.50
01-Jun-2023											5,000.00	4,712.50	4,441.55	4,186.20
01-Dec-2023												4,854.10	4,441.55	4,186.20
01-Jun-2024												5,000.00	4,712.50	4,441.55
01-Dec-2024													4,854.10	4,441.55
01-Jun-2025													5,000.00	4,712.50
01-Dec-2025														4,854.10
01-Jun-2026														5,000.00

APPENDIX G
SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the primary legal documents pertaining to the 1997A Bonds. Reference is made to said documents for the complete text thereof. Copies of said documents may be obtained from the Trustee.

Definitions of Certain Terms

"1997 Acquisition and Construction Account" shall mean the 1997 Acquisition and Construction Account established in Section 5.01 of Supplemental Indenture No. 4.

"1997 Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project).

"1997 Closing Date" shall mean February 20, 1997.

"1997 Costs of Issuance Account" shall mean the 1997 Costs of Issuance Account established in Section 5.02 of Supplemental Indenture No. 4.

"1997 Earnings Account" shall mean the 1997 Earnings Account established in Section 5.03 of Supplemental Indenture No. 4.

"1997 Excess Earnings Account" shall mean the 1997 Excess Earnings Account established in Section 5.04 of Supplemental Indenture No. 4.

"1997 Insurer" shall mean MBIA Insurance Corporation.

"Acquisition and Construction Fund" shall mean the Acquisition and Construction Fund established in the Indenture.

"Additional Bonds" shall mean Bonds, other than the 1989 Bonds, the 1993 Bonds and the 1997 Bonds, including, but not limited to Refunding Bonds and Taxable Bonds, executed and delivered pursuant to the Indenture.

"Additional Leases" shall have the meaning given to such term in the Indenture.

"Additional Rental" shall mean the amounts specified as such pursuant to the Leases.

"Administrative Expense Fund" shall mean the Administrative Expense Fund established in the Indenture.

"Auditor" shall mean the Auditor of the County and any of such Auditor's authorized deputies or assistants.

"Authorized Denomination" shall mean \$5,000 or any integral multiple thereof or, with respect to Capital Appreciation Bonds, a denomination such that the Final Compounded Amount on each such

Capital Appreciation Bond will be \$5,000 or any integral multiple thereof; or with respect to Bonds bearing interest at a Weekly Rate or Daily Rate, \$100,000 or any integral multiple thereof.

"Authorized Officer" shall mean the Chairman of the Board and/or Vice Chairman of the Corporation and/or any officer or employee of the Corporation or the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation or by the Board of Supervisors of the County, respectively. For purposes of the investment of funds under the Indenture, "Authorized Officer" also shall include the Treasurer of the County and the Treasurer's deputies.

"Base Rental" shall mean, except as otherwise specified in the Indenture, the amounts specified as such pursuant to the Leases.

"Bond Counsel" shall mean an attorney or firm of attorneys of recognized national standing and favorable reputation in the field of law relating to municipal finance, selected by the Corporation or by the County on behalf of the Corporation.

"Bond Owner" or "Owner of Bonds" or "Owner" shall mean any person who shall be the registered owner of any Bond or Bonds as shown on the registration books kept by the Bond Registrar for such purpose.

"Bond Year" shall mean the period commencing on July 1, 1989 and ending on May 31, 1990, both inclusive, and each succeeding twelve-month period thereafter.

"Business Day" shall mean a day which is not a Saturday or Sunday or a day on which banking institutions located in California are required or authorized to remain closed for commercial bank purposes.

"Capital Appreciation Bonds" shall mean Bonds, the amount equal to interest on which accrues and is payable only at maturity or upon prior redemption.

"Certificate of Completion" shall mean the notice filed with the Trustee by an Authorized Officer of the County stating that the Project has been substantially completed, but reserving rights of the County against third parties.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Construction Escrow Break Date" shall mean the first date on which the Trustee withdraws funds from the Acquisition and Construction Account to pay for the Cost of the Project (other than for the purchase price of the Property, Property preparation costs, architectural fees relating to the Project and for costs of issuance relating to the Bonds) all in accordance with Section 503(c) of the Indenture.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate executed and delivered by the Corporation concerning the Corporation's covenant to file or to cause to be filed certain annual financial information and operating data with each nationally recognized municipal securities information repository and the state information depository in California, if one is established,

and to file or cause to be filed notice of certain events, if material, with the Municipal Securities Rulemaking Board.

"Corporation" shall mean the County of Riverside Asset Leasing Corporation and its successors and assigns. Any action required or permitted to be taken by the Corporation under the Indenture or under any of the documents related thereto may be taken by an Authorized Officer.

"Cost of the Project" shall mean the cost of the acquisition, construction, equipping, development and financing of the Project, and shall include, without limitation, the cost of any engineering, architectural services, plans, specifications and surveys and estimates of costs; the cost of the Property or reimbursement of the costs of the County in connection with the acquisition of the Property; the cost of any taxes or assessments paid or to be paid in connection with the transfer of any property related to the Project; the cost of any indemnity or surety bonds or other insurance with respect to the acquisition, construction, development, installation or financing of the Project; fees and expenses incurred in connection with the preparation, issuance and delivery of the Bonds; the costs or reimbursement of the costs of the Corporation or the County incurred in connection with the issuance of the Bonds, including without limitation expenses relating to registering or qualifying the Bonds for distribution in any jurisdiction of the United States, discounts, commissions, financing charges and fees and expenses of underwriters, attorneys, accountants, advisors and consultants, the cost of audits and any Credit Facility and any qualifications of the Indenture under the Trust Indenture Act of 1939; the cost of title insurance; fees and expenses of the Trustee in connection with the preparation, issuance and delivery of the Bonds; the administrative expenses of the Corporation and the County attributable to the Project and incurred in connection with the issuance of the Bonds, including without limitation compensation of officers, directors, employees, agents, attorneys, accountants and consultants of the Corporation and any fees and expenses of the Trustee; and such other costs, whether or not specified in the Indenture, as may be necessary or incidental to the acquisition, construction, equipping, development or financing of the Project and the placing of the same in operation, and such other costs and expenses for changes, alterations and additions to the Project requested by the County and authorized by the Board of Directors or an Authorized Officer.

"County" shall mean the County of Riverside, California and its successors and assigns.

"Credit Facility" shall mean a letter of credit, line of credit, surety bond or insurance policy or similar facility.

"Debt Service" for any period shall mean, with respect to the Bonds, an amount equal to the sum of (i) interest accruing during such period on the Bonds, and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment was deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment, or from July 1, 1989 whichever date is later). Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Fund" shall mean the Debt Service Fund established in the Indenture.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the Indenture.

"Debt Service Reserve Requirement" shall mean the lesser of (i) the maximum amount of principal and interest (and Accreted Value, in the case of Capital Appreciation Bonds) payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds or (ii) ten percent (10%) of the sum of the principal amount of the Bonds (other than Capital Appreciation Bonds), less original issue discount, if any, plus the aggregate Initial Amount of the Capital Appreciation Bonds, provided that solely for purposes of this calculation, the interest rate with respect to the 1993B Bonds shall be the Long Rate payable with respect to such 1993B Bonds during the initial Long Mode.

"DTC" shall mean The Depository Trust Company and its successors and assigns.

"Delivery Office" shall mean, with respect to the Tender Agent, such address as determined in the applicable Tender Agent Agreement, or such other address as may be designated by the Tender Agent to the Trustee, and County, the Bank and the Remarketing Agent.

"Equipment Lease" shall mean that certain Equipment Lease, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Equipment Project to the County, as from time to time amended or supplemented.

"Equipment Project" shall mean the new equipment to be acquired, delivered and installed as more particularly described in the Equipment Lease.

"Event of Default" shall have the meaning given to such term in the Indenture.

"Excess Earnings Fund" shall mean the Excess Earnings Fund established in Section 507 of the Indenture.

"Facilities Lease" shall mean that certain Lease and Option to Purchase, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Facilities Project to the County, as from time to time amended or supplemented.

"Facilities Project" shall mean, collectively, the Property and the acquisition and construction of the improvements thereon and equipment (other than the equipment acquired and installed pursuant to the Equipment Lease) to be acquired and installed on the Property with the proceeds of the Bonds.

"Final Compounded Amount" shall mean the Accreted Value of a Capital Appreciation Bond on its maturity date.

"Fiscal Year" shall mean the twelve-month period commencing on July 1 of each year and ending on the following June 30.

"Fund" or "Funds" shall mean, as the case may be, each or all or any one of the funds and accounts established in or pursuant to the Indenture.

"Indenture" shall mean the Indenture of Trust, dated as of July 1, 1989, among the Corporation, the County and the Trustee, and as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

"Initial Amount" shall mean the Accreted Value of a Capital Appreciation Bond on the Closing Date, determined by reference to the Accreted Value Table.

"Interest Payment Date" shall mean each June 1 and December 1, or (i) with respect to Bank 1993B Bonds or Bonds bearing interest at a Weekly Rate or Daily Rate, the first Business Day of each month, so long as Bonds remain Outstanding under the Indenture.

"Leases" shall mean, collectively, the Facilities Lease and the Equipment Lease, together with any amendments or supplements thereto.

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

"Nominee" shall mean the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant to the Indenture.

"Nonarbitrage Certificate" or "Nonarbitrage Certificates" shall mean the 1989 Nonarbitrage Certificate, as it may be amended from time to time, and any other Tax and Nonarbitrage Certificates entered into by the County and the Corporation.

"Officers' Certificate" or "Certificate of the Corporation," when used with respect to the Corporation, shall mean a certificate signed by the Chairman of the Board or any Vice Chairman and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation.

"Opinion of Bond Counsel" shall mean an opinion signed by Bond Counsel.

"Outstanding," when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being executed and delivered under the Indenture except:

- (i) Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or, in the case of Capital Appreciation Bonds, the Final Compounded Amount or Accreted Value, as the case may be, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in the Indenture or as in any Supplemental Indenture provided;

- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to the Indenture;
- (iv) Bonds owned by the Corporation or the County; and
- (v) Bonds deemed to have been paid as provided in the Indenture.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as securities depository.

"Principal Installment" shall mean, so long as any Bonds are Outstanding, (i) the principal amount and Final Compounded Amount of Bonds due on any future Interest Payment Date for which no Sinking Account Installments have been established, or (ii) the unsatisfied balance of any Sinking Account Installments due on any future Interest Payment Date for Bonds, plus the amount of the sinking account redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Account Installments, or (iii) if any future dates coincide as to different Bonds, the sum of such principal amount and Final Compounded Amount of Bonds and of such unsatisfied balance of Sinking Account Installments due on such date plus applicable redemption premiums, if any.

"Principal Office of the Trustee" shall mean the principal corporate trust office of the Trustee located in Los Angeles, California.

"Project" shall mean, collectively, the Facilities Project and the Equipment Project.

"Property" shall mean the real property described in Exhibit A to the Facilities Lease.

"Record Date" shall mean the fifteenth day of each May and November so long as Bonds remain Outstanding hereunder, excepting that Record Date shall mean with respect to any 1993B Bonds bearing interest at (i) a Weekly Rate, the close of business on the third Business Day immediately preceding any Interest Payment Date, (ii) a Daily Rate, the close of business on the Business Day immediately preceding any Interest Payment Date, and (iii) a Long Rate or a Fixed Rate, the close of business on the fifteenth day of the month immediately preceding any Interest Payment Date.

"Redemption Price" shall mean, with respect to any Bond other than a Capital Appreciation Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture and, with respect to a Capital Appreciation Bond, the Accreted Value of such Bond as of the date such Bond is to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

"Refunding Bonds" shall mean all Bonds, whether issued in one or more series, executed and delivered on original issuance pursuant to the Indenture, and any Bonds thereafter executed and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Revenue Fund" shall mean the Revenue Fund established in the Indenture.

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

"S&P" shall mean Standard & Poor's Ratings Service, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

"Securities Depository" shall mean the securities depositories acting as such under the Indenture, and may be the Corporation.

"Supplemental Indenture No. 4" shall mean the Supplemental Indenture of Trust No. 4, modifying and amending the Indenture.

"Sinking Account Installment" shall mean an amount so designated which is established pursuant to the Indenture.

"State" shall mean the State of California.

"State Bond Proceeds Account" shall mean that certain account established pursuant to the Indenture.

"Supplemental Indenture" shall mean any indenture supplemental to or amendatory of the Indenture, adopted by the Corporation in accordance with the Indenture.

"Taxable Bonds" shall mean Bonds the interest on which no opinion of Bond Counsel has been rendered as to its exclusion from gross income for federal income tax purposes.

"Total Maturity Amount" shall mean, with respect to any Outstanding Capital Appreciation Bond, the Final Compounded Amount thereof and with respect to any other Bond, the principal amount thereof.

"Trustee" shall mean First Trust of California, National Association, as successor to Security Pacific National Bank, its successor or successors and any other corporation or Co-Trustee which may at any time be substituted in its place or designated as such pursuant to the Indenture.

"Written Requisition," "Written Consent," "Written Certificate," "Written Order" and "Written Request" shall mean, respectively, a written requisition, consent, certificate, order or request signed, as

the case may be, by or on behalf of the Corporation by its Chairman or its Vice Chairman or its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary or by any person (whether or not an officer of the Corporation) or signed by or on behalf of the County by the Treasurer or the Treasurer's deputies or the Chief Executive Officer or by any other person who is specifically authorized by resolution of the Board of Directors or the County Board of Supervisors, respectively, to sign or execute such a document on its behalf, or by any other Authorized Officer.

The Facilities Lease

The Corporation will lease the Facilities Project to the County pursuant to the Facilities Lease. Under the Facilities Lease, the County will make Base Rental payments for the use and occupancy of the Facilities Project in amounts set forth in a schedule contained in the Facilities Lease. Base Rental payments will be used to pay amounts equal to the principal of and interest on the Outstanding Bonds, including but not limited to the 1997 Bonds, relating to the Facilities Project; provided that, until (i) the Construction Escrow Break Date Base Rental with respect to the Facilities Project will be payable solely from amounts on deposit from time to time in the Interest Account (other than amounts on deposit in the Capitalized Interest Subaccount) of the Debt Service Fund and the Debt Service Reserve Fund held under the Indenture, and (ii) the Certificate of Completion has been filed with the Trustee but after the Construction Escrow Break Date, Base Rental with respect to the Facilities Project will be payable solely from amounts on deposit in the Capitalized Interest Subaccount and the Debt Service Reserve Fund and from such other lawfully available funds, if any, as may be applied for such purpose; provided further, that on and after the date on which the Property is acquired, Base Rental with respect thereto will be payable by the County. The County also promises to pay Additional Rental with respect to the Facilities Project, which includes taxes and assessments levied upon the Facilities Project, insurance premiums and, to the extent not paid out of the proceeds of the sale of the Bonds, the fees and expenses of the Trustee in connection with the Indenture, and any other fees, costs or expenses incurred by the Corporation or Trustee under the Facilities Lease or under any assignment thereof or under any other transaction relating to the Project. The Facilities Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Facilities Project.

Upon payment by the County of all Base Rental and Additional Rental payments required by the Facilities Lease, or exercise of the County's option to purchase the Facilities Project, the Facilities Lease will terminate and all right, title and interest in the Facilities Project will vest in the County or its assignee without further action by the Corporation or the Trustee.

Under the Facilities Lease, the Corporation agrees to cause the Facilities Project to be constructed, acquired, delivered, equipped and installed in accordance with the construction contract approved by the Board of Supervisors of the County on or before the later of (i) the third anniversary of the Construction Escrow Break Date or (ii) the period for which Capitalized Interest is funded. Payment of the costs of constructing, acquiring, delivering, equipping and installing the Facilities Project will be made from money deposited in the Acquisition and Construction Account within the Acquisition and Construction Fund, which amounts will be disbursed for this purpose subject to certain conditions set forth in the Indenture. The Corporation agrees that any unexpended money remaining in the Acquisition and Construction Account within the Acquisition and Construction Fund will, upon payment in full of all costs of constructing, acquiring, delivering, equipping and installing the Facilities Project, be applied solely in accordance with the provisions of the Indenture. The Corporation agrees that the

Facilities Project will be completed in accordance with the Facilities Lease and any applicable requirements of governmental authorities and law.

The County and the Corporation may determine to increase the Base Rental payable under the Facilities Lease in the event that the Base Rental payable under the Equipment Lease is insufficient to pay debt service on the Bonds relating to the Equipment Project in such year if (i) the County determines that such increase in Base Rental for the Facilities Project in such year does not exceed the fair rental value of the Facilities Project in such year, and (ii) the County and the Corporation amend the Base Rental schedule for the Facilities Lease.

Maintenance of the Facilities Project. The Facilities Lease provides that the County, at its own expense, will maintain the Facilities Project in good order, condition and repair and provide all security service, custodial service and other services necessary for the proper upkeep and maintenance of the Facilities Project.

Insurance. Pursuant to the Facilities Lease, the County will maintain, with insurers of recognized responsibility or through a program of self insurance to the extent specifically permitted in the Facilities Lease (i) a policy or policies of insurance against loss or damage to the Facilities Project known as "all-risk" property insurance, including flood and earthquake coverage, in an amount which together with all risk insurance with respect to the Equipment Project is not less than the aggregate principal amount and the aggregate Accreted Value of Bonds at such time outstanding, with a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of \$1,000,000 for all losses in any year) including coverage, from and after substantial completion of the Facilities Project, for loss or damage caused by explosion of steam boilers, pressure vessels and similar apparatus (which coverage will be in an amount not less than \$2,000,000 per accident); (ii) from and after substantial completion of the Facilities Project, rental interruption insurance covering total or partial loss of the use of the Facilities Project as a result of any of the hazards covered by the insurance required pursuant to clause (i) above, in an amount sufficient at all times to pay the total rent payable under the Facilities Lease with respect to the Facilities Project for a period adequate to cover the period of repair or reconstruction (the amount payable thereunder to be equal to not less than two years' maximum Base Rental for the Facilities Project); (iii) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Facilities Project with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk manager or an independent-insurance consultant retained by the County for that purpose; and (iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Facilities Project and to cover full liability for compensation under any such act aforesaid. The County's obligations under clauses (i), (iii) and (iv) above may be satisfied by self-insurance; provided, however, that any such self-insurance shall be approved by the 1997 Insurer; and provided, further, that with respect to earthquake insurance, the County may self-insure only in the event the County has submitted to S&P, and S&P has approved, a natural hazard survey with respect to the Facilities Project.

Each policy of insurance required by the Facilities Lease, with the exception of workers' compensation insurance, will provide that such policy will not be cancelled or materially changed without at least thirty days' prior written notice to the Trustee and the Corporation. All policies or certificates of insurance provided for in the Facilities Lease (other than insurance for general liability and workers compensation) will name the County as named insured, and will name the Corporation and its directors and the Trustee as additional named insureds.

Notwithstanding the foregoing, the County is not required to maintain or cause to be maintained more insurance than referred to above. In addition, with respect to the insurance required for all-risk, general liability and boiler and machinery coverage, the County shall not be required to maintain or cause to be maintained any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such insurance policies at a reasonable cost on the open market, the County shall self-insure to the extent permitted under the Facilities Lease.

Eminent Domain. If the Facilities Project, or so much thereof as to render the remainder of the Facilities Project unusable for the County's purposes under the Facilities Lease, is taken under the power of eminent domain, then the Facilities Lease will terminate as of the day possession is so taken or, if the County is the condemnor, as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental payments in accordance with the provisions of the Facilities Lease. If less than a substantial portion of the Facilities Project is taken under the power of eminent domain and the remainder is usable for County purposes, then there will be an abatement of Base Rental payments only to the extent of the unusable portion of the Facilities Project and the Facilities Lease will continue in full force and effect. If the County elects, pursuant to the Indenture, to apply an award in eminent domain proceedings to repair or replace such portion of the Facilities Project, Base Rental payments will again begin to accrue upon restoration of the Facilities Project to tenantable condition.

Assignment of Facilities Lease. The Facilities Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law or otherwise; provided, however, that the County may sublease all or any portion of the Facilities Project with the consent of the 1997 Insurer, may grant concessions to others involving the use of any portion of the Facilities Project and may assign its right to purchase the Facilities Project (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease notwithstanding any subletting or granting of concessions which may be made.

Additions and Improvements. The County has the right during the term of the Facilities Lease to make any additions or improvements to the Facilities Project, to attach fixtures, structures or signs and to affix any personal property to the Facilities Project so long as the fair rental value of the Facilities Project is not thereby reduced. Title to all fixtures, equipment (other than Equipment) or personal property placed by the County on the Facilities Project will remain in the County.

Rental Abatement. Except to the extent of (i) amounts held in the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments with respect to the Bonds, rental payments due under the Facilities Lease with respect to the Facilities Project or portion thereof will

be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Facilities Project, there is substantial interference with the use and right of possession by the County of the Facilities Project or portion thereof such that the remaining rental represents fair consideration for the use and possession of the usable portion of the Facilities Project. Such abatement will end with the restoration of the Facilities Project to tenantable condition.

Events of Default and Remedies. Events of default under the Facilities Lease include (1) failure of the County to deposit with the Trustee any Base Rental payment or pay any Additional Rental payment by the due date thereof, or (2) the County vacating or abandoning the Facilities Project, (3) breach by the County of any other terms, covenants or conditions contained in the Facilities Lease or in the Indenture and failure to remedy such breach within 30 days after written notice thereof is given to the County by the Corporation, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, or any assignee of the rights of the Corporation under the Facilities Lease, has the right, at its option, without any further demand or notice, (1) to terminate the Facilities Lease or, with the consent of the County which consent shall not be unreasonably withheld, to keep the Facilities Lease in full force and effect and, in either event, to re-enter the Facilities Project and eject all parties in possession therefrom and re-let or sell the Facilities Project as the agent and for the account of the County upon such terms and conditions as the Corporation may deem advisable, in which event the rents received on such re-letting or sale will be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Facilities Project to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commissions actually paid, and second to the Revenue Fund for the payment of Base Rental in accordance with the Facilities Lease and the Indenture, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then, if the Facilities Lease has not been terminated, the County will pay to the Corporation any net deficiency existing on the date when Base Rental or Additional Rental payments are due; or (2) in lieu of the above, so long as the Corporation or its assignee does not terminate the County's right to possession, the Facilities Lease will continue in effect and the Corporation or its assignee will have the right to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rental payments as they become due under the Facilities Lease pursuant to Section 1951.4 of the California Civil Code. The Corporation or its assignee also has such other remedies as are legally available. In no event does the Corporation or any assignee have the right to accelerate the payment of any Base Rental under the Facilities Lease.

Option to Purchase. The County has the right and option under the Facilities Lease to purchase the Facilities Project in whole or in part on any Business Day upon payment of the option price thereof so long as no event of default has occurred under the Facilities Lease or the Indenture. The option price for the purchase of the Facilities Project in whole will be determined by reference to a schedule contained in the Facilities Lease. The County may exercise its option by giving notice thereof to the Trustee not later than fifteen days prior to the Business Day on which it desires to purchase the Facilities Project. The option price for the purchase of any portion of the Facilities Project will be an amount sufficient to pay or redeem the principal and premium, if any, and accrued interest with respect to the Outstanding Bonds relating to such portion of the Facilities Project on the date of purchase, plus the amount of interest to accrue with respect to the Outstanding Bonds until the next succeeding Interest Payment Date and the Accreted Value of the Capital Appreciation Outstanding Bonds relating to such portion of the Facilities Project as of the next succeeding Interest Payment Date; provided, that on or

after the purchase date the fair rental value of the remaining portion of the Facilities Project not so purchased equals or exceeds the amount required to pay the principal and interest due with respect to the remaining Outstanding Bonds. The 1989 Bonds and the 1993 Bonds are subject to optional redemption from such proceeds.

If the Business Day on which the County intends to exercise its option to purchase is a date on which Bonds are subject to optional redemption in accordance with the Indenture, the County will deposit the full amount of the option price with the Trustee. If the Business Day on which the County intends to exercise its option to purchase is not a date on which Bonds are subject to optional redemption in accordance with the Indenture, the option price will be payable in installments in accordance with the Facilities Lease.

Amendments to Facilities Lease. The Facilities Lease may be amended in writing by agreement between the Corporation and the County, with the consent of the Trustee and the 1997 Insurer, but no such amendment will become effective as to the Owners of Bonds then outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Facilities Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of the 1997 Insurer or any Owners of the Bonds, upon the written agreement of the County and the Corporation, but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease, (ii) in regard to questions arising under the Facilities Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the terms thereof and which will not adversely affect the interests of the Owners of the Bonds, (iii) to release from the lien of the Facilities Lease any portion of the Facilities Project to the extent Base Rental payable under the Facilities Lease after such release is sufficient to pay Debt Service on the Bonds, (iv) to amend the schedule of Base Rental payments as provided in the Facilities Lease and the Indenture, (v) to add to the Facilities Lease a legal description of the Property, (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds, excepting any interest on Taxable Bonds, or (vii) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon an opinion of Bond Counsel stating that these requirements have been met with respect to such amendment or modification.

The Equipment Lease

The Corporation will lease the Equipment Project to the County pursuant to the Equipment Lease. Under the Equipment Lease, the County will make Base Rental payments for the use of the Equipment Project in amounts set forth in a schedule contained in the Equipment Lease. Base Rental payments will be used to pay amounts equal to the principal of and interest on the Bonds relating to the Equipment Project; provided that, until substantial completion of the Equipment Project, a portion of Base Rental as specified in the Indenture will be payable solely from amounts on deposit from time to time in the Interest Account of the Debt Service Fund and the Debt Service Reserve Fund held under the Indenture and from such other lawfully available funds, if any, as may be applied for such purpose. The County also promises to pay Additional Rental with respect to the Equipment Project which includes taxes and assessments levied upon the Equipment Project, insurance premiums and, to the extent not paid out of the proceeds of the sale of the Bonds, the fees and expenses of the Trustee in connection with the

Indenture, and any other fees, costs or expenses incurred by the Corporation or Trustee under the Equipment Lease or under any assignment thereof or under any other transaction relating to the Equipment. The Equipment Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Equipment.

Upon payment by the County of all Base Rental and Additional Rental payments required by the Equipment Lease, or exercise of the County's option to purchase the Equipment Project, the Equipment Lease will terminate and all right, title and interest in the Equipment Project will vest in the County or its assignee without further action by the Corporation or the Trustee; provided that with respect to any particular item of equipment the Equipment Lease will terminate and title will transfer with respect to such item of Equipment upon the date which the County substitutes such item of Equipment.

Under the Equipment Lease, the Corporation agrees to cause the Equipment Project to be constructed, acquired, delivered and installed on or before the third anniversary of the Construction Escrow Break Date. Payment of the costs of constructing, acquiring, delivering, equipping and installing the Equipment Project will be made from money deposited in the Acquisition and Construction Account within the Acquisition and Construction Fund, which amounts will be disbursed for this purpose subject to certain conditions set forth in the Indenture. The Corporation agrees that any unexpended money remaining in the Acquisition and Construction Account within the Acquisition and Construction Fund will, upon payment in full of all costs of constructing, acquiring, delivering, equipping and installing the Equipment Project, be applied solely in accordance with the provisions of the Indenture. The Corporation agrees that the Equipment Project will be completed in accordance with the Equipment Lease and any applicable requirements of governmental authorities and law.

Maintenance of the Equipment Project. The Equipment Lease provides that the County, at its own expense, will maintain the Equipment in good order, condition and repair and will repair and replace any item of Equipment damaged or destroyed to the extent it would result in rental abatement with respect to such item of Equipment except as provided in the Indenture. The County will cause the Equipment to be operated in accordance with the manufacturers or suppliers instructions or manuals by competent and duly qualified personnel.

Insurance. Pursuant to the Equipment Lease, the County will maintain, with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted under the Equipment Lease (i) a policy or policies of insurance against loss or damage to the Equipment known as "all-risk" property insurance, including flood and earthquake coverage, in an amount which together with all-risk insurance with respect to the Facilities Project is not less than the lesser of the full replacement value of such items of Equipment or the aggregate principal amount and the aggregate Accreted Value of Bonds at such time Outstanding, with a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of \$1,000,000); (ii) from and after substantial completion of the acquisition and delivery and installation of the Equipment, rental interruption insurance covering total or partial loss of the use of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (i) above, in an amount sufficient at all times to pay the total rent payable under the Equipment Lease with respect to the Equipment Project for a period adequate to cover the period of repair or reconstruction (the amount payable thereunder to be equal to not less than two years' maximum Base Rental for the Equipment Project); (iii) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising

from operations involving the items of Equipment with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk manager or an independent-insurance consultant retained by the County for that purpose; and (iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the items of Equipment acquired and to cover full liability for compensation under any such act aforesaid. The County's obligations under clauses (i), (iii) and (iv) above may be satisfied by self-insurance; provided, however, that any such self-insurance shall be approved by the 1997 Insurer.

Each policy of insurance required by the Equipment Lease, with the exception of workers' compensation insurance, will provide that such policy will not be cancelled or materially changed without at least thirty days' prior written notice to the Trustee and the Corporation. All policies or certificates of insurance provided for in the Equipment Lease (other than insurance for general liability and workers compensation) will name the County as named insured, and will name the Corporation and its directors and the Trustee as additional named insureds.

Notwithstanding the foregoing, the County is not required to maintain or cause to be maintained more insurance than referred to above. In addition, with respect to the insurance required for all-risk, general liability and boiler and machinery coverage, the County shall not be required to maintain or cause to be maintained any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such insurance policies at a reasonable cost on the open market, the County shall self-insure to the extent permitted under the Equipment Lease.

Eminent Domain. If all of the Equipment, or so much thereof as to render the remainder of the Equipment Project unusable for the County's purposes under the Equipment Lease, is taken under the power of eminent domain, then the Equipment Lease will terminate as of the day possession is so taken or, if the County is the condemnor, as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental payments in accordance with the provisions of the Equipment Lease. If less than a substantial portion of the Equipment is taken under the power of eminent domain and the remainder is usable for County purposes, then there will be an abatement of Base Rental payments only to the extent of the unusable portion of the Equipment and the Equipment Lease will continue in full force and effect. If the County elects, pursuant to the Indenture, to apply an award in eminent domain proceedings to repair or replace such item of Equipment, Base Rental payments will again begin to accrue upon replacement of such item or items of Equipment.

Assignment and Lease. The Equipment Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Equipment Lease by voluntary act or by operation of law or otherwise; provided, however, that the County may sublease all or any item of Equipment with the consent of the 1997 Insurer, may grant concessions to others involving the use of any portion of the Equipment and may assign its right to purchase the item of Equipment (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Equipment Lease notwithstanding any subletting or granting of concessions which may be made. Notwithstanding the foregoing the County may acquire any

item of Equipment by substituting therefor and subjecting to the terms of the Equipment Lease any item or items having the same or longer useful life and subject to the same or greater Base Rental.

Additions and Improvements. The County has the right during the term of the Equipment Lease to make any additions or improvements to the Equipment, to attach fixtures, structures or signs and to affix any personal property to the Equipment so long as the fair rental value of the Equipment Project is not thereby reduced. Title to all fixtures, equipment (other than Equipment) or personal property placed by the County on the Equipment Project will remain in the County.

Title to any personal property, improvements or fixtures placed on the Equipment Project by any sublessee or licensee of the County will be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement will not be inconsistent with the Equipment Lease.

Rental Abatement. Except to the extent of (i) amounts held in the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments with respect to the Bonds, rental payments due under the Equipment Lease with respect to the Equipment Project or portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Equipment Project, there is substantial interference with the use and right of possession by the County of the Equipment Project such that the remaining rental represents fair consideration for the use and possession of the usable portion of the Equipment Project. Such abatement will end with the restoration of such item to useable condition or correction of the title defect.

Events of Default and Remedies. Events of default under the Equipment Lease include failure of the County to deposit with the Trustee any Base Rental payment or pay any Additional Rental payment by the due date thereof, or breach by the County of any other terms, covenants or conditions contained in the Equipment Lease or in the Indenture and failure to remedy such breach within 30 days after written notice thereof is given to the County by the Corporation, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, has the right, at its option, without any further demand or notice, (1) to demand that the County return the item of Equipment or to enter and take possession of the same (2) to terminate the Equipment Lease and sell the items of Equipment at public or private sale, without notice to the County or other advertisement, or otherwise dispose of, hold, use, operate, lease to others or keep idle such items of Equipment as the Corporation may determine, all free and clear of any rights of the County and without any duty to account to the County with respect to such action or inaction or for any proceeds with respect thereto; (3) with the consent of the County and as agent for the County, to re-take possession of the items of Equipment and lease the same or any portion thereof for the account of the County, holding the County liable for any difference between the amounts thereby received and the amounts payable by the County with respect to such items of Equipment under the Equipment Lease; and (4) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms thereof or to recover damages for the breach thereof or to rescind the Equipment Lease. In no event does the Corporation or any assignee have the right to accelerate the payment of any Base Rental under the Equipment Lease.

Option to Purchase. The County has the right and option under the Equipment Lease to purchase the Equipment Project in whole or in part on any Business Day upon payment of the option price thereof so long as no event of default has occurred under the Equipment Lease or the Indenture. The option price for the purchase of the Equipment Project in whole will be determined by reference to a schedule contained in the Equipment Lease. The County may exercise its option by giving notice thereof to the Trustee not later than fifteen days prior to the Business Day on which it desires to purchase the Equipment Project. The option price for the purchase of any portion of the Equipment Project will be an amount sufficient to pay or redeem the principal and premium, if any, and accrued interest with respect to the Bonds relating to such items of the Equipment on the date of purchase, plus the amount of interest to accrue with respect to the Bonds until the next succeeding Interest Payment Date and the Accreted Value of the Capital Appreciation Bonds relating to such items of Equipment as of the next succeeding Interest Payment Date; provided, that on or after the purchase date the fair rental value of the remaining portion of the Equipment Project not so purchased equals or exceeds the amount required to pay the principal and interest due with respect to the remaining Outstanding Bonds. The 1989 Bonds and the 1993 Bonds are subject to optional redemption from such proceeds.

If the Business Day on which the County intends to exercise its option to purchase is a date on which Bonds are subject to optional redemption in accordance with the Indenture, the County will deposit the full amount of the option price with the Trustee. If the Business Day on which the County intends to exercise its option to purchase is not a date on which Bonds are subject to optional redemption in accordance with the Indenture, the option price will be payable in installments in accordance with the Equipment Lease.

Amendments to Equipment Lease. The Equipment Lease may be amended in writing by agreement between the Corporation and the County, with the consent of the Trustee and the 1997 Insurer, but no such amendment will become effective as to the Owners of Bonds then outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Equipment Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of the 1997 Insurer or any Owners of the Bonds, upon the written agreement of the County and the Corporation, but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Equipment Lease, (ii) in regard to questions arising under the Equipment Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the terms thereof and which will not adversely affect the interests of the Owners of the Bonds, (iii) to release from the lien of the Equipment Lease any portion of the Equipment Project to the extent Base Rental payable under the Equipment Lease after such release is sufficient to pay Debt Service on the Bonds, (iv) to amend the schedule of Base Rental payments as provided in the Equipment Lease and the Indenture, (v) to add to the Equipment Lease a legal description of the Property, (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds, excepting any interest on Taxable Bonds, or (vii) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon an opinion of Bond Counsel stating that these requirements have been met with respect to such amendment or modification.

The Indenture

Funds and Accounts. Under the Indenture, the Trustee will establish the funds and accounts herein described and invest, transfer and disburse moneys on deposit therein. The Indenture establishes the Acquisition and Construction Fund, the Debt Service Fund, the Revenue Fund, the Excess Earnings Fund, the Debt Service Reserve Fund, the 1993 Escrow Fund, the Administrative Expense Fund and certain accounts in each of such funds.

All Revenues will be deposited by the Trustee into the Revenue Fund. The Trustee, on the fifteenth day of the month immediately preceding each Interest Payment Date, will transfer from the Revenue Fund to the following accounts the following amounts: (i) to the Interest Account in the Debt Service Fund, an amount which, together with the money on deposit therein (taking into account transfers from the Capitalized Interest Subaccount, if any), equals the interest due on such Interest Payment Date, (ii) to the Principal Account in the Debt Service Fund, an amount which, together with money on deposit therein taking into account transfers after the Construction Escrow Break Date from the State Reimbursement Moneys Account and the State Bond Proceeds Account, equals the principal then due or required to be redeemed on such Interest Payment Date including the Principal Installment and Sinking Account Installment, if any, when due or required to be redeemed (plus premium, if any), (iii) to the Administrative Expense Account to the extent necessary to make the amount on deposit equal to \$40,000, (iv) to the Debt Service Reserve Fund to replenish the amount on deposit therein to the required amount, and (v) after the foregoing deposits, any remainder will be remitted to the County. Following such transfer, if the amount on deposit in the Principal Account or Interest Account in the Debt Service Fund is insufficient to pay all principal and interest due with respect to the Outstanding Bonds on such Interest Payment Date, the Trustee shall transfer from the Debt Service Reserve Fund an amount necessary to make up the difference.

All investment earnings on amounts on deposit in the Funds and Accounts (except the Excess Earnings Fund, the 1993 Escrow Fund, the 1989 Costs of Issuance Subaccount, the 1993 Costs of Issuance Account, the 1997 Costs of Issuance Account, the 1997 Acquisition and Construction Account, the 1997 Earnings Account, the 1997 Excess Earnings Account and the Architectural Services Subaccount) will be deposited by the Trustee in the Earnings Account. Amounts in the Earnings Account prior to the Construction Escrow Break Date will be transferred to the Excess Earnings Fund in accordance with the Nonarbitrage Certificate; any amounts remaining in the Earnings Account prior to the Construction Escrow Break Date after the previous mentioned transfer has been made or on deposit in the Excess Earnings Fund in excess of that required by the provisions of the Nonarbitrage Certificate will be transferred to the Interest Account of the Debt Service Fund. All amounts deposited in the Earnings Account and the 1997 Earnings Account after the Construction Escrow Break Date, but prior to the receipt by the Trustee of the Certificate of Completion, will be transferred in the following order: (i) to the Excess Earnings Fund and the 1997 Excess Earnings Account, respectively, to the extent required by the provisions of the Nonarbitrage Certificate, (ii) to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, and (iii) with respect to amounts on deposit in the Earnings Account only, at the option of the Corporation, upon the written direction of the County, to either the Capitalized Interest Subaccount of the Interest Account or to the Acquisition and Construction Account. After the completion of the Project, all amounts in the Earnings Account and the 1997 Earnings Account will be transferred in the following order: (i) to the Excess Earnings Fund and the 1997 Excess Earnings Account, respectively, to the extent required by the provisions of the Nonarbitrage Certificate, (ii) to the Debt Service Reserve Fund to the

extent necessary to make the amount on deposit equal to the Debt Service Reserve Requirement, and (iii) to the Interest Account of the Debt Service Fund.

The Trustee will deposit a portion of the proceeds of the sale of the 1997 Bonds in the 1997 Acquisition and Construction Account to be applied as provided in the Indenture. The Trustee will also deposit a portion of said proceeds in the 1997 Costs of Issuance Account to be applied as provided in the Indenture.

The Trustee will, from time to time, disburse money from the Acquisition and Construction Account and the 1997 Acquisition and Construction Account to pay the Costs of the Project, in each case promptly after receipt of a Written Requisition of the County. In no event is the Trustee responsible for the improper use of money properly disbursed pursuant to such requests. If, after payment by the Trustee of all such Written Requisitions of the County theretofore tendered to the Trustee, and delivery to the Trustee of the Certificate of Completion, there remains any balance of money in the Acquisition and Construction Account or the 1997 Acquisition and Construction Account of the Acquisition and Construction Fund, all money so remaining will be transferred, first to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement and second, to the Special Payment Account for the payment of Principal Installments and/or Sinking Account Installments as provided in the Indenture, or, upon the terms and conditions of the Indenture, for use as directed by the County in a Written Order of the County.

Money on deposit in the 1997 Costs of Issuance Account will be used to pay costs of issuance of the 1997 Bonds. Moneys remaining in the 1997 Costs of Issuance Account twelve months after the date of issuance of the 1997 Bonds will be transferred by the Trustee, at the Corporation's direction, to the 1997 Acquisition and Construction Account.

Money on deposit in the Administrative Expense Fund will be used and applied solely by the Trustee to pay all expenses of the Corporation, including, without limitation, expenses incidentally incurred in connection with the purchase or redemption of any Bonds not including the payment of principal and interest. Payments of administrative expenses will be made by the Trustee upon receipt of a Written Requisition of the Corporation. Upon receipt of each such Written Requisition, the Trustee will pay each such item directly to the entity named in such Written Requisition.

Events of Default and Remedies. Events of default under the Indenture include the following:

(i) if default is made in the due and punctual payment of the principal or Final Compounded Amount or Redemption Price of any Bond when and as the same become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) if default is made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Account Installment therefor (except when such Sinking Account Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Account Installment become due and payable;

(iii) if default is made by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained,

and such default shall continue for a period of 120 days after written notice thereof to the Corporation by the Trustee or to the Corporation and to the Trustee by the Owners of not less than twenty percent (20%) in principal amount of the Bonds Outstanding;

(iv) the Corporation is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, makes an assignment for the benefit of creditors, or consents to the appointment of a receiver of itself or property covered by the Lease;

(v) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Corporation, a receiver of the Corporation or of the property covered by the Lease, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of such appointment;

(vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Corporation under the provisions of any bankruptcy act and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of 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 Lease or any part thereof, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(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 Lease, and, after notice to the County, such failure continues to and including the Interest Payment Date immediately following the date on which such Base Rental payment was required to be deposited with the Trustee;

then, and in each and every such case, so long as such Event of Default is continuing, unless the principal or Final Compounded Amount of all the Bonds has already become due and payable, either the Trustee (by notice in writing to the Corporation, the 1997 Insurer, and the County) or the Owners of not less than twenty-five percent (25%), in principal amount of the Bonds Outstanding (by notice in writing to the Corporation, the 1997 Insurer, the County and the Trustee), may declare the principal and Final Compounded Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in this Indenture or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee, the 1997 Insurer or the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Corporation or the Trustee under this Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) are paid for the account of the Corporation or satisfactory provision is made for such payment, and all defaults under the Bonds or the Indenture (other than

payment of principal and interest due and payable solely by reason of such declaration) are cured or secured or adequate provision is made therefor, then and in every such case the Owners of twenty-five (25%) in principal amount of the Bonds Outstanding, by written notice to the Corporation, the 1997 Insurer and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing, so long as the 1997 Insurer has not failed to make required payments under the 1997 Insurance Policy, the 1997 Insurer shall have the right to direct and control the remedies under the Lease or the Trust Agreement in the event of default thereunder.

Assignment of Rents, Issues and Profits. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee for the benefit of the Bond Owners all the rents, issues, profits and royalties (therein, individually and collectively, "rents") of the Trust Estate, and gives to and confers upon the Trustee for the benefit of the Bond Owners the right, power and authority to collect such rents, subject to assignments of record as of the date and time the Indenture is recorded. In addition, the Corporation irrevocably appoints the Trustee for the benefit of the Bond Owners its true and lawful attorney-in-fact, at the option of the Trustee for the benefit of the Bond Owners at any time and from time to time during the continuance of the trust, to demand, receive and enforce payment; to give receipts, releases and satisfactions; to sue, in the name of the Corporation or the Trustee for the benefit of the Bond Owners, for all such rents; and to apply the same to the indebtedness secured thereby. The Corporation further conveys, transfers and assigns all its right, title and interest to the Trustee for the benefit of the Bond Owners of any award hereafter made in any bankruptcy, insolvency or reorganization proceedings in any state or federal court involving the County.

The Trustee. The County and the Corporation, if no Event of Default has occurred and is continuing, or the Owners of a majority in aggregate principal amount of Bonds then Outstanding may by written request at any time and for any reason, remove the Trustee and any successor thereto. The Trustee may resign by giving not less than 60 days' written notice thereof to the County, the Corporation, the 1997 Insurer and the Owners. Upon such removal or resignation, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding by an instrument in writing, or by the County upon the written approval of the Corporation, but any such successor must be either the Treasurer of the County, or a bank or trust company or a national banking association having a combined capital stock and surplus aggregating at least \$50 million and having its principal corporate trust office in New York, New York, Chicago, Illinois, Los Angeles, California, San Francisco, California, or San Diego, California.

Amendment. The Indenture may be amended by Supplemental Indenture with the written consent of the 1997 Insurer and the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding or, if less than all of the Bonds then Outstanding are affected by such amendment, by the Owners of at least 60% of the Bonds Outstanding affected by such amendment.

The Agency Agreement

Under the Agency Agreement, the Corporation appointed the County as its agent in connection with the acquisition, construction, delivery, equipping and installation of the Facilities Project in accordance with a construction contract filed with the Board of Supervisors of the County and the acquisition, delivery and installation of the Equipment Project in accordance with certain purchase

agreements as shall be approved or entered into by the County. The County, as agent of the Corporation for the foregoing purpose, will cause the acquisition, construction, delivery, equipping and installation of the Project to be completed on or before the later of (i) the third anniversary of the Construction Escrow Break Date or (ii) the period for which Capitalized Interest is funded, and otherwise in accordance with the Facilities Lease and the Equipment Lease and any applicable requirements of governmental authorities and law.

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APPENDIX H
SUMMARY OF CONTINUING DISCLOSURE CERTIFICATE

The following are summaries of certain provisions of the Continuing Disclosure Certificate (the "Certificate") executed and delivered by the County and are not to be considered full descriptions thereof. Reference should be made to a complete copy of the Certificate for a full description of such document.

Pursuant to the Certificate, the County covenants for the benefit of the registered owners and Beneficial Owners of the 1997 Bonds and the Underwriters of the 1997 Bonds to file or cause to be filed certain annual financial information and operating data with each nationally recognized municipal securities information repository (the "NRMSIRs") and the state information depository, if one is designated in California (the "SID"), 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 fiscal year ended June 30, 1997, and to file or cause to be filed notices of certain events, if material, with the Municipal Securities Rulemaking Board (the "MSRB") and the SID, if any. Pursuant to the Certificate, the term "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 1997 Bonds (including persons holding 1997 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 1997 Bonds for federal income tax purposes, and the term "Underwriters" means the original purchasers of the 1997 Bonds required to comply with paragraph (b)(5) of Rule 15c2-12, as amended, of the Securities and Exchange Commission (the "Rule") in connection with the offering of the 1997 Bonds.

The Certificate provides that the financial information and operating data to be filed annually will consist of the following:

(1) The County's audited financial statements for the fiscal year most recently ended, which shall be prepared in accordance with generally accepted accounting principles for governmental entities and reporting standards established by the California State Controller. If the County's audited financial statements are not available by the time the Annual Reports are required to be filed, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final official statement relating to the 1997 Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(2) To the extent not included in the audited financial statements, the following types of information will be provided in one or more reports:

(a) assessed valuations, tax levies and delinquencies for real property located in the County for the most recently completed fiscal year;

(b) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the most recently completed fiscal year;

(c) summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

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

(e) summary of annual outstanding principal obligations of the County as of the beginning of the current fiscal year; and

(f) the ratio of the County's outstanding debt to total assessed valuations as of the end of the most recently completed fiscal year of the County.

Any or all of the information specified above may be included by specific reference to other documents, including official statements or other disclosure documents relating to debt issues of the County or related public entities which have been submitted to each of the NRMSIRs or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB.

The Corporation also agrees to file notice with the MSRB and the SID of its failure to provide the required financial information by the date specified in the Certificate.

The Certificate provides that the County will give or cause to be given notice of the occurrence of any of the following events with respect to the 1997 Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax status of the 1997 Bonds;
- (g) modifications to the rights of Owners of the 1997 Bonds;
- (h) bond calls other than mandatory sinking fund redemptions;
- (i) defeasances;
- (j) release, substitution, or sale of property, if any, securing repayment of the 1997 Bonds; and
- (k) rating changes.

The Certificate also provides for amendment or waiver of the provisions of the Certificate in the event (a) of a change in circumstances relating to a change in legal requirements or change in law; (b) the undertakings by the Corporation in the Certificate would, in the opinion of bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 1997 Bonds, after taking into account any amendments or interpretations of the Rule as well as any change in circumstances; or (c) the amendment or waiver does not, in the opinion of bond counsel, materially impair the interests of the Owners or Beneficial Owners of the 1997 Bonds, or Bond Owner consent is obtained in the manner required by the Indenture.

In the event of a failure of the County to comply with the Certificate, any Owner or Beneficial Owner of the 1997 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 the Certificate. A default under the Certificate will not be deemed to be a default under the Indenture and the sole remedy under the Certificate will be an action to compel performance. No person or entity is entitled to recover monetary damages under the Certificate.

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APPENDIX I BOOK-ENTRY SYSTEM

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 1997A Bonds. The 1997A Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully registered Bond certificate will be issued for each maturity of the 1997A Bonds, each in the aggregate principal amount of such issue and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (the "Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges in deposited securities through electronic computerized book-entry changes in accounts of Direct Participants, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants (Direct and Indirect Participants may be jointly referred to as "Participants") are on file with the Securities and Exchange Commission.

Purchases of the 1997A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 1997A Bonds in the records of DTC. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the records of the Direct and Indirect Participant. Beneficial Owners will not receive written confirmation from DTC of their purchase, but will receive written confirmation providing details of the transaction as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 1997A Bonds will be accomplished by book entries made by on the books of Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the 1997A Bonds, except in the event that use of the book-entry system for the 1997A Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of the 1997A Bonds with DTC and their registration in the name of Cede & Co. effect no change in the beneficial ownership of the 1997A Bonds. DTC has no knowledge of the actual Beneficial Owners of the 1997A Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants 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. Redemption notices shall be sent to Cede & Co. If less than all of the 1997A Bonds within an issue are being redeemed, DTC's practice is to determine

by lot the amount of the interest of each Direct Participant in such issued to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the 1997A Bonds. Under its usual procedure DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns the consenting or voting rights of Cede & Co. to those Direct Participants to whose accounts the 1997A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the 1997A Bonds will be made to DTC. DTC's practice is to credit the accounts of the Direct Participants on a payable date in accordance with their respective holdings shown on the records of DTC unless DTC has reason to believe that it will not receive payment on such payable date. Payments by Direct Participants to Beneficial Owners shall 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 Direct Participant and not of DTC or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation, 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.

NEITHER THE CORPORATION NOR THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS OR THE PERSONS FOR WHOM DIRECT PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF PORTIONS OF THE 1997A BONDS FOR REDEMPTION.

The Corporation and the Trustee cannot give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal of, redemption premium, if any, and interest with respect to the 1997A Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

For every transfer and exchange of the 1997A Bonds, the Beneficial Owners thereof may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its services as securities depository with respect to the 1997A Bonds at any time by giving reasonable notice to the Corporation or the Remarketing Agent. The Corporation, in its sole discretion and without the consent of any other person, may decide to discontinue the use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained and the book-entry system is discontinued, the requirements of the Indenture will apply.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof. Accordingly, no representations can be made concerning these matters and Direct Participants and Beneficial Owners should confirm such matters with DTC or the Direct Participants as the case may be.

APPENDIX J
SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

SPECIMEN

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