NEW ISSUE - BOOK-ENTRY ONLY
Taxable (Federal)
Tax-Exempt (State of California)

RATINGS:
Moody's: Aaa (insured); A2 (uninsured)
S&P: AAA (insured); A+ (uninsured)
Fitch: AAA (insured); AA- (uninsured)
(See "RATINGS" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, interest on the Series 2005 Bonds is exempt from State of California personal income taxes. Interest on the Series 2005 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel expresses no opinion regarding any federal or other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005 Bonds. See "TAX MATTERS" herein.

$400,000,000
COUNTY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS, SERIES 2005 A

Dated: Date of Delivery **Due: February 15, as shown on inside cover page**

The County of Riverside (the "County") is issuing its Taxable Pension Obligation Bonds, Series 2005 A (the "Series 2005 Bonds") under a Trust Agreement (the "Trust Agreement"), dated as of February 1, 2005, by and between the County and Wells Fargo Bank, National Association, as trustee (the "Trustee"), (i) to refund a portion of the County's obligations to the California Public Employee's Retirement System ("PERS" or the "System") under the PERS Contract (as described herein), evidencing the County's obligation to pay the County's unfunded accrued actuarial liability to the System and (ii) to pay the costs of issuance related to the Series 2005 Bonds.

The Series 2005 Bonds will be issued to refinance the County's statutory obligation to appropriate and make payments to PERS for certain amounts arising as a result of retirement benefits accruing to members of the System. The obligations of the County under the Series 2005 Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the County imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. See "PLAN OF FINANCING" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Interest on the Series 2005 Bonds will be payable semiannually on February 15 and August 15 of each year, commencing August 15, 2005. The Series 2005 Bonds are being issued in fully registered form, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") in the United States. DTC will act as Securities Depository for the Series 2005 Bonds. Individual purchases of Series 2005 Bonds will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their beneficial ownership interest in the Series 2005 Bonds purchased. See APPENDIX C – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Series 2005 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See "THE SERIES 2005 BONDS – Redemption Provisions" herein.

The payment of principal of and interest on certain of the Series 2005 Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by MBIA Insurance Corporation (the "2005 Bond Insurer"), simultaneously with the delivery of the Series 2005 Bonds. The specific maturities insured are indicated on the maturity schedule on the inside front cover. See also "BOND INSURANCE" herein and APPENDIX F - "SPECIMEN BOND INSURANCE POLICY."

MBIA

THE SERIES 2005 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2005 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2005 BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND YIELDS
SEE INSIDE COVER

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Series 2005 Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval as to their legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel, and certain other conditions. Fieldman, Rolapp & Associates is serving as financial advisor to the County in connection with the issuance of the Series 2005 Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Lofton & Jennings, San Francisco, California and for the County by O'Melveny & Myers LLP, Los Angeles, California, Disclosure Counsel, and by the Riverside County Counsel. It is anticipated that the Series 2005 Bonds will be available for delivery through the DTC book-entry only system in New York, New York, and through the Euroclear System and Clearstream, Luxembourg in Europe on or about February 17, 2005.

LEHMAN BROTHERS

Goldman, Sachs & Co. **Citigroup** **E. J. De La Rosa & Co., Inc.**

Dated: February 10, 2005

$400,000,000
COUNTY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS, SERIES 2005 A

MATURITY SCHEDULE

Serial Bonds

Maturity (February 15)	Principal Amount	Interest Rate	Yield	CUSIP No.[1]	ISIN No.[1]
2006*	$ 3,155,000	3.330%	3.330%	76913C AA 7	US76913CAA71
2007*	3,955,000	3.630	3.630	76913C AB 5	US76913CAB54
2008*	4,895,000	3.800	3.800	76913C AC 3	US76913CAC38
2009*	5,905,000	3.970	3.970	76913C AD 1	US76913CAD11
2010*	6,990,000	4.080	4.080	76913C AE 9	US76913CAE93
2011*	8,155,000	4.210	4.210	76913C AF 6	US76913CAF68
2012	9,405,000	4.330	4.330	76913C AG 4	US76913CAG42
2013	10,750,000	4.430	4.430	76913C AH 2	US76913CAH25
2014	12,275,000	4.510	4.510	76913C AJ 8	US76913CAJ80
2015	14,045,000	4.590	4.590	76913C AK 5	US76913CAK53
2016	15,950,000	4.640	4.640	76913C AL 3	US76913CAL37
2017	17,985,000	4.690	4.690	76913C AM 1	US76913CAM10
2018	20,170,000	4.770	4.770	76913C AN 9	US76913CAN92
2019	22,515,000	4.790	4.790	76913C AP 4	US76913CAP41
2020	25,020,000	4.840	4.840	76913C AQ 2	US76913CAQ24

$75,000,000 4.910% Term Bond due February 15, 2025* Yield: 4.910% CUSIP No. 76913C AR 0[1] ISIN No. US76913CAR07[1]
$77,685,000 4.940% Term Bond due February 15, 2025 Yield: 4.940% CUSIP No. 76913C AS 8[1] ISIN No. US76913CAS89[1]
$66,145,000 5.040% Term Bond due February 15, 2035 Yield: 5.040% CUSIP No. 76913C AT 6[1] ISIN No. US76913CAT62[1]

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* Insured by MBIA Insurance Corporation.

(1) Copyright 2005, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP and ISIN numbers are provided for convenience of reference only. None of the County or the Underwriters take any responsibility for the accuracy of such CUSIP or ISIN numbers.

COUNTY OF RIVERSIDE, CALIFORNIA

BOARD OF SUPERVISORS

Marion Ashley, Chair
Fifth District

Bob Buster
First District

John Tavaglione
Second District

Jeff Stone
Third District

Roy Wilson
Fourth District

COUNTY OFFICIALS

Larry Parrish
County Executive Officer

Paul McDonnell
Treasurer-Tax Collector

Robert Byrd, CGFM
Auditor/Controller

William C. Katzenstein
County Counsel

Bill Luna
County Finance Director

FINANCIAL ADVISOR
Fieldman, Rolapp & Associates
Irvine, California

BOND COUNSEL
Orrick, Herrington & Sutcliffe LLP

DISCLOSURE COUNSEL
O'Melveny & Myers LLP
Los Angeles, California

TRUSTEE
Wells Fargo Bank, National Association

ACTUARIAL CONSULTANT
Bartel Associates, LLC
San Mateo, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2005 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Underwriters.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2005 Bonds. Statements contained in this Official Statement which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

Certain of the information set forth herein has been obtained from official sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinion 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 since the date hereof. This Official Statement is submitted with respect to the sale of the Series 2005 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the County. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Series 2005 Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2005 Bonds to certain dealers, institutional investors and others at prices lower than the public offering prices stated on the cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

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

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "project," "expect," "estimate," "budget" or other similar words, constitute forward-looking statements. Such forward-looking statements refer to the achievement of certain results or other expectation or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The County does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The Series 2005 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act.

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OFFICIAL STATEMENT

$400,000,000
COUNTY OF RIVERSIDE
TAXABLE PENSION OBLIGATION BONDS, SERIES 2005 A

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Series 2005 Bonds to potential investors is made only by means of the entire Official Statement. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Official Statement.

Purpose

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the issuance and sale by the County of Riverside (the "County") of its Taxable Pension Obligation Bonds, Series 2005 A (the "Series 2005 Bonds") in the aggregate initial principal amount of $400,000,000. The Series 2005 Bonds are being issued pursuant to Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State of California (the "State") and a Trust Agreement, dated as of February 1, 2005 (the "Trust Agreement"), by and between the County and Wells Fargo Bank, National Association, as trustee (the "Trustee").

Pursuant to its contract dated December 26, 1944 (as amended to date, and as may further be amended from time to time, the "PERS Contract") with the Board of Administration of the California Public Employee's Retirement System ("PERS" or the "System") and Section 20000 et seq. of the State Government Code (the "Retirement Law"), the County is obligated to make payments to PERS arising as a result of retirement benefits accruing to members of PERS. The County's obligations under the Retirement Law include, among others, the requirement to amortize the unfunded accrued actuarial liability (the "UAAL") with respect to such retirement benefits. The Series 2005 Bonds will be issued pursuant to the Trust Agreement (i) to refund a portion of the County's obligations to the System under the PERS Contract (as described herein), evidencing the County's unfunded accrued actuarial liability to the System and (ii) to pay the costs of issuance related to the Series 2005 Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Security and Sources of Payment for the Series 2005 Bonds

The obligations of the County under the Series 2005 Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the County imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. Pursuant to the Trust Agreement, the County is required to prepay its Fiscal Year debt service requirements to the Trustee no later than July 31 of each year. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

THE SERIES 2005 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2005 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2005 BONDS CONSTITUTE AN INDEBTEDNESS OF THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Payment of principal of and interest on certain of the Series 2005 Bonds (the "Insured Series 2005 Bonds") when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by MBIA Insurance Corporation (the "2005 Bond Insurer") concurrently with the delivery of the Insured Series 2005 Bonds. See "BOND INSURANCE" and APPENDIX F - "SPECIMEN BOND INSURANCE POLICY." See the maturity schedule on the inside front cover page to this Official Statement for the specific maturities insured by the 2005 Bond Insurer.

Validation

The authorization by the County of the issuance of the Series 2005 Bonds as obligations of the County imposed by law, and as to the validity and conformity of the Series 2005 Bonds with all applicable provisions of law, were validated by a judgment of the Superior Court of the State of California in and for the County of Riverside entered on May 3, 2004. The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. See "VALIDATION" herein.

Continuing Disclosure

The County has agreed to provide, or cause to be provided, in accordance with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), certain annual financial information and operating data, including the audited financial statements of the County. See "CONTINUING DISCLOSURE" herein and APPENDIX G – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." The County has never failed to comply in all material respects with any previous undertakings to provide information in accordance with the Rule.

Summaries Not Definitive

Brief descriptions of the Series 2005 Bonds, the County and the Trust Agreement are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Series 2005 Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Series 2005 Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection by written request mailed to the County of Riverside, Executive Office, 4080 Lemon Street, 4th Floor, Riverside, California, 92501 and will be available upon request and payment of duplication costs from the Trustee.

PLAN OF FINANCING

General

The Series 2005 Bonds are being issued to: (i) to refund a portion of the County's obligations to PERS under the PERS Contract (as described herein), evidencing the County's obligation to pay the County's unfunded accrued actuarial liability to the System and (ii) to pay the costs of issuance related to the Series 2005 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Refunding of Obligations Under the PERS Contract

A portion of the proceeds of the Series 2005 Bonds will be used to provide funds to allow the County to refund a portion of the County's obligation to pay the County's UAAL to the System under the PERS Contract. An independent actuary, Bartel Associates, LLC ("Bartel") will certify that as of delivery of the Series 2005 Bonds, the UAAL is at least equal to the principal amount of the Series 2005 Bonds. See "PENSION PLAN" herein. The County's obligations under the PERS Contract are, and the County's obligations with respect to the Series 2005 Bonds upon issuance, including the obligation to make all payments of interest and principal when due, are obligations of the County imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. **The Series 2005 Bonds do not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation. Neither the Series 2005 Bonds nor the obligation of the County to make payments on the Series 2005 Bonds constitute an indebtedness of the County, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.** See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series 2005 Bonds are set forth below:

Estimated Sources of Funds	
Principal Amount of Bonds	$400,000,000.00
Total Sources	$400,000,000.00
Estimated Uses of Funds	
Refunding of PERS Contract	$396,874,937.53
Costs of Issuance[(1)]	$ 3,125,062.47
Total Uses	$400,000,000.00

(1) Includes Underwriters' discount, legal fees, fees of the financial advisor, the Trustee, the actuary and the rating agencies, the bond insurance premium, printing costs and certain miscellaneous expenses.

THE SERIES 2005 BONDS

Terms of the Series 2005 Bonds

The Series 2005 Bonds will be issued only in fully registered form, in denominations of $5,000 and any integral multiple thereof and will mature on the dates and in the principal amounts and bear interest at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside front cover hereof. Interest on the Series 2005 Bonds will be payable semiannually on February 15 and August 15 of each year, commencing August 15, 2005 (each, an "Interest Payment Date").

The Series 2005 Bonds will each be dated their date of original delivery, issued in fully registered form, without coupons, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as Securities Depository of the Series 2005 Bonds. Ownership interests in the Series 2005 Bonds may be purchased in book-entry form only. Purchasers will not receive securities certificates representing their interests in the Series 2005 Bonds purchased. Payments of principal of, premium, if any, and interest on the Series 2005 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2005 Bonds. See APPENDIX C –"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of interest on the Series 2005 Bonds due on or before the maturity or prior redemption thereof will be made to the person whose name appears in the registration books kept by the Trustee as the Owner thereof as of the close of business on the Record Date for an Interest Payment Date, whether or not such day is a Business Day, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at the address as it appears in such books; provided that upon the written request of a Owner of $1,000,000 or more in aggregate principal amount of Series 2005 Bonds received by the Trustee prior to the applicable Record Date, interest will be paid by wire transfer in immediately available funds. For a further description of the Series 2005 Bonds, see " - Redemption Provisions" below and APPENDIX D – "SUMMARY OF THE TRUST AGREEMENT."

Redemption Provisions

Optional Redemption.

The Series 2005 Bonds are subject to optional redemption prior to their maturity at the option of the County, in whole or in part (and if in part, pro rata as described below) on any date, at a redemption price equal to the greater of: (i) 100% of the principal amount of such Series 2005 Bonds to be redeemed; or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on such Series 2005 Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date of redemption on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (defined below) plus 12.5 basis points; plus in the case of either (i) or (ii), accrued and unpaid interest on such Series 2005 Bonds being redeemed to the date fixed for redemption.

"Comparable Treasury Issue" means the US Treasury security or securities selected by the Independent Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the applicable Series 2005 Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such Series 2005 Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular Series 2005 Bond, (a) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Deal Quotations, or (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

"Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Trustee in consultation with the County. The initial Independent Investment Banker will be Lehman Brothers Inc.

"Reference Treasury Dealer" means each of Lehman Brothers Inc. and Goldman, Sachs & Co. and their respective successors and three other firms, specified by the County from time to time, that are primary U.S. Government securities dealers in the City of New York (each a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the County will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular Series 2005 Bond, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business date preceding such redemption date.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2005 Bond, the rate per annum equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue, assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price.

Mandatory Redemption.

The Series 2005 Bonds maturing on February 15, 2025 and bearing interest at the rate of 4.910% are subject to mandatory sinking fund redemption, in part (as described below), on February 15 in each year, commencing February 15, 2021, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

2025 Insured Series 2005 Bonds

Sinking Fund Redemption Date (February 15)	Principal Amount to be Redeemed
2021	$13,635,000
2022	15,050,000
2023	16,540,000
2024	18,140,000
2025*	11,635,000

*Final maturity

The Series 2005 Bonds maturing on February 15, 2025 and bearing interest at the rate of 4.940% are subject to mandatory sinking fund redemption, in part (as described below), on February 15 in each year, commencing February 15, 2021, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

2025 Series 2005 Bonds

Sinking Fund Redemption Date (February 15)	Principal Amount to be Redeemed
2021	$14,075,000
2022	15,545,000
2023	17,135,000
2024	18,820,000
2025*	12,110,000

*Final maturity

The Series 2005 Bonds maturing on February 15, 2035 are subject to mandatory sinking fund redemption, in part (as described below), on February 15 in each year, commencing February 15, 2026, at a redemption price equal to 100% of the principal amount of the Series 2005 Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the aggregate respective principal amounts in the respective years as follows:

2035 Series 2005 Bonds

Sinking Fund Redemption Date (February 15)	Principal Amount to be Redeemed
2026	$4,220,000
2027	4,755,000
2028	5,325,000
2029	5,935,000
2030	6,585,000
2031	7,285,000
2032	8,025,000
2033	8,820,000
2034	9,665,000
2035*	5,530,000

*Final maturity

Redemption Procedures.

Selection for Redemption. Redemption payments on the Series 2005 Bonds being redeemed in part will be made on a *pro rata* basis to each Owner in whose name such Series 2005 Bonds are registered on the Record Date immediately preceding a redemption date. "*Pro rata*" is determined, in connection with any mandatory sinking fund redemption or any optional redemption, in part, by multiplying the principal amount of the Series 2005 Bonds of such maturity to be redeemed on the applicable redemption date by a fraction, the numerator of which is equal to the principal amount of the Series 2005 Bonds of such maturity owned by an Owner, and the denominator of which is equal to the total amount of the Series 2005 Bonds of such maturity then Outstanding immediately prior to such redemption date, and then rounding the product down to the next lower integral multiple of $5,000, provided that the portion of any Series 2005 Bonds to be redeemed are required to be in Authorized Denominations and all Series

2005 Bonds of a maturity to remain outstanding following any redemption are required to be in authorized denominations.

So long as there is a Securities Depository for the Series 2005 Bonds, there will be only one registered Owner and neither the County nor the Trustee will have responsibility for prorating partial redemptions among beneficial owners of the Series 2005 Bonds.

Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of the Series 2005 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee. The Trustee will also give redemption notice by (i) registered or certified mail, return receipt requested, postage prepaid, (ii) telephonically confirmed facsimile transmission, (iii) overnight delivery service or (iv) other means acceptable to such Information Service, to one of the Information Services. Each notice of redemption will state the date of such notice, the redemption price, if any, (including the name and appropriate address of the Trustee), the CUSIP number (if any) and ISIN number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2005 Bonds of such maturity, to be redeemed and, in the case of Series 2005 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2005 Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2005 Bonds be then surrendered at the address of the Trustee specified in the redemption notice; provided, however, that any such notice of redemption may be cancelled and annulled by a Written Request of the County given to the Trustee at least five days prior to the date fixed for redemption, whereupon the Trustee will forthwith give appropriate notice of such cancellation and annulment to all the recipients of such notice of redemption. Failure by the Trustee to give notice pursuant to the Trust Agreement to one of the Information Services or the failure of any Owner to receive notice pursuant to the Trust Agreement or any defect therein shall not invalidate any of the proceedings taken in connection with such redemption.

Effect of Redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the Series 2005 Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Series 2005 Bonds so called for redemption will become due and payable, and from and after the date so designated interest on such Series 2005 Bonds will cease to accrue, and the Owners of such Series 2005 Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The obligations of the County under the Series 2005 Bonds, including the obligation to make all payments of interest and principal when due, are obligations of the County imposed by law and are absolute and unconditional, without any right of set-off or counterclaim.

The Trust Agreement provides that the County is obligated to deposit with the Trustee no later than July 31 of each year, an amount which, together with the amount then on deposit in the Bond Fund, will equal the amount of the principal and accreted value of and interest on the Bonds coming due in the then current Fiscal Year and in July of the following Fiscal Year; provided, however, that, if and to the extent that all or a portion of the Bonds are the subject of a Qualified Swap Agreement, the interest coming due on such Bonds in the then current Fiscal Year and in July of the following Fiscal Year will be excluded from such amount.

For information relating to deposits with respect to Bonds issued as Auction Rate Securities or Index Bonds or subject to a Qualified Swap Agreement, see APPENDIX D – "SUMMARY OF THE TRUST AGREEMENT – Pledge: Funds."

THE SERIES 2005 BONDS DO NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION. NEITHER THE SERIES 2005 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE PAYMENTS ON THE SERIES 2005 BONDS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Debt Service Schedule

The following table sets forth the annual debt service schedule for the Series 2005 Bonds.

Period Ending	Principal	Interest	Total Debt Service
06/30/2006	$ 3,155,000.00	$ 18,962,347.60	$ 22,117,347.60
06/30/2007	3,955,000.00	18,963,221.00	22,918,221.00
06/30/2008	4,895,000.00	18,819,654.50	23,714,654.50
06/30/2009	5,905,000.00	18,633,644.50	24,538,644.50
06/30/2010	6,990,000.00	18,399,216.00	25,389,216.00
06/30/2011	8,155,000.00	18,114,024.00	26,269,024.00
06/30/2012	9,405,000.00	17,770,698.50	27,175,698.50
06/30/2013	10,750,000.00	17,363,462.00	28,113,462.00
06/30/2014	12,275,000.00	16,887,237.00	29,162,237.00
06/30/2015	14,045,000.00	16,333,634.50	30,378,634.50
06/30/2016	15,950,000.00	15,688,969.00	31,638,969.00
06/30/2017	17,985,000.00	14,948,889.00	32,933,889.00
06/30/2018	20,170,000.00	14,105,392.50	34,275,392.50
06/30/2019	22,515,000.00	13,143,283.50	35,658,283.50
06/30/2020	25,020,000.00	12,064,815.00	37,084,815.00
06/30/2021	27,710,000.00	10,853,847.00	38,563,847.00
06/30/2022	30,595,000.00	9,489,063.50	40,084,063.50
06/30/2023	33,675,000.00	7,982,185.50	41,657,185.50
06/30/2024	36,960,000.00	6,323,602.50	43,283,602.50
06/30/2025	23,745,000.00	4,503,220.50	28,248,220.50
06/30/2026	4,220,000.00	3,333,708.00	7,553,708.00
06/30/2027	4,755,000.00	3,121,020.00	7,876,020.00
06/30/2028	5,325,000.00	2,881,368.00	8,206,368.00
06/30/2029	5,935,000.00	2,612,988.00	8,547,988.00
06/30/2030	6,585,000.00	2,313,864.00	8,898,864.00
06/30/2031	7,285,000.00	1,981,980.00	9,266,980.00
06/30/2032	8,025,000.00	1,614,816.00	9,639,816.00
06/30/2033	8,820,000.00	1,210,356.00	10,030,356.00
06/30/2034	9,665,000.00	765,828.00	10,430,828.00
06/30/2035	5,530,000.00	278,712.00	5,808,712.00
	$400,000,000.00	$309,465,047.60	$709,465,047.60

Additional Bonds

The County may from time to time issue additional bonds for (i) the purpose of satisfying any obligation of the County to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of additional bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding. Such additional bonds may be issued on a parity with the Series 2005 Bonds without the consent of any Owner. For more information regarding the issuance of additional bonds, see APPENDIX D - "SUMMARY OF THE TRUST AGREEMENT - Additional Bonds."

BOND INSURANCE

The following information has been furnished by MBIA Insurance Corporation (the "2005 Bond Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the 2005 Bond Insurer's Policy.

The 2005 Bond Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County 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 Insured Series 2005 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 2005 Bond 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 Insured Series 2005 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 2005 Bond Insurer's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Insured Series 2005 Bonds. The 2005 Bond 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 Insured Series 2005 Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The 2005 Bond Insurer's Policy also does not insure against nonpayment of principal of or interest on the Insured Series 2005 Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Insured Series 2005 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 2005 Bond Insurer from the Trustee or any owner of an Insured Series 2005 Bond the payment of an insured amount for which is then due, that such required payment has not been made, the 2005 Bond 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 U.S. Bank Trust National Association, 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 Insured Series 2005 Bonds or presentment of such other proof of ownership of the Insured Series 2005 Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Series 2005 Bonds as are paid by the 2005 Bond Insurer, and appropriate instruments to effect the appointment of the 2005 Bond Insurer as agent for such owners of the Insured Series 2005 Bonds in any legal proceeding related to payment of insured amounts on the Insured Series 2005 Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Trustee payment of the insured amounts due on such Insured Series 2005 Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

The 2005 Bond Insurer

The 2005 Bond Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the 2005 Bond Insurer. The 2005 Bond 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 2005 Bond Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one 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 2005 Bond

Insurer, changes in control and transactions among affiliates. Additionally, the 2005 Bond Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The 2005 Bond Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the 2005 Bond Insurer set forth under the heading "BOND INSURANCE." Additionally, the 2005 Bond Insurer makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds.

The 2005 Bond Insurer Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2003; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on form 10-Q and prior to the termination of the offering of the Series 2005 Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.`

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2004, June 30, 2004 and September 30, 2004) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of the 2005 Bond Insurer is (914) 273-4545.

As of December 31, 2003, the 2005 Bond Insurer had admitted assets of $9.9 billion (audited), total liabilities of $6.2 billion (audited), and total capital and surplus of $3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2004, the 2005 Bond Insurer had admitted assets of $10.4 billion (unaudited), total liabilities of $6.7 billion (unaudited), and total capital and surplus of $3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of the 2005 Bond Insurer

Moody's Investors Service, Inc. rates the financial strength of the 2005 Bond Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of the 2005 Bond Insurer "AAA."

Fitch Ratings rates the financial strength of the 2005 Bond Insurer "AAA."

Each rating of the 2005 Bond Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the 2005 Bond 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 Insured Series 2005 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 Insured Series 2005 Bonds. The 2005 Bond Insurer does not guaranty the market price of the Insured Series 2005 Bonds nor does it guaranty that the ratings on the Insured Series 2005 Bonds will not be revised or withdrawn.

In the event the 2005 Bond 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.

Disclaimer

The information relating to the 2005 Bond Insurer and the Policy contained above has been furnished by the 2005 Bond Insurer. No representation is made by the County or the Underwriters as to the accuracy, completeness or adequacy of such information or as to the absence of material adverse changes in the condition of the 2005 Bond Insurer subsequent to the date of this Official Statement.

RISK FACTORS

The following information should be considered by potential investors in evaluating the Series 2005 Bonds. However, it does not purport to be an exhaustive list of the risks or other considerations which may be relevant to an investment in the Series 2005 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

State Financial Condition

The State is experiencing significant financial and budgetary stress. The County receives a significant portion of its funding from the State. Decreases in revenues received by the State can affect the amount of funding received from the State by the County and other counties in the State. The 2005-06 Proposed Budget (the "2005-06 Proposed Budget"), released by Governor Schwarzenegger on January 10, 2005, projects State General Fund revenues (not including transfers) for fiscal year 2005-06 to be \$83.2 billion, an increase of 6.8% over the 2004-05 fiscal year level, and General Fund expenditures to be \$85.7 billion, an increase of 4.2% over the 2004-05 fiscal year level. The 2005-06 Proposed Budget identifies a budget gap of \$9.1 billion in the absence of the proposed policy changes included in the 2005-06 Proposed Budget.

The County cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal year, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the County cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or the actions to be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the County has no control.

For a discussion of the potential impacts of State budget actions for Fiscal Years 2004-05 and 2005-06 on the County and other counties in the State, see "STATE BUDGET INFORMATION" herein.

Limitation of Remedies

The rights of the Owners of the Series 2005 Bonds are subject to certain limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2005 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such law are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the Series 2005 Bonds and/or delays in the enforcement of such rights.

Limitation on Sources of Revenues; Additional Expenditures

There are limitations on the ability of the County to increase revenues payable to the County General Fund. In addition to limitations that have been imposed on the ability of the County to raise revenues, State and federally mandated expenditures by counties for justice, health and welfare have increased. Recently, the annual increase in mandated expenditures has exceeded the annual increase in County revenues. The County has begun implementing additional security and public safety measures. Expenditures for such measures are not presently expected to be material to the financial position of the County. Additional actions may have a material adverse financial impact on the County. The County may be required by federal or State law to fund other municipal services prior to the payment of the principal of, premium, if any, and interest on the Series 2005 Bonds. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein.

County System Pension Benefit Liability

Many factors influence the amount of the County's pension benefit liability, including, without limitation, inflationary factors, changes in statutory provisions of the Retirement Law, changes in the levels of benefits provided or in the contribution rates of the County, increases or decreases in the number of covered employees, changes in actuarial assumptions or methods, and differences between actual and anticipated investment experience of PERS. Any of these factors could give rise to additional liability of the County to PERS as a result of which the County would be obligated to make additional payments to PERS over the amortization schedule for full funding of the County's obligation to PERS. See "PLAN OF FINANCING" and "PENSION PLAN" herein.

Changes in Law

The State Legislature may in the future enact legislation that will amend or create laws resulting in a reduction of moneys securing or available to pay the Series 2005 Bonds. Similarly, the State electorate could adopt initiatives or the State Legislature could adopt legislation with the approval of the electorate amending the State Constitution which could have the effect of reducing moneys securing or available to pay the Series 2005 Bonds.

STATE BUDGET INFORMATION

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2004-05, approximately 34.8% of the County's General Fund budget consists of payments from the State and 19.4% consists of payments from the Federal government.

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of

Finance website, *www.dof ca.gov*, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at *www.lao.ca.gov*. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, *www.treasurer.ca.gov*. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

For a description of certain potential impacts of the State budget on the finances and operations of the County, see APPENDIX A - "COUNTY OF RIVERSIDE - Financial Information."

State Budget for Fiscal Year 2003-04

On August 2, 2003, Governor Davis signed the 2003-04 Budget Act (the "2003-04 Budget Act") into law. The 2003-04 Budget Act projected that State General Fund (the "State General Fund") revenues would increase from $70.9 billion for Fiscal Year 2002-03, excluding the proceeds of any fiscal recovery bonds, to $72.8 billion in Fiscal Year 2003-04, an increase of 2.8 percent. State General Fund expenditures were projected to decrease from $78.1 billion in Fiscal Year 2002-03 to $70.8 billion in Fiscal Year 2003-04, or 10 percent. A significant portion of this 10 percent decrease was attributable to the vehicle license fee ("VLF") increase which eliminated the need for the State to backfill local governments, new federal funds, borrowings to cover the State's 2003-04 pension obligations, and the Medi-Cal accounting shift from an accrual to a cash basis.

The 2003-04 Budget Act contained various reductions in local revenues provided by the State, including a reduction in VLF revenues of approximately $825 million during the period between the elimination of the State's VLF backfill and the increase in the VLF rate on October 1, 2003. The 2003-04 Budget Act assumed that the VLF rate would increase from the rate of 0.65 percent to 2.0 percent beginning October 1, 2003. During the approximately 90 day period between the date when the State backfill ended on July 1, 2003, and the date when the VLF rate increased, local governments would only receive revenues based on the 0.65 percent VLF rate. The 2003-04 Budget Act and related legislation required the State to repay the $825 million VLF "gap" loss to local governments no later than August 15, 2006. Since the passage of the 2003-04 Budget Act, the State has estimated that the VLF "gap" for Fiscal Year 2003-04 will be approximately $1.3 billion.

The 2003-04 Budget Act identified a budget shortfall of $38.2 billion between expenditures and revenues and attempted to close this shortfall through a combination of program savings, borrowing, new revenues, funding shifts, and deferrals. Program savings were primarily achieved in the 2003-04 Budget Act through significant reductions in spending for certain programs. Some reductions in program spending were to be offset by higher fees. The year-end reserve was projected to be approximately $2 billion and reflected the issuance of $10.7 billion in fiscal recovery bonds to eliminate the Fiscal Year 2002-03 deficit and the issuance of a second series of tobacco securitization bonds . Governor Schwarzenegger subsequently proposed, and the State Legislature approved, placing a bond measure on the March 2, 2004 ballot which authorized the issuance of up to $15 billion of economic recovery bonds to replace the fiscal recovery bonds. See "- Proposed Governor's Budget for Fiscal Year 2004-05" below.

Certain of the features of 2003-04 Budget Act affecting counties included the following:

1. The Senate budget package required redevelopment agencies to shift $250 million of redevelopment agency funds to the Educational Revenue Augmentation Fund (the "ERAF") in Fiscal Year 2003-04. The Assembly version of the budget also required such a one-time shift to the ERAF but set the amount at $135 million.

2. The 2003-04 Budget Act repealed six mandates and suspended local government requirements to implement 37 other mandates in Fiscal Year 2003-04. The 2003-04 Budget Act deferred (to an unspecified date) State funding to reimburse local agencies for: (1) implementing 40 active mandates in Fiscal Year 2003-04 (about $200 million) and (2) unpaid prior-year mandate claims (about $700 million).

3. The 2003-04 Budget Act reduced funding for the Citizens' Option for Public Safety and Juvenile Crime Prevention Grants program by $32.6 million (leaving $200 million to be divided equally between the two programs).

4. The Senate budget package eliminated the $38 million continuous appropriation for local government booking fees and county authority to charge local agencies fees for booking people into county jail. The Assembly budget package, in contrast, maintained the continuous appropriation and county fee authority.

State Budget for Fiscal Year 2004-05

On July 31, 2004, Governor Schwarzenegger signed the 2004-05 Budget Act (the "2004-05 Budget Act") into law. The 2004-05 Budget Act assumes General Fund revenues will increase from $76.6 billion in Fiscal Year 2003-04 to $77.3 billion in Fiscal Year 2004-05. General Fund expenditures are expected to increase from $77.6 billion in Fiscal Year 2003-04 to $78.8 billion in Fiscal Year 2004-05, or approximately 10 percent. The 2004-05 Budget Act projects a year-end reserve of $678 million as of June 30, 2005. Approximately $268 million of the reserve is designated for Proposition 98 and the remaining $410 million is designated for non-Proposition 98 purposes.

Certain of the features of 2004-05 Budget Act affecting local governments include the following:

1. The Vehicle License Fee (the "VLF") rate is lowered from 2.0 percent to 0.65 percent and the VLF backfill is eliminated. The State will provide increased property tax revenues to compensate for the reduction in revenues local governments previously received from VLF.

2. A diversion of $1.3 billion from local governments in Fiscal Years 2004-05 and 2005-06, including $350 million from counties, $350 million from cities, $350 million from special districts and $250 from redevelopment agencies. Each county's reduction reflects its proportionate share of statewide county VLF revenues, property taxes and sales taxes.

3. The 2004-05 Budget Act proposed a constitutional amendment to protect certain local government revenues ("Proposition 1A"), which was approved by the voters in November 2004. For a discussion of Proposition 1A, see "- Proposition 1A" below. For an historical discussion of the VLF, see APPENDIX A – "COUNTY OF RIVERSIDE - Financial Information - Vehicle License Fee."

Proposition 1A. County services are funded with money from local taxes, fees, and user charges; State and federal aid; and other sources. Three taxes play a major role in County finance because they raise significant sums of general-purpose revenues that the County may use to pay for a variety of programs and services. These three taxes are the property tax, the sales tax, and the vehicle license fee.

The State Constitution and existing statutes give the legislature authority over these taxes. The Legislature has authority to change tax rates; items subject to taxation, and the distribution of tax revenues among local governments, schools, and community college districts. The State has used this authority for many purposes, including increasing funding for local services, reducing State costs, reducing taxation, addressing concerns regarding funding for particular local governments, and restructuring local finance.

The State Constitution generally requires the State to reimburse the County when the State "mandates" a new local program or higher level of service. For example, the State requires the County to post agendas for their hearings. As a mandate, the State must pay the County its costs to post these agendas. Because of the State's ongoing financial difficulties, the State has not provided in recent years reimbursements for many mandated costs. Through Fiscal Year 2003-04, the State owes the County $46.9 million for the prior-year costs of State-mandated programs. In other cases, the State has "suspended" State mandates, eliminating both County responsibility for complying with the mandate and the need for State reimbursements.

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

Given the number and magnitude of past State actions affecting local taxes, Proposition 1A's restrictions on State authority to enact such measures in the future would have potentially major fiscal effects on the County. For example, the State could not enact measures that permanently shift property taxes from the County to schools in order to reduce State costs for education programs. In these cases, Proposition 1A would result in County revenues being more stable—and higher—than otherwise would be the case. The magnitude of increased County revenues is unknown and would depend on future actions by the State. Given past actions by the State, however, this increase in County revenues could be significant. These increased County revenues could result in higher spending on local programs or decreased local fees or taxes.

In general, Proposition 1A's effect on State finances would be the *opposite* of its effect on local finances. That is, Proposition 1A could result in decreased resources being available for State programs than otherwise would be the case. This reduction, in turn, would affect State spending or taxes. For example, because the State could not use local government property taxes permanently as part of the State's budget solution, the Legislature would need to take alternative actions to resolve the State's budget difficulties. These action could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the County.

Proposed Governor's Budget for Fiscal Year 2005-06

On January 10, 2005, Governor Schwarzenegger released his proposed budget for Fiscal Year 2005-06 (the "2005-06 Proposed Budget"). The 2005-06 Proposed Budget projects General Fund revenues (not including transfers) for Fiscal Year 2005-06 of $83.2 billion, an increase of 6.8 percent above the anticipated revenues for Fiscal Year 2004-05, and General Fund expenditures of $85.7 billion, an increase of 4.2 percent above the anticipated expenditures for Fiscal Year 2004-05. See "- LAO Budget Overview" below.

The 2005-06 Proposed Budget identifies a budget shortfall of $9.1 billion without implementation of the policy changes proposed in the 2005-06 Proposed Budget. The budget shortfall is a result of an operating deficit in Fiscal Year 2004-05 of $1.7 billion, a difference between the growth in baseline expenditures and revenues of $5.2 billion, the absence of $2 billion of proceeds from the economic recovery bonds authorized by the voters in March 2004 (the "Economic Recovery Bonds") that were available in Fiscal Year 2004-05 and $170 million in other adjustments. The 2005-06 Proposed Budget proposes to address the budget shortfall through policy changes consisting primarily of reductions in the rate of increase of State spending in the amount of $7 billion. The 2005-06 Proposed Budget also proposes to address the estimated budget shortfall by increasing available resources using $1.7 billion of proceeds from the Economic Recovery Bonds, approximately $300 million less borrowing than was included in the 2004-05 Budget, and a variety of proposals to increase revenues by $409 million without tax increases.

The revenue increase forecasted by the 2005-06 Proposed Budget includes gains in the personal income tax, sales and use tax and corporation tax. Personal income tax revenues are forecasted to be $39.5 billion in Fiscal Year 2004-05 and $42.9 billion in Fiscal Year 2005-06. This forecast assumes an increase in personal income tax revenue of 8.6 percent for Fiscal Year 2004-05 and 8.5 percent for Fiscal Year 2005-06. Sales and use tax revenue is forecasted to be $25.2 billion in Fiscal Year 2004-05 and $26.9 billion in Fiscal Year 2005-06. This forecast assumes a 5.7 percent increase in taxable sales for 2004 and that, as a result of an improving economy, taxable sales will continue to increase at similar rates for 2005 and 2006, representing a 5.7 percent and 5.6 percent increase, respectively. Corporation tax revenues are expected to total $8.7 billion in Fiscal Year 2004-05 and $9 billion in Fiscal Year 2005-06.

The 2005-06 Proposed Budget assumes local government revenues will increase during the next few years due in part to increases in property taxes and sales and use tax to local governments. Property taxes and sales and use tax are major sources of discretionary revenue for local governments, including the County. The 2005-06 Proposed Budget projects property taxes to local governments to be approximately $22.4 billion, an increase of 9 percent above the amount expected to be received in the Fiscal Year 2004-05, as a result of the strong housing market and increased sales of non-residential real estate. The sales and use tax in Fiscal Year 2005-06 is also expected to increase by approximately 6 percent above the amount expected to be received in Fiscal Year 2004-05. The sales and use tax is expected to provide local governments with over $4 billion for discretionary purposes, in addition to $2.7 billion for public safety, $2.7 billion for health programs and $1.3 billion for county transportation purposes. In addition, the 2005-06 Proposed Budget projects VLF revenues, which provide funding for local health programs, to increase by 3.4 percent to 4.5 percent during the next two years.

Certain of the features of the 2005-06 Proposed Budget affecting counties include the following:

1. The 2005-06 Proposed Budget includes funding in various budgets that support activities by local government agencies where the local agencies have significant discretion over the use of the funds. Such programs include law enforcement, realigned health and mental health services, public health, property tax administration, Williamson Act open space preservation contracts, libraries, recreational facilities, flood control and housing. Funding for these programs will be approximately $5.6 billion in 2005-06, which represents a reduction of $368 million from the amount expected to be received in Fiscal Year 2004-05.

2. The 2005-06 Proposed Budget includes funding for local governments to make up the difference between the 0.65-percent rate of the VLF and the previous 2 percent rate through a reallocation of property tax from schools and community colleges to cities and counties. The General Fund expenditures for Proposition 98, which guarantees K-14 schools a minimum share of funding from General Fund revenues (the "Proposition 98 Guarantee"), are increased to offset the reduction in property taxes for schools.

3. The 2005-06 Proposed Budget includes a provision to maintain funding for the Citizen's Option for Public Safety, which supports local law enforcement, sheriff's departments for jail construction and operations and district attorneys for prosecution, at $100 million for Fiscal Year 2005-06.

4. The 2005-06 Proposed Budget includes a provision that restores $201.4 million in Federal Temporary Assistance to Needy Families funding for juvenile probation services. However, the 2005-06 Proposed Budget also proposes that the $100 million in funding associated with the Juvenile Justice Crime Prevention Act program be reduced by $75 million and the remaining $25 million be shifted to the Board of Corrections for distribution to local governments. This will result in an overall reduction of 25% in State funding to local government for juvenile justice programs.

5. The 2005-06 Proposed Budget includes a provision to eliminate funding for the Small and Rural Sheriffs program, which provides grants of $500,000 each to 37 sheriff's departments in the smaller counties of the State, to save approximately $18.5 million in Fiscal Year 2005-06.

6. The 2005-06 Proposed Budget includes funding of grants to counties for property tax administration in the amount of $54.3 million, which represents a reduction of $5.7 million from Fiscal Year 2004-05.

In the 2005-06 Proposed Budget, the Governor proposes several budget reforms to address the State's continued structural budget deficit. The Governor's reform proposals include: (a) a proposed amendment to the State Constitution to require an across-the-board spending reductions to address a budget shortfall either (i) shortly after the beginning of a Fiscal Year when the State has not enacted a budget and faces a budgetary imbalance, or (ii) during specified times in a Fiscal Year when the administration determines an enacted budget has fallen out of balance and the Governor and legislature fail to agree on a mid-year plan to address the shortfall within a specified period; (b) a proposed amendment to the State Constitution to eliminate the ability to suspend the minimum funding requirement of the Proposition 98 Guarantee with a two-thirds vote of the legislature and to eliminate a calculation related to the Proposition 98 Guarantee, which reduces the growth rate of Proposition 98 funding during the years when the State encounters low revenues; (c) the proposed repayment over a 15-year period of certain outstanding obligations of the State, including the currently outstanding $3.6 billion in "maintenance factor" and $1.3 billion in potential "settle-up" payments to schools, the unfunded mandates to local governments and schools, loans to the State's General Fund from special funds supporting transportation and other loans from special funds; (d) a proposal to eliminate the legislature's ability, after the Fiscal Year 2006-07, to suspend the transfer of sales tax revenues on gasoline from the State's General Fund to special funds supporting transportation as currently permitted; and (e) a proposal that prohibits the Governor and the legislature from borrowing from special funds to cover State's General Fund shortfalls in the future.

LAO Budget Overview

On January 12, 2005, the Legislative Analyst's Office (the "LAO") released a report entitled Overview of the Governor's Budget (the "LAO Budget Overview"), which was an analysis by the LAO of the 2005-06 Proposed Budget. The LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

The LAO states that the 2005-06 Proposed Budget is a reasonable starting point from which to develop a State budget for Fiscal Year 2005-06 for two reasons. First, the 2005-06 Proposed Budget contains positive attributes such as preserving nearly $2 billion of the State's Economic Recovery Bonds (which are discussed above under "Proposed Governor's Budget for Fiscal Year 2005-06") for use in subsequent years and not increasing current-year Proposition 98 funding. Proposition 98 is a provision of the State Constitution which guarantees K-14 schools a minimum share of the General Fund revenues. Further, many of the solutions proposed by the 2005-06 Proposed Budget provide ongoing savings. Second, the LAO stated that the 2005-06 Proposed Budget relies on reasonable estimates of caseloads, costs and revenues and accurately portrays the use of Economic Recovery Bonds. The LAO also noted that the 2005-06 Proposed Budget's economic and revenue assumptions are similar, but slightly more optimistic, than the LAO's fiscal forecast in November 2004.

The LAO noted that, although the 2005-06 Proposed Budget contains positive attributes, on the whole the 2005-06 Proposed Budget falls well short of fully dealing with the ongoing structural shortfall, which means that a gap has been created between the State's estimated revenues and a higher level of the State's estimated expenditures which has not been closed in the 2005-06 Proposed Budget. The LAO noted that the solutions offered by the 2005-06 Proposed Budget are not sufficient to adequately address the State's ongoing structural shortfall because the 2005-06 Proposed Budget relies nearly entirely on expenditure reductions that are targeted on relatively few major areas and leaves several areas largely unaffected. In addition, some of the savings obtained by the 2005-06 Proposed Budget are subject to considerable risk such as court challenges and collective bargaining negotiations, which means that the structural gap may be even larger. The LAO notes that savings subject to such risks have, in years past, not met expected levels.

The LAO stated that its main concerns related to the 2005-06 Proposed Budget were the structural budget reforms suggested therein. These concerns fall into two categories. First, the LAO believes that the proposed amendments to the State Constitution to change Proposition 98 would leave policy makers with limited discretion over the allocation of budget resources between Proposition 98 and other state programs. According to the LAO, the consequence of this is that, during revenue downturns, all of the burden of balancing the budget may shift to non-Proposition 98 programs or to taxpayers in the form of higher fees and taxes. Second, the LAO believes that the proposed changes represent a serious diminution in the Legislature's authority to appropriate funds and craft budgets.

Future State Budgets

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

State law permits citizens to effect changes to the State's Constitution and statutes, without involvement by the legislature, through the initiative process. Under this process, initiative supporters submit petitions to State election officials, who are required to submit the initiative to voters if the petitions meet statutory requirements. Many provisions of State law have been added or affected by initiatives. The initiatives described below have materially adversely affected the County's ability to raise revenues or spend money.

Article XIII A. Article XIII A of the State Constitution limits the amount of ad valorem tax on real property to one percent of the full cash value of the real property plus amounts necessary to pay debt service on specified indebtedness approved by voters. Full cash value means "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year and may be reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn.

Article XIII B. Article XIII B of the State Constitution limits the annual appropriations of governmental agencies. The appropriations limit for the County in each year is based on the limit for the prior year, adjusted for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government, with other provisions applicable in case of emergency. The change in the cost of living is, at the County's option, either (i) the percentage change in State per capita personal income, or (ii) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college districts. Article XIII B permits the County to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the County, exclusive of State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on specified indebtedness, appropriations required to comply with mandates of courts or the Federal government and appropriations for qualified outlay projects. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the County from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) State subventions received by the County. The appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

The County's appropriations limit for Fiscal Year 2003-04 was $1.35 billion, and the amount subject to the limitation was approximately $673 million. The County's appropriations limit for Fiscal Year 2004-05 is $1.441 billion, and the amount of appropriations subject to limitation for that year was $680 million.

Proposition 62. Provisions of State law added by the voter approval of Proposition 62 in 1986 (a) require that any new or higher taxes for general governmental purposes imposed by the County be approved by a two-thirds vote of the County's Board of Supervisors and by a majority vote of the voters of the County voting in an election on the tax, (b) require that any special tax (defined as taxes levied for other than general governmental purposes) imposed by the County be approved by a two-thirds vote of the voters of the County voting in an election on the tax, (c) restrict the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibit the imposition of ad valorem taxes on real property by the County except as permitted by Article XIII A of the State Constitution and (e) prohibit the imposition of transaction taxes and sales taxes on the sale of real property by the County.

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

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

The assessments subject to the provisions of Arrticle XIII D include maintenance assessments imposed in County service areas and special districts. Parcel charges in 38 of the County's 57 County service areas have been classified as fees and charges, assessments or special taxes under either Article XIII C or Article XIII D. Thirty-two County service areas require the approval of local property owners or voters for the County to continue to collect such charges. Two of the 32 County service areas which require an election to continue collecting parcel charges voted not to continue the charges and the related services have therefore terminated.

The annual amount of revenues that are received by the County and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D is not substantial.

The County anticipates that any impact Articles XIII C or XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay principal or interest on the Series 2005 Bonds as and when due. However, if the County determines to continue such services if taxes, fees or assessments that finance them are reduced or repealed, the County would have to pay for such services from its General Fund.

Proposition 1A. For a discussion of Proposition 1A, see "STATE BUDGET INFORMATION - State Budget for Fiscal Year 2004-05- Proposition 1A" herein.

Future Initiatives. Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution and the statutes added by Proposition 62 were all adopted pursuant to the State's initiative process. The limitations imposed upon the County by these provisions hinder the County's ability to raise revenues through taxes or otherwise and may therefore prevent the County from meeting increased expenditure requirements. The County expects that other initiative measures will be adopted, some of which may place further limitations on the ability of the State, the County or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the County to undertake new responsibilities. Such other initiatives could have a material adverse effect on the County's financial condition.

ERISA CONSIDERATIONS

Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code, as amended (the "Code"), prohibit employee benefit plans as well as individual retirement accounts and some types of Keogh plans ("Plans") subject to ERISA or Section 4975 of the Code from engaging in certain transactions involving "plan assets" with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code (collectively, "Parties in Interest") with respect to the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA. Under ERISA, any person who exercises any authority or control respecting the management or disposition of the assets of a Plan is considered to be a fiduciary of such Plan (subject to certain exceptions not relevant here). A violation of these "prohibited transaction" rules may generate excise tax and other liabilities under ERISA and the Code for fiduciaries and Parties in Interest.

The Underwriters, as a result of their own activities or because of the activities of their respective affiliates, may be considered Parties in Interest, with respect to certain Plans. Prohibited transactions may arise under Section 406 of ERISA and Section 4975 of the Code if Series 2005 Bonds are acquired by a Plan with respect to which the Underwriters or any of their respective affiliates are Parties in Interest. Certain exemptions from the prohibited transaction rules could be applicable, however, depending in part upon the type of Plan fiduciary making the decision to acquire a Series 2005 Bond and the circumstances under which such decision is made. Included among these exemptions are those transactions regarding securities purchased during the existence of an underwriting, investments by insurance company pooled separate accounts, investments by insurance company general accounts, investments by bank collective investment funds, transactions effected by "qualified professional asset managers," and transactions affected by certain "in-house asset managers." Even if the conditions specified in one or more of these exemptions are met, the scope of the relief provided by these exemptions might or might not cover all acts which might be construed as prohibited transactions. In order to ensure that no prohibited transaction under ERISA or Section 4975 of the Code will take place in connection with the acquisition of a Series 2005 Bond by or on behalf of a Plan, each prospective purchaser of a Series 2005 Bond that is a Plan or is acquiring on behalf of a Plan will be required to represent that either (i) no prohibited transactions under ERISA or Section 4975 of the Code will occur in connection with the acquisition of such Series 2005 Bond or (ii) the acquisition of such Series 2005 Bond is subject to a statutory or administrative exemption.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA and some church plans (as defined in Section 3(33) of ERISA) are not subject to ERISA requirements nor to Section 4975 of the Code. However, governmental plans and church plans that are "qualified" under Section 401(a) of the Code are subject to restrictions with respect to prohibited transactions under Section 503(a)(1)(B) of the Code, the sanction for violation being the loss of "qualified" status. Governmental plans may also be subject to state and local laws imposing restrictions on investments.

Any Plan fiduciary who proposes to cause a Plan to purchase Series 2005 Bonds should (i) consult with its counsel with respect to the potential applicability of ERISA and the Code to such investments and whether any exemption would be applicable and (ii) determine on its own whether all conditions have been satisfied. Moreover, each Plan fiduciary should determine whether, under the general fiduciary standards of investment prudence and diversification, an investment in the Series 2005 Bonds is appropriate for the Plan, taking into account the overall investment policy of the Plan and the composition of the Plan's investment portfolio, and whether such investment is authorized by the terms of such Plan.

VALIDATION

In March 2004, the County, acting pursuant to the provisions of Section 860 et seq. of the California Code of Civil Procedure and Section 53511 et seq. of the California Government Code, filed a complaint in the Superior Court of the State of California for the County of Riverside seeking judicial validation of the transactions relating to the issuance of the Series 2005 Bonds and certain other matters. On May 3, 2004, the court entered a default judgment to the effect that, among other things, the Series 2005 Bonds are valid, legal and binding obligations of the County not subject to the debt limitation provided in Article XVI, Section 18 of the State Constitution and that the Series 2005 Bonds are valid and in conformity with all applicable provisions of law. The Trust Agreement executed by the County in connection with the issuance of the Series 2005 Bonds was also the subject of the default judgment. The time period for the filing of appeals with respect to the judgment has expired. No appeals were filed and therefore, the judgment is final. In issuing its opinion as to the validity of the Series 2005 Bonds, Bond Counsel will rely upon the entry of the foregoing default judgment.

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 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 1,776,700 as of January 1, 2004, which is a 3.4% increase over January 1, 2003.

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, elected by district. Members serve staggered four-year terms, and the chairman is elected by the Board members. 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 by the County at cost, or at the discretion of the County Board of Supervisors in certain cases, at below cost.

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

Economic and demographic information regarding the County of Riverside is contained herein in APPENDIX A – "THE COUNTY OF RIVERSIDE" and APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004" herein. Each contains important information concerning the County and should be read in its entirety. In particular, Appendix A describes certain circumstances which could materially affect the financial condition of the County in Fiscal Year 2004-05 and in future fiscal years.

PENSION PLAN

The following information concerning PERS is excerpted from publicly available sources, which the County believes to be accurate. PERS is not obligated in any manner for payment of debt service on the Series 2005 Bonds, and the assets of PERS are not available for such payment. PERS should be contacted directly at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377 for other information, including information relating to its financial position and investments.

General

The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through the PERS Contract, a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of eligible employees with PERS and social security. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at ages 60 and beyond. For safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of 2% per year after retirement.

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

PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare annually an actuarial valuation which covers a Fiscal Year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2004 covered PERS' Fiscal Year 2002-03). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the Fiscal Year immediately following the Fiscal Year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2003, which was prepared in October 2004, will be effective during the County's Fiscal Year 2005-06). PERS rules require the County to implement the actuary's recommended rates.

In calculating the annual actuarially required contribution rates, the PERS actuary calculates on the basis of certain assumptions the actuarial present value of benefits that PERS will fund under the PERS Plans, which includes two components, the normal cost and the Unfunded Accrued Actuarial Liability (the "UAAL"). The normal cost represents the actuarial present value of benefits that PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund that are attributed to past years. The UAAL represents an estimate of the actuarial shortfall between assets on deposit at PERS and the present value of the benefits that PERS will pay under the PERS Plans to retirees and active employees upon their retirement. The UAAL is based on several assumptions such as, among others, the rate of investment return, average life expectancy, average age of retirement, inflation, salary increases and occurrences of disabilities. In addition, the UAAL includes certain actuarial adjustments such as, among others, the actuarial practice of smoothing losses and gains over multiple years (which is described in more detail below). As a result, the UAAL is an estimate of the unfunded actuarial present value of the benefits that PERS will fund under the PERS Plans to retirees and active employees upon their retirement and is not a fixed or hard expression of the liability the County owes to PERS under the PERS Plans. The County's actual liability under the PERS Plans could be materially higher or lower. Actual results under the PERS Plans will not impact the County's obligation to repay the Series 2005 Bonds.

In calculating the UAAL in an actuarial valuation, the PERS actuary smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique that generally only recognizes one third of the gain or loss realized in a given Fiscal Year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the Fiscal Year (which assumes, among other things, that the actuarial rate of return during that Fiscal Year equaled the assumed rate of investment return). However, PERS does not allow the Expected Value to be less than 90% or more than 110% of the market value.

On May 2004, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3.5% to 3%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows:

The annual assumed investment return has decreased from 8.25% to 7.75%.

The long term salary increase assumption has decreased from 3.75% to 3.25%.

The inflation component of individual salary scales has decreased from 3.75% to 3.25%.

The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS board also approved significant demographic assumption changes. The combined impact of the updated demographic and economic assumptions on the Miscellaneous plan contribution rates was an increase of approximately 1 percentage point. The combined impact of the updated demographic and economic assumptions on the Safety plan contribution rates was a decrease of approximately 5 percentage point. These changes were reflected in the June 30, 2003 PERS actuarial report which will affect County contribution rates starting in Fiscal Year 2005-06. For complete updated inflation and actuarial assumptions, please contact PERS at the above-referenced address.

In addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County's employee unions to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions"). The County pays the employee share of safety retirement to the Safety Plan for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement to the Miscellaneous Plan for all miscellaneous members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying all of the employee share under certain conditions.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share for all years. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status

As of June 30, 2003, the date of the most recent PERS actuarial valuation report, the actuarial value of assets in the Safety Plan was approximately $812.0 million, and the actuarial accrued liability was approximately $906.5 million. The Safety Plan was approximately 89.6% funded as of June 30, 2003, with a UAAL of approximately $94.5 million. In the actuarial valuation for the Safety Plan as of June 30, 2003, the PERS actuary recommended an employer contribution rate of 21.122% be implemented as the required rate for Fiscal Year 2005-06, which the County anticipates will result in a contribution to PERS of approximately $34.3 million for that Fiscal Year. In addition, the County will pay to PERS approximately $11.7 million in County Offsets of Employee Contributions for Fiscal Year 2005-06, which will result in a total contribution by the County to PERS for the Safety Plan for Fiscal Year 2005-06 of approximately $46.0 million.

As of June 30, 2003, the date of the most recent actuarial valuation report, the actuarial value of assets in the Miscellaneous Plan was approximately $1,668.4 million, and the actuarial accrued liability was approximately $1,998.8 million. The Miscellaneous Plan was approximately 83.5% funded as of June 30, 2003, with a UAAL of approximately $330.4 million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2003, the PERS actuary recommended an employer contribution rate of 16.274% be implemented as the required rate for Fiscal Year 2005-06, which the County anticipates will result in a contribution to PERS of approximately $97.1 million for that Fiscal Year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $30.2 million in

County Offsets of Employee Contributions for Fiscal Year 2005-06, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2005-06 of approximately $127.3 million.

Bartel has based its estimates of the UAAL as of the date of delivery of the Series 2005 Bonds on the June 30, 2003 PERS actuarial reports for the Safety Plan and the Miscellaneous Plan, as well as a 16.6% actual investment return for Fiscal Year 2003-04 and an estimated 4.9% investment return for the period from July 1, 2004 through the date of delivery of the Series 2005 Bonds. Based on these assumptions, Bartel estimates that as of the date of delivery of the Series 2005 Bonds, the UAAL will be at least equal to the principal amount of the Series 2005 Bonds. See "- Impact of Investments; Potential Unfunded Liability" below.

As can be seen from the table under "Historical Funding Status" below, the amount of the County's contribution rates under the PERS Plans increased substantially in Fiscal Years 2003-04 and 2004-05. This was the result of two principal factors – the significant investment losses during Fiscal Years 2000-01 through 2002-03 and the benefit improvements for both Safety and Miscellaneous plans. For the Safety Plan, investment losses during Fiscal Years 2000-01 through 2002-03 changed the funded status by approximately $170 million which was more than three times of the impact caused by the benefit improvements. For the Miscellaneous Plan, investment losses during Fiscal Years 2000-01 through 2002-03 changed the funded status by approximately $620 million which was more than two and half times of the impact caused by the benefit improvements. It is important to know that while the investment gains experienced in Fiscal Year 2003-04 will offset some of the previous losses, a significant actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted.

Historical Funding Status

The following two tables, for the Safety Plan and the Miscellaneous Plan respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 1999 through June 30, 2003 and the total employer contributions made by the County for Fiscal Year 2001-02 through Fiscal Year 2005-06. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30,	UAAL[1]	Funded Status	Affects County Contribution for Fiscal Year:	County Contribution Amount[2]	County Offsets of Employee Contributions
1999	($148,669,273)	128.1%	2001-02	$15,983,147	$ 9,484,686
2000	(90,676,451)	113.2	2002-03	19,849,613	9,894,816
2001	(35,814,801)	104.7	2003-04	26,737,836	11,023,298
2002	65,814,787	92.2	2004-05	37,371,194[3]	11,353,996[3]
2003	94,526,520	89.6	2005-06	34,297,340[3]	11,694,615[3]

Source: PERS Actuarial Reports for June 30, 1999 through June 30, 2003 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

(1) Negative UAAL represents excess assets.

(2) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

(3) Estimated amount.

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30,	UAAL[1]	Funded Status	Affects County Contribution for Fiscal Year:	County Contribution Amount[2]	County Offsets of Employee Contributions
1999	($415,811,420)	139.5%	2001-02	$ 0	$20,491,348
2000	(439,896,678)	137.3	2002-03	17,680,344	26,726,710
2001	(143,040,053)	109.1	2003-04	51,967,423	28,518,752
2002	150,161,801	91.4	2004-05	37,371,194[3]	29,374,314[3]
2003	330,444,892	83.5	2005-06	34,297,340[3]	30,255,543[3]

Source: PERS Actuarial Reports for June 30, 1999 through June 30, 2003 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).
(1) Negative UAAL represents excess assets.
(2) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
(3) Estimated amount.

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

SCHEDULE OF FUNDING PROGRESS
(Safety Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll[1] ((a-b)/c)
1999	$528,816,773	$677,486,046	($148,669,273)	128.1%	$105,787,099	(140.5%)
2000	686,413,863	777,090,314	(90,676,451)	113.2	119,551,961	(75.8)
2001	768,055,802	803,870,603	(35,814,801)	104.7	127,824,039	(28.0)
2002	839,798,639	773,983,852	65,814,787	92.2	137,201,379	48.0
2003	906,507,089	811,980,569	94,526,520	89.6	147,518,530	64.1

Source: PERS Actuarial Reports for June 30, 1999 through June 30, 2003.
(1) Negative percentage represents excess assets over accrued liabilities.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll[1] ((a-b)/c)
1999	$1,052,890,098	$1,468,701,518	($415,811,420)	139.5%	$366,461,265	(113.5%)
2000	1,177,942,955	1,617,839,633	(439,896,678)	137.3	408,876,968	(107.6)
2001	1,577,476,976	1,720,517,029	(143,040,053)	109.1	466,882,443	(30.6)
2002	1,750,077,646	1,599,915,845	150,161,801	91.4	527,188,820	28.5
2003	1,998,848,819	1,668,403,927	330,444,892	83.5	542,056,251	61.0

Source: PERS Actuarial Reports for June 30, 1999 through June 30, 2003.
[1] Negative percentage represents excess assets over accrued liabilities.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2001-02 through Fiscal Year 2005-06 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date, June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
1999	2001-02	3.412%	0.0%
2000	2002-03	13.844	0.0
2001	2003-04	17.014	9.786
2002	2004-05	24.390	13.934
2003	2005-06	21.122	16.274

Source: PERS Actuarial Reports for June 30, 1999 through June 30, 2003.

Prospects

Since June 30, 2000, as a result of lower-than-expected rates of investment returns (-7.2% for Fiscal Year 2000-01, -6.0% for Fiscal Year 2001-02 and 3.7% for Fiscal Year 2002-03), PERS has experienced significant losses. Despite significant investment gains during Fiscal Year 2003-04, the actuarial loss has increased to such a level that the County must now pay the entire normal cost payment plus a portion of the UAAL that has resulted each year.

The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth in the text preceding the chart below are material to the development of the County's projections. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The PERS actuary, in its June 30, 2003 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the Fiscal Year 2006-07 will be 20.9%, which would result in an approximately 0.2% decrease in the contribution rate from Fiscal Year 2005-06. The PERS actuary, in its June 30, 2003 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2006-07 will be 16.4%, which would result in an approximately 0.1% increase in the contribution rate from Fiscal Year 2005-06. **No projections beyond Fiscal Year 2006-07 have been prepared by PERS.**

The County's projected contribution rates result principally from two factors. First, there currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth the impact of gains and losses over multiple years. As of June 30, 2003, the actuarial value of the assets in the Safety Plan was approximately 10.0% in excess of the market value and the actuarial value of the assets in the Miscellaneous Plan was approximately 10.0% in excess of the market value. As a result, even if the market asset return in the PERS Plans is above the actuarial assumed rate of 7.75% in future Fiscal Years, the actuarial practice of smoothing losses over several years may cause the investment rate of return for actuarial purposes to be less than the market asset return. The lower-than-expected investment returns during Fiscal Years 2000-01, 2001-02 and 2002-03 have not been fully realized in the actuarial valuation as of June 30, 2003 and may continue to adversely impact the County's contribution rates in future Fiscal Years.

Second, the County's projected contribution rate in Fiscal Year 2006-07 will also be affected by the market asset return in the PERS Plans during Fiscal Year 2003-04. PERS has publicly reported that the market asset return for all PERS plans was approximately 16.6%, which is substantially above the actuarially assumed rate of return of 7.75%. Since the rate of return is above than the assumed rate, the PERS Plans will realize a gain for actuarial purposes. While this actuarial gain will be smoothed such that the PERS Plans will only be impacted by one third of that gain in one Fiscal Year, this will likely act to reduce pressure on contribution rates to the succeeding years. For a discussion of the smoothing policy of PERS, see "- General" above.

Impact of Investments; Potential Unfunded Liability

Bartel analyzed the impact of recent investment performance and retirement benefit enhancements on the funding status of PERS. Pursuant to PERS policy, gains and losses are smoothed over several years. After three consecutive years of investment losses, PERS experienced significant investment gains of approximately 16.6% for Fiscal Year 2003-04. PERS most recent Safety and Miscellaneous actuarial reports provide unfunded liabilities as of the June 30, 2003 valuation date and projections as of June 30, 2005. The PERS projections do not reflect actual investment performance since June 30, 2003. Bartel has made the following estimate of the County's unfunded actuarial liability as of the date of delivery of the Series 2005 Bonds. Bartel's projection was based on the actual return for Fiscal Year 2003-04 and estimated 4.9% (based on PERS 2.6% reported return through October 31, 2004 and 7.75% annual rate of return for the remaining 3½ months) investment return for July 1, 2004 through February 17, 2005.

Estimated County Portion
Unfunded Actuarial Accrued Liability
(As of February 17, 2005)[1]

Safety Plan	$106.3 million
Miscellaneous Plan	$364.3 million

Source: Bartel Associates, LLC.

(1) Bartel will certify that as of delivery of the Series 2005 Bonds, the UAAL is at least equal to the principal amount of the Series 2005 Bonds.

The total UAAL with respect to County employees is estimated to be at least equal to the principal amount of the Series 2005 Bonds as of their date of delivery. From proceeds of the Series 2005 Bonds, the County will fund a portion of its UAAL under the PERS Contract and transfer this amount to PERS. The actual amount of UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Other Retirement Plans

The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue

Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. The County's contribution to the Plan was $534,144 for Fiscal Year 2003-04 and estimated to be approximately $951,000 for Fiscal Year 2004-05. The Plan's unfunded liabilities as of June 30, 2003 are approximately $2,521,685.

Other Postemployment Benefits

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

The contributions are funded on a pay-as-you-go basis. The total retiree healthcare plan expenditures for Fiscal Year 2003-04 were approximately $1.1 million and estimated to be approximately $1.2 million for Fiscal Year 2004-05.

On June 21, 2004, the Governmental Accounting Standards Board ("GASB") approved Statement No. 45 (GASB 45), accounting standards for other (than pensions) postemployment benefits (OPEB). Accounting for these benefits – primarily postretirement medical – can have significant impacts on state and local government financial statements. GASB 45 effective dates are phased in, similar to GASB's Statement No. 34. The first effective fiscal year for the County is Fiscal Year 2007-08. The County is currently working with its actuary to review its liabilities and take appropriate actions to manage the impact. Preliminary estimates of the accrued actuarial liability for postemployment medical contributions is $57.2 million, with an expected normal cost of $4.1 million.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, interest on the Series 2005 Bonds is exempt from State of California personal income taxes. Interest on the Series 2005 Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel expresses no opinion regarding any federal or other state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005 Bonds. The proposed form of opinion of Bond Counsel is attached hereto as Appendix E.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series 2005 Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2005 Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Series 2005 Bonds that are "U.S. holders" (as defined below), deals only with Series 2005 Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Series 2005 Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series 2005 Bonds.

As used herein, a "U.S. holder" is a "U.S. person" that is a beneficial owner of a Series 2005 Bond. A "non-U.S. investor" is a holder (or beneficial owner) of a Series 2005 Bond that is not a U.S. Person. For these purposes, a "U.S. person" is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust's administration and (ii) one or more United States persons have the authority to control all of the trust's substantial decisions.

Tax Status of the Series 2005 Bonds

The Series 2005 Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Series 2005 Bonds with Original Issue Discount

A portion of the Series 2005 Bonds may be issued with original issue discount ("OID"). Accordingly, a holder of a Series 2005 Bond will be required to include OID in gross income as it accrues under a constant yield method, based on the original yield to maturity of the Series 2005 Bond. Thus, the holders of such Series 2005 Bonds will be required to include OID in income as it accrues, prior to the receipt of cash attributable to such income. U.S. holders, however, would be entitled to claim a loss upon maturity or other disposition of such notes with respect to interest amounts accrued and included in gross income for which cash is not received. Such a loss generally would be a capital loss. A holder of a Series 2005 Bond that purchases a Series 2005 Bond for less than its adjusted issue price (generally its accreted value) will have purchased such Series 2005 Bond with market discount. If such difference is not considered to be de minimis, then such discount ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series 2005 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year will be deferred. A holder of a Series 2005 Bond that has an allocated basis in the Series 2005 Bond that is greater than its adjusted issue price (generally its accreted value), but that is less than or equal to its stated redemption price at maturity, will be considered to have purchased the Series 2005 Bond with acquisition premium. The amount of OID that such holder of a Series 2005 Bond must include in gross income with respect to such Series 2005 Bonds will be reduced in proportion that such excess bears to the OID remaining to be accrued as of the acquisition of the Series 2005 Bond. A holder of a Series 2005 Bond may have a basis in its pro rata share of the Series 2005 Bonds that is greater than the stated redemption price at maturity of such Series 2005 Bonds. Holders of Series 2005 Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium, if any, with respect to such Series 2005 Bonds under section 171 of the Code.

Series 2005 Bonds with Original Issue Premium

A U.S. holder of a Series 2005 Bond, whose tax basis immediately after such holder's acquisition of the Series 2005 Bond exceeds the principal amount of the Series 2005 Bond, is generally considered to have purchased the Series 2005 Bond at a premium. Such holder may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the Series 2005 Bond (or to an earlier call date if it results in a smaller amount of amortizable bond premium). Such election, once made, generally applies to all debt instruments held or subsequently acquired by the holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Internal Revenue Service. A holder of a Series 2005 Bond that elects to amortize such premium must reduce its tax basis in the Series 2005 Bond by the amount of premium amortized during its holding period. If a holder does not elect to amortize the premium, the amount of such premium will be included in the holder's tax basis for purposes of computing gain or loss in connection with a taxable disposition of the Series 2005 Bond.

Holders of the Series 2005 Bonds that have bond premium (which generally will include all initial holders of the Series 2005 Bonds) should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series 2005 Bonds for an amount that is less than the principal amount of the Series 2005 Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange (or upon a partial principal payment) of a Series 2005 Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale (or partial payment, as the case may be). In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will generally be deferred.

Foreign Investors

Distributions on the Series 2005 Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series 2005 Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Defeasance

Defeasance of any Series 2005 Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series 2005 Bond.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, issuance, sale and delivery by the County of the Series 2005 Bonds are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the Underwriters by their counsel, Lofton & Jennings, San Francisco, California and for the County by O'Melveny & Myers LLP, Los Angeles, California, Disclosure Counsel, and by the Riverside County Counsel.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate with respect to the Series 2005 Bonds (the "Disclosure Certificate"), the County has agreed to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository for purposes of Rule 15c2-12(b)(5)(the "Rule") adopted by the Securities and Exchange Commission (each, a "repository") certain annual financial information and operating data, including its audited financial statements, and an update of certain information contained in APPENDIX A – "THE COUNTY OF RIVERSIDE."

In addition, in the Disclosure Certificate, the County has agreed to provide, or cause to be provided, to each Repository in a timely manner notice of the following "Listed Events" if determined by the County to be material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) modifications to the rights of owners of the applicable Series 2005 Bonds; (4) optional, contingent or unscheduled Certificate calls; (5) defeasances; (6) rating changes; (7) adverse tax opinions or events adversely affecting the tax-exempt status of the applicable Series 2005 Bonds; (8) unscheduled draws on the debt service reserves reflecting financial difficulties; (9) unscheduled draws on credit enhancements reflecting financial difficulties; (10) substitution of credit or liquidity providers, or their failure to perform; and (11) release, substitution, or sale of property securing repayment of the applicable Series 2005 Bonds. These covenants have been made in order to assist the Underwriters in complying with the Rule.

The County has never failed to comply in all material respects with any previous undertakings to provide information in accordance with the Rule.

The form of the Disclosure Certificate is attached hereto as APPENDIX G—"FORM OF CONTINUING DISCLOSURE CERTIFICATE."

FINANCIAL STATEMENTS

The County's financial statements for Fiscal Year 2003-04, included in Appendix B hereto, have been audited Vavrinek, Trine, Day and Co., LLP, independent auditors, as stated in their report appearing in Appendix B hereto. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004."

NO MATERIAL LITIGATION

There is no action, suit or proceeding pending, or to the best knowledge of the County threatened, restraining or enjoining the execution or delivery of the Series 2005 Bonds or the Trust Agreement or any other document relating to the Series 2005 Bonds, or in any way contesting or affecting the validity of the foregoing.

RATINGS

Moody's Investors Services, Inc. ("Moody's"), Standard & Poor's Ratings Group, a division of the McGraw Hill Companies, Inc. ("S&P") and Fitch Ratings Services, Inc. ("Fitch") have assigned the Series 2005 Bonds the respective ratings shown on the cover page hereof. The ratings assigned to the Insured Series 2005 Bonds are based on the Policy to be issued by the 2005 Bond Insurer simultaneously with the delivery of such Insured Series 2005 Bonds. Such ratings reflect only the views of Moody's, S&P and Fitch, and do not constitute a recommendation to buy, sell or hold the Series 2005 Bonds. Explanation of the significance of such ratings may be obtained only from the respective organizations. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2005 Bonds.

UNDERWRITING

The Series 2005 Bonds are being purchased pursuant to a purchase contract (the "Purchase Contract") between the County and Lehman Brothers Inc., as representative of the several underwriters (collectively, the "Underwriters"), relating to the Series 2005 Bonds. The Underwriters have agreed, subject to certain conditions, to purchase the Series 2005 Bonds at a price of $397,970,316.52 (which consists of the principal amounts of the Series 2005 Bonds, less an Underwriters' discount of $2,029,683.48). The Purchase Contract provides that the Underwriters will purchase all of the Series 2005 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions. The Underwriters may offer and sell the Series 2005 Bonds to certain dealers and others at prices lower than the offering prices stated on the cover page. The offering prices may be changed from time to time by the Underwriters.

FINANCIAL ADVISOR

The County has retained the services of Fieldman, Rolapp & Associates., Irvine, California, in connection with the sale of the Series 2005 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

MISCELLANEOUS

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2005 Bonds.

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

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 provided 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 1,776,700 as of January 1, 2004, reflecting a 3.4% increase over January 1, 2003. Population rose 84.6% from 1980 to 1990 and 30.12% from 1990 to 2000.

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

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

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

CITY	1980	1990	2000	2003[1]	2004[1]
Banning	14,020	20,570	23,562	25,600	27,200
Beaumont	6,818	9,685	11,384	13,900	16,350
Blythe	6,805	8,428	12,155	21,300	21,950
Calimesa	-	-	7,139	7,400	7,350
Canyon Lake	-	-	9,952	10,600	10,650
Cathedral City	-	30,085	42,647	47,700	48,600
Coachella	9,129	16,896	22,724	27,000	27,650
Corona	37,791	76,095	124,966	138,200	141,800
Desert Hot Springs	5,941	11,668	16,582	17,300	17,700
Hemet	22,454	36,094	58,812	62,700	63,800
Indian Wells	1,394	2,647	3,816	4,430	4,430
Indio	21,611	36,793	49,116	54,900	59,100
Lake Elsinore	5,982	18,285	28,928	33,300	35,350
La Quinta	-	11,215	23,694	30,700	32,500
Moreno Valley	-	118,779	142,381	151,200	155,100
Murrieta	-	-	44,282	68,200	77,700
Norco	19,732	23,302	24,157	25,400	25,500
Palm Desert	11,081	23,252	41,155	44,300	44,800
Palm Springs	32,359	40,181	42,807	44,350	44,250
Perris	6,827	21,460	36,189	38,500	41,300
Rancho Mirage	6,281	9,778	13,249	15,100	15,500
Riverside	170,591	226,505	255,166	276,300	277,000
San Jacinto	7,098	16,210	23,779	26,250	26,700
Temecula	-	27,099	57,716	75,700	77,500
TOTALS					
Incorporated	385,914	785,027	1,116,358	1,260,400	1,299,700
Unincorporated	248,009	385,386	429,029	458,600	477,000
County-Wide	633,923	1,170,413	1,545,387	1,719,000	1,776,000
California	23,668,562	29,473,000	33,871,648	35,612,000	36,144,000

Source: U.S. Census Bureau, except that 2003 and 2004 data is from the State Department of Finance, Demographic Research Unit.

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

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2000 through 2004.

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

	Total Effective Buying Income[1]	Median Household Effective Buying Income	Percent of Households with Income over $50,000
2000			
Riverside County	$ 22,453,426	$ 35,145	31.7%
California	590,376,683	39,492	38.3
2001			
Riverside County	25,144,120	39,293	38.1
California	652,190,282	44,464	44.3
2002			
Riverside County	23,617,301	37,480	31.9
California	650,521,407	43,532	41.9
2003			
Riverside County	25,180,040	38,691	34.8
California	647,879,427	42,484	40.5
2004			
Riverside County	27,623,743	39,321	36.0
California	674,721,020	42,924	41.2

Source: "Survey of Buying Power," Sales & Marketing Management Magazine, dated 2001, 2002, 2003 and 2004.
(1) Dollars in thousands.

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[1]
(In Thousands)

INDUSTRY	2000	2001	2002	2003	2004
Agriculture	21.7	20.9	20.3	20.4	20.4
Construction	80.1	88.4	90.9	97.5	99.8
Finance, Insurance and Real Estate	34.8	38.2	39.5	42.1	43.5
Government	192.1	200.2	212.7	211.4	211.9
Manufacturing:	120.1	118.6	115.4	113.5	113.9
Nondurables	34.5	34.4	33.4	32.9	33.1
Durables	85.6	84.1	82.0	80.6	80.8
Natural Resources and Mining	1.3	1.2	1.2	1.3	1.2
Retail Trade	127.4	132.2	137.5	141.7	148.2
Professional, Educational and other Services	335.0	349.2	364.5	375.1	386.7
Transportation, Warehousing and Utilities	46.4	45.6	46.0	47.5	49.6
Wholesale Trade	38.3	41.6	41.9	43.8	44.0
Information, Publishing and Telecommunications	12.9	14.6	14.1	13.8	13.2
Total, All Industries	1,010.1	1,050.7	1,084.0	1,108.1	1,132.3

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

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

The following table sets forth the major employers located in the County as of March 22, 2004:

COUNTY OF RIVERSIDE
MAJOR EMPLOYERS

COMPANY NAME	PRODUCT/SERVICE	NUMBER OF LOCAL EMPLOYEES[1]
The County of Riverside	County Government	14,889
Riverside Unified School District	Education	4,000
Riverside Community College	Community College	3,350
Kaiser Permanente Medical Center	Health Maintenance Organization	2,893
City of Riverside	City Government	2,690
Fleetwood Enterprises Inc.	Manufacturer of RVs and Manufactured Homes	2,386
Riverside County Office of Education	Education	1,856
Jurupa Unified School District	School District	1,794
Alvord Unified School District	School District	1,669
Riverside Community Hospital	Hospital	1,641
Coachella Valley Unified	School District	1,500
Ralph's Grocery Co.	Grocery Stores	1,500
The Press Enterprise Co.	Printing and Publishing	1,168
SBC Communications Inc.	Telecommunications Provider	1,100
Sears, Roebuck and Co.	Retail and Related Services	932

Source: The Business Press, 2004.
[1] Local employees include employees in Riverside, San Bernardino and eastern Los Angeles counties.

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

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2000	2001	2002	2003	2004
County[(1)]	5.5%	5.2%	6.1%	5.9%	5.6%
California[(1)]	4.9	5.4	6.7	6.7%	6.1%
United States	4.0	4.8	5.9	6.0%	5.5%

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

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

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 nine regional shopping malls in the County: Riverside Plaza, Galleria at Tyler (Riverside), Palm Springs Mall, Desert Fashion Mall, Indio Fashion Mall, Hemet Valley Mall, Palm Desert Town Center, Moreno Valley Mall at Towngate and Temecula Promenade Mall. 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 1999 through 2003:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(In Thousands)

	1999	2000	2001	2002	2003
Apparel Stores	$ 495,945	$ 538,578	$ 565,295	$ 610,388	$ 746,015
General Merchandise Stores	1,670,748	1,877,399	2,098,746	2,237,605	2,427,411
Drug Stores	174,903	185,339	194,717	221,441	244,560
Food Stores	828,641	889,894	930,232	967,171	1,028,392
Packaged Liquor Stores	52,951	57,345	56,250	58,459	61,514
Eating and Drinking Places	1,233,274	1,364,808	1,465,467	1,559,215	1,713,632
Home Furnishing and Appliances	447,594	517,578	526,083	594,049	691,051
Building Materials & Farm Implements	1,260,027	1,446,829	1,591,275	1,581,792	1,868,995
Auto Dealers and Auto Supplies	2,329,125	2,814,375	3,141,484	3,314,133	3,662,151
Service Stations	983,739	1,196,693	1,223,753	1,249,646	1,536,240
Other Retail Stores	1,208,776	1,301,636	1,379,979	1,856,834	2,050,991
Retail Stores Total	$10,685,724	$12,190,474	$13,173,281	$14,250,733	$16,030,952
All Other Outlets	4,391,221	4,788,975	5,058,274	5,248,261	5,678,183
Total All Outlets	$15,076,945	$16,979,449	$18,231,555	$19,498,994	$21,709,135

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2000.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
(In Thousands)

	2000	2001	2002	2003	2004
RESIDENTIAL					
New Single-Family	$ 2,519,841.4	$ 3,051,190.4	$3,670,371.4	$4,665,675.7	$5,911,762.8
New Multi-Family	125,296.2	174,628.0	165,413.0	406,483.0	397,624.1
Residential ALTERATIONS & Adjustments	67,303.7	70,849.7	87,842.9	106,855.8	135,592.3
Total Residential	$ 2,712,441.4	$ 3,296,668.2	$3,923,627.4	$5,179,014.5	$6,444,979.1
NON-RESIDENTIAL					
New Commercial	$ 393,509.9	$ 287,068.6	$ 297,963.6	$ 360,707.4	$ 561,527.7
New Industry	98,621.8	74,766.3	80,881.6	112,706.6	202,138.8
New Other(1)	119,978.4	152,854.0	187,510.6	261,793.5	332,285.1
Alterations & Adjustments	157,802.1	143,351.7	174,785.7	173,165.5	225,579.0
Total Nonresidential	$ 769,912.2	$ 658,040.6	$ 741,141.5	$ 908,373.1	$1,321,530.7
TOTAL ALL BUILDING	$ 3,482,353.6	$ 3,954,708.8	$4,664,768.8	$6,087,387.6	$7,766,509.9

Source: Construction Industry Research Board.
(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and no-residential alterations and additions.

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2000	2001	2002	2003	2004
Single Family	13,630	16,556	20,591	25,137	29,256
Multi-Family	1,780	2,458	2,073	5,224	4,664
TOTAL	15,410	19,014	22,664	30,361	33,920

Source: Construction Industry Research Board.

Agriculture

Agriculture remains an important 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 1999 through 2003 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	1999	2000	2001	2002	2003
Citrus Fruits	$ 118,236,100	$ 114,572,900	$ 130,221,100	$ 95,402,300	$ 84,900,100
Trees and Vines	224,383,600	177,390,100	191,579,100	183,138,900	216,566,200
Vegetables, Melons, Miscellaneous	238,001,400	193,720,100	196,785,100	215,412,800	179,001,900
Field and Seed Crops	64,554,300	66,921,500	80,215,900	71,960,400	73,692,000
Nursery	90,377,090	107,520,300	138,371,300	183,073,600	205,846,300
Apiculture	5,572,000	4,269,200	4,740,000	2,803,800	3,520,600
Aquaculture Products	16,006,800	17,174,700	15,412,400	15,757,600	15,931,600
Total Crop Valuation	$ 757,131,200	$ 681,568,800	$ 757,324,900	$ 767,549,400	$ 779,458,700
Livestock and Poultry Valuation	440,230,900	366,992,800	367,583,500	295,928,700	287,908,600
TOTAL	$1,197,362,100	$1,048,561,600	$1,124,908,400	$1,063,478,300	$1,067,367,300

Source: Riverside County Agricultural Commissioner.

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County with the eastern part linking to the County's Desert cities and Arizona. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (State Route 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads - (i) Union Pacific Railroad and (ii) Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The Sun Line Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Authority provided service in the far eastern portion of the County (City of Blythe and surrounding communities).

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Eleven airlines schedule commercial flight service at Palm Springs International Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base 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 three universities located in the City of Riverside - the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by Metropolitan Water District from the Colorado River via the Colorado River Aqueduct and the State Water Project via the Edmund G. Brown California Aqueduct. In the Southwest area of the County, 80% of the water supply is imported.

At the regional and local level, there are several water districts that were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas. The Coachella Valley Water District, the Western Municipal Water District and the Eastern Municipal Water District are the largest of these water districts in terms of area served. The County is also served by the San Gorgonian Pass Water Agency, Desert Water Agency and Palo Verde Irrigation District.

Recycled water usage is promoted in the region. Agricultural sites, golf courses, landscape irrigation sites, wildlife areas and recreation facilities use recycled water. Unsold recycled water is transferred to storage ponds and utilized to meet peak demands or is recycled by groundwater recharge.

Eastern Municipal Water District (EMWD) generates electrical power, which covers 12% of the power consumption by EMWD. EMWD serves 31% of the County's residents.

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

Flood Control. Primary responsibility for planning and construction of flood control and drainage systems within the County is provided by the Riverside County Flood Control and Water Conservation District and the Coachella Valley Water District, Storm Water Unit.

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method of sewage disposal.

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County will make adjustments during the course of the Fiscal Year to reflect revenues, as realized, and any changes on expenditure requirements. For example, in recent years, several counties, including the County, have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the second and third quarter budget reports.

Fiscal Year 2004-05 Final Budget

General. The County adopted its Fiscal Year 2004-05 Final Budget (the "2004 Final Budget") on July 13, 2004. The Fiscal Year 2004-05 Final Budget approved total General Fund expenditures of $1.958 billion. Such expenditures are for primary County services including public protection, public health and public assistance.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2004-05, approximately 34.8% of the County's General Fund budget consists of payments from the State and 19.4% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State and Federal sources is considered to be "discretionary." Approximately 20.8% of the County's General Fund Budget consists of wholly discretionary revenue. The County uses the discretionary portion of General Fund revenues to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were $74.2 million in Fiscal Year 1999-00, $85.6 million in Fiscal Year 2000-01, $81.7 million in Fiscal Year 2001-02, $89.9 million in Fiscal Year 2002-03, $101.5 million in Fiscal Year 2003-04 and is estimated at $111.6 million in Fiscal Year 2004-05.

On February 1, 2005, the County Executive Office released the Mid-year Budget Report, which reported that discretionary revenues are projected to exceed budgeted estimates by $68.9 million. The report recommended that $59.8 million of the additional discretionary revenues be deposited into the County's Reserve for Economic Uncertainty, which brought the balance of the fund to $108 million. It was also reported that the projected growth in discretionary revenue for Fiscal Year 2005-06 would be sufficient to meet the expected Net County Cost demands for the Fiscal Year 2005-06 budget.

Included in the report were additional demands on the County's Contingency Fund of $2.1 million, reducing the fund's balance to $26.8 million.

Fiscal Year 2004-05 State Budget. On July 31, 2004, the Governor signed the Fiscal Year 2004-05 State Budget. As part of the State budget, Riverside County realized a one-time loss of property tax revenue in the amount of $14 million, the first of a two-year reduction to balance the State budget.

The State budget also continued for a fifth year the delay in reimbursing counties annually for SB 90 mandates. For Riverside County, this is $10 million annually. To make up for this lost revenue, the County used $8 million from its Reserve for Economic Uncertainty. The fund, established in Fiscal Year 1999-00 in anticipation of the State's budget crisis, had a $25 million balance on July 13, 2004.

For a discussion of recent and proposed State budgets, see "STATE BUDGET INFORMATION" in this Official Statement.

Fiscal Year 2005-06 State Budget. The Governor's proposed Fiscal Year 2005-06 Budget adheres to the provisions of Proposition 1A, including the second year of $1.3 billion in cuts to local government revenues, of which Riverside County's share is $14 million. There are no new direct cuts to Riverside County's general fund revenue. While it is not possible to determine what impact the final State budget will have on the County's budget, the County anticipates having approximately $108 million in its Reserve for Economic Uncertainty to fund any unanticipated State funding reductions. The County is currently analyzing the Governor's proposed budget in an effort to quantify its effects upon the County.

For a discussion of recent and proposed State budgets, see "STATE BUDGET INFORMATION" in this Official Statement.

Vehicle License Fee; Intended Sale of VLF Receivables. The Vehicle License Fee ("VLF") is an annual fee collected by the State for any vehicle subject to registration in the State. Prior to the State's Fiscal Year 2004-05 budget, revenue from or equal to the VLF was appropriated by the State to cities and counties for use in health, mental health and social services programs pursuant to certain State statutory mandates and as general purpose revenue.

Cities and counties, including the County's, share of VLF general purpose revenues was eliminated by the State's Fiscal Year 2004-05 budget and replaced with money shifted from the County's Educational Revenue Augmentation Fund (the "ERAF"), beginning in Fiscal Year 2004-05 (the "ERAF shift"). The ERAF was originally created by the State in Fiscal Year 1992-93 to deposit certain prescribed amounts of property tax to be shifted from local governmental agencies to local schools. The County is authorized to transfer an allocation for Fiscal Year 2004-05 specified by the State from the ERAF to a specific fund established by the County to receive such allocation (the "VLF Property Tax Compensation Fund"). In addition, the State has provided for an allocation in Fiscal Year 2005-06 to be deposited into the VLF Property Tax Compensation Fund based on a formula that takes into account adjusted actual allocations for Fiscal Year 2004-05 and the increase in gross taxable assessed value of property within the County. The County continues to receive VLF revenues from the State for health, mental health and social services programs.

In Fiscal Year 2003-04, the State suspended VLF payments during the first three months of that Fiscal Year to cities and counties. Under Section 10754.11 of the California Revenue and Taxation Code (the "VLF Law"), the State Controller is required to make a one-time payment in Fiscal Year 2006-07 on or before August 15, 2006 to cities and counties to replace the amounts cities and counties did not receive during the first three months of Fiscal Year 2003-04. The amount to be repaid to the County is approximately $35 million (the "VLF Receiveable"). Payment by the State Controller to the County of the VLF Receivable depends on various factors and no assurance is made that the State Controller will transfer to the County any of the amounts required under the VLF Law or that provisions of the VLF Law are enforceable against the State.

The County is entitled to sell its right to receive payments due or to become in connection with the VLF Receivable. On February 1, 2005, the Board of Supervisors of the County authorized the County to sell the VLF Receivable to the California Statewide Communities Development Authority (who will in turn finance the purchase price thereof, together with the purchase price of receivables from other local agencies, through the issuance of notes). The County will be entitled to use the proceeds received from the sale of the VLF Receivable for any lawful purpose.

Medical Center Financial Status. At June 30, 2004, the Riverside County Regional Medical Center (the "RCRMC") reflected negative unrestricted net assets of $15.6 million. RCRMC had negative unrestricted net assets of approximately $21.5 million in Fiscal Year 2003-04 and a cash shortfall as of June 30, 2004 that required a County General Fund subsidy of $16.9 million. In Fiscal Year 2003-04 RCRMC had net operating losses of $5.9 million, and in Fiscal Year 2004-05 RCRMC is also expected to show net operating losses of approximately $6.0 million. RCRMC continues to experience growth in the patient collections in Fiscal Year 2004-05. However, due to federal and state budget deficits, RCRMC anticipates net operating losses of $6.0 million and a negative cash balance of $31.0 million at the end of Fiscal Year 2004-05. The Board approved budget includes a General Fund contribution of $31.0 million for the anticipated negative cash balance in Fiscal Year 2004-05. Because of Federal and state budget issues RCRMC will continue to have a direct negative impact on the County's General Fund. The required contributions to the RCRMC Enterprise Fund from the General Fund are expected to continue indefinitely.

The County and the RCRMC management teams continue to adopt new procedures designed to improve cash flow and control costs.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2004-05 totaling approximately $1 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of $476 million of assed value, representing $4.76 million in general purpose taxes, was reduced from the County tax roll for Fiscal Year 2002-03 and Fiscal Year 2003-04, representing 13% of the total assessed valuation which was appealed. The majority of appeals applicable to Fiscal Year 2002-03 have been completed. The remainder of the Fiscal Year 2003-04 and the Fiscal Year 2004-05 assessment appeals are expected to be completed by June 1, 2006.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the Fiscal Year 2004-05 budget will be determined primarily by three components: (i) the remainder of the Fiscal Year 2002-03 and the Fiscal Year 2003-04 assessment appeals still to be completed; (ii) approximately 30% of the Fiscal Year 2004-05 appeals being completed during Fiscal Year 2004-05; and (iii) additional assessment revenue of approximately $3 million, which the County Assessor projects will be billed during Fiscal Year 2004-05 and reduce the impact of the Fiscal Year 2004-05 appeals.

Final Budget Comparison. The table below compares the final budgets for each of the last three fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, the final budget is amended to reflect actual receipts and expenditures.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS
Fiscal Years 2001-02, 2002-03 and 2003-04
(In Millions)

	Final 2002-03 Budget	Final 2003-04 Budget	Final 2004-05 Budget
REQUIREMENTS			
General Government	$ 109.8[2]	$ 122.4[2]	$ 143.9
Public Protection	610.5	673.9	751.7
Health and Sanitation	346.6	362.0	392.9
Public Assistance	547.5	556.0	575.5
Education	.3	.3	.3
Recreation and Cultural	.2	.2	.2
Debt Retirement-Capital Leases	50.3	48.6	61.3
Contingencies	19.5	13.2	16.5
Increase Reserves	30.5	26.2	15.2
Total Requirements	$ 1,715.2	$ 1,802.8	$ 1,957.5
AVAILABLE FUNDS			
Beginning Unrestricted Fund Balance	$ 64.3	$ 63.0	$ 59.3[4]
Estimated Revenues:			
Property Taxes	115.4[3]	122.6[3]	118.8
Other Taxes	34.6	36.2	41.3
Licenses, Permits and Franchises	18.6	20.3	23.9
Fines, Forfeitures and Penalties	33.5	39.7	46.2
Use of Money and Properties	12.3	8.0	15.2
Aid from Other Governmental Agencies:			
State	638.4	642.1	681.3
Federal	358.6	378.6	380.2
Other	-	-	-
Charges for Current Services	258.5	296.0	336.3
Other Revenues[1]	181.0	196.3	255.0
Total Available Funds	$ 1,715.2	$ 1,802.8	$ 1,957.5

Source: County Auditor-Controller
(1) Includes payments and reimbursements for programs which fund disproportionate share hospitals (DSB and SB 1255).
(2) Variances between Fiscal Years are the result of reclassification of certain subcategories.
(3) Variances between Fiscal Years are due to a reporting change in Property Tax Revenues.
(4) Includes reserves used.

Riverside County Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of December 31, 2004, the portfolio assets comprising the PIF had a market value of $3,263,447,433.

State law requires that all operating moneys of the County, school districts and certain special districts be held by the County Treasurer. On June 30, 2002, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 86% of the funds on deposit in the County Treasury, while approximately 14% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2004 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the State Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the PIF as of December 31, 2004, were as follows:

	Market Value	% of Pool
Federal Agency Securities	$ 1,743,259,599	53.42%
Cash Equivalents & Money Market Funds	405,000,000	12.41%
Commercial Paper	967,520,746	29.65%
Negotiable Certificates of Deposit	100,000,000	3.06%
Medium Tem Notes	19,837,900	0.61%
Municipal Bonds	6,044,188	0.19%
Certificates of Deposit(1)	20,000,000	0.61%
Local Agency Obligations (2)	1,785,000	0.05%
Total	$ 3,263,447,433	100%
Weighted Average Yield:	2.28%	
Weighted Average Maturity:	0.57	

(1) Not rated; all other investments are government securities or rated investments.

(2) Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and March Joint Powers Redevelopment Agency.

As of December 31, 2004, the market value of the PIF was 99.72% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

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

Ad Valorem Property Taxes

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

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

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

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

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

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

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 1995-96 through Fiscal Year 2004-05.

COUNTY OF RIVERSIDE
SECURED PROPERTY TAX ROLL
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS(1)
Fiscal Years 1995-96 through 2004-05

Fiscal Year[(2)]	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30[(3)]	Total Collections[(4)]	Percentage of Total Collections to Current Levy
1995-96	$ 958,384,214	$ 55,095,925	5.75%	$ 983,383,857	102.61%
1996-97	948,771,329	50,879,482	5.36	979,548,891	103.24
1997-98	947,845,458	43,413,279	4.58	989,979,458	104.45
1998-99	964,844,205	39,123,776	4.05	1,015,412,511	105.24
1999-00	1,020,377,070	34,509,599	3.38	1,076,947,278	105.54
2000-01	1,106,323,882	40,719,497	3.68	1,132,998,817	102.41
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	48,916,958[(5)]	2.80[(5)]	1,821,981,990[(5)]	104.29[(5)]

Source: County Auditor-Controller.

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

(2) Information not available for projection purposes for Fiscal Year 2004-05.

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

(5) Estimated.

COUNTY OF RIVERSIDE
UNSECURED PROPERTY TAX ROLL [1]
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
Fiscal Years 1995-96 through 2003-04

Fiscal Year	Unsecured Property Tax Levy	Total Collections[2]	Percentage of Total Collections to Original Levy
1995-96	$28,779,287	$31,649,332	109.97%
1996-97	29,750,582	32,192,685	108.21%
1997-98	29,470,141	32,449,742	110.11%
1998-99	34,146,467	34,811,411	101.95%
1999-00	37,937,325	38,540,297	101.59%
2000-01	44,069,979	42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50%
2002-03	51,805,548	48,211,472	93.06%
2003-04	56,479,231	52,564,373	93.07%
2004-05	61,359,546	56,658,122[3]	92.34[3]

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

The following tables describe the supplemental tax rolls of the County for Fiscal Year 1994-95 through Fiscal Year 2003-04:

COUNTY OF RIVERSIDE
SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION - LEVIES AND COLLECTIONS
Fiscal Years 1994-95 through 2003-04

Fiscal Year	Tax Levy for Increased Assessments[1]	Refunds for Decreased Assessments[1]	Net Tax Levy	Collections[1][2]
1994-95	$ 16,194,896	$6,638,055	$ 9,556,841	$21,860,083
1995-96	14,185,658	6,895,458	7,290,200	15,806,432
1996-97	13,990,281	6,638,692	7,351,589	14,724,507
1997-98	21,720,736	8,089,710	13,631,026	19,755,383
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	4,387,767	44,314,821	49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150
2002-03	81,055,987	2,060,886	78,995,101	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986

Source: County Auditor-Controller/County Treasurer and Tax Collector.
(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2000-01 through Fiscal Year 2004-05.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE(1)
Fiscal Years 1999-00 through 2003-04
(In Millions)

	2000-01	2001-02	2002-03	2003-04	2004-05
Secured Property					
Land	$ 29,741	$ 32,151	$ 35,014	$ 38,580	$ 44,284
Structures	53,602	61,230	69,219	77,044	89,242
Personal Property	734	795	845	720	810
Utilities	2,116	2,010	2,012	2,076	2,080
Total Secured	$ 86,193	$ 96,186	$ 107,090	$ 118,420	$ 136,416
Unsecured Property					
Land	$ 515	$ 13	$ 9	$ 6	$ 5
Improvements	1,729	1,847	2,049	2,262	2,450
Personal Property	2,365	2,577	2,740	2,736	3,008
Total Unsecured	$ 4,609	$ 4,437	$ 4,798	$ 5,004	$ 5,463
Grand Total	$ 90,802	$ 100,623	$111,888	$123,424	$141,879

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

For a discussion of current assessment appeals (applicable to Fiscal Year 2004-05) and the expected impact of such appeals see "- Fiscal Year 2004-05 Final Budget - Property Tax Appeals" above.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then accumulated, secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2004-05, approximately 73% of all taxing entities are participating in the Teeter Plan.

On November 3, 2004, the County issued $34,226,000 County of Riverside Teeter Obligations Taxable Commercial Paper Notes, Series B. The Notes are secured by a letter of credit. The County's General Fund is pledged to the repayment of the Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make the annual repayment.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax-defaulted property (*i.e.*, if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at $11.7 million as of June 30, 2004. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Largest Taxpayers

The following table shows the total tax levied against the ten largest taxpayers in the County for Fiscal Year 2003-04.

COUNTY OF RIVERSIDE
FIFTEEN LARGEST TAXPAYERS IN FISCAL YEAR 2003-04
SECURED AND UNSECURED ASSESSMENTS

Taxpayer	Nature of Business	Total Taxes Levied
Southern California Edison Company	Public Utility	$ 6,910,858.34
Verizon California Inc.	Public Utility	6,631,476.16
KB Home Coastal Inc.	Real Estate Developer	3,505,730.28
Blythe Energy, LLC	Public Utility	3,462,473.96
Southern California Gas Co.	Public Utility	3,460,747.56
DS Hotel	Real Estate Developer	2,740,615.32
KSL Desert Resorts, Inc.	Real Estate Developer	2,554,171.68
Pulte Homes, Inc.	Real Estate Developer	2,548,022.62
Norco Ridge Ranch	Real Estate Developer	2,390,894.50
Tyler Mall LTD, Partnership	Retail Sales	2,184,831.56
Centex Homes	Real Estate Developer	2,169,454.86
Starfield Sycamore Inv.	Real Estate Developer	2,134,864.48
Pacific Bell	Public Utility	1,987,336.08
Starwood Mission Hills CMBS I	Real Estate Developer	1,701,956.24
Advanced Cardiovascular Systems Inc.	Medical Device Sales	1,557,727.40
TOTAL		$45,941,161.04

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 Fiscal Year 2003-04, the County retained approximately 12.4% 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 State 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 1995-96 through 2004-05

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
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
1997-98	8,999,886,482	14,615,580,607	146,573,738
1998-99	9,198,183,768	15,066,118,043	152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
2000-01	10,966,072,778	20,127,612,843	203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	24,974,969,456	352,602,509

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

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

The County has formed a redevelopment agency with project areas in 38 unincorporated communities. As of June 30, 2004, the County Redevelopment Agency had a total land area of 65,608 acres and a base year assessed value, including State-owned land, of $2,325,277,564. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in Fiscal Year 2003-04 was estimated at $33,317,743.

Financial Statements

The County's accounting policies used in preparation of its audited financial statements conform to generally accepted accounting principles applicable to counties. The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board and must be conducted annually. The County's financial statements for Fiscal Year 2003-04 were audited by Vavrinek, Trine, Day and Co., LLP. See Appendix B - "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during Fiscal Year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the new reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The new reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County now reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2004, which are included in Appendix B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES - GENERAL FUND
Fiscal Years 1999-00 through 2003-04
(In Thousands)

	1999-00	2000-01	2001-02	2002-03	2003-04
BEGINNING FUND BALANCE	$ 103,247[1]	$ 128,221[1]	$ 193,838[1]	$ 216,561[1]	$220,209[1]
REVENUES					
Taxes	162,850	167,991	146,435	160,220	193,329
Licenses, permits and franchises	12,850	13,899	16,973	15,411	19,964
Fines, forfeitures and penalties	25,657	27,033	31,064	36,899	42,905
Use of money and property	28,000	36,113	27,116	12,893	8,724
Rents and concessions	518	914	840	966	1,359
Government Aid – State	457,079	512,490	651,431	657,085	673,403
Government Aid – Federal	271,964	317,406	331,809	373,766	373,146
Charges for current services	169,924	182,918	225,753	237,897	263,107
Other revenues	40,721	53,900	103,682	102,603	102,010
TOTAL REVENUES	$ 1,169,563	$ 1,312,664	$ 1,535,103	$ 1,597,830	$ 1,677,947
EXPENDITURES					
General government	$ 96,359	$ 100,553	$ 104,365	$ 133,476	$ 101,429
Public protection	455,842	500,351	565,380	611,014	674,389
Health and sanitation	230,548	271,826	302,195	338,265	362,010
Public assistance	392,465	454,203	491,554	520,345	536,275
Education	290	314	303	343	337
Recreation and cultural	167	182	258	194	181
Capital Outlay	1,947	29,777	1,001	8,435	1,008
Debt service and capital leases	10,355	17,333	37,943	9,527	14,454
TOTAL EXPENDITURES	$ 1,187,973	$ 1,374,539	$1,502,999	$1,621,599	$1,690,083
Excess (deficit) of revenues over Expenditures	(18,410)	(61,875)	32,104	(23,769)	(12,136)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	69,837	121,326	24,033	35,523	60,999
Transfer to other funds	(38,759)	(39,340)	(32,992)	(18,172)	(21,027)
Capital Leases	1,947	29,777	1,001	8,435	1,008
Total other Financing Sources (Uses)	33,025	111,763	(7,958)	25,786	40,980
NET CHANGE IN FUND BALANCE	14,615	49,888	24,146	2,017	28,844
Residual Equity Transfer In (Out)	(61,363)	22	--	--	--
FUND BALANCE, END OF YEAR	56,499	178,131	217,984	218,578	249,053
Less:					
Reserved Fund Balance	21,782	$ 67,779	$ 74,252	$ 103,489	$ 100,940
Designated Fund Balance	23,779	44,663	84,608	89,011	70,361
UNDESIGNATED UNRESERVED FUND BALANCE	$ 10,938	$ 65,689	$ 59,124	$ 26,078	$ 77,752

Source: County Auditor-Controller.
(1) Beginning fund balance does not equal prior year ending fund balance due to an equity restatement.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
At June 30, 2000 through June 30, 2004
(In Thousands)

	2000	2001	2002	2003	2004
ASSETS:					
Cash & Marketable Securities	$ --[1]	$ --[1]	$ 41,566	$ 44,433	$ 65,681
Taxes Receivable	3,167	3,767	4,310	4,336	4,367
Accounts Receivable	2,145	3,973	4,331	4,534	21,472
Interest Receivable	2,241	17,307	3,465	3,026	4,078
Advances to Other Funds	15,236	6,437	2,955	7,766	5,646
Due from Other Funds	196,331	145,701	16,195	12,369	8,892
Due from Other Governments	204,771	135,558	187,736	172,459	214,319
Deposits	--	--	--[6]	--[6]	--[6]
Inventories	896	864	1,018	865	2,979
Prepaid Expenses	--	--	--[6]	--[6]	--[6]
Restricted Assets	235,000[3]	293,878[4]	198,081	189,143	230,390
Total Assets	$ 659,787	$ 607,485	$ 459,657	$ 438,931	$ 557,824
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts Payable	$ 6,444	$ 12,124	$ 19,070	$ 47,834	$ 70,790
Salaries & Benefits Payable	24,891	27,712	31,125	35,670	46,367
Due To Other Funds	119,702	19,741	4,523	3,627	945
Due to Other Governments	24,994	4,339	30,033	15,248	19,663
Due to Third Parties	--	--	11,485[5]	--	--
Deferred Revenue	192,257	137,043	143,611	117,954	170,981
Deposits Payable	--	--	1,826[5]	20	25
Bonds & Notes Payable	235,000	228,395	--[2]	--[2]	--[2]
Total Liabilities	$ 603,288	$ 429,354	$ 241,673	$ 220,353	$ 308,771
FUND BALANCE:					
Reserved	$ 21,782	$ 67,779	$ 74,252	$ 103,489	$ 100,940
Unreserved	34,717	110,352	143,732	115,089	148,113
Fund Balance	$ 56,499	$ 178,131	$ 217,984	$ 218,578	$ 249,053
Total Liabilities & Fund Balance	$ 659,787	$ 607,485	$ 459,657	$ 438,931	$ 557,824

Source: County Auditor-Controller.

(1) The General Fund experienced a negative cash balance of $96,484,000 at June 30, 1998, $104,406,000 at June 30, 1999, $113,356,000 at June 30, 2000 and $19,695,000 at June 30, 2001 which is reported as an interfund borrowing. There was a total of $371,166,000 available to cover the negative cash balance on June 30, 1998, $409,525,000 at June 30, 1999, $469,206,000 at June 30, 2000 and $19,695,000 at June 30, 2001.

(2) Category eliminated in the County of Riverside Balance Sheet as presented in the Combined Financial Statements of the County for Fiscal Year 2001-02 pursuant to GASB Statement No. 34.

(3) Assets restricted at June 30, 2000 for payment of Tax Anticipation Notes.

(4) Assets restricted at June 30, 2001 for payment of Tax Anticipation Notes and Teeter Commercial Paper Notes.

(5) Category added in the County of Riverside Balance Sheet as presented in the Combined Financial Statements of the County for Fiscal Year 2001-02 pursuant to GASB Statement No. 34.

(6) No activity to report.

Long-Term Obligations of County

During its 108 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 January 26, 2005, the County had no direct general obligation bonded indebtedness, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of February 1, 2005.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(as of February 1, 2005)

2004-05 Assessed Valuation:	$140,852,260,063	(includes unitary utility valuation)
Redevelopment Incremental Valuation:	34,981,812,570	
Adjusted Assessed Valuation:	$105,870,447,493	

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:	% Applicable	Debt 2/1/05	
Riverside County	**100. %**	**$ 0**	
Metropolitan Water District	5.738	22,327,132	
Community College Districts	1.508-99.998	130,698,308	
Unified School Districts	2.795-100.	754,956,009	
Perris Union High School District	100.	14,794,882	
Menifee Union School District	100.	9,314,202	
City of Corona	100.	4,330,000	
City of Riverside	100.	20,000,000	
Eastern Municipal Water District Improvement Districts	100.	5,950,000	
Elsinore Valley Municipal Water District Improvement District No. U2	100.	1,805,000	
Coachella County Water District Improvement Districts	100.	14,934,500	
Other Special Districts	100.	12,072,500	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		$991,182,533	
Less: Eastern Municipal Water District self-supporting bonds		161,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		$991,021,533	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT AND ASSESSMENT DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 629,790,255**	(1)
Riverside County Board of Education Obligations	100.	12,215,000	
School Districts General Fund and Lease Tax Obligations	2.795-100.	397,280,589	
City of Corona General Fund Obligations	100.	58,795,000	
City of Murrieta General Fund Obligations	100.	17,795,000	
City of Palm Springs Certificates of Participation	100.	121,178,000	
City of Riverside Certificates of Participation	100.	58,065,000	
City of Riverside Pension Obligations	100.	89,540,000	
Other City General Fund and Special Tax Obligations	100.	79,547,800	
Rancho California Water District Financing Authority	100.	120,739,290	
Other Water District Certificates of Participation	Various	14,813,977	
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	10,070,306	
Community Facilities Districts	95.850-100.	1,726,132,348	
Riverside County 1915 Act Bonds	100.	61,186,924	
City and Special District 1915 Act Bonds (Estimated)	100.	220,985,746	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		$3,618,135,235	
Less: **Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)**		**20,978,103**	
Rancho California Water District Financing Authority self-supporting obligations		93,911,019	
Other Special District self-supporting bonds (self-supporting from enterprise revenues)		431,048	
Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		14,645,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		$3,488,170,065	
GROSS COMBINED TOTAL DEBT		$4,609,317,768	(2)
NET COMBINED TOTAL DEBT		$4,479,191,598	

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

Ratios to 2004-05 Assessed Valuation:
Direct General Obligation Debt 0.00%
Gross Direct and Overlapping General Obligation Debt...................0.70%
Net Direct and Overlapping General Obligation Debt......................0.70%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt ($629,790,255)...............................0.59%
Combined Net Direct Debt ($608,812,152)...................................0.58%
Combined Gross Debt...4.35%
Combined Net Debt..4.23%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: $0

Source: California Municipal Statistics, Inc.

Lease Obligations

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

As of January 1, 2005, the County's current outstanding lease obligations total $626,021,996. The County's annual lease obligation is approximately $54,237,855 and the maximum annual lease payment is $58,118,199. The County also expects to cause to be issued approximately $66,300,000 Riverside County Capital Improvement Projects Certificates of Participation, 2005 Series A and B (the "2005 Certificates") during Fiscal Year 2004-05.

The following table summarizes the County's outstanding lease obligations as of January 1, 2005, and the respective annual lease requirements. The following table does not include any information with respect to the 2005 Certificates described above.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
PAYABLE FROM THE COUNTY'S GENERAL FUND
(As of January 1, 2005)

	Final Maturity Year	Original Lease Amount	Obligations Outstanding	Annual Base Rental[1]
Riverside County Public Facilities Project 1985 Certificates of Participation - Type I	2015	$148,500,000	$100,000,000	$10,286,593[2]
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	5,328,941	1,001,944
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	53,650,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	70,620,000	
2003 Series A & B	2009	60,180,000	50,995,000	18,904,588[3]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	7,200,000	857,000[4]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds, 2003 Series A	2033	22,310,000	22,260,000	480,165
County of Riverside Certificates of Participation (Family Law Court Project)	2027	12,165,000	10,705,000	839,891
County of Riverside Certificates of Participation (Historic Courthouse Project):				
1997 Series	2027	21,834,879	20,659,879	1,417,588
2003 Series A	2033	13,190,000	13,190,000	623,105[5]
County of Riverside Certificates of Participation[6] (1997 Lease Refunding Project)	2021	58,070,000	28,270,000	3,953,880
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	14,925,000	1,459,626
County of Riverside Certificates of Participation[7] (1998 Larson Justice Center Refunding)	2021	36,100,000	28,580,000	2,497,610
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	20,128,103	
Series 2002	2020	925,000	850,000	1,748,974[8]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project Series 2000 A & B	2032	94,245,000	92,800,000	6,577,935
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	36,825,000	2,538,531
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B	2018	8,685,000	7,865,000	1,050,425[9]
TOTAL		$838,339,952	$626,021,996	$54,237,855

Source: County Executive Office.

(1) Annual base rental for Fiscal Year 2004-2005 unless otherwise noted.
(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending January 25, 2005 was approximately 1.25%.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending January 25, 2005 was approximately 1.56%.
(5) Annual base rental paid from capitalized interest through May 1, 2006.
(6) The 1997 Lease Refunding Project refunded the 1991 Series A Capital Projects and the 1991 Series B Equipment Projects.
(7) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project.
(8) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(9) The 2003 Series B refunded the 1993 Master Refunding Project.

Employees

A summary of County employment levels is set forth below.

COUNTY OF RIVERSIDE
PERMANENT EMPLOYEES
1995 through 2004
(as of November 10, 2004)

Year	Permanent Employees[1]
1995	11,018
1996	11,076
1997	11,304
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	14,729[2]
2003	14,889
2004	14,862

Source: County Auditor-Controller.
[1] Excludes temporary and per diem employees, which totaled approximately 953 employees in 1997, and 1,260 in 2004.
[2] Reduction in permanent employees due to court employees becoming State employees.

County employees comprise 21 bargaining units. Sixteen of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 1997 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 73% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

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

The agreement with SEIU will extend through December 31, 2005. The County reached agreement with LIUNA on an extension of their agreement through June 30, 2006. The County's Board of Supervisors has recently approved a proposed 3-year agreement with RSA for the Law Enforcement Unit will expire December 31, 2007. The County reached a new agreement with RSA on March 27, 2003 for the Public Safety Unit that will expire on January 31, 2006. The County's 4-year agreement with LEMU expired on January 31, 2005. Negotiations for a new contract with LEMU are ongoing and the County currently believes that no significant difficulties will arise in reaching an agreement. The County's agreement with DDAA will expire on June 30, 2005. During the last twenty years, there has been no major County employee work stoppage.

Retirement Program

For a detailed description of the County's retirement program, please see "PENSION PLAN" in the Official Statement.

Insurance

The County is self-insured for general liability, medical malpractice, short term disability income, unemployment and workers' compensation claims. General liability claims are self-insured to $1 million for each occurrence and the balance (to $25 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first $1.1 million for each claim and insured for the balance to $20 million for each claim on a claims basis, through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance (to $50 million for each occurrence) is insured through CSAC Excess Insurance Authority. 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, 2004 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2004 was $98.4 million.

APPENDIX B

THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

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County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Robert E. Byrd, CGFM
County Auditor-Controller

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2004

Prepared by the Office of:

Robert E. Byrd, CGFM
County Auditor-Controller

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2004

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June 30, 2004

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INTRODUCTORY SECTION

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OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Ivan M. Chand, CGFM
ASSISTANT AUDITOR-CONTROLLER

December 17, 2004

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

Members of the Board and Citizens of the County of Riverside:

The Comprehensive Annual Financial Report of the County of Riverside for the Fiscal Year Ended June 30, 2004, is hereby submitted in accordance with Section 25253 of the Government Code of the State of California. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical sections.

- The Introductory Section includes the transmittal letter, a list of principal officials, the County of Riverside's organizational chart, and a copy of the Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2003.

- The Financial Section includes the independent auditor's report on the basic financial statements, Management's Discussion and Analysis (Required Supplementary Information), basic financial statements that include the financial statements of the County's governmental activities, business-type activities, the County's discretely presented component unit, each major fund, the aggregate remaining fund information of the County and budgetary comparison statements of the general fund and flood control fund as of June 30, 2004. Also included is other *required* supplementary information, schedules of funding progress for defined benefit pension plans, and *other* supplementary information. Included in *other* supplementary information are combining and individual non-major fund financial statements as well as budgetary comparison 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 Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings, questioned costs, and the independent auditor's report on internal control and compliance, are included in a separate annual publication.

Generally Accepted Accounting Principles (GAAP) for local governments require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. The introduction, overview, and analysis are presented in the form of the Management's Discussion and Analysis (MD&A). The letter of transmittal was designed to compliment and to be read in conjunction with the MD&A. The MD&A immediately follows the report of the independent auditors.

The financial reporting entity for the County includes all the funds of the primary government--the County of Riverside as legally defined-- as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

The County has eleven (11) independent fiscal entities that are considered Blended Component Units and one Discretely Presented Component Unit. These entities vary widely in function and provide essential services.

For a more detailed overview of the County's component units see the MD&A and the Notes to the Basic Financial Statements.

PROFILE OF THE GOVERNMENT

Riverside County, the State's fourth largest county by area, encompasses 7,295 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 are the cities of Riverside (the County seat) with a population of 277,000; Moreno Valley with a population of 155,100, and Corona with a population of 141,800.

Total County population was 1,776,700 on January 1, 2004, an increase of 3.4% compared to the revised estimate for 2003 from the California State Department of Finance. Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Riverside County's population ranks as the fifth largest county in the State. Approximately 27% of the residents live in the unincorporated area. The County is part of the Riverside-San Bernardino Primary Metropolitan Statistical Area (PMSA), which includes all of Riverside and San Bernardino Counties. The PMSA has large and rapidly expanding trade, transportation, utilities, distribution and manufacturing industries.

Total nonfarm employment in the PMSA rose 20.1% from March 1999 to March 2004, while the population increased by 19.2% in the County from January 1, 1999 to January 1, 2004. As of March 2004, unemployment in the PMSA was 5.8% (revised on an annual basis by the Employment Development Department Labor Market Information Division) as compared to 6.0% for the United States. The lower unemployment rate in the PMSA is primarily attributable to construction, distribution, professional, and various other rapidly expanding service industries.

PLANNING AND GROWTH MANAGEMENT

Strategic Plan

The County Strategic Plan ("Strategic Vision") was adopted by the Board of Supervisors in December 1998, and was revised in April 2000. This plan encompasses all areas of County operations with the general goal of improving the quality of services, increasing efficiencies, as well as improving communication and coordination between County agencies and other units of local government.

The Riverside County Integrated Project

The County is currently engaged in the development of the Riverside County Integrated Project (RCIP). This is a multi-year comprehensive planning project that includes the following components: an update of the County's General Plan of Land use, a Western Riverside County Multi-Species Habitat Conservation Plan (MSHCP), a regional transportation plan (CETAP), and watershed protection plan (SAMP). The RCIP is closely coordinated with regional councils of government, State and Federal government agencies, and private stakeholders. Following a series of public hearings, the Board of Supervisors adopted the MSHCP on June 17, 2003 and the General Plan on October 7, 2003. Work is continuing on the CETAP and SAMP.

Trial Court Facilities

On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation transfers the governance of California's more than 450 courthouse facilities from the counties to the State. Although the bill became effective on January 1, 2003, it is expected that the transition time will take up to seven years. The County and the Judicial Council of the State of California will be negotiating transfer agreements between July 1, 2003, and June 30, 2007. The transfer of courthouse facilities to the Judicial Council must be completed by June 30, 2007.

The County will develop a transfer plan that will identify the impacts and the steps necessary to ensure a smooth and timely transition. Some important areas to consider in the development of the plan will be bonded indebtedness, deferred maintenance, and capital projects. Once completed, this transfer will cap the County's financial obligation to court facilities to a Maintenance of Effort amount established under the legislation. Although the County continues to contribute to trial court funding through maintenance of effort obligations, the restructuring of court funding ends a dual system of county and state funding. These funds are accounted for in the agency funds.

Development Agreement Fees

In December 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code 65864 et al. for consideration of development agreements. As a legal contract between the County and a developer, a development agreement was intended to strengthen the public planning process, encourage private participation in comprehensive planning, reduce the economic costs of development, and promote the maximum efficient utilization of resources at the least economic cost to the public. In February 1988, the Board of Supervisors adopted a schedule of development agreement fees payable on residential projects prior to issuance of building permits, in the amount of $5,784 per residential unit. With Consumer Price Index adjustments, generally the most current fee effective on January 1, 2003 is $6,334 consists of the following components:

		Development Agreement Fee
Public Facilities		$ 2,799
Regional Parklands and Trails		521
Habitat Conservation and Open Space Land Bank Offset		375
Public Services Offset		2,639
	Total	$ 6,334

Based on renegotiated development agreements, fees range from $3,423 to $6,334 with some component deletions.

With the exception of the Public Services Offset, development agreement revenue will be used to help the County construct capital facilities and acquire parkland, trails, habitat and open space to meet the demand caused by new growth and development. The Public Services Offset is intended to help defray the cost of providing governmental services, such as Sheriff's patrol services. As of June 30, 2004 the total of unexpended and uncommitted development agreement money available in capital project funds is $1,136,488.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an Interim Open Space Mitigation Fee. This ordinance was amended on November 26, 2002 and again on July 22, 2003. The most recent amendment was due to implementation of the Western Riverside County Multiple Species Habitat and Conservation Plan. Collection of the fee is performed by both Riverside County and cities within Riverside County, but responsibility for accounting has transferred over to the Riverside Conservation Authority. Riverside Conservation Authority is a Joint Powers Authority formed between the County of Riverside and various cities in the western county area. Reporting of the Ordinance 810 fees in this section references those collected before June 22, 2004, which was when Ordinance 810.2 went into effect.

The fee collected under Ordinance 810.1 is used toward the acquisition of open space and the preservation of wildlife and their habitats. This fee was collected only in the Western portion of Riverside County as defined by the Ordinance. The fees that were collected under Ordinance 810.1 are as follows:

Type	Unit of Measure	Amount
Single family residence	Per unit	$ 821
Multiple family residence	Per unit	$ 687
Commercial use	Per acre	$ 3,293
Industrial use	Per acre	$ 1,373
Surface mining use	Per intensive use area	$ 343

As of June 30, 2004 the total amount of unexpended uncommitted interim open space mitigation funds related to Ordinance 810 and 810.1 is $2,344,236.

Ordinance 659

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

As of June 30, 2004 the total of unexpended uncommitted development mitigation funds related to Ordinance 659 in capital project funds is $414,040.

Development Impact Fees

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

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

Fees are assessed by unit for single family and multiple-family residential development, and by acre for commercial and industrial development. Fees vary according to the area plan under development. There are twenty area plans. The range for single-family residential development impact fees is from $3,252 to $5,267 per unit. The range for multiple-family residential development impact fees is $2,728 to $4,586 per unit. Commercial development impact fees range from $17,332 to $26,085 per acre and the range for industrial development impact is from $9,064 to $13,636 per acre.

Fees collected under Ordinance 659.6 can only be used for those projects identified and listed within the Public Facilities Needs List through the Year 2010. Changes to the list may occur on an annual basis and are subject to approval by the Board of Supervisors. Annual inflationary adjustments are authorized through Ordinance 659.6 and are subject to published indices of the Consumer Price Index, the Building Cost Index and the Construction Cost Index. Since adoption of the development impact fees, there have been no changes in the amount charged.

As of June 30, 2004, the total unexpended uncommitted development impact fees were $67,377,364. The increase in the balance of unexpended uncommitted development impact fees over fiscal year 2003 is primarily attributed to the rapid growth in residential development.

FINANCIAL INFORMATION

Internal Control

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

Single Audit

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

As part of the Single Audit, tests were made of the County's internal control and of its compliance with applicable laws and regulations, including those related to federal award 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 other than major federal award programs, the fiscal year 2002-03 audit disclosed no internal control related reportable conditions or material weaknesses. Audit findings related to reporting and sub recipient monitoring are required to be disclosed in accordance with OMB Circular A-133. The single audit for fiscal year 2003-04 is in process and will be issued in a separate report.

Budgetary Controls

The objective of budgetary controls is to ensure that the annual appropriated budget approved by the County Board of Supervisors is in compliance with the legal provisions of Section 29088-29091 of the Government Code. The County Budget is prepared and adopted on or before October 2 of each fiscal year, except as provided by State statutes and Board of Supervisors resolutions. The budget for fiscal year 2004-05 was adopted on July 13, 2004. Activities of the General Fund, all special revenue funds, certain debt service, and capital projects funds are included in the annually appropriated budget. The level of budgetary control, or the level that cannot be exceeded without action by the Board of Supervisors, is the appropriation level of the budget unit. The budget unit represents an organization within a department or an agency. The Board of Supervisors must approve transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues. Transfers of appropriations between appropriation classifications within the same budget unit are approved by the County Executive Officer. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and fund balances are reserved for encumbrances outstanding at that time. As demonstrated by the statements and schedules included in the Financial Section of this report, the County continues to meet its responsibility for sound financial management

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

General Fund Cash Balance and Fund Balance

The cash balance of the General Fund increased from $44,433,000 at June 30, 2003 to $65,681,000 at June 30, 2004. This increase is attributable primarily to a favorable real estate market that generated more property tax and related documentary transfer fee revenue, than expected. The County's General Fund fund balance represents the equivalent of 36 working days of expenditures.

Cash Management

The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal; second to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law. In accordance with its investment policy, the County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than 1.5 years, .86 years for 2004. To provide sufficient liquidity to meet daily expenditures, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less, 89% for 2004.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Pools, school district and special district external investment pools are reported as investment trust funds. Of the Treasurer's total cash and investments pool of $2,877,930,000 at June 30, 2004, $1,583,526,000 relates to the external investment pool participants.

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

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

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

Retirement Plan

The County of Riverside contributes to the California Public Employees Retirement System (PERS). PERS is 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 benefitted County employees are eligible to participate in the system. Temporary hourly employees cannot participate in the system until 1,000 hours are worked in a fiscal year. Certain other employees, such as per diem medical and dental personnel, crossing guards and service aides, are specifically excluded from participation in the system, regardless of the number of hours worked. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit payable monthly for life. 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 January 9, 1992 make their own contributions for the first five years. Miscellaneous prosecution unit employees hired on or after September 3, 1992 make their own contributions for the first year, as well. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date.

The employee contribution rate for the 401(a) Defined Benefit Retirement Plan for Part-Time/Temporary employees is 3.75%. The employer's contribution rate is currently 1.75% of base earnings (excludes overtime and earnings exceeding the social security base of $87,000 for calendar year 2003 and $87,900 for calendar year 2004.

Risk Management

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

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

The County participates in the CSAC Excess Insurance Authority's (CSAC-EIA, a Joint Powers Authority) programs for excess liability, medical malpractice, worker's compensation, primary and excess property programs. CSAC-EIA provides some support services for selected programs, such as: excess disability, medical malpractice annual audits, risk management in-services for medical malpractice as well as loss prevention resources for general liability. Additionally, CSAC-EIA subsidizes participating counties for actuarial studies on a two (2) year basis.

The activities related to the County's programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims filed or to be filed for incidents that have occurred through June 30, 2004, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the County has provided a funding plan or the County may elect to increase charges. However, when funding exceeds the approved confidence level, departments are given a rate holiday or a reduced rate charge. Revenues of these Internal Service Funds primarily originate from user charges to Departments/Agencies/Special Districts and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

OTHER INFORMATION

Independent Audit

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

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Riverside for its Comprehensive Annual Financial Report for the year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance to the highest standards for preparation of state and local government financial reports.

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 sixteen 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 a seventeenth certificate.

Acknowledgments

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

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

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

Respectfully yours,

Robert E. Byrd

ROBERT E. BYRD
COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2004

ELECTED OFFICIALS

Board of Supervisors:

Chairman, Fourth District.. ...ROY WILSON

Vice Chairman, Third District..JAMES VENABLE

First District ....BOB BUSTER

Second District .... JOHN F. TAVAGLIONE

Fifth District... MARION ASHLEY

COUNTY-WIDE ELECTED OFFICIALS

Auditor - Controller.. ROBERT E. BYRD, CGFM

Treasurer - Tax Collector.. PAUL MCDONNELL

Assessor - County Clerk - Recorder...GARY L. ORSO

District Attorney... GROVER TRASK

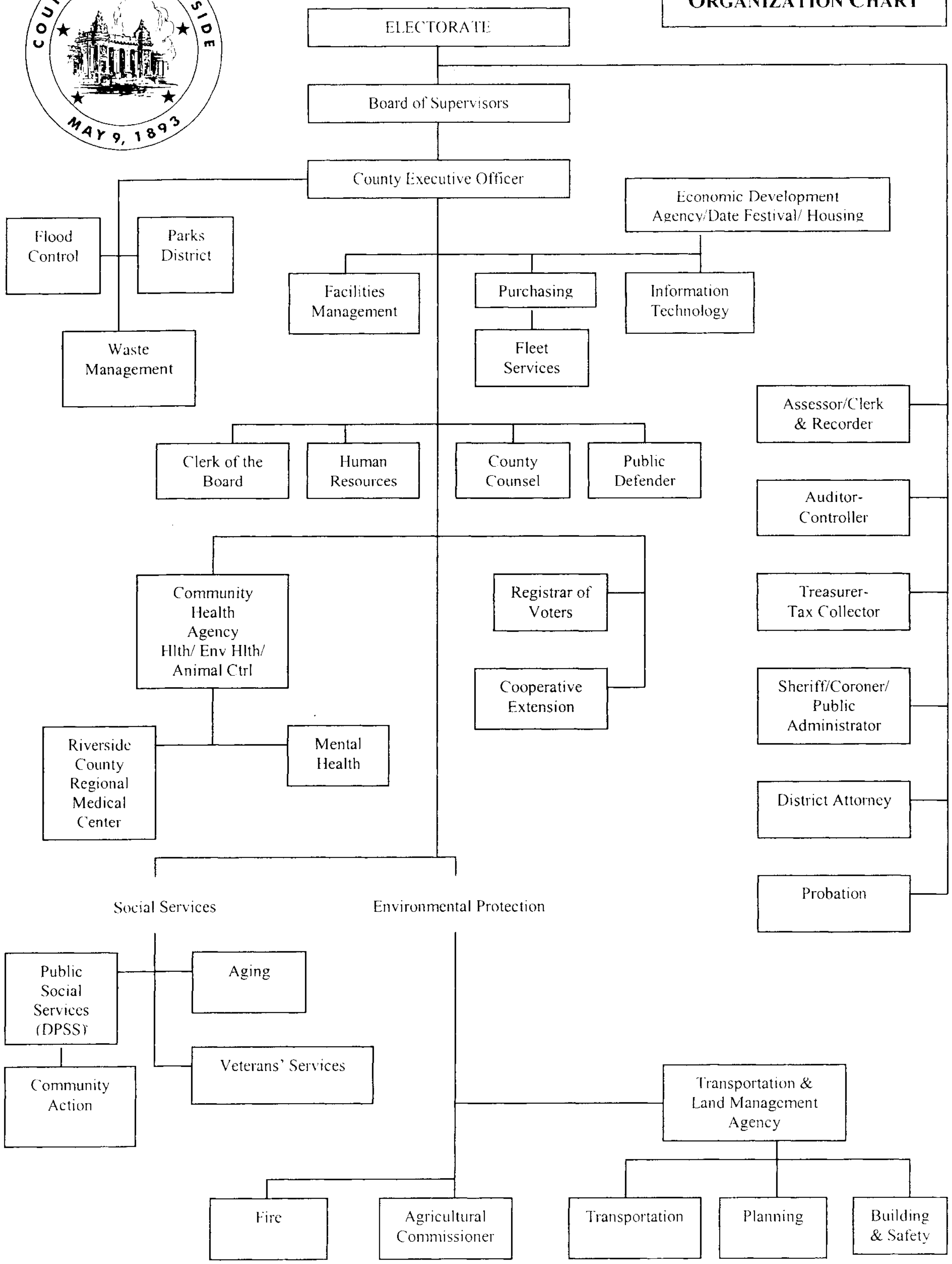
Sheriff - Coroner - Public Guardian... BOB DOYLE

APPOINTED OFFICIALS

County Executive Officer ....LARRY PARRISH

County Counsel...WILLIAM C. KATZENSTEIN

COUNTY OF RIVERSIDE ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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.

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

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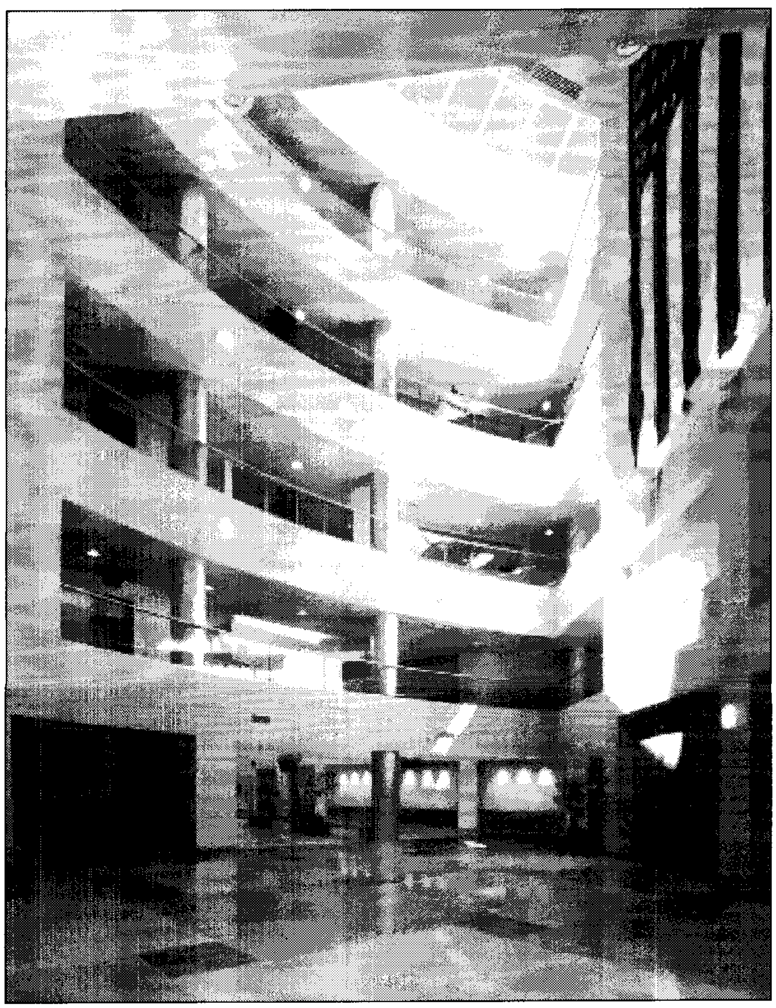
FINANCIAL SECTION



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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Riverside, California (the County), as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), County of Riverside Redevelopment Agency (the RDA), and Riverside County Children and Families Commission (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	30%	8%
Business-type Activities	6%	17%
Discretely Presented Component Unit	100%	100%
Aggregate Remaining Fund Information	41%	37%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Flood Control District, Housing Authority, Park District, RDA, and Commission are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

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

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In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and flood control governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 17, 2004

Management's Discussion and Analysis

MANAGEMENT'S

DISCUSSION AND ANALYSIS

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

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Government-wide Financial Statements are designed to provide readers with a broad overview of County finances in a manner similar to private-sector business and have a different focus from the fund financial statements. The government-wide financial statements focus on operational accountability by measuring the flow of *economic* resources. Accordingly, the government-wide financial statements provide a better description of the entity's economic condition. This contrasts with the fund statements which focus on legal compliance by measuring the flow of *current* financial resources.

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

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

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

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

The financial information for the Children and Families Commission is discretely presented separately from the financial information of the primary government. It is discretely presented because of its separate legal standing, fiscal independence, and public benefit nature in providing services to County residents.

The blended component units are:

- Bankruptcy Court
- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- Housing Authority of the County of Riverside
- In-home Supportive Services Public Authority
- Redevelopment Agency for the County of Riverside
- Riverside County Desert Facilities Corporation
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority
- Riverside County Service Areas

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

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

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

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service and capital projects funds). The governmental fund statements present the financial information of each major fund (the General Fund, the Flood Control special revenue fund, and the Public Facilities Improvements capital project fund) in separate columns. Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the Supplementary Information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental funds except Bankruptcy Court, CORAL, Desert Facilities Corporation, and District Court Project. The budgetary comparison statements have been provided to demonstrate compliance with the budget.

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

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

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

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore can neither be used to support the County's own programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, a private-purpose trust fund and agency funds. The fiduciary fund financial statements are presented on the economic resources measurement focus and the accrual basis of accounting.

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

Required Supplementary Information and this MD&A present schedules of retirement plan funding progress.

FINANCIAL HIGHLIGHTS

- The assets of the County, $3 billion, exceeded its liabilities, $1.5 billion, at the close of the fiscal year by $1.5 billion (net assets). Of this amount, $419 million (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors; $564 million (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and $550 million is invested in capital assets, net of related debt. Using net assets as a general indication of financial health, the County's overall financial position has improved this year.

- The County's net assets increased by $92.7 million during fiscal year 2003-04. Of this amount, $86.6 million was from governmental activities and $6.1 million was from business-type activities. Countywide expenses of $2.5 billion were substantially offset by program revenues of $1.9 billion, leaving an operating deficit of $526 million. The operating deficit was offset by general revenues of $619 million resulting in the increase in net assets.

- As of June 30, 2004, the total fund balances of the governmental funds were $776 million. This represents an increase of 6%, or $46.7 million, in comparison with the prior year. Approximately 34%, $259 million, of the combined fund balances was available to meet the County's current and future needs (*unreserved-undesignated fund balance*).

- At the end of the fiscal year, fund balance for the General Fund was $249 million, or 15% of the total General Fund expenditures. This amount includes $101 million of reserved fund balance and $70 million of designated fund balance.

- The County's long-term obligations showed a net increase of 3%, or $26.8 million, compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable and notes payable. See Note 13 for the various components of the net change in long-term obligations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2001-02 implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* changed both the recording and presentation of financial information. A comparative analysis has been presented for the government-wide financial statements.

Analysis of Net Assets – Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the County reported positive net assets balances for both governmental and business-type activities, with total assets exceeding liabilities by $1.5 billion.

The County's total net assets increased 6.4%, $92.7 million, during fiscal year 2003-04, compared to the prior year's increase of 4.2%, or $59 million. Eighty-seven million of the increase was from governmental activities and $6 million was from business-type activities. For the prior year, $57 million of the increase in net assets was from governmental activities and $1.5 million from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt:** This component represents 36%, $550 million, of the County's total net assets for fiscal year 2003-04 compared to 36%, $523 million, for fiscal year 2002-03. The component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net assets** account for 37%, $564 million, of the County's total net assets for fiscal year 2003-04 compared to 47%, $696 million, for fiscal year 2002-03. This component of net assets represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** account for 27%, $419 million of the County total net assets for fiscal year 2003-04 compared to 17%, $246 million, for fiscal year 2002-03. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets, for fiscal year 2003-04, $387 million is from governmental activities and $32 million is for business-type activities compared to $206 million for governmental activities and $40 million for business-type activities for the prior year.

The table below provides summarized data from the Statement of Net Assets:

Statement of Net Assets
June 30, 2004
(in thousands)

	Governmental Activities		Business-type Activities		Total		%
	2004	2003	2004	2003	2004	2003	Variance
Current and other assets	$ 1,296,870	$ 1,169,738	$ 200,407	$ 197,418	$ 1,497,277	$ 1,367,156	10%
Capital assets	1,330,282	1,299,725	236,781	249,668	1,567,063	1,549,393	1%
Total assets	2,627,152	2,469,463	437,188	447,086	3,064,340	2,916,549	5%
Other liabilities	320,593	280,586	31,227	24,427	351,820	305,013	15%
Long-term liabilities	873,785	817,185	306,025	328,851	1,179,810	1,146,036	3%
Total liabilities	1,194,378	1,097,771	337,252	353,278	1,531,630	1,451,049	6%
Net assets:						-	
Invested in capital assets,						-	
net of related debt	524,624	503,294	25,102	19,972	549,726	523,266	5%
Restricted	521,143	662,446	43,232	33,740	564,375	696,186	-19%
Unrestricted	387,007	205,952	31,602	40,096	418,609	246,048	70%
Total net assets	$ 1,432,774	$ 1,371,692	$ 99,936	$ 93,808	$ 1,532,710	$ 1,465,500	5%

Governmental Activities

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

- Operating Grants and Contributions are revenues received from parties outside of the County, such as State and Federal agencies, and are generally restricted to one or more specific programs. As with the prior year, in fiscal year 2003-04, a total of $1.1 billion was earned, making this the largest revenue source for governmental activities. Public Assistance, and Health and Sanitation received 72% of the governmental activity funding for fiscal year 2003-04 compared to 69% in the prior year. Public Protection received 18% of the governmental activity funding for fiscal year 2003-04, compared with 19% for fiscal year 2002-03.

- A total of $425 million was earned as governmental activity charges for services compared to $388 million for fiscal year 2002-03. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Public Protection revenue, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 56% of this revenue source, compared to 50% from the prior year. General government generated 25% compared to 31% for prior year. Health and Sanitation generated 8% of this revenue source as compared to 9% in the prior year.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $33 million earned for fiscal year 2003-04 compared to $32.5 million earned for fiscal year 2002-03. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2003-04, 94% of the revenue, or $30.9 million, as compared to 95%, or $30.8 million, for fiscal year 2002-03, was received for public ways and facilities programs and is primarily related to the construction and acquisition of infrastructure capital assets.

- General revenue related to governmental activities primarily consists of taxes, contractual revenue from City Redevelopment Agencies, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with $267 million earned during the year, an increase of 18%, $40.6 million, as compared to the $226 million earned in fiscal year 2002-03. This increase is primarily attributable to higher assessed property values combined with a significant increase in new development.

Expenses: Total program expenses for governmental activities were $2.1 billion for the current fiscal year as compared to $1.9 billion for the prior fiscal year, an increase of 10% or $191 million. The increase is primarily caused by increases in salaries, services and supplies for Probation and Sheriff Departments. Thirty-five percent, or $710 million, of total governmental activities expenses were for Public Protection; 29% or $591 million for Public Assistance; 18%, $376 million, for Health and Sanitation; 11% or $232 million for General Government; and 7%, $143 million for various program expenses.

Business-type Activities

Revenues: The County has two major business-type activities: The Regional Medical Center (RMC) and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities. For the current year, 100%, $385 million, of business-type activities program revenue was received from charges for services, as compared to 97%, $299 million, for the prior fiscal year. The majority of the revenue for the current fiscal year, $267 million, was received by RMC as compared to $199 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $403 million for the fiscal year compared to $325 million for the prior fiscal year, which represents a 24%, $77.3 million, increase from last year. This increase was primarily attributable to an increase in staffing and supply costs for RMC, an increase in HUD Section 8 assistance payments for the Housing Authority, and an increase in tonnage, rates and remediation estimates for Waste Management. Seventy-four percent, $296 million, of total expenses were incurred by RMC compared to 71%, $228 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 16%, $61.6 million, compared to 18%, $57.9 million, for the prior year; Waste Management Department, 10%, $40 million, compared to 12%, $36.6 million, the prior year. Flood Control and County Service Areas account for the remaining 1% of expenses, a percentage consistent with the prior fiscal year.

The following table provides summarized information from the Statement of Activities:

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2004
(In thousands)

	Governmental Activities		Business-type Activities		Total		
	2004	2003	2004	2003	2004	2003	Variance (%)
Revenues:							
Program revenues:							
Charges for services	$ 424,644	$ 387,467	$ 385,028	$ 299,419	$ 809,672	$ 686,886	18%
Operating grants and	1,086,456	1,050,230	-	-	1,086,456	1,050,230	3%
Capital grants and contributions	33,041	32,537	125	9,712	33,166	42,249	-21%
General revenues:							
Property taxes	266,391	225,775	-	-	266,391	225,775	18%
Sales and use taxes	26,633	22,444	-	-	26,633	22,444	19%
Other taxes	12,108	10,377	-	-	12,108	10,377	17%
Contractual revenue - RDA	11,385	6,015	-	-	11,385	6,015	89%
Motor vehicle in-lieu taxes	87,435	106,466	-	-	87,435	106,466	-18%
Investment earnings	16,835	24,909	2,505	3,235	19,340	28,144	-31%
Gain on sale of capital assets	1,491	504	4,208	754	5,699	1,258	353%
Other	189,736	155,620	-	-	189,736	155,620	22%
Total revenues	2,156,155	2,022,344	391,866	313,120	2,548,021	2,335,464	
Expenses:							
General government	232,322	183,132	-	-	232,322	183,132	27%
Public protection	710,053	620,663	-	-	710,053	620,663	14%
Public ways and facilities	93,529	87,092	-	-	93,529	87,092	7%
Health and sanitation	376,338	330,830	-	-	376,338	330,830	14%
Public assistance	590,719	588,502	-	-	590,719	588,502	0%
Education	10,280	8,609	-	-	10,280	8,609	19%
Recreation and culture	9,666	8,842	-	-	9,666	8,842	9%
Interest on long-term debt	29,890	33,666	-	-	29,890	33,666	-11%
Regional Medical Center	-	-	296,227	228,339	296,227	228,339	30%
Waste Management Department	-	-	40,056	36,579	40,056	36,579	10%
Housing Authority	-	-	61,599	57,977	61,599	57,977	6%
Flood Control	-	-	4,318	2,054	4,318	2,054	110%
County Service Areas	-	-	329	294	329	294	12%
Total expenses	2,052,797	1,861,336	402,529	325,243	2,455,326	2,186,579	12%
Excess (deficiency) before Special items and transfers	103,358	161,008	(10,663)	(12,123)	92,695	148,885	-38%
Transfers in (out)	(16,791)	(13,287)	16,791	13,287	-	-	0%
Change in net assets	86,568	147,721	6,128	1,164	92,695	148,885	-38%
Net Assets, Beginning of Year, as Restated	1,346,206	1,223,971	93,808	92,644	1,440,014	1,316,615	9%
Net Assets, End of Year	$ 1,432,774	$ 1,371,692	$ 99,936	$ 93,808	$ 1,532,710	$ 1,465,500	5%

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of current financial resources. Such information is useful in assessing the County's short-term financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, capital project funds, and debt service funds. As of June 30, 2004, the County's governmental funds reported combined fund balances of $766 million, an increase of $46.6 million in comparison with the prior year. Of this total amount, $363 million constitutes *unreserved fund balance,* which is available for spending at the County's discretion. The remainder of fund balance, $413 million is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County programs; $135 million
- Outstanding debt service; $65.9 million
- Liquidation of current contractual commitments; $204 million
- Other smaller restrictions; $8.1 million

Total governmental fund revenue increased 3%, $66.2 million from the prior fiscal year with $2.1 billion being earned for the fiscal year ended June 30, 2004. Expenditures also increased 5%, $89.4 million, from the prior fiscal year with $2 billion being expended for governmental function during fiscal year 2003-04, compared to $1.96 billion for the prior fiscal year. Therefore, governmental fund balance increased 6% or $46.6 million. In comparison, fiscal year 2002-03 had an increase in governmental fund balance of 8%, $51.2 million, over fiscal year 2001-02.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $148 million compared to $115 million for the prior fiscal year, while total fund balance was $249 million for the current year and $219 million for the prior year. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance is 9% of the total General Fund expenditures of $1.7 billion for the current year as compared to 7% of the prior year total of $1.6 billion. The total fund balance of the General Fund for the current year is 15% of the total General Fund expenditure as compared to 13% for the prior year.

Proprietary Funds

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

At the end of the fiscal year, total proprietary fund net assets were $127 million, compared to $158 million, for prior fiscal year. Total proprietary fund net assets decreased 19%, $30 million, compared to a $4.2 million increase for the prior fiscal year.

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

- Regional Medical Center; $-2 million

- Waste Management; $36 million
- Other enterprise fund activities; $6 million
- Internal service fund activities; $-6.3 million

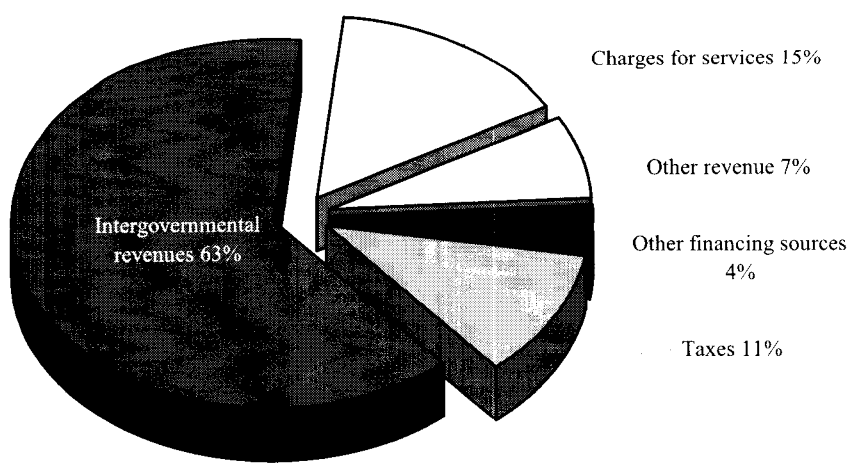
GENERAL FUND FINANCIAL ANALYSIS

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

Revenues and Other Financing Sources	Fiscal Year 2003-2004	Percent of Total	Fiscal Year 2002-2003	Percent of Total
Taxes	$ 193,329	11%	$ 160,220	10%
Intergovernmental revenues	1,093,299	63%	1,076,950	69%
Charges for services	263,107	15%	237,987	15%
Other revenue	128,212	7%	56,504	4%
Other financing sources	62,007	4%	25,786	2%
Total	$ 1,739,954	100%	$ 1,557,447	100%

The increase in tax revenue is primarily attributable due to new construction development and higher assessed property values, collections on title transfers, and increased real estate sales. The increase in intergovernmental revenue is primarily attributable to additional federal funding for assistance programs provided by the Department of Social Services and the Probation Department. Other increases in Intergovernmental revenues are from increased contractual revenue from various city redevelopment agencies and an increase in Disproportionate Share Hospital revenue from the State. Charges for current services increased primarily from contractual law enforcement revenue. The increase in other financing sources is primarily attributable to transfers in from non-major governmental funds for fire protection and lease costs.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2004 (In Thousands)

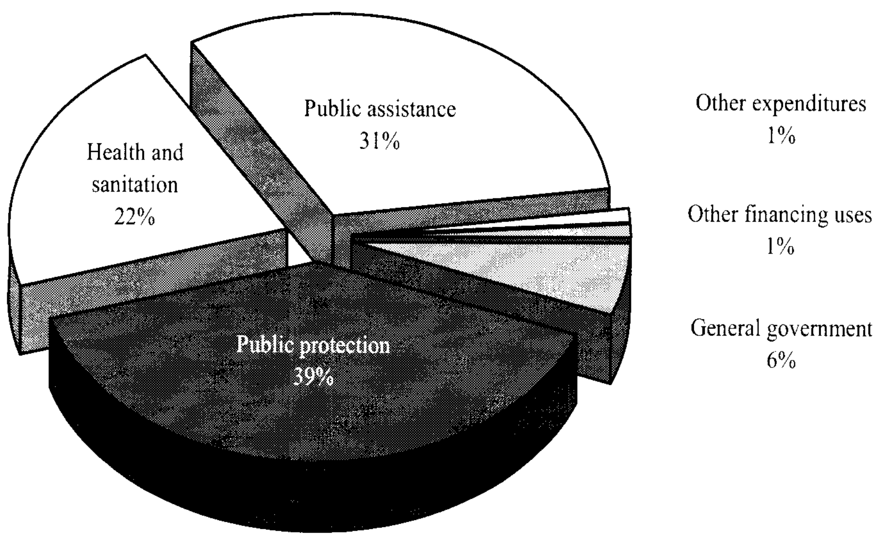


Total Revenues and Other Financing Sources = $1,739,954

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

Expenditures and Other Financing Uses	Fiscal Year 2003-2004	Percent of Total	Fiscal Year 2002-2003	Percent of Total
General government	$ 101,429	6%	$ 133,476	8%
Public protection	674,389	39%	611,014	37%
Health and sanitation	362,010	22%	338,265	21%
Public assistance	536,275	31%	520,345	32%
Other expenditures	15,980	1%	18,499	1%
Other financing uses	21,027	1%	18,172	1%
Total	$ 1,711,110	100%	$ 1,639,771	100%

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2004 (In Thousands)



Total Expenditures and Other Financing Uses = $ 1,711,110

The decrease in the General Government expenditures was primarily due to a decrease in services and supplies, charges for services, and other financing sources during the course of the fiscal year. Increased salaries and benefits and services and supplies caused the expenditure increase in the Public Protection, Heath and Sanitation, and Public assistance functional areas. The County sought several cost-avoidance options as well as other revenue sources, which resulted in the needed adjustments to the General Fund spending plan.

GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the Original and the Final Amended Budget and 2) the Final Amended Budget and the Actual revenue and expenditure amounts. The Budgetary Comparison Statement displays the details of the comparison and is included in the Governmental Fund Statements section.

Variance between General Fund Original Adopted and Final Amended

Estimated Revenue Variance

This section provides a summary of the primary factors attributing to the General Fund variances between: 1) the Original and the Final Amended Budget and 2) the Final Amended Budget and the Actual amounts. The Budgetary Comparison Statement displays the details of the comparison and is included in the Governmental Fund Statements section.

Estimated Revenue Variance

The original General Fund revenue budget decreased $3.9 million from $1.758 billion to the final amended revenue budget of $1.754 billion. The net decrease relates to a $12 million increase in Property Tax, a $1.5 million increase in Sales Tax, a $4.5 million increase in Documentary Transfer Tax, a $4.7 million increase in Fines, Forfeitures, and Penalties, a $27.9 million decrease in Charges for Current Services, and a $1.3 million net reclassification increase from Other to Intergovernmental.

Aid Received from Other Governmental Agencies:

- Federal aid exceeded budget by $13.5 million: State Homeland Security Grants increased by $3.4 million, Community Oriented Policing Services (COPS) increased by $1.3 million, In-Home Supportive Services increased by $1.3 million, Cal/WORKs assistance program increased by $1.6 million, Edward Byrne Memorial Grant increased by $690 thousand, Hazard Mitigation Grant Program increased by $635 thousand, State Fire Assistance Program Grant Award increased by $400 thousand, Office of Traffic Safety Grant Award increased by $363 thousand, Nutrition Incentive Award increased by $341 thousand, High Intensity Drug Trafficking Area (HIDTA) grant award increased by $252 thousand, FEMA Supplemental Grant Emergency Operations Planning (EOPs) Grant award increased by $248 thousand.

- The budget for State aid had a net increase of $71.7 million primarily due to a reclassification of $89.6 million from Other revenue to Disproportionate Share Hospital revenue and a decrease in Motor Vehicle In-lieu revenue.

Expenditure Appropriation Variances

The original General Fund appropriation budget increased 4.8%, $85.6 million, from $1.777 billion to the final amended appropriation budget of $1.862 billion. The significant appropriation increases were $17.5 million in Public Protection and $81.7 million in Health and Sanitation, $81.7 million. In addition, there were decreases of $20.1 million to General Government and $13.5 million to Public Assistance. For budgetary presentation purposes, appropriations were decreased by $21 million for reclassification to transfers-out. The major appropriation increases are described below.

Public Protection: The appropriation budget increased 2.5%, $17. million, from the original budget of $674 million to $691 million. Significant appropriation increases are briefly described below:

- The Law Offices of the public Defender required an appropriation increase of $1 million due to a large employee settlement, unanticipated parity adjustments for attorneys, high leave payoffs for retiring employees, and accrued leave buy-downs for attorneys.

- The District Attorney's Office ("DA") required a $3 million increase in appropriations because of higher than anticipated staffing levels.
- The appropriations for the Sheriff's Department were increased by $4 million for grant awards under the State Homeland Security Program, COPS, Edward Byrne memorial grant for services and equipment, and High Intensity Drug Traffic Areas ("HIDTA").
- The appropriations for the Fire Department were increased $9 million for grant awards under the State Domestic Preparedness Program, upgrade of Public safety, Homeland Security, and the State Fire Assistance program.

Health and Sanitation: The appropriation budget increased 22.6%, $82 million, from $362 million to $444 million. The significant factors are:

- An additional appropriation of $3 million to cover uncompensated emergency medical services.
- An increase in appropriation of $27 million due to SB1255 and SB855 net benefit distributions by the State during the fiscal year.
- Cost savings of $4 million due to measures taken by the Regional Medical Center to mitigate a $12 million shortfall.
- An increase of $36 million related to Mental Health.

Variance between General Fund Actual Revenues and Expenditures and Final Amended Budget

During the year, the General Fund had a positive budget variance of $74.1 million resulting from unexpended appropriations of $151 million and overestimated revenue of $77 million. The following contributed to the variance:

Expenditure Variances

General Fund expenditures of $1.7 billion were 9%, $151 million, less than the final amended appropriation budget of $1.8 billion. General Government and Health and Sanitation were the two most significant functions attributing to the unexpended appropriations as follows:

General Government: Expenditures were 12%, $13.4 million, less than the final amended budget of $115 million. The most significant factor was a $12.9 million appropriation for contingencies that was not spent. The County's cost-cutting measures during the fiscal year were a factor in these unexpended appropriations.

Health and Sanitation: Expenditures were 19%, $81.7 million, less than the final amended budget of $444 million. The most significant factor was the decrease in Other Charges of $73 million that occurred in the Health and Mental Health departments as a result of their cost-cutting measures. Other appropriation decreases include: Salaries and Benefits, $17 million; Capital Assets, $830 thousand; Services and Supplies, $736 thousand. These savings were partially offset by an appropriation $9.9 million increase of Intrafund Transfers, resulting in the net decrease of $81.7 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2004, the County's capital assets for both its governmental and business-type activities amounted to $1.6 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, infrastructure (channels, storm drains, basins, roads, traffic signals, bridges, runways and parks), structures and improvements and equipment. This amount represents an increase of $17.7 million, or 1% from last year.

The County completed remodeling projects for the offices of the Auditor-Controller and renovations for the Assessor-Clerk-Recorder in the County Administrative Center. These two projects, totaling $2.5 million, were financed through the County's various governmental funds and completed in January 2004.

The Transportation Department completed construction of a $1.1 million Beaumont Maintenance Facility in October 2003. The facility serves as a base for road maintenance operations and minor vehicle repairs. The project was funded exclusively with Gas Tax.

The Inmate Education and Counseling Center at the Smith Correctional Facility (Rehabilitation Center) is currently under construction with completion expected in the latter part of 2004. When completed, the Center will accommodate training and education programs for inmates and their families. The $8.2 million project is financed through the Inmate Welfare Trust Fund.

The County currently has projects in various stages of construction including the overall expansion of the Smith Correctional Facility ($8 million) and the Ben Clark Training Center Shooting Range ($8.1 million) with expected completion in April 2005. The County's other construction projects that are currently in review for bid or in a design phase are the 1933 Historic Courthouse renovation ($10.5 million), the Smith Correctional Facility expansion Phase II ($6.5 million), and the County Administrative Center (CAC) 6th Floor (Assessor-Clerk-Recorder) renovation ($1.9 million).

The County's future construction projects include a new Perris Sheriff Station Complex and Health Clinic in Perris ($27 million) and a new South West Regional Animal Facility ($12 million).

Major capital asset events during the current fiscal year included the following:

- The June 30, 2004 construction in progress balance of $44.7 million excluded completed projects and adjustments of $42.6 million, and included new projects of $56.2 million, primarily comprised of the following:
    - Roads, bridges, and signal infrastructure; $24.7 million
    - Channels, storm drains and basins infrastructure; $11 million
    - Buildings and Structures; $5.1 million
    - Parks; $2 million
    - Housing; $1.3 million
    - Other smaller projects; $384 thousand
- $42.1 million excluding adjustments of $498 thousand, of construction was completed during the fiscal year and transferred from construction-in-progress to the following capital asset accounts:
    - Structures and improvements; $4.4 million
    - Infrastructures: Roads and signals; $33 million
    - Infrastructures: Waste; $4.5 million

  - Infrastructures: Flood storm drains; $128 thousand

- Capital asset increases of $13 million from additions and completed projects of $37.7 million for infrastructure totaled $51 million comprised of the following:
  - Roads; $29.2 million
  - Waste landfill liners and other; $7.6 million
  - Flood Storm Drains; $6.8 million
  - Traffic Signals; $3.7 million
  - Runways; $2.8 million
  - Flood Channels; $177 thousand
  - Parks trails and improvements; $78 thousand
- Total building and structure retirements were $7.5 million, which was related to the Housing Authority's sale of two apartment complex units and HUD public housing units. New significant commitments for capital expenditures include the following:
  - Transportation projects; $81.6 million
  - Flood Control projects; $19 million
  - Redevelopment projects; $16.3 million
  - Banning Smith Correctional Facility Education and Counseling Center; $4.8 million
  - Parks projects; $2 million
  - 1933 Historic Courthouse renovation; $641 thousand
  - Banning Smith Correctional Facility expansion; $315 thousand

In the government-wide financial statements, assets are capitalized and depreciated, if applicable, over the expected useful life, beginning with the in-service date. In the fund financial statements, capital costs comparative are accounted for as expenditures when payments are made.

Comparative capital assets for governmental and business-type activities are summarized below:

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase (Decrease)
	2004	2003	2004	2003	2004	2003	Percent of Change
Infrastructure	$ 444,212	$ 411,519 #	$ 26,087	$ 20,009	$ 470,299	$ 431,528	9%
Land and Easements	288,166	287,174 0	21,127	22,627	309,293	309,801	0%
Land Improvements	99	99 0	7,099	8,899	7,198	8,998	-20%
Structures and Improvements	479,364	488,469 0	161,733	170,787	641,097	659,256	-3%
Equipment	75,878	87,386 0	18,575	21,267	94,453	108,653	-13%
Construction in Progress	42,563	25,078 0	2,160	6,079	44,724	31,157	44%
Total	$ 1,330,282	$ 1,299,725	$ 236,781	$ 249,668	$ 1,567,064	$ 1,549,392	1%

GASB Statement No. 34 allows for an extended period of deferral (through the fiscal year-ending June 30, 2006) before the County is required to record and depreciate infrastructure assets acquired prior to July 1, 2001. As a result of this deferral, the retroactive historical value of the County's transportation infrastructure assets (roads, bridges, and traffic signals that were completed prior to July 1, 2001) have not been included in the government-wide financial statements but will be included before June 30, 2006. The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated according their useful life. Additional information about the County's capital assets can be found in Note 9 to the financial statements.

Debt Administration Under the direction of the Board of Supervisors, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. On June 30, 2004, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled $321.03 as of June 30, 2004. The calculated legal debt limit for the County is $1.5 billion. However, in October 2001, Moody's Investors Service placed a "negative outlook" on the credit rating for California counties (Riverside County included) noting it "primarily reflects the possibility that the State could address a significant part of any budget shortfall by diverting revenues from local governments, particularly counties." Following are the investment ratings maintained by the County:

	Moody's Investors Service, Inc.	Standards & Poor's Corp.
Long-term lease debt	A3	A+
Issuer credit	A1	AA-

Since 1981, the County has issued Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2003-04, the County, as a participant in the California Statewide Communities Development Authority Pool, issued $170 million in TRANs to satisfy short-term cash flow needs.

In October 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (alternate method of property tax distribution). The Plan required the "buy-out" of delinquent secured taxes and the annual advance of unpaid taxes to participating agencies. Funding for the County's on-going obligations under Teeter for fiscal year 2003-04 was accomplished through the sale of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes. In fiscal year 2003-04 $48.2 million in delinquent taxes were collected and used to pay down $37.7 million in existing Notes, resulting in a $10.5 million surplus. The surplus was applied toward the current fiscal year unpaid delinquent taxes of $34.5 million dollars, resulting in the $24 million Teeter amount.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2004.

County's Outstanding Debt Obligation
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Variance
	2004	2003	2004	2003	2004	2003	
Loans payable	$ 66,375	$ 67,130	$ -	$ -	$ 66,375	$ 67,130	-1%
Notes payable	635	930	-	-	635	930	-32%
Bonds payable	91,758	91,758	210,558	228,392	302,316	320,150	-6%
Certificates of participation	387,869	357,855	2,040	3,000	389,909	360,855	8%
Total Outstanding	$ 546,637	$ 517,673	$ 212,598	$ 231,392	$ 759,235	$ 749,065	1%

Certificates of Participation/ Refunding

In December 2003, the County of Riverside Asset Leasing Corporation (CORAL), issued $13.1 million of Certificates of Participation, Series A (2003 Series A- Historic Courthouse Project), with an interest rate of 3% and also issued $8.6 million of Certificates of Participation, Series B (2003 Series B- Capital Facilities Project Refunding), with an initial interest rate of 2%. The 2003 Series A were issued on parity with the 1997 Historic Courthouse certificates to provide funding for certain improvements of the County's Historic Courthouse, fund capitalized interest costs, fund a reserve fund and pay costs of issuance. The 2003 Series B were issued to refund $8.2 million of outstanding Certificates of Participation, 1993 Master Lease Refunding, bearing interest rates ranging from 3.25% to 5.75%, fund a debt-service reserve fund and a construction fund.

Interest on the 2003 Series A Certificates of Participation is payable initially November 1, 2006, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2033. Interest on the 2003 Series B Certificates of Participation is payable initially May 1, 2004, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2018.

Defeasance of Debt: On April 30, 2003, the County issued $16.1 million of County of Riverside Court Financing Authority Taxable Refunding Certificates of Participation (Bankruptcy Court, Series 2003). The proceeds from the sale of the certificates, along with $1.6 million on deposit in the Reserve Fund of the refunded certificates, were used to exercise the County's option to prepay $17 million of 1997 Bankruptcy Court Project Certificates of Participation. The amount of refunding debt outstanding at June 30, 2004 is $15.6 million.

Additional information regarding the County's short and long-term debt is included in Notes 12 and 13 to the financial statements and Tables 8, 9, 10 and 11 in the Statistical section.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

A strengthening local economy continues to help Riverside County overcome its recent budget difficulties. A significant portion of the County's recent budget difficulties were the result of the nearly $100 million that the State has "borrowed" in recent years. Though the State continues to struggle with budget deficits and slow revenue growth, Riverside County faces neither. Local revenues continue to strengthen, with double-digit growth of both property and sales taxes becoming a near normal occurrence.

The State owes Riverside County in excess of $80 million for several years of unpaid state-mandated claims and Vehicle License Fee (VLF) revenue. The Governor and Legislature, in the current state budget document, pledge to repay the VLF loan in full during fiscal year 2007 and to begin repayment of the mandated services debt the same year.

Proposition 1A went on the November 2004 ballot as part of a movement to limit the State's ability to appropriate local revenues. Proposition 1A protects revenues dedicated to locally delivered services, prohibits the state from lowering local property tax revenue, and allows for limited revenue reductions under certain conditions but requires repayment within three years. In addition, proposition 1A requires that local sales taxes remain with local governments and requires the State to either fund or suspend mandated services.

The County recently increased cost containment measures. In addition to previous actions that included limiting equipment purchases, travel expenditures, and a freeze in filling vacant employment positions, General Fund departments were notified that their fiscal year 2003-04 General Fund support would be reduced by an average of 2.5 %, and their support for fiscal year 2004-2005 would be reduced by 8%. The aforementioned measures should not be needed beyond early fiscal year 2004-05.

The County budget for fiscal year 2004-05 assumed a beginning General Fund unreserved / undesignated fund balance of $20 million. Estimated discretionary revenues were $36 million higher than those in the previous Final Budget based on an improved outlook for the County. The change in total estimated discretionary General Fund income represents a 9% increase. Subsequent to adoption of the County's final budget, the State took action to reduce vehicle license fee revenue by an estimated $14 million. This reduction is a $12 million improvement over earlier estimates and the county's budget. The state budget reduced the vehicle tax but pledged to protect local governments from further vehicle tax losses. This should have no effect on county revenues. Additional information is included in Note 22 of the financial statements regarding the "State of California Fiscal Outlook."

The County's pension program, which is managed by the Public Employees Retirement System (PERS), experienced stock market losses, benefit changes, and changes to employee demographics, as described below. As a result, unfunded liabilities are estimated to exceed $300 million this year. PERS policy calls for payments to be made toward the unfunded liability at their assumed earnings rate of 7.75% per year. However, the county is able to borrow at lower rates. In November, 2004 the Board granted conceptual approval for the issuance of $300 million in pension obligation bonds; proceeds of the bonds will be used to reduce the county's PERS liability. County staff will take the steps necessary to issue bonds and will return to the Board for final approval in January or February of 2005. If the PERS earning estimate is accurate, this bond issuance will save the county over $5 million per year.

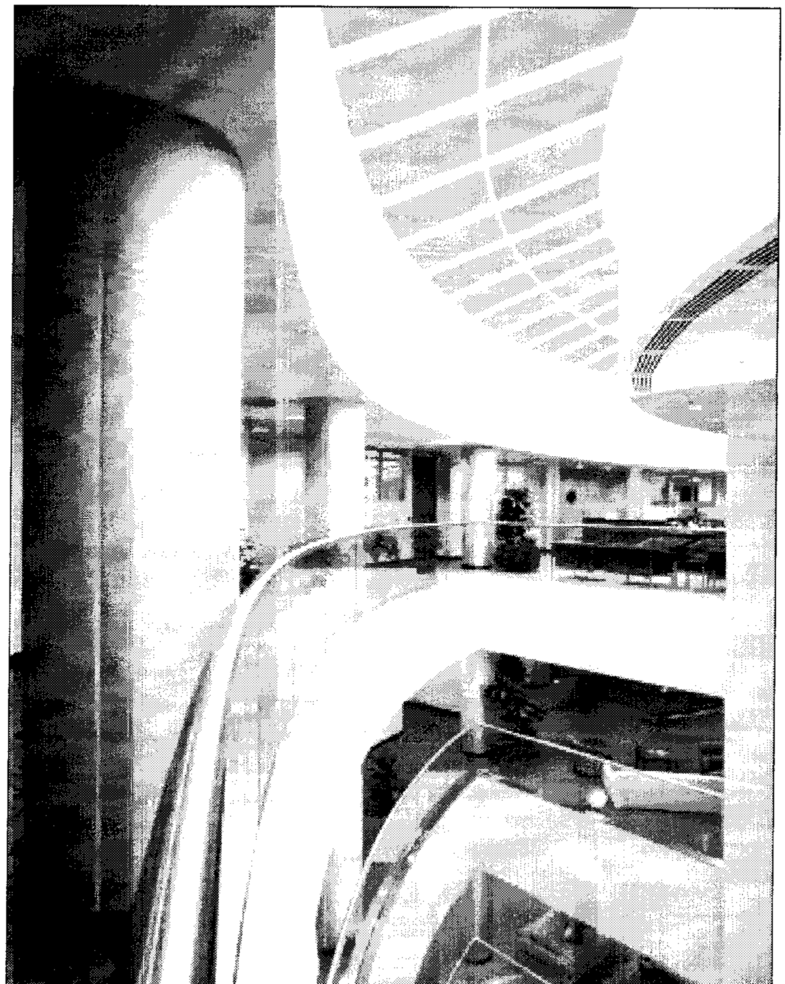
The County's employee retirement benefit contribution rate for miscellaneous members increased from 9.79% for fiscal year 2003-04 to 15.35% for fiscal year 2004-05, due primarily to the losses in investment returns for the CalPERS fund in 2001 and 2002. The County's contribution for Safety members increased from 17% for fiscal year 2003-04 to 24.4% for fiscal year 2004-05. The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment return and the County's growth rate, among other factors. CalPERS has notified the County that our Miscellaneous contribution rates for fiscal year 2005-06 will increase to 16.27% and Safety contribution rates will decrease to 21.12%. Fiscal year 2006-07 rates are projected at 16.4% (Miscellaneous) and 20.9% (Safety). Additional information regarding the County's retirement plans are included in Notes 18, 19 and 20 of the financial statements and schedules of retirement funding progress are included in the Required Supplementary Information section.

Assessed property values increased 11.52% in fiscal year 2003-04 and 14.18% in fiscal year 2004-05 yielding a total assessed property tax roll of $140 billion for fiscal year 2004-05. According to the County Assessor, the $17.4 billion increase is attributable to the 1.87% annual C.P.I. increase, ownership changes, and new construction in the County. The increase also takes into affect the reductions in assessed property values as the result of Proposition 8. The assessed values of 34,173 properties were affected by the Proposition 8 reductions in fiscal year 2004-05.

REQUEST FOR INFORMATION

This financial report is designed to provide our stakeholders with a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Riverside, Office of the Auditor-Controller, County Administrative Center, 4080 Lemon Street - 11th Floor, P.O. Box 1326, Riverside, CA 92502-1326; Phone: (951) 955-3800; Fax: (951) 955-3802; web site: www.auditorcontroller.org.

BASIC FINANCIAL STATEMENTS –
GOVERNMENT-WIDE FINANCIAL STATEMENTS



COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
ASSETS:				
Cash and investments (Note 5)	$ 651,833	$ 47,353	$ 699,186	$ 55,219
Receivables, net (Notes 1 and 7)	308,766	55,923	364,689	4,448
Due from other governments	-	-	-	-
Inventories	5,352	4,406	9,758	-
Internal balances (Note 8)	13,035	(13,035)	-	-
Prepaid items and deposits	108	1,866	1,974	-
Restricted cash and investments (Notes 5 and 6)	289,130	99,854	388,984	-
Notes receivable	14,775	-	14,775	-
Land held for resale	13,479	-	13,479	-
Capital assets (Note 9):				
Depreciable assets, net	999,553	213,494	1,213,047	39
Nondepreciable assets	330,729	23,287	354,016	-
Bond issuance costs	392	4,040	4,432	-
Total assets	2,627,152	437,188	3,064,340	59,706
LIABILITIES:				
Accounts payable	95,366	17,785	113,151	2,973
Salaries and benefits payable	53,836	8,221	62,057	18
Due to other governments	32,008	756	32,764	-
Interest payable	9,477	1,311	10,788	-
Deposits payable	60	277	337	-
Teeter notes payable (Note 12)	23,967	-	23,967	-
Other liabilities	4,386	2,877	7,263	-
Deferred revenue (Note 7)	101,493	-	101,493	-
Long-term liabilities (Note 13) :				
Due within one year	112,484	19,959	132,443	28
Due beyond one year	761,301	286,066	1,047,367	24
Total liabilities	1,194,378	337,252	1,531,630	3,043
NET ASSETS:				
Invested in capital assets, net of related debt	524,624	25,102	549,726	-
Restricted for:				
Capital projects	152,982	-	152,982	-
Children's programs	-	-	-	56,663
Debt service	61,105	-	61,105	-
Other purposes	307,056	43,232	350,288	-
Unrestricted	387,007	31,602	418,609	-
Total net assets	$ 1,432,774	$ 99,936	$ 1,532,710	$ 56,663

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

COUNTY OF RIVERSIDE
Statement of Activities
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 232,322	$ 105,248	$ 93,689	$ -
Public protection	710,053	237,681	193,999	1,144
Public ways and facilities	93,529	37,230	13,203	30,938
Health and sanitation	376,338	33,866	266,210	-
Public assistance	590,719	2,238	515,944	-
Education	10,280	476	120	959
Recreation and culture	9,666	7,905	3,291	-
Interest on long-term debt	29,890	-	-	-
Total governmental activities	2,052,797	424,644	1,086,456	33,041
Business-type activities:				
Regional Medical Center	296,227	266,484	-	125
Waste Management Department	40,056	54,538	-	-
Housing Authority	61,599	61,080	-	-
Flood Control	4,318	2,656	-	-
County Service Areas	329	270	-	-
Total business-type activities	402,529	385,028	-	125
Total primary government	$ 2,455,326	$ 809,672	$ 1,086,456	$ 33,166
Component unit:				
Children and Families First Commission	$ 25,922	$ -	$ 24,619	$ -

General revenues:
Taxes:
Property taxes
Sales and use taxes
Other taxes
Intergovernmental revenue not restricted to programs:
Contractual revenue- Redevelopment
Motor vehicle in-lieu of taxes
Investment earnings
Gain on sale of capital assets
Other
Transfers

Total general revenues and transfers

Changes in net assets

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

NET ASSETS, END OF YEAR

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

	Net (Expenses) Revenues and Changes in Net Assets			
	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ (33,385)	$ -	$ (33,385)	
Public protection	(277,229)	-	(277,229)	
Public ways and facilities	(12,158)	-	(12,158)	
Health and sanitation	(76,262)	-	(76,262)	
Public assistance	(72,537)	-	(72,537)	
Education	(8,725)	-	(8,725)	
Recreation and culture	1,530	-	1,530	
Interest on long-term debt	(29,890)	-	(29,890)	
Total governmental activities	(508,655)	-	(508,655)	
Business-type activities:				
Regional Medical Center	-	(29,618)	(29,618)	
Waste Management Department	-	14,482	14,482	
Housing Authority	-	(519)	(519)	
Flood Control	-	(1,662)	(1,662)	
County Service Areas	-	(59)	(59)	
Total business-type activities	-	(17,376)	(17,376)	
Total primary government	(508,655)	(17,376)	(526,031)	
Component unit:				
Children and Families First Commission				$ (1,303)
	266,391	-	266,391	-
	26,633	-	26,633	-
	12,108	-	12,108	-
	11,385	-	11,385	-
	87,435	-	87,435	-
	16,835	2,505	19,340	630
	1,491	4,208	5,699	-
	189,736	-	189,736	8
	(16,791)	16,791	-	-
	595,223	23,504	618,727	638
	86,568	6,128	92,696	(665)
	1,346,206	93,808	1,440,014	57,328
	$ 1,432,774	$ 99,936	$ 1,532,710	$ 56,663

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BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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COUNTY OF RIVERSIDE
Balance Sheet
Governmental Funds
June 30, 2004
(Dollars in Thousands)

	General	Flood Control	Public Facilities Improvements	Other Funds	Total Governmental Funds
ASSETS:					
Cash and investments (Note 5)	$ 65,681	$ 126,851	$ 155,427	$ 175,982	$ 523,941
Accounts receivable (Notes 1 and 7)	21,472	1,023	123	7,187	29,805
Interest receivable (Note 7)	4,078	334	422	1,336	6,170
Taxes receivable (Note 7)	4,367	1,324	-	36,695	42,386
Due from other governments (Note 7)	214,319	713	-	13,588	228,620
Inventories	2,979	-	-	829	3,808
Due from other funds (Note 8)	8,892	-	-	625	9,517
Restricted cash and investments (Notes 5 and 6)	230,390	2,327	-	56,413	289,130
Advance to other funds (Note 8)	5,646	-	-	106	5,752
Notes receivable (Note 7)	-	-	-	14,775	14,775
Land held for resale	-	-	-	13,479	13,479
Total assets	557,824	132,572	155,972	321,015	1,167,383
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	70,790	2,971	2,273	13,179	89,213
Salaries and benefits payable	46,367	740	-	3,581	50,688
Due to other governments	19,663	1	673	11,663	32,000
Due to other funds (Note 8)	945	-	-	9,339	10,284
Interest payable	-	-	-	87	87
Deposits payable	25	-	-	35	60
Teeter notes payable (Note 12)	-	-	-	23,967	23,967
Advances from other funds	-	-	-	106	106
Deferred revenue (Note 7)	170,981	2,327	-	11,455	184,763
Total liabilities	308,771	6,039	2,946	73,412	391,168
Fund balances (Note 14):					
Reserved	100,940	19,051	152,842	140,362	413,195
Unreserved-designated, reported in					
General fund	70,361	-	-	-	70,361
Special revenue funds	-	-	-	13,041	13,041
Capital projects funds	-	-	-	20,353	20,353
Unreserved-undesignated, reported in					
General fund	77,752	-	-	-	77,752
Special revenue funds	-	107,482	-	82,088	189,570
Capital projects funds	-	-	184	(8,241)	(8,057)
Total fund balances	249,053	126,533	153,026	247,603	776,215
Total liabilities and fund balances	$ 557,824	$ 132,572	$ 155,972	$ 321,015	$ 1,167,383

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

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2004
(Dollars in Thousands)

Fund balances - total governmental funds (page 25)			$	776,215
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.				1,286,872
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.				392
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.				83,270
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.				
Bonds	$	91,758		
Capital lease obligations		65,260		
Certificates of participation		387,869		
Loans payable		66,375		
Notes payable		635		
Accrued interest payable		9,390		
Accreted interest payable		1,524		
Compensated absences		117,852		(740,663)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets.				26,688
Net assets of governmental activities (page 21)			$	1,432,774

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

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COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	General Fund	Flood Control	Public Facilities Improvements	Other Funds	Total
REVENUES:					
Taxes	$ 193,329	$ 28,620	$ -	$ 83,183	$ 305,132
Licenses, permits and franchise fees	19,964	-	6,302	152	26,418
Fines, forfeitures and penalties	42,905	-	-	392	43,297
Use of money and property:					
Interest	8,724	911	1,417	5,093	16,145
Rents and concessions	1,359	671	258	29,664	31,952
Aid from other governmental agencies:					
Federal	373,146	-	-	57,824	430,970
State	673,403	-	-	39,743	713,146
Other	46,750	-	-	-	46,750
Charges for services	263,107	7,489	58,697	39,204	368,497
Other revenue	55,260	9,491	16,356	19,297	100,404
Total revenues	1,677,947	47,182	83,030	274,552	2,082,711
EXPENDITURES:					
Current					
General government	101,429	6,793	46,637	62,557	217,416
Public protection	674,389	-	-	3,409	677,798
Public ways and facilities	-	36,285	686	97,002	133,973
Health and sanitation	362,010	-	-	3,717	365,727
Public assistance	536,275	-	-	39,992	576,267
Education	337	-	-	9,904	10,241
Recreation and culture	181	-	-	9,061	9,242
Debt service:					
Principal	6,979	-	-	25,139	32,118
Interest	7,475	-	-	17,048	24,523
Cost of issuance	-	-	-	504	504
Capital outlay	1,008	475	-	121	1,604
Total expenditures	1,690,083	43,553	47,323	268,454	2,049,413
Excess (deficiency) of revenues over (under) expenditures	(12,136)	3,629	35,707	6,098	33,298
OTHER FINANCING SOURCES (USES):					
Transfers in	60,999	40	5,878	96,466	163,383
Transfers out	(21,027)	(406)	(36,743)	(121,525)	(179,701)
Bond proceeds	-	-	-	21,645	21,645
Gain (loss) on sale of assets	-	-	-	494	494
Capital leases (Note 13)	1,008	-	-	-	1,008
Total other financing sources (uses)	40,980	(366)	(30,865)	(2,920)	6,829
NET CHANGE IN FUND BALANCES	28,844	3,263	4,842	3,178	40,127
Fund balances, beginning of year, as previously reported	218,578	123,270	146,588	241,089	729,525
Adjustments to beginning fund balances (Note 4)	1,631	-	1,596	3,336	6,563
Fund balances, beginning of year, as restated	220,209	123,270	148,184	244,425	736,088
FUND BALANCES, END OF YEAR	$ 249,053	$ 126,533	$ 153,026	$ 247,603	$ 776,215

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

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COUNTY OF RIVERSIDE

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 29)		$ 40,127
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	72,126	
Less loss on sale of capital assets	(261)	
Donation of capital assets	4,574	
Less current year depreciation	(34,371)	42,068
Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount of amortization expense in the current period.		(14)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Net principal payments		8,803
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		50,652
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	(4,309)	
Change in accreted interest	(318)	
Change in long-term compensated absences	(15,177)	(19,804)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities.		(35,265)
Change in net assets of governmental activities (page 23)		$ 86,568

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
REVENUES:				
Taxes	$ 158,767	$ 176,767	$ 193,329	$ 16,562
Licenses, permits and fees	20,262	20,577	19,964	(613)
Fines, forfeitures and penalties	40,809	45,520	42,905	(2,615)
Use of money and property:				
Interest	7,948	7,948	8,724	776
Rents and concessions	1,141	1,054	1,359	305
Aid from other governmental agencies:				
Federal	378,562	392,039	373,146	(18,893)
State	660,125	731,861	673,403	(58,458)
Other	-	50,000	46,750	(3,250)
Charges for current services	295,952	268,097	263,107	(4,990)
Other revenue	195,285	61,091	55,260	(5,831)
Total revenues	1,758,851	1,754,954	1,677,947	(77,007)
EXPENDITURES:				
Current				
General government				
Salaries and employee benefits	76,010	75,571	73,517	(2,054)
Services and supplies	82,059	86,784	75,066	(11,718)
Other charges	35,352	11,603	14,538	2,935
Capital assets	759	773	668	(105)
Intrafund transfers	(71,751)	(72,717)	(62,360)	10,357
Appropriation for contingencies	13,145	12,861	-	(12,861)
Total general government	135,574	114,875	101,429	(13,446)
Public protection:				
Salaries and employee benefits	426,598	427,954	425,844	(2,110)
Services and supplies	210,079	221,684	210,925	(10,759)
Other charges	41,722	42,682	39,587	(3,095)
Capital assets	4,492	11,266	9,341	(1,925)
Intrafund transfers	(8,944)	(12,140)	(11,308)	832
Total public protection	673,947	691,446	674,389	(17,057)
Health and sanitation:				
Salaries and employee benefits	146,116	148,906	131,917	(16,989)
Services and supplies	90,021	140,494	139,758	(736)
Other charges	234,304	251,291	178,245	(73,046)
Capital assets	325	852	22	(830)
Intrafund transfers	(108,782)	(97,880)	(87,932)	9,948
Total health and sanitation	$ 361,984	$ 443,663	$ 362,010	$ (81,653)

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
Public assistance:				
Salaries and employee benefits	$ 161,602	$ 161,745	$ 155,776	$ (5,969)
Services and supplies	74,567	56,944	56,544	(400)
Other charges	335,185	340,290	340,172	(118)
Capital assets	100	100	-	(100)
Intrafund transfers	(15,511)	(16,611)	(16,217)	394
Total public assistance	555,943	542,468	536,275	(6,193)
Education:				
Salaries and employee benefits	193	193	187	(6)
Services and supplies	155	155	150	(5)
Total education	348	348	337	(11)
Recreation and culture:				
Salaries and employee benefits	69	58	58	-
Services and supplies	90	115	113	(2)
Other charges	32	11	10	(1)
Total recreation and culture	191	184	181	(3)
Debt service:				
Principal	44,838	40,723	6,979	(33,744)
Interest	3,753	7,478	7,475	(3)
Capital outlay	-	-	1,008	1,008
Total debt service	48,591	48,201	15,462	(32,739)
Total expenditures	1,776,578	1,841,185	1,690,083	(151,102)
Excess (deficiency) of revenues over (under) expenditures	(17,727)	(86,231)	(12,136)	74,095
OTHER FINANCING SOURCES (USES):				
Transfers in	-	60,999	60,999	-
Transfers out	-	(21,027)	(21,027)	-
Capital leases	-	-	1,008	1,008
Total other financing sources (uses)	-	39,972	40,980	1,008
NET CHANGE IN FUND BALANCE	(17,727)	(46,259)	28,844	75,103
Fund balance, beginning of year, as previously reported	218,578	218,578	218,578	-
Adjustment to beginning fund balance	-	-	1,631	1,631
Fund balance, beginning of year, as restated	218,578	218,578	220,209	1,631
FUND BALANCE, END OF YEAR	$ 200,851	$ 172,319	$ 249,053	$ 76,734

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

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COUNTY OF RIVERSIDE

Budgetary Comparison Statement

Flood Control Special Revenue Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 22,257	$ 22,357	$ 28,620	$ 6,263
Use of money and property:				
Rents and concessions	-	-	911	911
Interest	1,381	1,381	671	(710)
Aid from other governmental agencies:				
State	464	464	-	(464)
Charges for services	8,800	8,910	7,489	(1,421)
Other revenue	14,398	15,183	9,491	(5,692)
Total revenues	47,300	48,295	47,182	(1,113)
EXPENDITURES:				
Current:				
General government	7,125	7,491	6,793	(698)
Public ways and facilities	85,586	90,999	36,285	(54,714)
Capital outlay	-	475	475	-
Total expenditures	92,711	98,965	43,553	(55,412)
Excess (deficiency) of revenues over (under) expenditures	(45,411)	(50,670)	3,629	54,299
OTHER FINANCING SOURCES (USES):				
Transfers in	-	40	40	-
Transfers out	-	(2,032)	(406)	1,626
Total other financing sources (uses)	-	(1,992)	(366)	1,626
NET CHANGE IN FUND BALANCE	(45,411)	(52,662)	3,263	55,925
Fund balance, beginning of year, as restated	123,270	123,270	123,270	-
FUND BALANCE, END OF YEAR	$ 77,859	$ 70,608	$ 126,533	$ 55,925

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

COUNTY OF RIVERSIDE
Statement of Net Assets
Proprietary Funds
June 30, 2004
(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	$ 15	$ 37,888	$ 9,450	$ 47,353	$ 127,892
Accounts receivable - net (Notes 1 and 7)	41,991	4,555	540	47,086	1,524
Interest receivable (Note 7)	-	290	4	294	261
Taxes receivable (Note 7)	-	-	12	12	-
Due from other governments (Note 7)	8,273	201	57	8,531	-
Inventories	4,406	-	-	4,406	1,544
Due from other funds (Note 8)	925	210	23	1,158	-
Restricted cash and investments (Notes 5 and 6)	24,381	73,087	2,386	99,854	-
Prepaid items and deposits	1,543	290	33	1,866	108
Total current assets	81,534	116,521	12,505	210,560	131,329
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	160,350	42,374	10,770	213,494	42,954
Nondepreciable assets	8,705	9,461	5,121	23,287	456
Bond issuance costs	3,068	-	972	4,040	-
Total noncurrent assets	172,123	51,835	16,863	240,821	43,410
Total assets	253,657	168,356	29,368	451,381	174,739
LIABILITIES:					
Current liabilities:					
Accounts payable	13,784	3,722	279	17,785	6,153
Salaries and benefit payable	6,962	821	438	8,221	3,148
Due to other funds (Note 8)	178	-	23	201	190
Due to other governments	-	-	756	756	8
Interest payable	1,300	-	11	1,311	-
Deposits payable	-	230	47	277	-
Other liabilities	-	520	2,357	2,877	4,386
Accrued closure and post-closure costs (Notes 10 and 13)	-	2,282	-	2,282	-
Accrued remediation costs (Note 21)	-	1,098	-	1,098	-
Compensated absences (Notes 1 and 13)	3,136	720	26	3,882	1,750
Capital lease obligations (Note 13)	1,887	-	-	1,887	10,244
Certificates of participation (Note 13)	1,000	-	-	1,000	-
Bonds payable (Note 13)	9,730	-	80	9,810	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	40,152
Total current liabilities	37,977	9,393	4,017	51,387	66,031
Noncurrent portion of long-term liabilities:					
Compensated absences (Note 13)	7,317	1,486	807	9,610	3,646
Advances from other funds (Note 8)	5,646	-	-	5,646	-
Accrued closure and post closure care costs (Note 10)	-	34,894	-	34,894	-
Accrued remediation costs (Note 21)	-	14,817	-	14,817	-
Capital lease obligations (Notes 1 and 13)	2,179	-	-	2,179	8,114
Certificates of participation (Note 13)	1,040	-	-	1,040	-
Bonds payable (Note 13)	198,848	-	1,900	200,748	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	77,106
Other long-term liabilities (Note 13)	22,167	-	611	22,778	1,500
Total noncurrent liabilities	237,197	51,197	3,318	291,712	90,366
Total liabilities	275,174	60,590	7,335	343,099	156,397
NET ASSETS:					
Invested in capital assets, net of related debt	(42,561)	51,835	15,828	25,102	24,596
Restricted	23,051	19,962	219	43,232	-
Unrestricted	(2,007)	35,969	5,986	39,948	(6,254)
Total net assets	$ (21,517)	$ 107,766	$ 22,033	108,282	$ 18,342
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds.				(8,346)	
Net assets of business-type activities				$ 99,936	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Business-type Activities --Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	$ 258,489	$ -	$ -	$ 258,489	$ -
Charges for services	-	54,538	63,537	118,075	143,067
Other revenue	7,995	-	469	8,464	10,749
Total operating revenues	266,484	54,538	64,006	385,028	153,816
OPERATING EXPENSES:					
Cost of materials used	-	-	-	-	1,283
Personnel services	115,432	13,312	7,811	136,555	52,109
Communications	-	281	3	284	5,318
Insurance	1,727	65	3	1,795	4,905
Maintenance of building and equipment	-	2,170	1,864	4,034	13,856
Insurance claims	-	-	-	-	79,054
Supplies	52,200	2,082	1,140	55,422	20,594
Purchased services	41,310	23,663	1,027	66,000	13,809
Depreciation and amortization	8,887	3,930	1,375	14,192	18,216
Rents and leases of equipment	-	219	-	219	1,969
Public assistance	-	-	49,369	49,369	7
Utilities	4,522	-	584	5,106	201
Closure and post-closure care costs	-	(6,585)	-	(6,585)	-
Remediation costs (recovery)	-	(40)	-	(40)	-
Other	87,232	-	1,289	88,521	2,040
Total operating expenses	311,310	39,097	64,465	414,872	213,361
Operating income (loss)	(44,826)	15,441	(459)	(29,844)	(59,545)
NONOPERATING REVENUES (EXPENSES):					
Investment income	1,542	805	158	2,505	698
Interest expense	(14,809)	-	(756)	(15,565)	(1,058)
Gain (loss) on disposal of capital assets	(66)	47	4,227	4,208	(148)
Other nonoperating revenues / (expenses)	35,332	-	-	35,332	7
Total nonoperating revenues (expenses)	21,999	852	3,629	26,480	(501)
Income (loss) before capital contributions, and transfers	(22,827)	16,293	3,170	(3,364)	(60,046)
Capital contributions	125	-	-	125	17,830
Transfers in	16,791	-	-	16,791	133
Transfers out	-	-	-	-	(606)
CHANGE IN NET ASSETS	(5,911)	16,293	3,170	13,552	(42,689)
Net assets, beginning of the year, as previously reported	(15,606)	91,473	18,863		61,929
Adjustments to beginning net assets (Note 4)	-	-	-		(898)
Net assets, beginning of the year, as restated	(15,606)	91,473	18,863		61,031
NET ASSETS, END OF YEAR	$ (21,517)	$ 107,766	$ 22,033		$ 18,342

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(7,424)
Change in net assets of business-type activities	$ 6,128

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers / other funds	$ 272,849	$ 54,943	$ 64,806	$ 392,598	$ 153,631
Cash paid to suppliers for goods and services	(182,194)	(28,002)	(56,101)	(266,297)	(113,534)
Cash paid to employees for services	(112,650)	(12,984)	(7,220)	(132,854)	(50,693)
Net cash provided by (used in) operating activities	(21,995)	13,957	1,485	(6,553)	(10,596)
Cash flows from noncapital financing activities					
Advances from (to) other funds	33,212	-	-	33,212	7
Transfers received	16,791	-	-	16,791	133
Transfers paid	-	-	-	-	(606)
Net cash provided by (used in) noncapital financing activities	50,003	-	-	50,003	(466)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	(66)	47	4,227	4,208	(148)
Acquisition and construction of capital assets	(1,681)	(3,897)	4,273	(1,305)	(7,230)
Principal paid on capital leases	(4,676)	-	-	(4,676)	(12,667)
Capital Contributions	125	-	-	125	17,830
Principal paid on certificates of participation	2,040	-	-	2,040	-
Principal paid on bonds payable	(8,694)	-	(9,140)	(17,834)	-
Interest paid on long-term debt	(14,841)	-	(807)	(15,648)	(1,058)
Net cash used in capital and related financing activities	(27,793)	(3,850)	(1,447)	(33,090)	(3,273)
Cash flows from investing activities					
Interest received on investments	1,542	649	158	2,349	584
Net cash provided by investing activities	1,542	649	158	2,349	584
Net increase (decrease) in cash and cash equivalents	1,757	10,756	196	12,709	(13,751)
Cash and cash equivalents, beginning of year	22,639	100,219	11,640	134,498	141,643
Cash and cash equivalents, end of year	$ 24,396	$ 110,975	$ 11,836	$ 147,207	$ 127,892

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2004
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income to net cash provided					
Operating income (loss)	$ (44,826)	$ 15,441	$ (459)	$ (29,844)	$ (59,545)
Adjustments to reconcile operating income to net cash					
Depreciation and amortization	8,887	3,930	1,375	14,192	18,216
Decrease (Increase) accounts receivable	440	507	346	1,293	(367)
Decrease (Increase) taxes receivable	-	-	-	-	-
Decrease (Increase) bond issuance cost	488	-	70	558	-
Decrease (Increase) due from other funds	2,396	(210)	(1)	2,185	182
Decrease (Increase) due from other governments	3,041	108	385	3,534	-
Decrease (Increase) inventories	266	-	-	266	521
Decrease (Increase) prepaid items and deposits	105	55	54	214	(76)
Increase (Decrease) accounts payable	4,304	1,100	170	5,574	(3,205)
Increase (Decrease) due to other funds	(3,479)	-	1	(3,478)	163
Increase (Decrease) due to other governments	-	-	(875)	(875)	(10)
Increase (Decrease) deposits payable	-	(50)	1	(49)	-
Increase (Decrease) accrued closure costs	-	(6,829)	-	(6,829)	-
Increase (Decrease) accrued remediation costs	-	(555)	-	(555)	-
Increase (Decrease) other liabilities	3,601	132	(173)	3,560	1,858
Increase (Decrease) estimated claims liability	-	-	-	-	30,251
Increase (Decrease) salaries and benefits payable	1,686	200	392	2,278	615
Increase (Decrease) compensated absences	1,096	128	199	1,423	801
Net cash provided by (used in) operating activities	$ (21,995)	$ 13,957	$ 1,485	$ (6,553)	$ (10,596)
Supplemental disclosure of noncash investing, capital, and financing activities	-	$ 323	-	$ 323	$ 3,416

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

COUNTY OF RIVERSIDE

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ 7,212	$ -	$ 16,455	$ 266,968
Cash Equivalent & MMF	-	146,796	-	-
Commercial Paper	-	204,345	-	-
Certificates of Deposit	-	6,091	-	-
Federal Agency	-	1,214,216	-	-
Medium Term Notes	-	12,078	-	-
Accounts receivable	278	1,803	1	210
Interest receivable	18	1,090	33	73
Taxes receivable	-	2	-	387
Due from other governments	-	1,823	-	-
Due from other funds	-	4,481	-	-
Total assets	7,508	1,592,725	16,489	$ 267,638
LIABILITIES:				
Accounts payable	-	-	7,696	121,902
Salaries and benefits payable	-	-	-	5
Due to other governments	-	-	24	143,440
Advance from other funds	-	-	-	2,291
Total liabilities	-	-	7,720	$ 267,638
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 7,508	$ 1,592,725	$ 8,769	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 813	$ -	$ -
Employee contributions	840	-	-
Contributions to pooled investments	-	444,241	-
Contributions to Private-Purpose Trust	-	-	816
Investment income	48	2,568	18
Total additions	1,701	446,809	834
DEDUCTIONS:			
Distributions from pooled investments	-	551,622	-
Distributions from Private-Purpose Trust	-	-	2,004
Administrative and other expenses	508	-	-
Total deductions	508	551,622	2,004
Change in net assets	1,193	(104,813)	(1,170)
Net Assets Held in Trust, beginning of the year	6,315	1,697,538	9,939
Net Assets Held in Trust, end of the year	$ 7,508	$ 1,592,725	$ 8,769

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

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BASIC FINANCIAL STATEMENTS –
NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Riverside (the County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a five member Board of Supervisors (the Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture services. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units

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

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

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

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.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Riverside County Public Financing Authority (Public Financing Authority) The governing body of the Public Financing Authority is the County's governing body. The Public Financing Authority was formed for the public purpose of assisting in financing public improvements of the County, the RDA and other local agencies. The Public Financing Authority is reported as a governmental fund type.

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

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

In-Home Supportive Services Public Authority (IHSS PA) The governing body of the IHSS PA is the County's governing body. The IHSS PA acts as the employer for Riverside In-home Supportive Services providers and performs other IHSS functions as required and retained by the County.

Discretely Presented Component Unit

Riverside County Children and Families Commission (Commission) A governing board of nine members, which are appointed by the County Board of Supervisors and can be removed at will, administers the Commission. The membership includes one member of the County Board of Supervisors. The Commission was formed to develop, adopt, promote and implement early childhood development programs, which do not directly benefit the County.

Additional detailed financial information for each of these entities can be obtained from the Auditor-Controller's Office at the Robert T. Anderson Administrative Center, 4080 Lemon Street – 11th Floor, (P.O. Box 1326), Riverside, CA 92502-1326.

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

Implementation of Governmental Accounting Standards Board Statements and Standards

Governmental Accounting Standards Board Statement No. 39

During fiscal year 2003-04, the County adopted the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This statement is effective for periods beginning after June 15, 2003. This statement amends GASB Statement No. 14 by providing additional guidance in determining whether certain organizations should be reported as component units.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Accounting Standards Board Statement No. 40

During fiscal year 2003-04, the County adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures –an amendment of GASB Statement No. 3*. This statement is effective for periods beginning after June 15, 2004. This statement addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 42

In November 2003, the GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement is effective for periods beginning after December 15, 2004. This statement requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. Users of financial statements will better understand when impairments have occurred and what their financial impact is on the government. This Statement also enhances comparability of financial statements between governments by requiring all governments to account for insurance recoveries in the same manner.

Governmental Accounting Standards Board Statement No. 43

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

Governmental Accounting Standards Board Statement No. 44

In June 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement is effective for periods beginning after June 15, 2005. This statement updates the statistical section schedules to include requirements for governments to report the broad array of debt they now issue in addition to general obligation bonds that were previously reported. The Statement also replaces prior standards with clearer guidelines that can be implemented by any type of governmental entity. The County has elected not to early implement GASB No. 44.

Governmental Accounting Standards Board Statement No. 45

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Government - wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. It is the County's policy to make eliminations to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely, to a significant extent, on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 33% ($10,957,000) of the County's $33,992,,000 indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental, proprietary, and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. *Operating* expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The County reports the following major governmental funds:

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

The *Flood Control special revenue fund* accounts for revenues and expenditures related to providing flood control in various geographical zones. The fund is primarily financed by ad valorem property taxes, developer fees and local cooperative agreements.

The *Public Facilities Improvements fund* accounts for revenues and expenditures related to the acquisition and construction of public buildings and park or recreational facilities. Revenues are obtained from State funding, sale of fixed assets, contributions, and from other funds when allocated by the Board of Supervisors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The County reports the following major enterprise funds:

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

The *Waste Management Department ("Waste Management")* accounts for solid waste revenues earned, expenses incurred, and the allocation of net income for solid waste projects initiated for the public's benefit. The fund facilitates management and accounting of solid waste projects. This operation prepares and maintains the County's Solid Waste Management Plan, provides environmental monitoring in accordance with State and Federal mandates, and administers landfill closure and acquisition.

The County reports the following additional fund types:

Internal Service Funds account for the County's fleet services, information services, printing services, supply services, OASIS project (accounting and human resources information system), risk management, temporary assistance pool, and flood control equipment on a cost-reimbursement basis. Internal Service Funds are presented in summary form as part of the proprietary fund financial statements. In the government-wide financial statements, the changes in net assets at the end of the fiscal year, as presented in the statements of activities, were allocated to the user functions of both the governmental and business-type activities, to reflect the entire activity for the year. Since the predominant users of the internal services are the County's governmental activities, the asset and liability balances of the internal service funds are consolidated into the governmental activities column at the government-wide level.

Pension Trust Fund accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or CalPERS participation.

Investment Trust Fund accounts for the external portion of the County Treasurer's investment pool. External investment pool participants include entities legally separate from the County, such as school and special districts governed by local boards, regional boards and authorities. This fund accounts for assets, primarily cash and investments held or invested by the County Treasurer and the related County liability to disburse these monies on demand to the related external entities.

Private Purpose Trust Fund accounts for resources held and administered by the County in a fiduciary capacity for individuals, private organizations, or other governments based on trust arrangements. The fund includes the public guardian conservatorship, public social service foster care, and maintenance and children's trust.

Agency Funds account for assets held by the County in a custodial capacity. These funds only involve the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and include property taxes and special assessments collected on behalf of cities, special districts, and other taxing agencies.

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales taxes are recognized when the underlying transactions occur. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources (e.g. bond issuance proceeds) are recognized when they become both measurable and available.

Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property and sales taxes are considered available for the year levied and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, contracts, and other non-exchange transactions, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transaction*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

A reconciliation is presented that briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. This reconciliation is presented because governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities.

Cash and Investments

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance of the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the County's pooled investments.

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

Investments including U.S. Treasury and Agency securities, are carried at fair value based on current market prices. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within 90 days of June 30, 2004, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost.

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

The fair value of a participants' position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost plus accrued interest, of the participants' percentage participation at the date of such withdrawal. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2004 to support the valuation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State law requires that the County Treasurer hold all operating monies of the County, school districts and certain special districts. Collectively, these mandatory deposits constituted approximately 84.7% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that districts and agencies constituting approximately 15.3% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

Receivables

The Regional Medical Center accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated net allowance for uncollectibles and allowance for contractuals was $513,773,000. The Regional Medical Center has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The Regional Medical Center receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the Regional Medical Center is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total FY 2003-04 gross assessed valuation of the County was $122,844,382,000.

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.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan". This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July of each year. The Teeter Plan also stipulates 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 FY 2003-04, $19,000,000 was transferred from the TLRF to the General Fund.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid assets recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is reserved.

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

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is $5,000, except for Regional Medical Center equipment for which the threshold is $500 because of regulatory reporting requirements. Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. There was no capitalized interest reported on construction in progress for FY 2003-04.

Pursuant to GASB Statement No. 34, an extended period of deferral until the end of fiscal year 2006, is available before the requirement is effective to record and depreciate infrastructure assets acquired prior to July 1, 2001. As a result, the retroactive historical value of the County's transportation infrastructure assets (roads, bridges, and traffic signals that were completed prior to July 1, 2001) has not been included in the government-wide financial statements, but will be included by June 30, 2006. The County's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34. All current year additions to infrastructure assets are depreciated.

Leases

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

Restricted Assets

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

Land Held for Resale

These assets, held by the County's RDA, are invested in various programs and are intended primarily for development and subsequent resale. At June 30, 2004 the assets had a fair value of $13,479,000.

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned but unused vacation, holiday and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2004, the amount of accrued vacation, holiday pay and sick leave reported in the government-wide statement of net assets was $136,740,000.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 fifty (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.

Deferred Revenue

Deferred revenue arises when a potential revenue transaction does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the County has a legal claim to them, such as grants received in advance of incurring qualified expenditures.

Long-term Debt

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

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

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

Bond Issuance Costs

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Bond issuance costs associated with the issuance of bonds for the Riverside County Regional Medical Center were incurred upon issuance for each of the outstanding Lease Revenue Bond series. As such, they are capitalized and amortized over the life of the related issuance.

Landfill Closure and Post-Closure Care Costs

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions

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

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

Net Assets

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

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

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

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

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not appropriable or are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2nd of each fiscal year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors (the Board) adopts a budget in accordance with the provisions of Sections 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Budgeted governmental funds consist of the General Fund, major funds and some non-major funds (all Special Revenue funds, certain Debt Service Funds and certain Capital Project Funds). Annual budgets are not adopted for CORAL, Desert Facilities, District Corporation, and Bankruptcy Court (included in the Debt Service Funds), Correctional Facilities, CORAL, and District Court Financing Corporation (included in the Capital Projects Funds).

As adopted by the Board, expenditures are controlled by the County at the budgetary unit, which is the organization level, for each appropriation (object) class. The appropriation classes are Salaries and Benefits, Services and Supplies, Other Charges, Capital Assets, Transfers Out and Intrafund Transfers. The separately prepared Expenditure by Appropriation – Budget and Actual report, showing budgetary comparisons at the object level of control, is available in the Auditor-Controller's Office.

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

Budgetary comparison statements are prepared only for the General Fund and any major special revenue funds (Flood Control) for which the County legally adopts annual budgets, and are part of the basic financial statements. The budgetary comparison statements provide three separate types of information: (1) the original budget; (2) the final amended budget, which included legally authorized changes regardless of when they occurred; and (3) the actual amount of inflows and outflows in the budget-to-actual comparison.

Excess of Expenditures Over Appropriations

General Fund capital outlay expenditures of $1,008,000 related to capital leases were unbudgeted. These expenditures were funded by the related "other financing sources".

Deficit Net Assets

The following funds had deficit net assets at June 30, 2004 (in thousands):

	Deficit Net Assets
Enterprise Fund:	
Regional Medical Center	$ 21,517
Internal Service Fund:	
Risk Management	$ 19,775

The Regional Medical Center had deficit net assets of $21,517 at June 30, 2004. Contributing to the deficit was a 49.2% ($102,663,000) increase in operating expenses. Countering this was an increase in operating revenues by 40.9% ($77,343,000), and a 26.4% ($3,504,000) increase in transfers from the General Fund from July 1, 2003 to June 30, 2004. The deficit net assets for Risk Management resulted from an of 51.7% ($32,612,000) increase in operating expenses. A significant increase in insurance claims expense, 58.9% ($29,121,000), related to new actuarial reports for estimated claims liabilities accounted for the majority of this increase. Along with the increase in operating expenses was a 35.1% ($17,680,000) decrease in operating revenues from July 1, 2003 to June 30, 2004.

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2004

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

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

	Total Governmental Funds (Page 25)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 21)
Assets:					
Cash and investments	$ 523,941	$ -	$127,892	$ -	$ 651,833
Receivable:					
Accounts receivable	29,805	-	1,524	-	31,329
Interest	6,170	-	261	-	6,431
Taxes	42,386	-	-	-	42,386
Due from other governments	228,620	-	-	-	228,620
Notes receivable	14,775	-	-	-	14,775
Inventories	3,808	-	1,544	-	5,352
Due from other funds	9,517	-	-	(9,517)	-
Prepaid Items	-	-	108	-	108
Internal balances	-	-	-	13,035	13,035
Restricted cash and investments	289,130	-	-	-	289,130
Advances to other funds	5,752	-	-	(5,752)	
Land held for resale	13,479	-	-	-	13,479
Capital assets:					
Nondepreciable	-	330,273	456	-	330,729
Depreciable, net	-	956,599	42,954	-	999,553
Bond issuance costs	-	392	-	-	392
Total assets	1,167,383	1,287,264	174,739	(2,234)	2,627,152
Liabilities:					
Accounts payable	89,213	-	6,153	-	95,366
Salaries and benefits payable	50,688	-	3,148	-	53,836
Due to other funds	10,284	-	190	(10,474)	-
Due to other governments	32,000	-	8	-	32,008
Interest payable	87	-	-	-	87
Accrued interest payable		9,390	-	-	9,390
Deposits payable	60	-	-	-	60
Deferred revenue	184,763	-	-	(83,270)	101,493
Teeter note payable	23,967	-	-	-	23,967
Other Liabilities	-	-	4,386	-	4,386
Long-term liabilities due within one year					
Capital lease obligations	-	8,304	10,244	-	18,548
Certificates of participation	-	12,467	-	-	12,467
Loans payable	-	996	-	-	996
Notes payable	-	310	-	-	310
Compensated absences	-	38,261	1,750	-	40,011
Estimated claims liability	-	-	40,152	-	40,152
Long-term liabilities due in more than one year					
Bonds payable	-	91,758	-	-	91,758
Capital lease obligations	-	56,956	8,114	-	65,070
Certificates of participation	-	375,402	-	-	375,402
Loans payable	-	65,379	-	-	65,379
Notes payable	-	325	-	-	325
Accreted interest payable	-	1,524	-	-	1,524
Compensated absences	-	79,591	3,646	-	83,237
Estimated claims liability	-	-	77,106	-	77,106
Advance from other funds	106	-	-	(106)	-
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	391,168	740,663	156,397	(93,850)	1,194,378
Fund balances/net assets:					
Total fund balances/net assets	776,215	546,601	18,342	91,616	1,432,774
Total liabilities and fund balances/net assets	$ 1,167,383	$1,287,264	$174,739	$ (2,234)	$ 2,627,152

NOTE 4 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications among different governmental fund types. A summary of the restatements as of June 30, 2004 is as follows (in thousands):

Governmental Activites:

Description	General Fund	Flood Control	Public Facilities Improvements	Nonmajor Funds	Intenal Service Funds	Government-wide Statement of Net Assets: Govenmental Activities
Fund balances/net assets as of June 30, 2003, as previously reported	$ 218,578	$ 123,270	$ 146,588	$ 241,089	$ 61,929	$ 1,371,692
Restatements:						
Adjustments of prior year postings of:						
Revenues and expenditures	1,631	-	1,596	3,336	(29)	6,562
Capital assets	-	-			(529)	-
Net effect of adjustments to govenmental and internal service funds	-	-	-	-	-	(898)
Long-term debt obligation	-	-			(340)	(31,150)
Total Restatements	1,631	-	1,596	3,336	(898)	(25,486)
Fund balances/net assets, as of June 30, 2003, as restated	$ 220,209	$ 123,270	$ 148,184	$ 244,425	$ 61,031	$ 1,346,206

Business-type Activities:

Description	Regional Medical Center	Waste Management	Nonmajor Funds	Business-type Activities
Net assets as of June 30, 2003, as previously reported	$ (15,606)	$ 91,473	$ 18,863	$ 93,808
Restatements:				
Adjustments of prior year postings of:				
Revenues and expenditures	-	-	-	-
Total Restatements	-	-	-	-
Net assets as of June 30, 2003, as restated	$ (15,606)	$ 91,473	$ 18,863	$ 93,808

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2004 Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Total Governmental Activities	Total Business-type Activities	Total Component Unit	Total Fiduciary Funds	Total
Cash and investments	$ 651,833	$ 47,353	$ 55,219	$ 1,874,161	$ 2,628,566
Restricted cash and investments	289,130	99,854	-	-	388,984
Total cash and investments	$ 940,963	$ 147,207	$ 55,219	$ 1,874,161	$ 3,017,550

As of June 30, 2004 cash and investments consist of the following (in thousands):

Deposits	$ 372,978
Investments	2,644,572
Total cash and Investments	$ 3,017,550

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

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

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

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the County's investment policy. These provisions allow for the acquisition of investment agreements with maturities of up to 30 years.

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the measurement of how changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the more sensitive to changes in market interest rates of its fair value. One of the ways the County manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so a portion of the portfolio is maturing or coming close to maturity to ensure the cash flow and liquidity required for operations. The County monitors its interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio and through specific identification. With respect to this metric the County's policy is to acquire investments with maturity of less than 5 years and to achieve an overall weighted average maturity of the pool of 541 days or 1.5 years.

As of June 30, 2004, the County had the following investments (in thousands):

Investment	Maturity	Fair Value	Weighted Average Maturity (Years)
Treasury Investments			
Commercial Paper	8/3/2004	$ 335,479	0.03
Farm Credit Disc Notes	12/17/2004	39,423	0.47
Federal Farm Credit Bank	06/05 - 01/07	132,599	1.45
Federal Home Loan Bank	01/05 - 05/07	563,823	2.04
FHLC - FHLB	11/05 - 04/07	105,173	2.09
Federal Home Loan Disc	07/04 - 08/04	69,761	0.07
Federal Nat Mort Assn	05/05 - 05/07	172,342	1.79
FNMA Disc Notes	07/04 - 02/05	691,377	0.29
Federal Home Loan Mort Cp	08/04 - 01/05	218,374	0.30
Local Agency Obligations	07/12 - 06/20	1,800	11.85
Mid term Notes	08/05 - 01/06	19,830	1.36
Repurchase Agreements	7/1/2004	240,000	0.00
Time Deposits	10/12/2004	10,000	0.28
Total Treasury Investments		2,599,981	
Investments Outside the Treasury			
US Government Securities	7/1/2004	3,801	0.00
Mutual Funds	7/1/2004	1,029	0.00
Pooled Investment	10/1/2004	4,157	0.25
Investment Agreements	10/1/2033	29,507	11.12
Local Agency Investment Funds		6,096	0.00
Total Investments Outside the Treasury		44,591	
Total Investments		$ 2,644,572	

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that disclosure be made with respect to custodial credit risks relating to deposits. As of June 30, 2004 the County has deposits of $361,407,000 with fiscal agents in excess of federal depository insurance limits held in uncollateralized accounts.

As of June 30, 2004, the County had investments held by Morgan Stanley and Merrill Lynch respectfully, whereby the underlying securities are not insured or registered in the name of the County.:

Investment Type	Reported Amount (in thousands)
Repurchase Agreement	$ 200,000
Repurchase Agreement	40,000

NOTE 5 – CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2004, the County Treasury had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2004	Fair Value
Treasury Investments				
Commercial Paper	8/3/2004	A1/P1	AAA	$ 335,479
Farm Credit Disc Notes	12/17/2004	AAA	AAA	39,423
Federal Farm Credit Bank	06/05 - 01/07	AAA	AAA	132,599
Federal Home Loan Bank	01/05 - 05/07	AAA	AAA	563,823
FHLC - FHLB	11/05 - 04/07	AAA	AAA	105,173
Federal Home Loan Disc	07/04 - 08/04	AAA	AAA	69,761
Federal Nat Mort Assn	05/05 - 05/07	AAA	AAA	172,342
FMA Disc Notes	07/04 - 02/05	AAA	AAA	691,377
Federal Home Loan Mort Cp	08/04 - 01/05	AAA	AAA	218,374
Local Agency Obligations	07/12 - 06/20	N/A	N/A	1,800
Mid term Notes	08/05 - 01/06	A	AAA	19,830
Repurchase Agreements	7/1/2004	A-1,P-1,F-1	A-1/P-1	240,000
Time Deposits	10/12/2004	N/R	N/R	10,000
Total Treasury Investments				2,599,981
Investments Outside the Treasury				
US Government Securities	7/1/2004	AAA	AAA	3,801
Mutual Funds	7/1/2004	N/R	N/R	1,029
Pooled Investment	10/1/2004	N/R	N/R	4,157
Investment Agreements	10/1/2033	N/R	Aa	24,254
Investment Agreements	10/1/2033	N/R	AAA	5,253
Local Agency Investment Funds		N/R	N/R	6,096
Total Investments Outside the Treasury				44,591
Total Investments				$ 2,644,572

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

At June 30, 2004 the amount of assets restricted by legal and contractual requirements is as follows (in thousands):

	General Fund	Flood Control	Nonmajor Governmental Funds	Regional Medical Center	Waste Management Department	Nonmajor Enterprise Funds
1985 Certificates	$ -	$ -	$ 22,046	$ -	$ -	$ -
1989/1993 Hospital Bonds	-	-	-	24,140	-	-
1997 B & C Hospital	-	-	-	27	-	-
1997 Family Law Court	-	-	951	-	-	-
1997 Historic Court House	-	-	2,278	-	-	-
1997 Lease Refunding	-	-	372	-	-	-
1998 Larson Justice Center	-	-	29	-	-	-
2000 Southwest Justice Center	-	-	1,160	-	-	-
2001 CAC Annex	-	-	2,884	-	-	-
2003 A & B Hospital	-	-	-	19	-	-
2003 A Historic Courthouse	-	-	12,270	-	-	-
2003 B Capital Facilities	-	-	2,334	-	-	-
Waste Management	-	-	-	-	73,087	-
Housing Authority Bond	-	-	-	-	-	1,536
Desert Facilities Corporation	-	-	127	-	-	-
District Court Project	-	-	839	-	-	-
Restricted Program Money	230,390	2,327	353	195	-	850
Teeter Commercial Paper Notes	-	-	9,578	-	-	-
Bankruptcy Courthouse	-	-	1,192	-	-	-
Total Restricted Assets	$ 230,390	$ 2,327	$ 56,413	$ 24,381	$ 73,087	$ 2,386

At June 30, 2004 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

NOTE 7 - RECEIVABLES

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

Receivables Governmental Activities:	General Fund	Flood Control	Public Facilities Facilities Improvements	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 21,472	$ 1,023	$ 123	$ 7,187	$ 1,524	$ 31,329
Interest	4,078	334	422	1,336	261	6,431
Taxes	4,367	1,324	-	36,695	-	42,386
Due from other governments	214,319	713	-	13,588	-	228,620
Total receivables	$ 244,236	$ 3,394	$ 545	$ 58,806	$ 1,785	$ 308,766

Receivables Business-type Activities:	Regional Medical Center	Waste Management	Nonmajor Funds	Total Business-type Activities
Accounts	$ 458,165	$ 8,836	$ 540	$ 467,541
Interest	-	290	4	294
Taxes	-	-	12	12
Due from other governments	8,273	201	57	8,531
Gross receivables	466,438	9,327	613	476,378
Less: Allowance for contractuals	(322,675)	-	-	(322,675)
Allowance for uncollectibles	(93,499)	(4,281)	-	(97,780)
Total receivables	$ 50,264	$ 5,046	$ 613	$ 55,923

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

At June 30, 2004, the various components of deferred revenue and unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other	$ 83,187	$ -
Resources received that do the criteria for revenue	-	87,794
Flood Control		
Due from other	4	
Resources received that do the criteria for revenue		2,323
Nonmajor funds:		
Due from other	79	-
Resources received that do criteria for revenue	-	11,376
Total governmental	$ 83,270	$ 101,493

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2004 is as follows (in thousands):

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Regional Medical Center	$ 178
	Nonmajor Governmental Funds	8,714
		8,892
Nonmajor Governmental Funds	Nonmajor Governmental Funds	625
Regional Medical Center	General Fund	925
Waste Management	General Fund	20
	Internal Service Fund	190
		210
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	23
Total		$ 10,675

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

Interfund Receivables/ Payables

Advances to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Regional Medical Center	$ 5,646
Total		$ 5,646

The balance of $5,646 advance to the Regional Medical Center fund from the General Fund resulted from loans made to provide for cash flow needs and to provide financing resources.

Transfers

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

NOTE 8 – INTERFUND TRANSACTIONS (CONTINUED)

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Regional Medical Center	$ 16,791	Operating Contribution
Total		$ 16,791	

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Nonmajor Governmental Funds	$ 2,157	Overhead reimbursement
	Nonmajor Governmental Funds	602	Leases
	Nonmajor Governmental Funds	1,477	Debt service
		4,236	
Internal Service Funds	General Fund	480	Business services
	Nonmajor Governmental Funds	126	Equipment
		606	
Flood Control	Flood Control	31	Capital projects
	Public Facilities Improvement	375	Capital projects
		406	
Nonmajor Governmental Funds	General Fund	37,189	Fire services
	General Fund	18,164	Overhead reimbursement
	General Fund	974	Administrative support
	General Fund	3,607	Leases
	General Fund	278	Law enforcement
	General Fund	116	Professional services
	General Fund	102	Miscellaneous
	General Fund	61	CDBG
	General Fund	28	Capital projects
	Internal Service Funds	133	Business services
	Nonmajor Governmental Funds	49,897	Capital projects
	Nonmajor Governmental Funds	3,831	Administrative support
	Nonmajor Governmental Funds	619	Miscellaneous
	Nonmajor Governmental Funds	604	Interest
	Nonmajor Governmental Funds	254	CDBG
	Nonmajor Governmental Funds	156	Leases
	Flood Control	9	Capital projects
	Public Facilities Improvement	5,503	Capital projects
		121,524	
Public Facilities Improvement	Nonmajor Governmental Funds	36,743	Overhead reimbursement
		36,743	
Total		$ 163,515	

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

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Governmental activities:					
Capital assets, not being depreciated:					
Land & easements	$ 287,174	$ 1,230	$ (89)	$ (149)	$ 288,166
Construction in progress	25,078	55,117	(148)	(37,484)	42,563
Total capital assets, not being depreciated	312,252	56,347	(237)	(37,633)	330,729
Capital assets, being depreciated:					
Infrastructure					
Flood channels	185,360	177	-	-	185,537
Flood storm drains	174,361	6,724	-	128	181,213
Flood dams and basins	28,568	-	-	-	28,568
Roads	69,128	-	-	29,247	98,375
Traffic signals	4,448	-	-	3,779	8,227
Bridges	4,829	-	-	-	4,829
Runways	-	2,839	-	-	2,839
Parks trails and improvements	1,303	78	-	-	1,381
Land improvements	110	-	-	-	110
Structures and improvements	612,585	453	(56)	3,004	615,986
Equipment	261,960	19,514	(7,063)	(335)	274,076
Total capital assets, being depreciated	1,342,652	29,785	(7,119)	35,823	1,401,141
Less accumulated depreciation for:					
Infrastructure	(56,478)	(10,262)	-	(17)	(66,757)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(124,116)	(13,294)	56	732	(136,622)
Equipment	(174,574)	(29,030)	5,750	(344)	(198,198)
Total accumulated depreciation	(355,179)	(52,586)	5,806	371	(401,588)
Total capital assets, being depreciated, net	987,473	(22,801)	(1,313)	36,194	999,553
Governmental activities capital assets, net	$ 1,299,725	$ 33,546	$ (1,550)	$ (1,439)	$1,330,282

NOTE 9 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 22,627	$ 150	$ (1,299)	$ (351)	$ 21,127
Construction in progress	6,079	1,124	(288)	(4,755)	2,160
Total capital assets, not being depreciated	28,706	1,274	(1,587)	(5,106)	23,287
Capital assets, being depreciated:					
Land improvements	11,663	-	-	-	11,663
Infrastructure-landfill liners	21,496	2,155	-	3,922	27,573
Infrastructure-other	5,203	935	-	611	6,749
Structures and improvements	212,503	655	(7,536)	-	205,622
Equipment	95,674	2,221	(1,249)	223	96,869
Total capital assets, being depreciated	346,539	5,966	(8,785)	4,756	348,476
Less accumulated depreciation for:					
Land improvements	(2,764)	(3,346)	-	1,546	(4,564)
Infrastructure-landfill liners	(5,496)	(1,201)	-	-	(6,697)
Infrastructure-other	(1,194)	(344)	-	-	(1,538)
Structures and improvements	(41,716)	(4,243)	3,616	(1,546)	(43,889)
Equipment	(74,407)	(5,072)	1,184	1	(78,294)
Total accumulated depreciation	(125,577)	(14,206)	4,800	1	(134,982)
Total capital assets, being depreciated, net	220,962	(8,240)	(3,985)	4,757	213,494
Business-type activities capital assets, net	$ 249,668	$ (6,966)	$ (5,572)	$ (349)	$ 236,781

Depreciation

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

General government	$ 6,472
Public protection	10,602
Health and sanitation	1,952
Public assistance	2,484
Public ways and facilities	12,345
Recreation and culture	515
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	18,216
Total depreciation expense – governmental functions	$ 52,586

NOTE 9 – CAPITAL ASSETS (CONTINUED)

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

Regional Medical Center	$	8,910
Waste Management		3,918
Housing Authority		1,320
County Service Areas		9
Flood Control		49
Total depreciation expense – business-type functions	$	14,206

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2004, was as follows (in thousands):

	Balance July 1, 2003	Additions	Retirements	Transfers	Balance June 30, 2004
Capital assets, being depreciated:					
Equipment	$ 64	$ 15	$ -	$ -	$ 79
Total capital assets, being depreciated	64	15	-	-	79
Less accumulated depreciation for:					
Equipment	(24)	(16)	-	-	(40)
Total accumulated depreciation	(24)	(16)	-	-	(40)
Total capital assets, net	$ 40	$ (1)	$ -	$ -	$ 39

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management (Waste) has recorded approximately $62,470,000 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 20% 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 $33,157,160 as the remaining estimated capacity of 23,756,229 tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2024. The total estimate of approximately $95,627,726 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.

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

Facility Name	Cumulative Expense	Capacity Used as of June 30, 2004	Estimated Years Remaining
Anza (Anza)	$2,588,000	100%	-
Badlands (Moreno Valley)	6,381,000	34.1%	9
Blythe (Blythe)	1,607,000	26.6%	20
Coachella (Coachella)	8,384,000	100%	-
Desert Center (Desert Center)	666,000	68.9%	7
Double Butte (Winchester)	9,708,000	100%	-
Edom Hill (Cathedral City)	11,489,000	98.0%	-
Highgrove (Riverside)	6,456,000	100%	-
Lamb Canyon (Beaumont)	3,783,000	20.0%	19
Mead Valley (Perris)	8,338,000	100%	-
Mecca II (Mecca)	1,590,000	98.4%	1
Oasis (Oasis)	1,480,000	69.5%	20
	$62,470,000		

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 seven active landfills and five closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste has determined that the projected net revenues, after current operating costs, from tipping fees during the thirty year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates which is mutually agreed to by Waste and the CIWMB. Waste is in compliance with these requirements, and investments of $56,363,314 are held for these purposes at June 30, 2004 and are classified as restricted assets in the basic 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.

NOTE 11 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 3.0% per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004 (in thousands):

Year Ending June 30, 2004	
2005	$ 27,580
2006	17,243
2007	11,776
2008	8,977
2009	8,017
2010-2014	18,870
2015-2019	3,006
Total Minimum Payments	$ 95,469

Rental expense was $28,004,260 principally in the General Fund for the year ended June 30, 2004.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes

On July 1, 2003, the County issued $ 170,000,000 of Tax and Revenue Anticipation Notes (TRANs), paid June 30, 2004. The Notes yielded an interest rate of 2.00%.

Tax-Exempt Commercial Paper 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 obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). As a necessary component for the issuance of the commercial paper, the County entered into an agreement with a financial institution to provide $25,739,902 in direct pay letters of credit. During FY 2003-04, the County retired $37,682,000 of the principal amount outstanding at June 30, 2003. The County then issued tax-exempt commercial paper notes of $23,967,000. No amounts were drawn on the letter of credit, which expired November 19, 2002. The West LB bank has extended the LOC (Line of Credit) for 5 more years, which now expires in December 2007.

Short-term debt activity for the year ended June 30, 2004, was as follows (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
FY 2003-04 TRANs	$ -	$ 170,000	$ (170,000)	$ -
Teeter Notes	37,682	23,967	(37,682)	23,967
Total	$ 37,682	$ 193,967	$ (207,682)	$ 23,967

NOTE 13 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, certificates of participation, notes, and other liabilities which are payable from the General, Debt Service, Enterprise and Internal Service Funds. The calculated legal debt limit for the County is $1,511,307,000.

Capital Leases

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

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, 2004 (in thousands):

Year Ending June 30, 2004	Governmental Activities	Business-type Activities
2005	$ 21,309	$ 2,309
2006	14,794	998
2007	11,795	716
2008	9,487	508
2009	6,097	185
2010-2014	23,522	38
2015-2019	11,113	-
2020-2024	3,246	-
2025-2029	2,188	-
Total minimum payments	103,551	4,754
Less amount representing interest	(19,933)	(688)
Present value of net minimum lease payments	$ 83,618	$ 4,066

The statement of net assets includes the Palm Desert Financing Authority capital lease of $6,275,000 for the construction of the Blythe County Administrative Center.

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

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

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Certificates of Participation:					
CORAL					
1985 Certificate:	12/01/03 -12/01/15	Variable	$4,400 -$15,100	$ 169,400	$ 104,600
Serial Certificates				169,400	104,600
CORAL					
1997 Historic Courthouse:					
Serial Certificate	11/01/03 – 11/01/10	4.40% - 5.50%	$245 -$555	3,750	2,850
Serial Capital Appreciation Certificate (net of future capital appreciation of $1,078)	11/01/11 – 11/01/14	6.00% - 6.10%	$247 - $261	1,015	1,015
Term Certificate	11/01/15 – 11/01/27	5.75% - 5.88%	$735 - $2,015	17,070	17,070
1997 Historic Courthouse				21,835	20,935
CORAL					
1997 Family Law:					
Serial Certificate	11/01/03 – 11/01/11	4.30% - 5.75%	$215 - $330	3,465	2,240
Term Certificate	11/01/12 – 11/01/27	5.70%	$345 - $800	8,700	8,700
1997 Family Law				12,165	10,940
CORAL					
1997 Lease Refunding:					
Serial Certificate	11/01/03 – 11/01/12	4.25% - 5.00%	$2,385 - $1,830	31,806	14,210
Term Certificate	11/01/13 – 11/01/17	5.125%	$1,310 - $1,595	7,250	7,250
Term Certificate	11/01/18 – 11/01/21	5.125%	$1,680 - $1,955	7,260	7,260
1997 Lease Refunding				$ 46,316	$ 28,720

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Certificates of Participation:					
CORAL					
1998 Larson Justice Center:					
Serial Certificate	12/01/03 – 12/01/12	3.70% - 4.75%	$1,065 - $1,550	$ 18,185	$ 11,765
Term Certificate	12/01/13 – 12/01/18	5.15%	$1,625 - $2,075	11,055	11,055
Term Certificate	12/01/19 – 12/01/21	5.17%	$2,175 - $2,400	6,860	6,860
1998 Larson Justice Center				36,100	29,680
CORAL					
2000 Southwest Justice Center:					
Term Certificate	11/01/04 – 11/01/13	4.88% - 5.40%	$1,445 - $2,240	17,945	17,945
Term Certificate	11/01/14 – 11/01/32	4.84%	$2,400 - $6,200	76,300	76,300
Southwest Justice Center				94,245	94,245
CORAL					
2001 CAC Annex:					
Serial Certificate	11/01/03 – 11/01/26	5.00% - 5.13%	$616 - $1,880	27,120	26,510
Term Certificate	11/01/30	5.13%	$8,540	8,540	8,540
Term Certificate	11/01/31	5.75%	$2,415	2,415	2,415
2001 CAC Annex				38,075	37,465
2003A – Historic Court Project *(new)*					
Serial Certificate	11/01/06 – 11/01/12	3.00% - 4.00%	$260 - $310	4,125	4,125
Term Certificate	11/01/23	5.00%	$2,320	2,320	2,320
Term Certificate	11/01/28	5.00%	$2,955	2,955	2,955
Term Certificate	11/01/33	5.13%	$3,790	3,790	3,790
2003A-Historic Court Project				13,190	13,190
2003B – Capital Facilities Refunding					
Serial Certificate (new)	11/01/04 – 11/01/11	2.00% - 4.20%	$820 - $395	8,685	8,685
2003B- Capital Facilities				8,685	8,685
Desert Facilities Corporation					
Monterey Avenue Project	11/01/03 – 11/01/20	9.00%	$200 - $800	8,800	7,400
Term Certificate				$ 8,800	$ 7.400

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Court Financing Corporation					
Bankruptcy Courthouse Acquisition Project	11/01/02– 11/01/27	7.50%	$230 - $1,420	$ 16,120	$ 15,640
Term Certificate	11/01/02– 11/01/27	7.50%	$230 - $1,420	16,120	15,640
District Court Financing Corporation					
U.S. District Court Project Serial Capital Appreciation Cert. (net of future capital appreciation of $4,049)	12/15/15 – 06/15/20	7.59%	$640 - $844	2,165	3,151
Term /Series 1999	6/15/99– 06/15/15	1.93%	Variable	17,635	13,344
Term /Series 2002	10/31/02 – 06/15/20	3.00%	Variable	925	860
Term certificate				20,725	17,355
Total Certificates of Participation				**$ 485,656**	**$ 387,869**
Bonds Payable:					
CORAL (Sheriff Department)					
1997 B & C (Hospital): Term Bonds (Series C)	06/01/19	5.81%	$1,733	$ 1,733	$ 1,733
RDA					
2001 Tax Allocation Bonds	10/01/05 – 10/01/35	3.55% - 5.25%	$830 - $6,680	90,025	90,025
Total Bonds Payable				**91,758**	**91,758**
Notes Payable:					
1995 Zone 6 Negotiable Promissory Notes	09/01/02 – 09/01/05	4.75% - 5.05%	$ 285 - $ 325	2,675	635
Total Notes Payable				**2,675**	**635**
Loans Payable:					
RDA					
1998 Loans Payable	10/01/02 – 10/01/33	4.20% - 5.63%	$855 - $4,240	68,296	64,770
2000 Loans Payable	01/01/03 – 01/01/15	9.90%	$42 - $158	1,329	1,605
Total Loans Payable				**69,625**	**66,375**
Total Governmental Activities				**$ 649,714**	**$ 546,637**

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Business-type Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Certificates of Participation:					
Regional Medical Center					
1997 Lease Refunding:					
Serial Certificate	11/01/04– 11/01/06	4.25% - 5.00%	$960 - $1,040	$ 11,754	$ 2,040
Total Certificates of Participation				$ 11,754	$ 2,040
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	06/01/06 – 06/01/12	5.90% - 6.50%	$7,050 -$13,870	$ 75,035	$ 39,125
Term Bonds (Series B)	06/01/13 – 06/01/14	5.410%	$7,050 - $7,475	14,525	14,525
Bond Discount				-	(4,509)
Loss on Defeasance				-	(81)
1993 A &B – bonds				89,560	49,060
Regional Medical Center					
1997 A (Hospital):					
Serial Capital Appreciation Bonds (net of future capital appreciation of $108,303)	06/01/13 – 06/01/26	5.70% - 6.01%	$3,034 - $3,445	41,170	41,170
1997 A (Hospital):				41,170	41,170
Regional Medical Center					
1997 B & C Serial Bonds (Series B)	06/01/04 – 06/01/19	4.10% - 5.50%	$315 - $455	4,785	3,420
Term Bonds (Series B)	06/01/04 – 06/01/19	5.00% - 5.70%	$475 -$11,475	63,935	63,935
Term Bonds (Series C)	06/01/19	5.81%	$3,265	3,265	1,532
Bond Discount				(36)	(2,897)
Loss on Defeasance				(4,506)	(23)
1997 B & C (Hospital)				67,443	65,967
Regional Medical Center					
2003 A & B (Hospital):					
Serial Bonds (Series A)	06/01/04 – 06/01/09	2.50% - 5.00%	$ 9,415 -$11,030	56,140	46,955
Serial Bonds (Series B)	06/01/04 – 06/01/07	3.35%	$ 4,040	4,040	4,040
Bond Premium				3,070	2,210
Loss on Defeasance				(1,319)	(824)
2003 A & B – bonds				$ 61,931	$ 52,381

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2004
Bonds Payable:					
Housing Authority					
1998 Series A:					
Term Bonds	12/01/99-12/01/07	6.25%	\$60 - \$90	\$ 780	\$ 355
Term Bonds	12/01/08-12/01/18	6.85%	\$100 - \$200	1,625	1,625
Term Bonds				2,405	1,980
Total Bonds Payable				262,509	210,558
Total Business-type Activities				**\$ 274,263**	**\$ 212,598**

As of June 30, 2004, annual debt service requirements of governmental activities to maturity are as follows (in housands):

Governmental	Loans Payable		Notes Payable	
Year ending June 30, 2004:	Principal	Interest	Principal	Interest
2005	\$ 996	\$ 3,673	\$ 310	\$ 24
2006	1,031	3,623	325	8
2007	1,081	3,571	-	-
2008	1,148	3,515	-	-
2009	1,209	3,454	-	-
2010-2014	7,062	16,195	-	-
2015-2019	9,257	13,932	-	-
2020-2024	11,035	11,033	-	-
2025-2029	14,490	7,489	-	-
2030-2034	19,065	2,797	-	-
Total	\$ 66,375	\$ 69,282	\$ 635	\$ 32

Governmental	Bonds Payable		Certificates of Participation	
Year ending June 30, 2004:	Principal	Interest	Principal	Interest
2005	\$ -	\$ 4,764	\$ 12,467	\$ 26,763
2006	830	4,764	13,851	25,805
2007	1,325	4,735	14,025	24,776
2008	1,380	4,679	15,047	23,733
2009	1,440	4,620	16,270	22,423
2010-2014	72,020	22,060	99,214	89,192
2015-2019	14,763	35,441	86,695	45,752
2020-2024	-	-	51,915	26,815
2025-2029	-	11,885	45,385	14,346
2030-2034	-	6,946	33,000	3,394
2035-2039	-	1,018	-	-
Total	\$ 91,758	\$ 100,911	\$ 387,869	\$ 302,999

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

As of June 30, 2004, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type	Bonds Payable		Certificates of Participation	
Year ending June 30, 2004:	Principal	Interest	Principal	Interest
2005	$ 9,810	$ 12,915	$ 1,000	$ 289
2006	10,175	12,781	1,040	135
2007	10,620	12,572	-	-
2008	11,060	12,397	-	-
2009	11,515	12,222	-	-
2010-2014	62,324	54,487	-	-
2015-2019	72,055	40,811	-	-
2020-2024	22,024	24,360	-	-
2025-2029	7,099	3,129	-	-
Total Requirements	216,682	185,674	2,040	424
Bond Premium, net	2,210	-	-	-
Bond Discount	(7,406)	-	-	-
Loss on Defeasance	(928)	-	-	-
Total	$ 210,558	$ 185,674	$ 2,040	$ 424

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2004 (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Governmental activities:				
Certificates of Participation:				
CORAL (1997 Historic Courthouse)	$ 448	$ 90	$ -	$ 538
District Court Financing (U.S. District Court Project)	758	228	-	986
Total governmental-type activities	1,206	318	-	1,524
Business-type activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997 A Hospital)	18,566	3,601	-	22,167
Total business-type activities	$ 18,566	$ 3,601	$ -	$ 22,167

The accreted interest payable balances at June 30, 2004 represent accreted interest on the 1997 Historic Courthouse, the U.S. District Court Project, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $1,015,000 for the 1997 Historic Courthouse, $2,165,000 for the U.S. District Court Project, and $41,170,000 for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $2,630,000 for the 1997 Historic Courthouse, $7,200,000 for the U.S. District Court Project, and $171,640,000 for the 1997 A Hospital Serial Capital Appreciation Bonds. The increases of $3,600,130 and $89,640, respectively, represent current year's accretion, accumulated accretion at June 30, 2004 is $22,166,505 and $537,597 respectively. The U.S. District Court Financing accounts for the remainder of $986,000. The un-accreted balances at June 30, 2004 are $108,303,422 and $1,077,525, respectively, for the two 1997 projects.

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation/ Refunding

In December 2003, the County of Riverside Asset Leasing Corporation (CORAL), issued $13,190,000 of Certificates of Participation, Series A (2003 Series A- Historic Courthouse Project), with an interest rate of 3.0% and also issued $8,685,000 of Certificates of Participation, Series B (2003 Series B- Capital Facilities Project Refunding), with an initial interest rate of 2.0%. The 2003 Series A were issued on parity with the 1997 Historic Courthouse certificates to provide funding for certain improvements of the County's Historic Courthouse, fund capitalized interest costs, fund a reserve fund and pay costs of issuance. The 2003 Series B were issued to refund $8,250,000 of outstanding Certificates of Participation, 1993 Master Lease Refunding, bearing interest rates ranging from 3.25% to 5.75%, fund a debt-service reserve fund and a construction fund.

Interest on the 2003 Series A Certificates of Participation is payable initially November 1, 2006, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2033. Interest on the 2003 Series B Certificates of Participation is payable initially May 1, 2004, and semi-annually thereafter on November 1 and May 1 of each year until November 1, 2018.

The net proceeds of approximately $8,415,000 of the 2003 Series B Certificates (after a discount of $21,066 and a payment of $271,000 in issuance costs) were used to refund the $8,250,000 portion of the remaining 1993 Master Lease Refunding Certificates.

The current refunding of the 1993 Master Lease refunding certificates resulted in a difference between the re-acquisition price and the net carrying amount of the old debt of approximately $165,000. This difference, reported in the accompanying financial statements as a deduction from certificates of participation payable, is being charged to operations through the year 2018 using the effective interest method. CORAL completed the advance refunding to reduce its total debt-service payments by approximately $1,056,272 and obtain an economic gain (difference between the present values of the old and new debt-service payments) of approximately $527,052.

Certificates of Participation, Bonds, Notes, and Loans 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. Not-for-profit corporation certificates of participation and revenue bonds are secured by certain facilities or annual base rental lease payments payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

On June 27, 1988, the Redevelopment Agency (RDA) agreed to reimburse the County of Riverside Asset Leasing Corporation (CORAL) for a portion of the $169,400,000, 1985 Certificates of Participation (the 1985 Certificates). The amount to be reimbursed by the RDA is determined by multiplying the ratio of the assessed property value of the RDA over the assessed unincorporated property value of the County times the original issuance of the 1985 Certificates. At June 30, 2004 the total obligation from RDA was $4,712,000. CORAL financed debt is used by the County to finance land acquisition, construction of structures and improvements, and to acquire equipment by various departments within the County. Assets thus acquired are financed through a master lease agreement. The benefiting departments are assigned proportionate shares of debt that represents their usage and are billed through a 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 government-wide statement of net assets.

RDA approved the issuance of Bond Anticipation Notes (BAN) in an amount not to exceed $6,500,000 to the Treasurer and Tax Collector of the County, for the financing of a Sports Park. The note has been issued as a single note upon which advances are made by the Treasurer upon receipt of a disbursement request from the RDA. Interest on the note shall accrue upon each such advance from the date thereof at 50 basis points above the rate for the Treasurer's Pooled Investment Fund and shall include a three-year maturity from the date of the advance.

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Certificates of Participation, Bonds, Notes, and Loans Payable (Continued)

RDA drew down $410,000 in 1999 and an additional $6,090,000 during the fiscal year ended June 30, 2000 for a total balance outstanding of $6,500,000.

During the year ended June 30, 2004, the County incurred interest costs of $41,146,000

Defeasance of Debt

On September 30, 1997, the Riverside County Public Financing Authority issued $69,625,000 in Revenue Bonds to concurrently loan to the Redevelopment Agency and the County of Riverside, at the same interest rate, funds to advance refund $11,095,000 of outstanding 1991 Tax Allocation Bonds and redeem $17,395,000 of 1990 Tax Allocation Bonds. Proceeds from this transaction were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Bonds. As a result, the 1991 Bonds are considered to be defeased and the liability for those Bonds has been removed from the financial statements. The amount of the refunded debt outstanding at June 30, 2004 was $10,745,000.

On April 21, 1998, the County issued $36,100,000 of CORAL Certificates of Participation (1998 Larson Justice Center). The proceeds from the sale of the certificates were used to advance refund $31,700,000 of 1994 Desert Facilities Corporation Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 2004 was $27,215,000.

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 $116,260,000 of Mortgage Revenue Bonds has been issued and $107,746,217 is outstanding as of June 30, 2004. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Interest Rate Swap

Objective and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Southwest Justice Center Series 2000 B Leasehold Revenue Bonds in the amount of $76,300,000. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.20%. The Bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76,300,000 matches the $76,300,000 variable-rate Bonds. The swap was effective at the same time the Bond's were issued on May 24, 2000. Starting in fiscal year 2014-15, the notional value of the swap and the principal amount of the associate debt will decline. After June 1, 2003, the County paid the holding company, a fixed payment of 5.20% and receives a variable payment (Floating Rate Option) computed on the weighted average rate paid on the Bonds during any calculation period. As of December 2003, an "Alternative Floating Rate Option" was used to calculate interest. The "Alternative Floating Rate Option" means a per annum rate, not to exceed the maximum interest rate payable on the Bonds, expressed as a decimal, equal to 64% of the monthly London Interbank Offered Rate (LIBOR) in effect for each Alternative Floating Rate Reset Date in the relevant calculation period. Conversely, the Bond variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA).

Fair Value: The swap had a negative fair value of $(16,098,175) as of June 30, 2004 due to the decline in interest rates. Because the coupons on the Southwest Justice Center Series B variable-rate Bonds adjust to changing interest rates, the Bonds do not have a corresponding fair value increase. The fair value was the quoted market price at June 30, 2004.

Credit / Basis / Termination Risks: The swap counterparty was rated Aa1 by Moody's and AA- by Standard & Poor's as of June 30, 2004. The swap agreement specifies that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (Standard & Poor) or A3 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty. The swap exposes the County to basis risk should the relationship between LIBOR and BMA coverage, changing the synthetic rate on the Bonds. As of June 30, 2004, the County's rate was 64% of LIBOR, or .8760% whereas BMA was 1.05%. The County always has the right to terminate the swap. If the swap is terminated, the variable-rate Bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, the County would be liable for a payment equal to the swaps' fair values.

Swap Payments and Associated Debt: Using rates as of June 30, 2004, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rate remain the same for their term, were as follows. As rates vary, variable-rate Bond interest payments and net swap payments will vary.

Fiscal Year Ended June 30, 2004	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total
2005	$ -	$ 668,388	$ 3,299,212	$ 3,967,600
2006	-	668,388	3,299,212	3,967,600
2007	-	668,388	3,299,212	3,967,600
2008	-	668,388	3,299,212	3,967,600
2009	-	668,388	3,299,212	3,967,600
2010 - 2014	2,400,000	3,320,916	16,392,284	19,713,200
2015 - 2019	13,900,000	2,884,668	14,238,932	17,123,600
2020 - 2024	18,400,000	2,160,216	10,662,984	12,823,200
2025 - 2029	23,900,000	1,215,888	6,001,712	7,217,600
2030 - 2034	17,700,000	160,308	791,292	951,600
	$ 76,300,000	$ 13,083,936	$ 64,583,264	$ 153,967,200

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling $201,202,000 at June 30, 2004, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds. The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $7,265,000 as of June 30, 2004, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County of Riverside issued $13,470,000 of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the Lease.

NOTE 13 – LONG-TERM OBLIGATIONS (CONTINUED)

Changes in long-term liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2004 (in thousands):

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 91,758	$ -	$ -	$ 91,758	$ -
Capital lease obligations	102,529	19,039	(37,950)	83,618	18,548
Certificates of participation	387,619	21,875	(21,705)	387,869	12,467
Loans payable	67,130	145	(900)	66,375	996
Notes payable	930	-	(295)	635	310
Total debt long-term liabilities	650,046	41,059	(60,850)	630,255	32,321
Other long-term liabilities:					
Accreted interest payable	1,206	318	-	1,524	-
Compensated absences*	107,270	17,030	(1,052)	123,248	40,011
Estimated claims liabilities	87,007	72,614	(42,363)	117,258	40,152
Other long-term liability	1,500	-	-	1,500	-
Total other long-term liabilities	196,983	89,962	(43,415)	243,530	80,163
Total governmental activities – long-term liabilities	$ 847,029	$ 131,021	$ (104,265)	$ 873,785	$ 112,484
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount- (new 2003 Series A&B) and losses on bond defeasance**	$ 228,392	$ -	$ (17,834)	$ 210,558	$ 9,810
Capital lease obligations	5,742	3,456	(5,132)	4,066	1,887
Certificates of participation	3,000	-	(960)	2,040	1,000
Total debt long-term liabilities	237,134	3,456	(23,926)	216,664	12,697
Other long-term liabilities:					
Accreted interest payable	18,566	3,601	-	22,167	-
Accrued closure and post-closure care costs	44,005	-	(6,829)	37,176	2,282
Compensated absences*	12,069	1,423	-	13,492	3,882
Accrued remediation costs	16,470	327	(882)	15,915	1,098
Other long-term liability	607	4	-	611	-
Total other long-term liabilities	91,717	5,355	(7,711)	89,361	7,262
Total business-type activities Long-term liabilities	$ 328,851	$ 8,811	$ (31,637)	$ 306,025	$ 19,959

* The liabilities for compensated absences have been paid from, and continue to be paid from each fund in accordance with its respective share of such liability. This applies for both governmental and business-type funds.

** The reduction in bonds payable amount of $17,834,000 includes a bond premium of $2,210,000, a bond discount amortization of $7,406,000 and losses on bond defeasance of $928,000 during FY 2003-04.

NOTE 14 – FUND BALANCES

Fund balances that are not available for appropriation or are not considered "expendable available financial resources" are reserved. Unreserved fund balances that have been earmarked by the Board for specified purpose are considered designated. Such reserved and designated fund balances at June 30, 2004 are as follows (in thousands):

Reserved:	General Fund	Flood Control	Public Facilities Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Encumbrances	$ 6,063	$ 19,050	$ -	$ 26,176	$ 51,289
Imprest cash	367	1	1	208	577
Inventories	947	-	-	563	1,510
Advances	5,646	-	-	-	5,646
Program operations	87,567	-	817	46,595	134,979
Construction	-	-	152,024	958	152,982
General	350	-	-	-	350
Debt service	-	-	-	65,862	65,862
Total reserved fund balances	100,940	19,051	152,842	140,362	413,195
Designated:					
Strategic planning	25,000	-	-	-	25,000
Probation	901	-	-	-	901
Public safety	1,667	-	-	-	1,667
Tobacco settlement	16,200	-	-	-	16,200
3% at 60 Retirement plan	1,161	-	-	-	1,161
Program operations	21,010	-	-	33,394	54,404
Capital projects and programs	4,422	-	-	-	4,422
Total designated fund balances	70,361	-	-	33,394	103,755
Total unreserved-undesignated fund balances	77,752	107,482	184	73,847	259,265
Total fund balances	$ 249,053	$ 126,533	$ 153,026	$ 247,603	$ 776,215

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

NOTE 15 – RISK MANAGEMENT

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

The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are $15,000,000, subject to a self-insured retention (SIR) of $1,000,000 for each claim. The County also purchases an additional $10,000,000 in excess limits for a total of $25,000,000 in limits for general liability. Medical malpractice utilizes an excess policy providing coverage on claims made. Limits under the malpractice policy are $10,000,000 subject to a self-insured retention of $1,100,000. The general liability policy provides an additional $10,000,000 in excess limits for medical malpractice (excess the medical malpractice programs $10,000,000 policy limit) for a total of $20,000,000. The maximum limit under the excess workers' compensation, Section A, is $50,000,000; Section B, employer liability is $5,000,000 per claim. Section A is subject to a $2,000,000 SIR for each accident, employee injury, or disease. The County does occasionally structure settlements when feasible and agreeable to both parties.

The County's property insurance program provides insurance coverage for all risks subject to a $50,000 deductible; Flood coverage is subject to a 2% deductible within a 100-year flood zone and $25,000 outside a 100-year flood zone; the County's property is categorized into three (3) Towers: Tower I provides $290,000,000 in limits; Tower II (RCRMC) has $390,000,000 in limits and Tower VI has $540,000,000 in limits. Earthquake (scheduled locations equal to or greater than $1 million in value or if required by contract) for each Tower is $65,000,000 in limits with an additional $40,000,000 rooftop limit, subject to a deductible in an amount of 5% of replacement cost value subject to a $500,000 minimum. Boiler and Machinery provides up to $100,000,000 in limits, with various deductibles. Should a catastrophic event occur and losses exceed the limits, the County would be responsible. The limits in all Towers are shared with other counties on a per event basis.

The activities related to self insurance programs are accounted for in Internal Service Funds. Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2004 are reported in these funds. Where certain funds have an accumulated deficit or insufficient reserves, the County developed a method to provide funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70% confidence level a one-time holiday on department charges is granted. Revenues for these Internal Service Funds are primarily provided by other County Department funds and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and other uninsured liabilities. Cash available in the Risk Management Internal Service Funds at June 30, 2004 plus revenues to be collected during fiscal year 2004-05 are expected to be sufficient to cover all fiscal year 2004-05 payments. The carrying amount of unpaid claim liabilities is $117,258,000. The liabilities are discounted at 5%.

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

	June 30, 2003	June 30, 2004
Unpaid claims, beginning of year:	$ 77,610	$ 87,007
Increase (decrease) in provision for insured events of prior years:	6,857	17,184
Incurred claims for current year:	51,349	92,171
Claim payments:	(48,809)	(79,054)
Unpaid claims, end of year	$ 87,007	$ 117,258

NOTE 16 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, the County Medically Indigent Services Program (MISP), and the County Indigent Adult (IA) program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. In addition, net patient service revenue includes a provision for 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.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a contractually agreed-upon Per Diem rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Services. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient service revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2002.

During 1991, legislation was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals that serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Regional Medical Center has recorded net patient service revenue of approximately $21,037,000 from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2004.

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The boards of directors for each of these organizations are composed of one representative of each member organization. The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. The following jointly governed organizations were not included as either blended or discretely presented component units in these financial statements.

The jointly governed organizations in which the County participated at June 30, 2004 are as follows:

1. 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.

2. 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.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

3. 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.

4. Riverside County Habitat Conservation (RCHCA) was formed in July 1990. The RCHCA is a Joint Powers Agreement Agency comprised of the cities of Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Perris, Riverside, Temecula, and the County of Riverside for the purpose of planning, acquiring, administering, operating and maintaining land and facilities for ecosystem conservation and habitat reserves for the Stephen's Kangaroo Rat and other endangered species under Article 1, Chapter 5, Division 7, Title 1 of the Government Code.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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 Bureau is to encourage and promote all aspects of the hospitality, convention and tourism industry in the Coachella Valley.

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

NOTE 18 – RETIREMENT PLAN

Plan Description

The County, Riverside County Flood Control and Water Conservation District (Flood Control), the Regional Park and Open-Space District (Park District) and Waste Management contribute to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law have established a menu of benefit provisions as well as other requirements. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. A separate report for the various County plans within CalPERS is not available. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS are required to contribute 8% (9% for safety employees) of their annual covered salary. The County contributes 1% of the total 8% contribution required of Miscellaneous member County employees hired prior to July 11, 2002 on their behalf and for their account. The County makes the full contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above dates make their own contributions for the first five years. 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. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood Control, Park District and Waste Management are required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2003-04, the contribution rates were:

	County	Flood Control	Park District	Waste Management
Miscellaneous	9.786%	-	11.063%	14.962%
Safety	17.014%	-	-	-

The State statute establishes the contribution requirements of the plan member and the employer contribution rate is established and may be amended by CalPERS.

Annual Pension Cost

For fiscal year 2003-04, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (in thousands):

	County	Flood Control	Park District	Waste Management
Miscellaneous	$ 52,100	-	$ 302	$ 824
Safety	$ 26,076	-	-	-

NOTE 18 – RETIREMENT PLAN (CONTINUED)

The required contribution for fiscal year 2003-04 was determined as part of the June 30, 2002 actuarial valuation for the Park District and the June 30, 2003 actuarial valuations for County, Flood Control, and Waste Management using the entry age normal actuarial cost method with the contributions determined as a percent of pay. In addition, the Park District is in its first year as part of a pool and does not have a 3-year pool trend to report. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses) and; (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of CalPERS' assets was determined using 100% of the market value of investments. CalPERS' unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. CalPers has notified the County that the actuarial assumptions regarding the investment and inflation rates will be revised for the next evaluation period. The remaining amortization periods in years at June 30, 2004 are:

	County	Flood Control	Parks District	Waste Management
Miscellaneous	20	20	20	20
Safety	20	-	-	-

Riverside County – Miscellaneous

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ -	-	$ -
June 30, 2003	$ -	-	$ -
June 30, 2004	$ 52,100	100%	$ -

Riverside County - Safety

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ 15,968	100%	$ -
June 30, 2003	$ 18,483	100%	$ -
June 30, 2004	$ 26,076	100%	$ -

Flood Control and Water Conservation District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ -	-	$ -
June 30, 2003	$ -	-	$ -
June 30, 2004	$ -	-	$ -

NOTE 18 – RETIREMENT PLAN (CONTINUED)

Regional Park and Open-Space District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ -	-	$ -
June 30, 2003	$ -	-	$ -
June 30, 2004	$ 302	100%	$ -

Waste Management Department

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2002	$ 877	100%	$ -
June 30, 2003	$ 859	100%	$ -
June 30, 2004	$ 824	100%	$ -

NOTE 19– DEFINED BENEFIT PENSION PLAN

County of Riverside

The County provides a Defined Benefit Pension Plan to employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is subject to IRC Section 401(a), and is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately. Participants in the plan are required to contribute 3.75% of their compensation to the plan. The County's required contribution is currently 1.00%. An additional contribution of $237,950 (0.75%) was made in 2003-04 to repay the trust for losses due to uncollected overpayments and associated charges.

Annual Pension Cost

Three-Year Trend Information
(Dollar Amounts in Thousands)

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$ 680	100%	$ -
2003	$ 921	100%	$ -
2004	$ 813	100%	$ -

As of June 30, 2004, the Fund has a cash balance of $7,212,000. In December 2001, it was discovered that overpayments were made in the lump sum distributions to those participants terminated from this plan in 1999 and 2000. Of the $723,000 in outstanding receivables created by these overpayments, payees returned $340,069, payments over time (promissory notes) have been arranged for $278,147, and the $104,787 not collected from payees has been replaced through the additional contribution of $237,950 as referenced above.

NOTE 19– DEFINED BENEFIT PENSION PLAN (CONTINUED)

Housing Authority

On May 22, 2001, the County Board of Supervisors approved and authorized action to transition employees of the Housing Authority (the Authority) to County employees retroactive to May 3, 2001. These employees became subject to the provisions of the CalPERS retirement plan with no carryover vesting from the prior retirement plan. Employees will be 100% vested in the CalPERS retirement plan after 5 years of uninterrupted service.

Before the Authority employees became County employees, the Authority fully funded a defined contribution pension plan on behalf of qualified employees. During the current fiscal year, the Authority participated in the CalPERS plan through the County of Riverside and was not required and did not make any contributions to the prior plan.

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

Total covered payroll	$ 5,206
Total payroll subject to CalPERS	$ 4,286
Employer contribution required and paid	$ 644

NOTE 20 – POST-RETIREMENT BENEFITS

In addition to providing retirement benefits, the County provides certain post-retirement health insurance premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. Employees with a minimum service of five years who are at least 50 years of age at retirement qualify to receive the post-retirement benefits. Approximately 1,728 retirees meet these requirements and are covered under the eligibility requirements. CalPERS is responsible for administering the benefits for some retirees. Waste Management, Flood Control, and Park Districts have not been a part of CalPERS administered Health Plans since December 31, 2002. In addition, most of the County's employee bargaining units have withdrawn from the CalPERS-administered health plans and are now enrolled with County-administered health plans.

The contributions for retirees and beneficiaries are funded on a pay-as-you-go basis, which are allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2004, CalPERS-administered health plan expenditures amounted to approximately $291,879 and County-administered health plan expenditures amounted to approximately $5,446,899, respectively.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

The County has been named as a defendant in various lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, such loss has been accrued in the accompanying basic financial statements. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the County.

NOTE 21 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2004, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that may be disallowed by the granting agencies cannot be determined at this time. County management does not expect such amounts, if any, to be material to the basic financial statements. The County's annual single audit of federal awards is pending completion.

Commitments

At June 30, 2004, the County had various non-cancelable construction contracts with outside contractors. These contracts were financed through either the General Fund or Capital Projects funds. Approximately $143,119,000 will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Management Department entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste Management expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be approximately $15,507,500. These additional costs will be capitalized as the costs are incurred.

Remediation Contingencies

Waste Management is presently aware of groundwater contamination at 9 of its landfills, 6 of which are closed. Waste Management is also aware of air/gas contamination at 17 landfills, 10 of which are closed. Based on engineering studies, Waste Management estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $15,914,284. At June 30, 2004, Waste Management has accrued $15,914,284 for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2004 is reported as a negative expense resulting from prior estimates, current estimates, and current actual expenses.

Waste Management has established a remediation restricted cash fund to set aside funds for future remediation costs as they are require to be performed. Investments of $16,494,550 and $10,146,991 are held for these purposes at June 30, 2004 and 2003, respectively, and are classified as restricted cash and investments in the accompanying statements of net assets.

County of Orange v. Assessment Appeal Board

The Orange County Superior Court ruled that an illegal assessment method was used in determining Proposition 13's limit on assessment increases. The decision was reversed by the Fourth District Court of Appeals. Class-action status was granted by the Superior Court on December 12, 2002, for the purpose of challenging the reversal in the California State Supreme Court. On July 22, 2004, the California State Supreme Court declined to review the ruling, in effect upholding the decision in favor of county assessors.

Orthopedic Hospital Lawsuit Settlement

The Centers for Medicare and Medicaid Services (CMMS) has agreed to provide $175,000,000 of federal matching funds in the California Healthcare Association (CHA) negotiated Orthopedic Hospital Lawsuit Settlement. The Riverside County Regional Medical Center (RCRMC) received a $1,200,000 award in connection with this settlement. The amount has been accrued and accounted for in the RCRMC financial statements as of June 30, 2004.

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 1, 2004, the County as a participant in the California Statewide Communities Development Authority Pool issued $210,000,000 of Tax and Revenue Anticipation Notes in the form of Series B-2 Bonds due June 30, 2005. The stated interest rate for the B-2 Bonds is set at 3.50% per annum with a yield of 1.67%. The County also issued $102,785,000 of Tax and Revenue Anticipation Notes in the form of Series C-2 Taxable Bonds due June 30, 2005. The stated interest rate for the C-2 Bonds is 3.00% per annum with a yield of 2.55%. In accordance with California law, the Bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2004-05 and legally available for payment thereof. Proceeds from the Bonds will be used for fiscal year 2004-05 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

State of California Fiscal Outlook

On November 14, 2003, the California Legislative Analyst's Office (LAO) issued it's "California's Fiscal Outlook, LAO Projections, 2003-04 through 2008-09". The report indicated that policymakers in structuring the 2003-04 budget were challenged with a shortfall estimated to be as high as $38 billion. Budgetary plans and other one-time solutions projected a reduced shortfall to roughly $2 billion for 2003-2004. According to the California Spending Plan 2004-2005, issued in September 2004, heavy reliance on deficit borrowing and other one-time solutions meant that the structural operating shortfall of 2003-2004 would be destined to return in 2004-2005. The LAO estimates the operating shortfall will be over $10 billion per year even if revenues grow at a moderate pace. Furthermore, the cumulative shortfall facing policymakers in 2004-2005 climbed to about $17 billion by the time the budget was introduced in January 2004. This gap consisted of a $ 2 billion year-end shortfall in the 2003-2004 budget and a $15 billion on-going shortfall in 2004-2005. Revenue improvements narrowed the gap to a projected shortfall of roughly $15 billion. On July 31, 2004 the Governor signed a budget that contained $16.1 billion in combined two-year solutions. These solutions enable the State to eliminate the budget shortfall projected for 2004-2005 and build up a year-end reserve of $768 million.

Vehicle License Fee "Backfill" Gap Loan

Beginning June 20, 2003, the State withheld VLF backfill payments to local governments per the "trigger" provisions in the State code. The "trigger" was pulled as the State was operating in a deficit position. These withholdings are expected to be returned to local governments in 2006. The backfill payments had represented 67.5% of the total payments to local governments. The State has recently acknowledged the amount due to Riverside County as $34,985,432.

Educational Revenue Augmentation Fund (ERAF)

To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties and special districts). The state did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. For 2004-2005, the State has directed the following ERAF tax shifts: First, a transfer of $160,560,222 to the Vehicle License Fee Property Tax Compensation Fund for distribution of 50% in January and 50% in May. Secondly, the State has directed a transfer of $59,224,050 to the Sales and Use Tax Compensation Fund for distribution of 50% in January and 50% in May. The total ERAF transfer for 2004-2005 is $219,784,272.

NOTE 22 – SUBSEQUENT EVENTS (CONTINUED)

The Effects of the Economy on CalPERS

Based on past negative performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2004-05 will increase to 16.274% and 21.122%, respectively. Fiscal year 2005-06 contribution rates are projected at 16.274% (Miscellaneous) and 21.122% (Safety). They will be accounted for in fiscal year 2004-05 and future budget years.

Trial Court Facilities Act of 2002 (SB 1732)

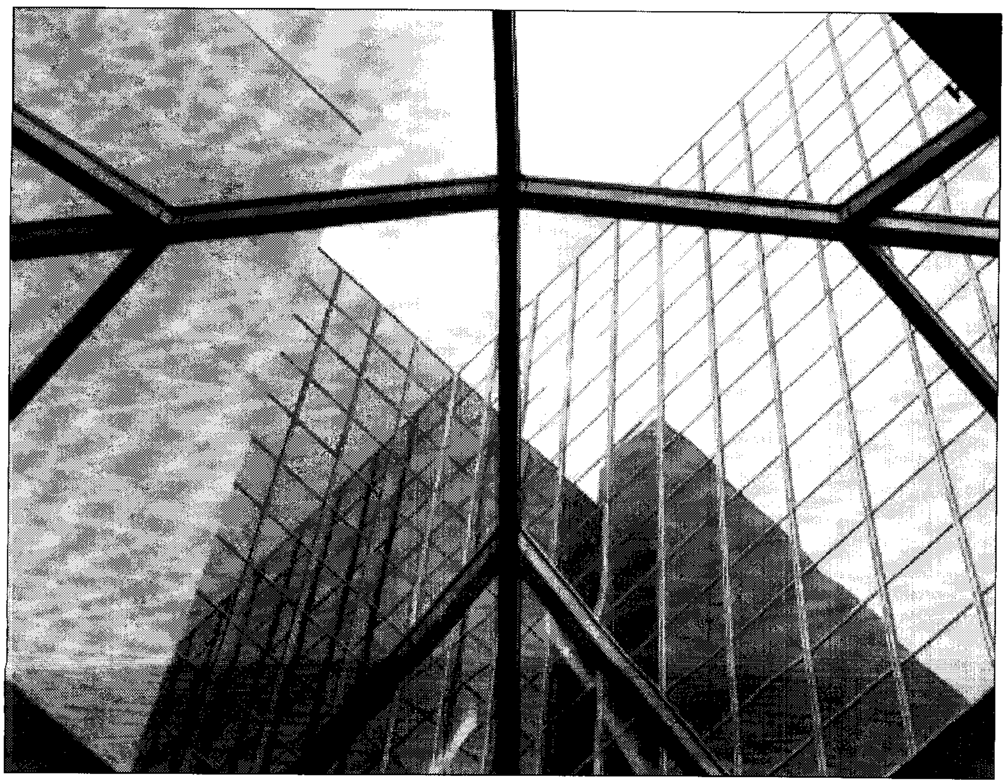
The bill provides for the transfer of the responsibility of a county to provide necessary and suitable court facilities by authorizing the transfer of that responsibility from a county to the Judicial Council pursuant to an agreement to be negotiated between a county and the Judicial Council, as specified, between July 1, 2003, and June 30, 2007. Transfer of responsibility may occur not earlier than July 1, 2004, and not later than June 30, 2007. The bill further imposes a state-mandated local program by expanding various duties of a county with respect to court facilities. This bill would establish the Court Facilities Trust Fund to be financed by specified payments by each county. In general, the County is held responsible for maintenance-of-effort contributions.

The County is in the process of transferring responsibility of the Larson Justice Center. Twenty (20) buildings are subject to the Trial Court Facilities Act of 2002.

CalPERS Rate Increase

Due to lackluster CalPERS investment performance, the County Miscellaneous pension fund received its first rate increase since 1999. For FY 2003-2004, County Miscellaneous annual pension cost estimate is 9.786% and is estimated to increase to 16.274% for FY 2004-2005. In the same 5-year period, the County Safety pension fund received its third rate increase, which is estimated at 17.014% and is expected to increase to 21.122% for FY 2004-2005. CalPERS has notified the County that the actuarial assumptions regarding the investment and inflation rates will be revised for the next evaluation period. The Board of Supervisors has approved additional research into the issuance of pension obligation bonds to fund unfunded liabilities.

REQUIRED SUPPLEMENTARY INFORMATION



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SCHEDULES OF FUNDING PROGRESS

The tables below show a 3-year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll as of June 30, 2003. (Dollars in Thousands)

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 1,721,620	$ 1,577,493	$ 144,127	1.091	$ 466,882	30.9%
June 30, 2002	$ 1,600,979	$ 1,750,111	$ (149,132)	.915	$ 527,189	(28.3%)
June 30, 2003	$ 1,669,502	$ 1,998,882	$ (329,380)	.835	$ 542,056	(60.8%)

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 805,953	$ 768,481	$ 37,472	1.049	$ 127,824	29.3%
June 30, 2002	$ 776,005	$ 840,221	$ (64,216)	.924	$ 137,201	(46.8%)
June 30, 2003	$ 814,074	$ 907,018	$ (92,944)	.898	$ 147,519	(63.0%)

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 64,037	$ 53,185	$ 10,852	1.204	$ 8,541	127.1%
June 30, 2002	$ 58,674	$ 58,135	$ 539	1.009	$ 9,876	5.5%
June 30, 2003	$ 59,490	$ 65,332	$ (5,841)	.911	$ 10,019	(58.3%)

SCHEDULES OF FUNDING PROGRESS (CONTINUED)

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 9,796	$ 8,761	$ 1,035	1.118	$ 2,288	45.2%
June 30, 2002	$ 9,232	$ 10,014	$ (782)	.922	$ 2,670	(29.3%)
June 30, 2003	--	--	--	--	--	--

Parks is in it's first year pooled fund and therefore does not have 3-year trend data to report.

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 9,431	$ 10,856	$ (1,425)	.869	$ 5,716	(24.9%)
June 30, 2002	$ 9,830	$ 12,630	$ (2,800)	.778	$ 5,651	(49.5%)
June 30, 2003	$11,390	$ 15,624	$ (4,234)	.729	$ 5,339	(78.4%)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
License, permits and franchise fees	$ 1,600	$ 5,792	$ 6,302	$ 510
Use of money and property:				
Interest	-	22	1,417	1,395
Rents and concessions	-	-	258	258
Charges for services	38,645	52,274	58,697	6,423
Other revenue	23,977	34,928	16,356	(18,572)
Total revenues	64,222	93,016	83,030	(9,986)
EXPENDITURES:				
Current:				
General government	49,295	72,885	46,637	(26,248)
Public ways and facilities	14,927	4,817	686	(4,131)
Total expenditures	64,222	77,702	47,323	(30,379)
Excess (deficiency) of revenues over (under) expenditures	-	15,314	35,707	20,393
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,878	5,878	-
Transfers out	-	(36,743)	(36,743)	-
Total other financing sources and (uses)	-	(30,865)	(30,865)	-
NET CHANGE IN FUND BALANCE	-	(15,551)	4,842	20,393
Fund balance, beginning of year, as previously reported	146,588	146,588	146,588	-
Adjustments to beginning fund balance	-	-	1,596	1,596
Fund balance, beginning of year, as restated	146,588	146,588	148,184	1,596
FUND BALANCE, END OF YEAR	$ 146,588	$ 131,037	$ 153,026	$ 21,989

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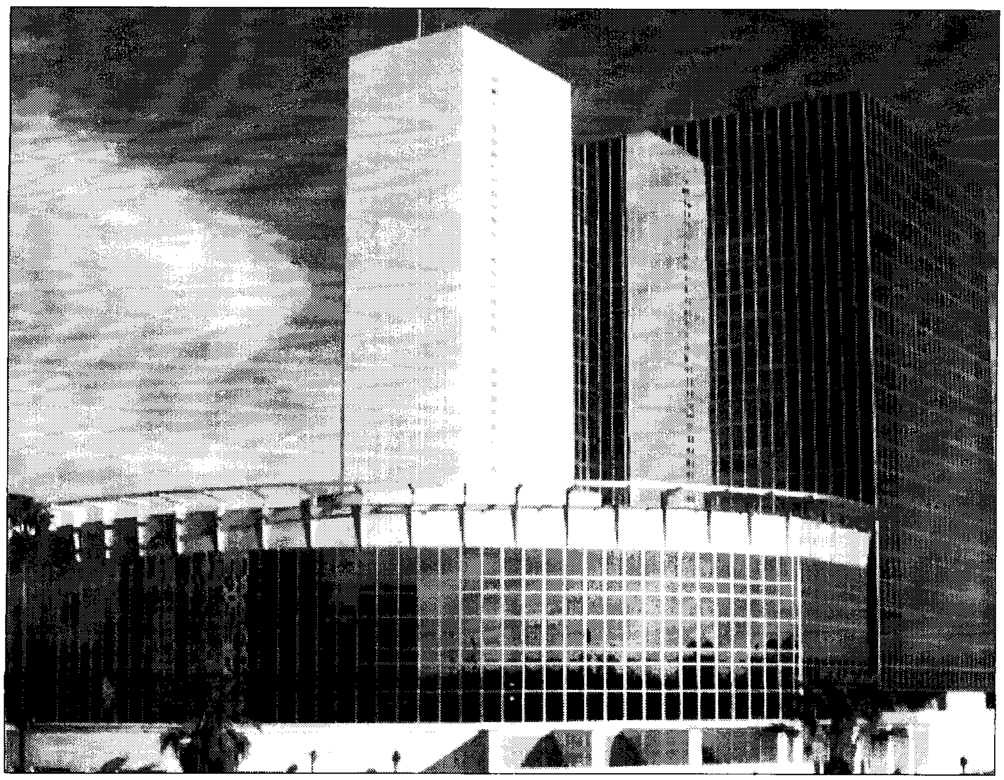
NONMAJOR GOVERNMENTAL FUNDS



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COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	$ 108,066	$ 34,627	$ 33,289	$ 175,982
Accounts receivable	6,910	277	-	7,187
Interest receivable	216	1,060	60	1,336
Taxes receivable	1,544	35,132	19	36,695
Due from other governments	13,231	-	357	13,588
Inventories	829	-	-	829
Due from other funds	450	-	175	625
Restricted cash and investments	353	38,171	17,889	56,413
Advances to other funds	106	-	-	106
Notes receivable	13,349	-	1,426	14,775
Land held for resale	677	-	12,802	13,479
Total assets	145,731	109,267	66,017	321,015
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	9,747	1,859	1,573	13,179
Salaries and benefits payable	3,581	-	-	3,581
Due to other governments	2,825	8,838	-	11,663
Due to other funds	60	8,654	625	9,339
Interest payable	-	87	-	87
Deposits payable	35	-	-	35
Teeter notes payable	-	23,967	-	23,967
Advance from other funds	106	-	-	106
Deferred revenue	11,436	-	19	11,455
Total liabilities	27,790	43,405	2,217	73,412
Fund balances:				
Reserved	22,812	65,862	51,688	140,362
Unreserved-designated, reported in:				
Special revenue funds	13,041	-	-	13,041
Capital projects funds	-	-	20,353	20,353
Unreserved undesignated, reported in:				
Special revenue funds	82,088	-	-	82,088
Capital projects funds	-	-	(8,241)	(8,241)
Total fund balances	117,941	65,862	63,800	247,603
Total liabilities and fund balances	$ 145,731	$ 109,267	$ 66,017	$ 321,015

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2004
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	$ 56,563	$ 26,620	$ -	$ 83,183
Licenses, permits and franchise fees	152	-	-	152
Fines, forfeitures and penalties	392	-	-	392
Use of money and property:				
Interest	649	3,814	630	5,093
Rents and concessions	5,820	23,844	-	29,664
Aid from other governmental agencies:				
Federal	57,824	-	-	57,824
State	39,109	-	634	39,743
Charges for services	39,203	-	1	39,204
Other revenue	18,750	51	496	19,297
Total revenues	218,462	54,329	1,761	274,552
EXPENDITURES:				
Current:				
General government	27,575	16,791	18,191	62,557
Public protection	3,409	-	-	3,409
Public ways and facilities	97,002	-	-	97,002
Health and sanitation	3,717	-	-	3,717
Public assistance	39,992	-	-	39,992
Education	9,904	-	-	9,904
Recreation and culture	8,466	-	595	9,061
Debt service:				
Principal	913	24,226	-	25,139
Interest	2,125	14,923	-	17,048
Cost of issuance	-	504	-	504
Capital outlay	-	-	121	121
Total expenditures	193,103	56,444	18,907	268,454
Excess (deficiency) of revenues Over (under) expenditures	25,359	(2,115)	(17,146)	6,098
OTHER FINANCING SOURCES (USES):				
Transfers in	38,566	11,170	46,730	96,466
Transfers out	(57,853)	(52,519)	(11,153)	(121,525)
Bond proceeds	-	21,645	-	21,645
Gain (loss) on sale of assets	-	-	494	494
Total other financing sources (uses)	(19,287)	(19,704)	36,071	(2,920)
NET CHANGE IN FUND BALANCES	6,072	(21,819)	18,925	3,178
Fund balances, beginning of year, as previously reported	106,044	87,260	47,785	241,089
Adjustments to beginning fund balances	5,825	421	(2,910)	3,336
Fund balances, beginning of year, as restated	111,869	87,681	44,875	244,425
FUND BALANCES, END OF YEAR	$ 117,941	$ 65,862	$ 63,800	$ 247,603

SPECIAL REVENUE FUNDS

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COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These are funds established for the purpose of accounting for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted in expenditure for the specified purposes.

TRANSPORTATION FUNDS

These four funds were established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share highway user taxes and are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

COMMUNITY SERVICES FUNDS

These fourteen funds provide financing for public services. Community service funds for the County are: HUD Community Services Grant, EDA Administration, Community Action Agency, Job Training Partnership, Office On Aging, USEDA Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief Fund, Home Program Fund, EDA US Department of Agriculture Rural Development, Workforce Development, and Healthy Kids. The primary source of revenue for these types of funds is from State/Federal Grants.

REDEVELOPMENT AGENCY FUND

This fund was established to account for administration and revenues and expenditures related to the low and moderate income housing set aside program. 20% of the tax increments allocated to the Redevelopment Agency are required to be placed in this fund.

COUNTY SERVICE AREA FUNDS

These sixty-three service area funds were established to provide authorized services such as road, park, lighting maintenance, fire protection, or water to specified areas in the County. They are financed by ad valorem property taxes in the area benefited, or by special assessments levied on specific properties.

REGIONAL PARK AND OPEN-SPACE DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County of the District.

AIR QUALITY IMPROVEMENT FUND

This fund account for the share the County receives through a subvention/allocation process from motor vehicle fees levied by the State of California, the usage of which is restricted to reducing air pollution.

OTHER SPECIAL REVENUE FUNDS

These sixteen funds provide financing to make services available to the public and governmental agencies. At the current time, the other special revenue funds within this County are as follows: Rideshare, AD CFD Administration, Aviation, Ladera Irrigation, National Date Festival, Cal-ID, AB2766 Sher Bill, Special Aviation, Supervisorial Road Districts, Multi-Species Habitat Conservation Agency, Riverside U.S. Grazing Fees, Mitigation Project Operations, Airport Land Use Commission, Prop 10, IHSS Public Authority, and Bio-terrorism Preparedness.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2004
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas
ASSETS:				
Cash and investments	$ 42,342	$ 18,736	$ 3,822	$ 11,378
Accounts receivable	6,809	93	-	-
Interest receivable	92	14	4	28
Taxes receivable	26	1,188	-	221
Due from other governments	6,380	5,617	-	-
Inventories	829	-	-	-
Due from other funds	-	-	-	-
Restricted cash and investments	-	353	-	-
Advances to other funds	-	-	-	-
Notes receivable	-	-	13,349	-
Land held for resale	-	-	677	-
Total assets	56,478	26,001	17,852	11,627
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	5,926	3,536	84	11
Salaries and benefits payable	1,833	1,246	-	29
Due to other governments	1,426	1,311	-	42
Due to other funds	-	60	-	-
Deposits payable	-	-	-	35
Advances from other funds	-	-	-	-
Deferred revenue	9,919	394	-	-
Total liabilities	19,104	6,547	84	117
Fund balances (Note 14):				
Reserved:	2,516	1,163	18,572	60
Unreserved:				
Designated	32	526	609	5
Undesignated	34,826	17,765	(1,413)	11,445
Total fund balances	37,374	19,454	17,768	11,510
Total liabilities and fund balances	$ 56,478	$ 26,001	$ 17,852	$ 11,627

Regional Park and Open-Space	Air Quality Improvement	Other Special Revenue	Total	
				ASSETS:
$ 11,668	$ 896	$ 19,224	$ 108,066	Cash and investments
-	-	8	6,910	Accounts receivable
31	2	45	216	Interest receivable
95	-	14	1,544	Taxes receivable
168	147	919	13,231	Due from other governments
-	-	-	829	Inventories
450	-	-	450	Due from other funds
-	-	-	353	Restricted cash and investments
-	-	106	106	Advances to other funds
-	-	-	13,349	Notes receivable
-	-	-	677	Land held for resale
12,412	1,045	20,316	145,731	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
83	107	-	9,747	Accounts payable
268	-	205	3,581	Salaries and benefits payable
4	-	42	2,825	Due to other governments
-	-	-	60	Due to other funds
-	-	-	35	Deposits payable
-	-	106	106	Advances from other funds
24	147	952	11,436	Deferred revenue
379	254	1,305	27,790	Total liabilities
				Fund balances (Note 14):
287	-	214	22,812	Reserved:
				Unreserved:
11,746	-	123	13,041	Designated
-	791	18,674	82,088	Undesignated
12,033	791	19,011	117,941	Total fund balances
$ 12,412	$ 1,045	$ 20,316	$ 145,731	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Special Revenue Funds

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	County Service Areas
REVENUES:				
Taxes	$ 9,697	$ 35,914	$ 6,655	$ 895
Licenses, permits and franchise fees	152	-	-	-
Fines, forfeitures and penalties	-	392	-	-
Use of money and property:				
Interest	266	-	28	80
Rents and concessions	-	1,619	-	19
Aid from other governmental agencies:				
Federal	10,883	43,392	-	-
State	28,786	4,871	-	17
Charges for services	17,152	1,535	-	5,698
Other revenue	6,786	9,160	98	56
Total revenues	73,722	96,883	6,781	6,765
EXPENDITURES:				
Current:				
General government	-	16,018	6,271	-
Public protection	411	-	-	87
Public ways and facilities	86,882	-	-	3,214
Health and sanitation	-	-	-	529
Public assistance	-	39,992	-	-
Education	-	9,904	-	-
Recreation and culture	-	-	-	772
Debt service:				
Principal	-	575	338	-
Interest	-	-	1,335	-
Total expenditures	87,293	66,489	7,944	4,602
Excess (deficiency) of revenues over (under) expenditures	(13,571)	30,394	(1,163)	2,163
OTHER FINANCING SOURCES (USES):				
Transfers in	25,381	9,632	-	75
Transfers out	(6,999)	(45,452)	(1,267)	(1,614)
Total other financing sources (uses)	18,382	(35,820)	(1,267)	(1,539)
NET CHANGE IN FUND BALANCES	4,811	(5,426)	(2,430)	624
Fund balances, beginning of year, as previously reported	29,698	24,074	20,568	11,257
Adjustments to beginning fund balances	2,865	806	(370)	(371)
Fund balances, beginning of year, as restated	32,563	24,880	20,198	10,886
FUND BALANCES, END OF YEAR	$ 37,374	$ 19,454	$ 17,768	$ 11,510

Regional Park and Open-Space	Air Quality Improvement	Other Special Revenue	Total	
				REVENUES:
$ 2,837	$ -	$ 565	$ 56,563	Taxes
-	-	-	152	Licenses, permits and franchise fees
-	-	-	392	Fines, forfeitures and penalties
				Use of money and property:
102	6	167	649	Interest
-	-	4,182	5,820	Rents and concessions
				Aid from other governmental agencies:
-	-	3,549	57,824	Federal
1,911	370	3,154	39,109	State
6,947	-	7,871	39,203	Charges for services
4	-	2,646	18,750	Other revenue
11,801	376	22,134	218,462	Total revenues
				EXPENDITURES:
				Current:
-	216	5,070	27,575	General government
42	-	2,869	3,409	Public protection
-	-	6,906	97,002	Public ways and facilities
-	-	3,188	3,717	Health and sanitation
-	-	-	39,992	Public assistance
-	-	-	9,904	Education
7,632	-	62	8,466	Recreation and culture
				Debt service:
-	-	-	913	Principal
-	-	790	2,125	Interest
7,674	216	18,885	193,103	Total expenditures
4,127	160	3,249	25,359	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
1,757	-	1,721	38,566	Transfers in
(948)	(228)	(1,345)	(57,853)	Transfers out
809	(228)	376	(19,287)	Total other financing sources (uses)
4,936	(68)	3,625	6,072	NET CHANGE IN FUND BALANCES
4,158	859	15,430	106,044	Fund balances, beginning of year, as previously reported
2,939	-	(44)	5,825	Adjustments to beginning fund balances
7,097	859	15,386	111,869	Fund balances, beginning of year, as restated
$ 12,033	$ 791	$ 19,011	$ 117,941	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Transportation Special Revenue Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 18,683	$ 13,831	$ 9,697	$ (4,134)
License, permits and franchise fees	94	94	152	58
Use of money and property:				
Interest	24	24	266	242
Aid from other governmental agencies:				
Federal	32,408	26,502	10,883	(15,619)
State	26,653	30,448	28,786	(1,662)
Charges for current services	29,616	23,518	17,152	(6,366)
Other revenue	12,156	11,715	6,786	(4,929)
Total revenues	119,634	106,132	73,722	(32,410)
EXPENDITURES:				
Current:				
Public protection	500	484	411	(73)
Public ways and facilities	121,123	126,444	86,882	(39,562)
Total expenditures	121,623	126,928	87,293	(39,635)
Excess (deficiency) of revenues over (under) expenditures	(1,989)	(20,796)	(13,571)	7,225
OTHER FINANCING SOURCES (USES):				
Transfers in	-	25,381	25,381	-
Transfers out	-	(6,999)	(6,999)	-
Total other financing sources and (uses)	-	18,382	18,382	-
NET CHANGE IN FUND BALANCE	(1,989)	(2,414)	4,811	7,225
Fund balance, beginning of year, as previously reported	29,699	29,699	29,698	(1)
Adjustments to beginning fund balance	-	-	2,865	2,865
Fund balance, beginning of year, as restated	29,699	29,699	32,563	2,864
FUND BALANCE, END OF YEAR	$ 27,710	$ 27,285	$ 37,374	$ 10,089

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 32,229	$ 33,067	$ 35,914	$ 2,847
Fines, forfeitures and penalties	400	400	392	(8)
Use of money and property:				
Interest	25	25	-	(25)
Rents and concessions	1,371	1,371	1,619	248
Aid from other governmental agencies:				
Federal	54,244	59,859	43,392	(16,467)
State	4,837	5,663	4,871	(792)
Charges for current services	4,774	2,682	1,535	(1,147)
Other revenue	18,484	14,656	9,160	(5,496)
Total revenues	116,364	117,723	96,883	(20,840)
EXPENDITURES:				
Current:				
General government	13,017	22,142	16,018	(6,124)
Public protection	36,000	25	-	(25)
Public assistance	61,991	55,530	39,992	(15,538)
Education	9,778	9,914	9,904	(10)
Debt service:				
Principal	835	619	575	(44)
Total expenditures	121,621	88,230	66,489	(21,741)
Excess (deficiency) of revenues over (under) expenditures	(5,257)	29,493	30,394	901
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,632	9,632	-
Transfers out	-	(45,452)	(45,452)	-
Total other financing sources and (uses)	-	(35,820)	(35,820)	-
NET CHANGE IN FUND BALANCE	(5,257)	(6,327)	(5,426)	901
Fund balance, beginning of year, as previously reported	24,074	24,074	24,074	-
Adjustments to beginning fund balance	-	-	806	806
Fund balance, beginning of year	24,074	24,074	24,880	806
FUND BALANCE, END OF YEAR	$ 18,817	$ 17,747	$ 19,454	$ 1,707

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 8,890	$ 8,890	$ 6,655	$ (2,235)
Use of money and property:				
Interest	300	300	28	(272)
Other revenue	2,503	4,503	98	(4,405)
Total revenues	11,693	13,693	6,781	(6,912)
EXPENDITURES:				
Current:				
General government	11,693	10,753	6,271	(4,482)
Debt service:				
Principal	-	338	338	-
Interest	-	1,335	1,335	-
Total expenditures	11,693	12,426	7,944	(4,482)
Excess (deficiency) of revenues over (under) expenditures	-	1,267	(1,163)	(2,430)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,267)	(1,267)	-
Total other financing sources and (uses)	-	(1,267)	(1,267)	-
NET CHANGE IN FUND BALANCE	-	-	(2,430)	(2,430)
Fund balance, beginning of year, as previously reported	20,568	20,568	20,568	-
Adjustments to beginning fund balance	-	-	(370)	(370)
Fund balance, beginning of year, as restated	20,568	20,568	20,198	(370)
FUND BALANCE, END OF YEAR	$ 20,568	$ 20,568	$ 17,768	$ (2,800)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 826	$ 822	$ 895	$ 73
Use of money and property:				
Interest	124	124	80	(44)
Rents and concessions	12	12	19	7
Aid from other governmental agencies:				
State	15	15	17	2
Charges for current services	5,623	5,548	5,698	150
Other revenue	100	104	56	(48)
Total revenues	6,700	6,625	6,765	140
EXPENDITURES:				
Current:				
Public protection	238	298	87	(211)
Public ways and facilities	6,130	5,298	3,214	(2,084)
Health and sanitation	850	850	529	(321)
Recreation and cultural services	1,289	954	772	(182)
Debt service:				
Total expenditures	8,507	7,400	4,602	(2,798)
Excess (deficiency) of revenues over (under) expenditures	(1,807)	(775)	2,163	2,938
OTHER FINANCING SOURCES (USES):				
Transfers in	-	75	75	-
Transfers out	-	(1,614)	(1,614)	-
Total other financing sources and (uses)	-	(1,539)	(1,539)	-
NET CHANGE IN FUND BALANCE	(1,807)	(2,314)	624	2,938
Fund balance, beginning of year, as previously reported	11,257	11,257	11,257	-
Adjustments to beginning fund balance	-	-	(371)	(371)
Fund balance, beginning of year, as restated	11,257	11,257	10,886	(371)
FUND BALANCE, END OF YEAR	$ 9,450	$ 8,943	$ 11,510	$ 2,567

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 2,525	$ 2,525	$ 2,837	$ 312
Use of money and property:				
Interest	127	127	102	(25)
Rents and concessions	433	524	-	(524)
Aid from other governmental agencies:				
State	1,726	1,726	1,911	185
Charges for current services	4,192	9,448	6,947	(2,501)
Other revenue	1,155	963	4	(959)
Total revenues	10,158	15,313	11,801	(3,512)
EXPENDITURES:				
Current:				
Public protection	10	47	42	(5)
Recreation and cultural services	9,915	9,579	7,632	(1,947)
Total expenditures	9,925	9,626	7,674	(1,952)
Excess (deficiency) of revenues over (under) expenditures	233	5,687	4,127	(1,560)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,757	1,757	-
Transfers out	-	(948)	(948)	-
Total other financing sources and (uses)	-	809	809	-
NET CHANGE IN FUND BALANCE	233	6,496	4,936	(1,560)
Fund balance, beginning of year, as previously reported	7,097	7,097	4,158	(2,939)
Adjustments to beginning fund balance	-	-	2,939	2,939
Fund balance, beginning of year, as restated	7,097	7,097	7,097	-
FUND BALANCE, END OF YEAR	$ 7,330	$ 13,593	$ 12,033	$ (1,560)

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Air Quality Improvement Special Revenue Fund

For the Fiscal Year Ended June 30, 2004

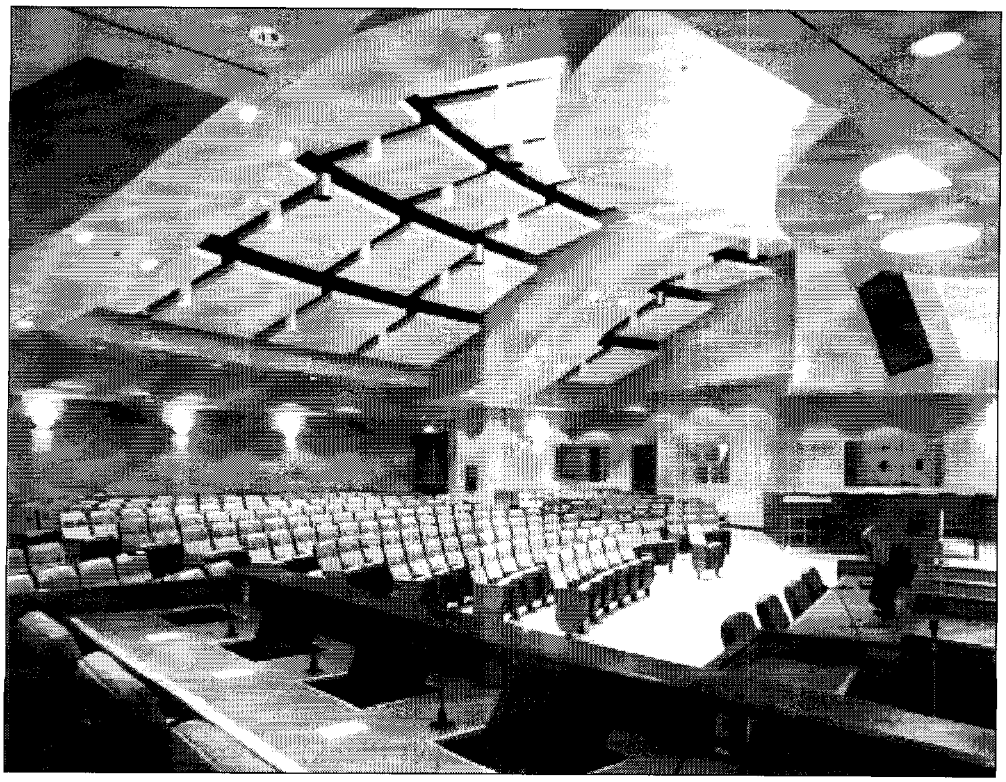
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 3	$ 3	$ 6	$ 3
Aid from other governmental agencies:				
State	456	456	370	(86)
Total revenues	459	459	376	(83)
EXPENDITURES:				
Current:				
General government	750	522	216	(306)
Total expenditures	750	522	216	(306)
Excess (deficiency) of revenues over (under) expenditures	(291)	(63)	160	223
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(228)	(228)	-
Total other financing sources and (uses)	-	(228)	(228)	-
NET CHANGE IN FUND BALANCE	(291)	(291)	(68)	223
Fund balance, beginning of year	859	859	859	-
FUND BALANCE, END OF YEAR	$ 568	$ 568	$ 791	$ 223

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 402	$ 501	$ 565	$ 64
Use of money and property:				
Interest	70	72	167	95
Rents and concessions	3,612	4,152	4,182	30
Aid from other governmental agencies:				
Federal	7,973	8,953	3,549	(5,404)
State	1,310	4,901	3,154	(1,747)
Charges for current services	7,755	6,811	7,871	1,060
Other revenue	718	877	2,646	1,769
Total revenues	21,840	26,267	22,134	(4,133)
EXPENDITURES:				
Current:				
General government	3,689	5,167	5,070	(97)
Public protection	3,670	3,588	2,869	(719)
Public ways and facilities	13,064	12,381	6,906	(5,475)
Health and sanitation	112	5,304	3,188	(2,116)
Recreation and cultural services	100	74	62	(12)
Debt service:				
Interest	-	790	790	-
Total expenditures	20,635	27,304	18,885	(8,419)
Excess (deficiency) of revenues over (under) expenditures	1,205	(1,037)	3,249	4,286
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,721	1,721	-
Transfers out	-	(1,345)	(1,345)	-
Total other financing sources and (uses)	-	376	376	-
NET CHANGE IN FUND BALANCE	1,205	(661)	3,625	4,286
Fund balance, beginning of year, as previously reported	15,430	15,430	15,430	-
Adjustments to beginning fund balance	-	-	(44)	(44)
Fund balance, beginning of year, as restated	15,430	15,430	15,386	(44)
FUND BALANCE, END OF YEAR	$ 16,635	$ 14,769	$ 19,011	$ 4,242

DEBT SERVICE FUNDS



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COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund receives revenue to pay principal and interest for flood control bonds. These bonds are legal obligations of Zones 2, 4, 6 and Flood Control and were issued to finance construction of flood control channels within each zone.

REDEVELOPMENT AGENCY

This fund receives tax increment revenue to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency and were issued to finance construction of infrastructure and public facilities with various project areas.

DESERT FACILITIES CORPORATION

Desert Facilities Corporation is a non-profit corporation established for the purpose of financing the construction of a courthouse project for use by the County.

TEETER

This fund receives revenue from collection of delinquent taxes, which is then used to pay principal and interest in association with Taxable and Tax-Exempt Commercial Paper of the Teeter Plan.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT PROJECT)

District Court Project is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction and development of a United States District Courthouse, financed from the proceeds of the sale of certificates.

COUNTY OF RIVERSIDE BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

The Bankruptcy Court is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction and development of a United States Bankruptcy Court financed from the proceeds of the sale of certificates.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2004
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
ASSETS:				
Cash and investments	$ -	$ -	$ 34,627	$ -
Accounts receivable	-	-	277	-
Interest receivable	155	-	788	-
Taxes receivable	-	-	-	-
Restricted cash and investments	26,580	-	-	127
Total assets	26,735	-	35,692	127
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	753	-	1,099	-
Due to other governments	-	-	-	-
Due to other funds	-	-	-	-
Interest payable	-	-	87	-
Teeter notes payable	-	-	-	-
Total liabilities	753	-	1,186	-
Fund balances (Note 14):				
Reserved	25,982	-	34,506	127
Total fund balances	25,982	-	34,506	127
Total liabilities and fund balances	$ 26,735	$ -	$ 35,692	$ 127

Teeter	District Court Project	Bankruptcy Court	Total	
				ASSETS:
$ -	$ -	$ -	$ 34,627	Cash and investments
-	-	-	277	Accounts receivable
115	1	1	1,060	Interest receivable
35,132	-	-	35,132	Taxes receivable
9,578	694	1,192	38,171	Restricted cash and investments
44,825	695	1,193	109,267	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
7	-	-	1,859	Accounts payable
8,838	-	-	8,838	Due to other governments
8,654	-	-	8,654	Due to other funds
-	-	-	87	Interest payable
23,967	-	-	23,967	Teeter notes payable
41,466	-	-	43,405	Total liabilities
				Fund balances (Note 14):
3,359	695	1,193	65,862	Reserved
3,359	695	1,193	65,862	Total fund balances
$ 44,825	$ 695	$ 1,193	$ 109,267	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	CORAL	Flood Control	Redevelopment Agency	Desert Facilities Corporation
REVENUES:				
Taxes	$ -	$ -	$ 26,620	$ -
Use of money and property:				
Interest	1,437	-	2,172	1
Rents and concessions	19,260	-	-	92
Other revenue	-	-	-	-
Total revenues	20,697	-	28,792	93
EXPENDITURES:				
Current:				
General government	1,285	-	15,506	-
Debt service:				
Principal	19,465	295	1,208	289
Interest	13,423	39	-	-
Cost of issuance	504	-	-	-
Total expenditures	34,677	334	16,714	289
Excess (deficiency) of revenues over (under) expenditures	(13,980)	(334)	12,078	(196)
OTHER FINANCING SOURCES (USES):				
Transfers in	10,325	334	-	-
Transfers out	(18,966)	-	(33,553)	-
Bond proceeds	21,645	-	-	-
Total other financing sources (uses)	13,004	334	(33,553)	-
NET CHANGE IN FUND BALANCES	(976)	-	(21,475)	(196)
Fund balances, beginning of year, as previously reported	26,958	-	56,426	123
Adjustments to beginning fund balances	-	-	(445)	200
Fund balances, beginning of year, as restated	26,958	-	55,981	323
FUND BALANCES, END OF YEAR	25,982	$ -	$ 34,506	$ 127

Teeter	District Court Project	Bankruptcy Court	Total	
				REVENUES:
$ -	$ -	$ -	$ 26,620	Taxes
				Use of money and property:
169	28	7	3,814	Interest
-	2,298	2,194	23,844	Rents and concessions
46	-	5	51	Other revenue
215	2,326	2,206	54,329	Total revenues
				EXPENDITURES:
				Current:
-	-	-	16,791	General government
				Debt service:
-	1,290	1,679	24,226	Principal
518	943	-	14,923	Interest
-	-	-	504	Cost of issuance
518	2,233	1,679	56,444	Total expenditures
(303)	93	527	(2,115)	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
511	-	-	11,170	Transfers in
-	-	-	(52,519)	Transfers out
-	-	-	21,645	Bond proceeds
511	-	-	(19,704)	Total other financing sources (uses)
208	93	527	(21,819)	NET CHANGE IN FUND BALANCES
3,151	602	-	87,260	Fund balances, beginning of year, as previously reported
-	-	666	421	Adjustments to beginning fund balances
3,151	602	666	87,681	Fund balances, beginning of year, as restated
$ 3,359	$ 695	$ 1,193	$ 65,862	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Flood Control Debt Service Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
EXPENDITURES:				
Current:				
Debt service:				
Principal	$ 334	$ 295	$ 295	$ -
Interest	-	39	39	-
Total expenditures	334	334	334	-
Excess (deficiency) of revenues over (under) expenditures	(334)	(334)	(334)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	334	334	-
Total other financing sources and (uses)	-	334	334	-
NET CHANGE IN FUND BALANCE	(334)	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ (334)	$ -	$ -	$ -

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Debt Service Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 26,896	$ 27,696	$ 26,620	$ (1,076)
Use of money and property:				
Interest	1,775	1,775	2,172	397
Other revenue	11,200	11,200	-	(11,200)
Total revenues	39,871	40,671	28,792	(11,879)
EXPENDITURES:				
Current:				
General government	39,872	19,118	15,506	(3,612)
Debt service:				
Principal	-	-	1,208	1,208
Total expenditures	39,872	19,118	16,714	(2,404)
Excess (deficiency) of revenues over (under) expenditures	(1)	21,553	12,078	(9,475)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(33,553)	(33,553)	-
Total other financing sources and (uses)	-	(33,553)	(33,553)	-
NET CHANGE IN FUND BALANCE	(1)	(12,000)	(21,475)	(9,475)
Fund balance, beginning of year, as previously reported	56,426	56,426	56,426	-
Adjustments to beginning fund balance	-	-	(445)	(445)
Fund balance, beginning of year, as restated	56,426	56,426	55,981	(445)
FUND BALANCE, END OF YEAR	$ 56,425	$ 44,426	$ 34,506	$ (9,920)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 40,000	$ 40,000	$ -	$ (40,000)
Use of money and property:				
Interest	-	200	169	(31)
Other revenue	42,883	42,172	46	(42,126)
Total revenues	82,883	82,372	215	(82,157)
EXPENDITURES:				
Current:				
Debt service:				
Principal	82,883	82,365	-	(82,365)
Interest	-	518	518	-
Total expenditures	82,883	82,883	518	(82,365)
Excess (deficiency) of revenues over (under) expenditures	-	(511)	(303)	208
OTHER FINANCING SOURCES (USES):				
Transfers in	-	511	511	-
Total other financing sources and (uses)	-	511	511	-
NET CHANGE IN FUND BALANCE	-	-	208	208
Fund balance, beginning of year	3,151	3,151	3,151	-
FUND BALANCE, END OF YEAR	$ 3,151	$ 3,151	$ 3,359	$ 208

CAPITAL PROJECTS FUNDS

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COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

CORRECTIONAL FACILITIES

These three funds are used to finance the acquisition and construction of correctional facilities, courts, and other buildings for justice related activities. Revenues are obtained from State funding, court collections for fines, fees, and assessments, and certificates of participation sold through CORAL. Remaining balances in these funds represent projects completed in prior years. Residual amounts were transferred to the General Fund during this fiscal year.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund is used to finance the construction of flood control channels and projects. Revenues are obtained from property taxes, special assessments and proceeds of tax allocation bonds.

REDEVELOPMENT AGENCY

This fund is used to finance the construction of infrastructure and public facilities in various project areas. Revenues are obtained from proceeds of tax allocation bonds.

DISTRICT COURT PROJECT

District Court Project is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction and development of a United States District Courthouse, financed from the proceeds of the sale of certificates.

REGIONAL PARK AND OPEN-SPACE DISTRICT

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management. The District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE

Combining Balance Sheet

Capital Projects Funds

June 30, 2004

(Dollars in Thousands)

	Correctional Facilities	CORAL	Flood Control
ASSETS:			
Cash and investments	$ -	$ -	$ 105
Interest receivable	-	-	-
Taxes receivable	-	19	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Restricted cash and investments	-	17,744	-
Notes receivable	-	-	-
Land held for sale	-	-	-
Total assets	-	17,763	105
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	-	208	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Total liabilities	-	208	-
Fund balances (Note 14):			
Reserved	-	17,555	-
Unreserved:			
Designated	-	-	-
Undesignated	-	-	105
Total fund balances	-	17,555	105
Total liabilities and fund balances	$ -	$ 17,763	$ 105

Redevelopment Agency	District Court Project	Regional Park and Open-Space	Total	
				ASSETS:
$ 30,943	$ -	$ 2,241	$ 33,289	Cash and investments
55	-	5	60	Interest receivable
-	-	-	19	Taxes receivable
-	-	357	357	Due from other governments
-	-	175	175	Due from other funds
-	145	-	17,889	Restricted cash and investments
1,426	-	-	1,426	Notes receivable
12,802	-	-	12,802	Land held for sale
45,226	145	2,778	66,017	Total assets
				LIABILITIES AND FUND BALANCES:
				Liabilities:
1,254	-	111	1,573	Accounts payable
-	-	625	625	Due to other funds
-	-	19	19	Deferred revenue
1,254	-	755	2,217	Total liabilities
				Fund balances (Note 14):
33,915	145	73	51,688	Reserved
				Unreserved:
18,393	-	1,960	20,353	Designated
(8,336)	-	(10)	(8,241)	Undesignated
43,972	145	2,023	63,800	Total fund balances
$ 45,226	$ 145	$ 2,778	$ 66,017	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Capital Projects Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Correctional Facilities	CORAL	Flood Control
REVENUES:			
Use of money and property:			
Interest	$ -	$ 139	$ 2
Aid from other governmental agencies:			
State	-	-	-
Charges for services	-	-	-
Other revenue	-	-	-
Total revenues	-	139	2
EXPENDITURES:			
Current:			
General government	-	11	-
Recreation and culture	-	-	-
Debt service:	-	-	-
Capital outlay	-	-	121
Total expenditures	-	11	121
Excess (deficiency) of revenues over (under) expenditures	-	128	(119)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	13,177	-
Transfers out	(981)	(6,387)	-
Gain (loss) on sale of assets	-	-	-
Total other financing sources (uses)	(981)	6,790	-
NET CHANGE IN FUND BALANCES	(981)	6,918	(119)
Fund balances beginning of year, as previously reported	981	10,637	224
Adjustments to beginning fund balances	-	-	-
Fund balances, beginning of year, as restated	981	10,637	224
FUND BALANCES, END OF YEAR	$ -	$ 17,555	$ 105

Redevelopment Agency	District Court Project	Regional Park and Open-Space	Total	
				REVENUES:
				Use of money and property:
$ 464	$ 1	$ 24	$ 630	Interest
				Aid from other governmental agencies:
-	-	634	634	State
-	-	1	1	Charges for services
496	-	-	496	Other revenue
960	1	659	1,761	Total revenues
				EXPENDITURES:
				Current:
18,179	1	-	18,191	General government
-	-	595	595	Recreation and culture
-	-	-		Debt service:
-	-	-	121	Capital outlay
18,179	1	595	18,907	Total expenditures
				Excess (deficiency) of revenues
(17,219)	-	64	(17,146)	over (under) expenditures
				OTHER FINANCING SOURCES (USES):
33,553	-	-	46,730	Transfers in
(3,598)	-	(187)	(11,153)	Transfers out
494	-	-	494	Gain (loss) on sale of assets
30,449	-	(187)	36,071	Total other financing sources (uses)
13,230	-	(123)	18,925	NET CHANGE IN FUND BALANCES
				Fund balances beginning of year,
30,742	145	5,056	47,785	as previously reported
-	-	(2,910)	(2,910)	Adjustments to beginning fund balances
30,742	145	2,146	44,875	Fund balances, beginning of year, as restated
$ 43,972	$ 145	$ 2,023	$ 63,800	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Flood Control Capital Projects Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 2	$ 2	$ 2	$ -
Other revenue	440	440	-	(440)
Total revenues	442	442	2	(440)
EXPENDITURES:				
Current:				
Capital outlay	575	575	121	(454)
Total expenditures	575	575	121	(454)
NET CHANGE IN FUND BALANCE	(133)	(133)	(119)	14
Fund balance, beginning of year	224	224	224	-
FUND BALANCE, END OF YEAR	$ 91	$ 91	$ 105	$ 14

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Capital Projects Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Interest	$ 505	$ 505	$ 464	$ (41)
Other revenue	40,399	18,845	496	(18,349)
Total revenues	40,904	19,350	960	(18,390)
EXPENDITURES:				
Current:				
General government	40,903	37,306	18,179	(19,127)
Total expenditures	40,903	37,306	18,179	(19,127)
Excess (deficiency) of revenues over (under) expenditures	1	(17,956)	(17,219)	737
OTHER FINANCING SOURCES (USES):				
Transfers in	-	33,553	33,553	-
Transfers out	-	(3,598)	(3,598)	-
Other long term obligations	-	-	494	494
Total other financing sources and (uses)	-	29,955	30,449	494
NET CHANGE IN FUND BALANCE	1	11,999	13,230	1,231
Fund balance, beginning of year	30,742	30,742	30,742	-
FUND BALANCE, END OF YEAR	$ 30,743	$ 42,741	$ 43,972	$ 1,231

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

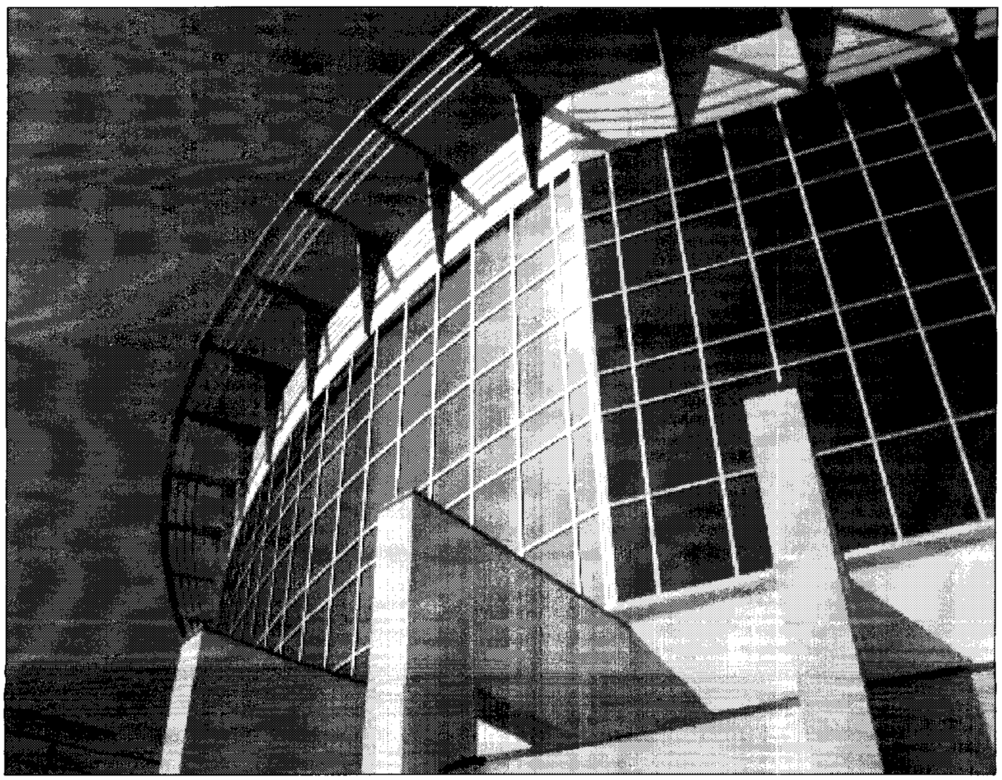
Regional Park and Open-Space District Capital Projects Fund

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 45	$ 45	$ 24	$ (21)
Aid from other governmental agencies:				
State	1,877	2,218	634	(1,584)
Charges for current services	-	-	1	1
Total revenues	1,922	2,263	659	(1,604)
EXPENDITURES:				
Current:				
Recreation and cultural services	3,281	3,365	595	(2,770)
Total expenditures	3,281	3,365	595	(2,770)
Excess (deficiency) of revenues over (under) expenditures	(1,359)	(1,102)	64	1,166
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(187)	(187)	-
Total other financing sources and (uses)	-	(187)	(187)	-
NET CHANGE IN FUND BALANCE	(1,359)	(1,289)	(123)	1,166
Fund balance, beginning of year, as previously reported	5,056	5,056	5,056	-
Adjustments to beginning fund balance	-	-	(2,910)	(2,910)
Fund balance, beginning of year, as restated	5,056	5,056	2,146	(2,910)
FUND BALANCE, END OF YEAR	$ 3,697	$ 3,767	$ 2,023	$ (1,744)

NONMAJOR ENTERPRISE FUNDS



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COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds account for operations providing goods or services to the general public on a continuing basis. The accounting for these funds is in a manner similar to private enterprises and the intent of the governing body is that all costs are to be financed or recovered primarily through user charges.

COUNTY SERVICE AREA WATER AND SEWER DISTRICT FUNDS

These three funds were established to account for revenues earned, expenses incurred, and the allocation of net income for County Service Areas 62 and 122.

HOUSING AUTHORITY

The Housing Authority was established to provide decent housing in a suitable living environment for families that cannot afford standard private housing.

FLOOD CONTROL

These three funds were established to account for transactions resulting from topographical map sales, subdivision operations and issuance of encroachment permits.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2004
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 396	$ 8,383	$ 671	$ 9,450
Accounts receivable-net	-	69	471	540
Interest receivable	1	-	3	4
Taxes receivable	12	-	-	12
Due from other governments	-	57	-	57
Due from other funds	-	23	-	23
Restricted cash and investments	-	1,536	850	2,386
Prepaid items and deposits	-	33	-	33
Total current assets	409	10,101	1,995	12,505
Noncurrent Assets:				
Capital assets:				
Depreciable assets	62	10,582	126	10,770
Nondepreciable assets	-	5,121	-	5,121
Bond issuance costs	-	972	-	972
Total Noncurrent Assets	62	16,675	126	16,863
Total assets	471	26,776	2,121	29,368
LIABILITIES:				
Current liabilities:				
Accounts payable	-	-	279	279
Salaries and benefits payable	9	366	63	438
Due to other funds	-	23	-	23
Due to other governments	-	756	-	756
Interest payable	-	11	-	11
Deposits payable	47	-	-	47
Other liabilities	-	1,507	850	2,357
Compensated absences	11	-	15	26
Bonds payable	-	80	-	80
Total current liabilities	67	2,743	1,207	4,017
Noncurrent portion of long-term liabilities:				
Compensated absences	23	641	143	807
Bonds payable	-	1,900	-	1,900
Other long- term liabilities	-	611	-	611
Total noncurrent liabilities	23	3,152	143	3,318
Total liabilities	90	5,895	1,350	7,335
NET ASSETS:				
Invested in capital assets, net of related debt	-	15,702	126	15,828
Restricted	62	157	-	219
Unrestricted	319	5,022	645	5,986
Total net assets	$ 381	$ 20,881	$ 771	$ 22,033

COUNTY OF RIVERSIDE

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

Nonmajor Enterprise Funds

For the Fiscal Year Ended June 30, 2004

(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 250	$ 60,631	$ 2,656	$ 63,537
Other	20	449	-	469
Total operating revenues	270	61,080	2,656	64,006
OPERATING EXPENSES:				
Personnel services	151	6,546	1,114	7,811
Communications	3	-	-	3
Insurance	3	-	-	3
Maintenance of building and equipment	44	1,820	-	1,864
Supplies	3	-	1,137	1,140
Purchased services	34	-	993	1,027
Depreciation and amortization	6	1,320	49	1,375
Public assistance	-	49,369	-	49,369
Utilities	63	521	-	584
Other	19	1,270	-	1,289
Total operating expenses	326	60,846	3,293	64,465
Operating income	(56)	234	(637)	(459)
NONOPERATING REVENUES (EXPENSES):				
Investment income	3	121	34	158
Interest expense	(3)	(753)	-	(756)
Gain (loss) on disposal of capital assets	-	4,227	-	4,227
Total nonoperating revenues (expenses)	-	3,595	34	3,629
CHANGE IN NET ASSETS	(56)	3,829	(603)	3,170
Net assets, beginning of year, as previously reported	437	17,052	1,374	18,863
NET ASSETS, END OF YEAR	$ 381	$ 20,881	$ 771	$ 22,033

COUNTY OF RIVERSIDE

Statement of Cash Flows

Nonmajor Enterprise Funds

For the Fiscal Year Ending June 30, 2004

(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 270	$ 61,905	$ 2,631	$ 64,806
Cash paid to suppliers for goods and services	(168)	(54,826)	(1,107)	(56,101)
Cash paid to employees for services	(145)	(6,007)	(1,068)	(7,220)
Net cash provided by (used in) operating activities	(43)	1,072	456	1,485
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	4,227	-	4,227
Acquisition and construction of capital assets	3	4,270	-	4,273
Principal paid on bonds payable	-	(9,140)	-	(9,140)
Interest paid on long-term debt	(3)	(804)	-	(807)
Net cash used in capital and related financing activities	-	(1,447)	-	(1,447)
Cash flows from investing activities				
Interest received on investments	3	121	34	158
Net cash provided by investing activities	3	121	34	158
Net increase (decrease) in cash and cash equivalents	(40)	(254)	490	196
Cash and cash equivalents, beginning of year	436	10,173	1,031	11,640
Cash and cash equivalents, end of year	$ 396	$ 9,919	$ 1,521	$ 11,836

	County Service Areas	Housing Authority	Flood Control	Total
Reconciliation of operating income to net cash provided				
Operating income (loss)	$ (56)	$ 234	$ (637)	$ (459)
Adjustments to reconcile operating income to net cash				
Depreciation and amortization	6	1,320	49	1,375
Decrease (Increase) accounts receivable	-	378	(32)	346
Decrease (Increase) bond issuance cost	-	70	-	70
Decrease (Increase) due from other funds	-	(1)	-	(1)
Decrease (Increase) due from other governments	-	378	7	385
Decrease (Increase) prepaid items and deposits	-	54	-	54
Increase (Decrease) accounts payable	-	(3)	173	170
Increase (Decrease) due to other funds	-	1	-	1
Increase (Decrease) due to other governments	-	(875)	-	(875)
Increase (Decrease) deposits payable	1	-	-	1
Increase (Decrease) other liabilities	-	(1,023)	850	(173)
Increase (Decrease) salaries and benefits payable	1	366	25	392
Increase (Decrease) compensated absences	5	173	21	199
Net cash provided by (used in) operating activities	$ (43)	$ 1,072	$ 456	$ 1,485

INTERNAL SERVICE FUNDS

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COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established 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.

FLEET SERVICES FUND

This fund finances the operation and maintenance of the Sheriff's department vehicles as well as for other County departments. Revenue is attained from other departments on a cost-reimbursement basis.

INFORMATION SERVICES FUND

This fund is supported by revenues received from County departments for services from the Information Services department for software systems support to computer network and data structure design and organization to County computer systems.

PRINTING SERVICES FUND

This fund accounts for the financing of materials, services and supplies provided to the County departments on a cost-reimbursement basis. This operation also provides such services as paper reclamation program, which collects and sells waste paper collected from County departments for recycling. Beginning in the new fiscal year, Central Mail Services will be added to this fund's operations.

SUPPLY SERVICES FUND

The purpose of this fund is to provide financing to support an operation that provides County departments with merchandise and service on a cost-reimbursement basis.

OASIS PROJECT FUND

These funds were established to support the implementation, operation and maintenance of the County's central administrative information system for County departments. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT FUNDS

These eleven funds account for the financing of employee benefit insurances and County self-insurances. They include funds for dental, life, medical, vision, disability income, and unemployment insurance for applicable bargaining units, County general liability, medical malpractice and worker's compensation.

TEMPORARY ASSISTANCE POOL

The purpose of this fund is to provide a ready source of temporary workers to County departments with lower overhead charges than are typically levied by outside temporary employment agencies.

FLOOD CONTROL EQUIPMENT FUNDS

This fund was established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE

Combining Statement of Fund Net Assets

Internal Service Funds

June 30, 2004

(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
ASSETS:					
Current assets:					
Cash and investments	$ 2,884	$ 8,291	$ 1,178	$ 1,646	$ 7,955
Accounts receivable-net	66	-	69	3	-
Interest receivable	-	-	-	-	-
Inventories	363	435	121	353	-
Prepaid items and deposits	-	94	6	8	-
Total current assets	3,313	8,820	1,374	2,010	7,955
Noncurrent assets:					
Capital assets:					
Depreciable assets	19,855	16,057	1,579	400	2,444
Non depreciable assets	456	-	-	-	-
Total noncurrent assets	20,311	16,057	1,579	400	2,444
Total assets	23,624	24,877	2,953	2,410	10,399
LIABILITIES:					
Current liabilities:					
Accounts payable	381	3,759	118	326	214
Salaries and benefits payable	175	1,204	56	38	273
Due to other funds	190	-	-	-	-
Due to other governments	-	-	-	-	-
Other liabilities	4,386	-	-	-	-
Compensated absences	115	961	19	28	259
Capital lease obligation	6,057	3,971	216	-	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	11,304	9,895	409	392	746
Noncurrent portion of long-term liabilities:					
Compensated absences	234	1,951	39	57	526
Capital lease obligation	5,280	1,802	601	-	431
Estimated claims liabilities	-	-	-	-	-
Other long term liabilities	1,500	-	-	-	-
Total noncurrent liabilities	7,014	3,753	640	57	957
Total liabilities	18,318	13,648	1,049	449	1,703
NET ASSETS:					
Invested in capital assets, net of related debt	8,518	10,284	762	400	2,013
Unrestricted (deficit)	(3,212)	945	1,142	1,561	6,683
Total net assets	$ 5,306	$ 11,229	$ 1,904	$ 1,961	$ 8,696

	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
ASSETS:				
Current assets:				
Cash and investments	$ 98,409	$ 4,002	$ 3,527	$ 127,892
Accounts receivable-net	1,274	-	112	1,524
Interest receivable	252	-	9	261
Inventories	-	-	272	1,544
Prepaid items and deposits	-	-	-	108
Total current assets	99,935	4,002	3,920	131,329
Noncurrent assets:				
Capital assets:				
Depreciable assets	30	86	2,503	42,954
Non depreciable assets	-	-	-	456
Total noncurrent assets	30	86	2,503	43,410
Total assets	99,965	4,088	6,423	174,739
LIABILITIES:				
Current liabilities:				
Accounts payable	1,202	3	150	6,153
Salaries and benefits payable	487	860	55	3,148
Due to other funds	-	-	-	190
Due to other governments	8	-	-	8
Other liabilities	-	-	-	4,386
Compensated absences	259	74	35	1,750
Capital lease obligation	-	-	-	10,244
Estimated claims liability	40,152	-	-	40,152
Total current liabilities	42,108	937	240	66,031
Noncurrent portion of long-term liabilities:				
Compensated absences	526	150	163	3,646
Capital lease obligation	-	-	-	8,114
Estimated claims liabilities	77,106	-	-	77,106
Other long term liabilities	-	-	-	1,500
Total noncurrent liabilities	77,632	150	163	90,366
Total liabilities	119,740	1,087	403	156,397
NET ASSETS:				
Invested in capital assets, net of related debt	30	86	2,503	24,596
Unrestricted (deficit)	(19,805)	2,915	3,517	(6,254)
Total net assets	$ (19,775)	$ 3,001	$ 6,020	$ 18,342

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project
OPERATING REVENUES:					
Charges for services	$ 17,796	$ 55,378	$ 3,715	$ 6,995	$ 12,304
Other revenue	140	89	1	4,340	4
Total operating revenues	17,936	55,467	3,716	11,335	12,308
OPERATING EXPENSES:					
Cost of materials used	1,283	-	-	-	-
Personnel services	2,928	22,020	1,031	603	3,747
Communications	78	4,788	45	25	227
Insurance	90	87	8	23	4
Maintenance of building and equipment	1,571	10,238	430	18	1,477
Insurance claims	-	-	-	-	-
Supplies	2,677	1,560	1,354	9,833	244
Purchased services	309	4,253	328	394	4,439
Depreciation and amortization	7,935	7,370	366	35	1,808
Rents and leases of equipment	1	1,339	30	-	171
Public assistance	-	-	-	-	-
Utilities	8	193	-	-	-
Other	-	1,176	10	75	23
Total operating expenses	16,880	53,024	3,602	11,006	12,140
Operating income (loss)	1,056	2,443	114	329	168
NONOPERATING REVENUES (EXPENSES):					
Investment income	(12)	(35)	(5)	(8)	(33)
Interest expense	(518)	(490)	(50)	-	-
Gain (loss) on disposal of capital assets	(167)	4	-	-	-
Other nonoperating revenues / (expenses)	-	-	-	-	-
Total nonoperating revenues (expenses)	(697)	(521)	(55)	(8)	(33)
Income (loss) before capital contributions and transfers	359	1,922	59	321	135
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(126)	-	-	-	-
CHANGE IN NET ASSETS	233	1,922	59	321	135
Net assets, beginning of year, as previously reported	5,039	9,708	1,777	1,680	9,120
Adjustments to beginning net assets	34	(401)	68	(40)	(559)
Net assets, beginning of year, as restated	5,073	9,307	1,845	1,640	8,561
NET ASSETS, END OF YEAR	$ 5,306	$ 11,229	$ 1,904	$ 1,961	$ 8,696

Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
				OPERATING REVENUES:
$ 26,572	$ 15,054	$ 5,253	$ 143,067	Charges for services
6,167	8	-	10,749	Other revenue
32,739	15,062	5,253	153,816	Total operating revenues
				OPERATING EXPENSES:
-	-	-	1,283	Cost of materials used
6,295	14,135	1,350	52,109	Personnel services
152	3	-	5,318	Communications
4,689	4	-	4,905	Insurance
81	41	-	13,856	Maintenance of building and equipment
79,054	-	-	79,054	Insurance claims
2,457	285	2,184	20,594	Supplies
2,605	1,019	462	13,809	Purchased services
47	16	639	18,216	Depreciation and amortization
416	12	-	1,969	Rents and leases of equipment
7	-	-	7	Public assistance
-	-	-	201	Utilities
405	351	-	2,040	Other
96,208	15,866	4,635	213,361	Total operating expenses
(63,469)	(804)	618	(59,545)	Operating income (loss)
				NONOPERATING REVENUES (EXPENSES):
781	(18)	28	698	Investment income
-	-	-	(1,058)	Interest expense
-	-	15	(148)	Gain (loss) on disposal of capital assets
-	-	7	7	Other nonoperating revenues / (expenses)
781	(18)	50	(501)	Total nonoperating revenues (expenses)
(62,688)	(822)	668	(60,046)	Income (loss) before capital contributions and transfers
17,830	-	-	17,830	Capital contributions
101	-	32	133	Transfers in
-	(480)	-	(606)	Transfers out
(44,757)	(1,302)	700	(42,689)	CHANGE IN NET ASSETS
24,982	4,303	5,320	61,929	Net assets, beginning of year, as previously reported
-	-	-	(898)	Adjustments to beginning net assets
24,982	4,303	5,320	61,031	Net assets, beginning of year, as restated
$ (19,775)	$ 3,001	$ 6,020	$ 18,342	NET ASSETS, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Fleet Service	Information Services	Printing Services	Supply Services	OASIS Project
Cash flows from operating activities					
Cash receipts from internal services provided	$ 17,986	$ 55,649	$ 3,714	$ 11,334	$ 12,308
Cash paid to suppliers for goods and services	(4,085)	(23,796)	(2,416)	(11,950)	(7,334)
Cash paid to employees for services	(2,939)	(22,042)	(1,065)	(612)	(2,689)
Net cash provided by (used in)operating activities	10,962	9,811	233	(1,228)	2,285
Cash flows from noncapital financing activities					
Advances from (to) other funds	-	-	-	-	-
Transfers received	-	-	-	-	-
Transfers paid	(126)	-	-	-	-
Net cash provided by (used in) noncapital financing activities	(126)	-	-	-	-
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	(167)	4	-	-	-
Acquisition and construction of capital assets	(2,370)	(2,324)	(29)	(77)	(735)
Principal paid on capital leases	(7,283)	(5,180)	(204)	-	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	(518)	(490)	(50)	-	-
Net cash used in capital and related financing activities	(10,338)	(7,990)	(283)	(77)	(735)
Cash flows from investing activities					
Interest received on investments	(12)	(35)	(5)	(8)	(33)
Net cash provided by investing activities	(12)	(35)	(5)	(8)	(33)
Net increase (decrease) in cash and cash equivalents	486	1,786	(55)	(1,313)	1,517
Cash and cash equivalents, beginning of year	2,398	6,505	1,233	2,959	6,438
Cash and cash equivalents, end of year	$ 2,884	$ 8,291	$ 1,178	$ 1,646	$ 7,955

	Fleet Service	Information Services	Printing Services	Supply Services	OASIS Project
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 1,056	$ 2,443	$ 114	$ 329	$ 168
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	7,935	7,370	366	35	1,808
Decrease (Increase) accounts receivable	50	-	(2)	(1)	-
Decrease (Increase) due from other funds	-	182	-	-	-
Decrease (Increase) inventories	(85)	634	8	(4)	-
Decrease (Increase) prepaid items and deposits	-	(62)	(6)	(8)	-
Increase (Decrease) accounts payable	6	(734)	(213)	(1,570)	(749)
Increase (Decrease) due to other funds	163	-	-	-	-
Increase (Decrease) due to other governments	(10)	-	-	-	-
Increase (Decrease) other liabilities	1,858	-	-	-	-
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(63)	193	(38)	(15)	273
Increase (Decrease) compensated absences	52	(215)	4	6	785
Net cash provided by operating activities	$ 10,962	$ 9,811	$ 233	$ (1,228)	$ 2,285
Supplemental disclosure of noncash investing, capital, and financing activities	$ 2,284	$ 1,105	$ 27	$ -	$ -

	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
Cash flows from operating activities				
Cash receipts from internal services provided	$ 32,417	$ 15,062	$ 5,161	$ 153,631
Cash paid to suppliers for goods and services	(59,605)	(1,714)	(2,634)	(113,534)
Cash paid to employees for services	(6,062)	(13,961)	(1,323)	(50,693)
Net cash provided by (used in)operating activities	(33,250)	(613)	1,204	(10,596)
Cash flows from noncapital financing activities				
Advances from (to) other funds	-	-	7	7
Transfers received	101	-	32	133
Transfers paid	-	(480)	-	(606)
Net cash provided by (used in) noncapital financing activities	101	(480)	39	(466)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	-	15	(148)
Acquisition and construction of capital assets	-	(59)	(1,636)	(7,230)
Principal paid on capital leases	-	-	-	(12,667)
Capital contributions	17,830	-	-	17,830
Interest paid on long-term debt	-	-	-	(1,058)
Net cash used in capital and related financing activities	17,830	(59)	(1,621)	(3,273)
Cash flows from investing activities				
Interest received on investments	675	(18)	20	584
Net cash provided by investing activities	675	(18)	20	584
Net increase (decrease) in cash and cash equivalents	(14,644)	(1,170)	(358)	(13,751)
Cash and cash equivalents, beginning of year	113,053	5,172	3,885	141,643
Cash and cash equivalents, end of year	$ 98,409	$ 4,002	$ 3,527	$ 127,892

Reconciliation of operating income to net cash provided (used) by operating activities	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
Operating income (loss)	$ (63,469)	$ (804)	$ 618	$ (59,545)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	47	16	639	18,216
Decrease (Increase) accounts receivable	(322)	-	(92)	(367)
Decrease (Increase) due from other funds	-	-	-	182
Decrease (Increase) inventories	-	-	(32)	521
Decrease (Increase) prepaid items and deposits	-	-	-	(76)
Increase (Decrease) accounts payable	10	1	44	(3,205)
Increase (Decrease) due to other funds	-	-	-	163
Increase (Decrease) due to other governments	-	-	-	(10)
Increase (Decrease) other liabilities	-	-	-	1,858
Increase (Decrease) estimated claims liability	30,251	-	-	30,251
Increase (Decrease) salaries and benefits payable	91	172	2	615
Increase (Decrease) compensated absences	142	2	25	801
Net cash provided by operating activities	$ (33,250)	$ (613)	$ 1,204	$ (10,596)
Supplemental disclosure of noncash investing, capital, and financing activities	$ -	$ -	$ -	$ 3,416

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FIDUCIARY FUNDS

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COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These are funds established for the purpose of accounting for assets held in trustee or agency capacity for others and therefore cannot be used to support the government's own programs and are excluded from the government-wide financial statements.

AGENCY FUNDS

These 191 funds account for assets held by the County in a custodial capacity. These funds include payroll insurances, taxes and other withholdings; property taxes, special assessments, asset forfeitures and fees collected on behalf of cities, special districts, special task forces and other agencies. Agency funds only involve the receipt, temporary investment, and remittance to individuals, private organizations or other governments.

COUNTY OF RIVERSIDE

Combining Statement of Fiduciary Assets and Liabilities

Agency Funds

June 30, 2004

(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 65,060	$ 26,215	$ 134,492	$ 41,201	$ 266,968
Accounts receivable	210	-	-	-	210
Interest receivable	72	1	-	-	73
Taxes receivable	380	7	-	-	387
Total assets	65,722	26,223	134,492	41,201	267,638
LIABILITIES:					
Accounts payable	54,335	26,223	143	41,201	121,902
Salaries and benefits payable	5	-	-	-	5
Due to other governments	9,091	-	134,349	-	143,440
Advance from other funds	2,291	-	-	-	2,291
Total liabilities	$ 65,722	$ 26,223	$ 134,492	$ 41,201	$ 267,638

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

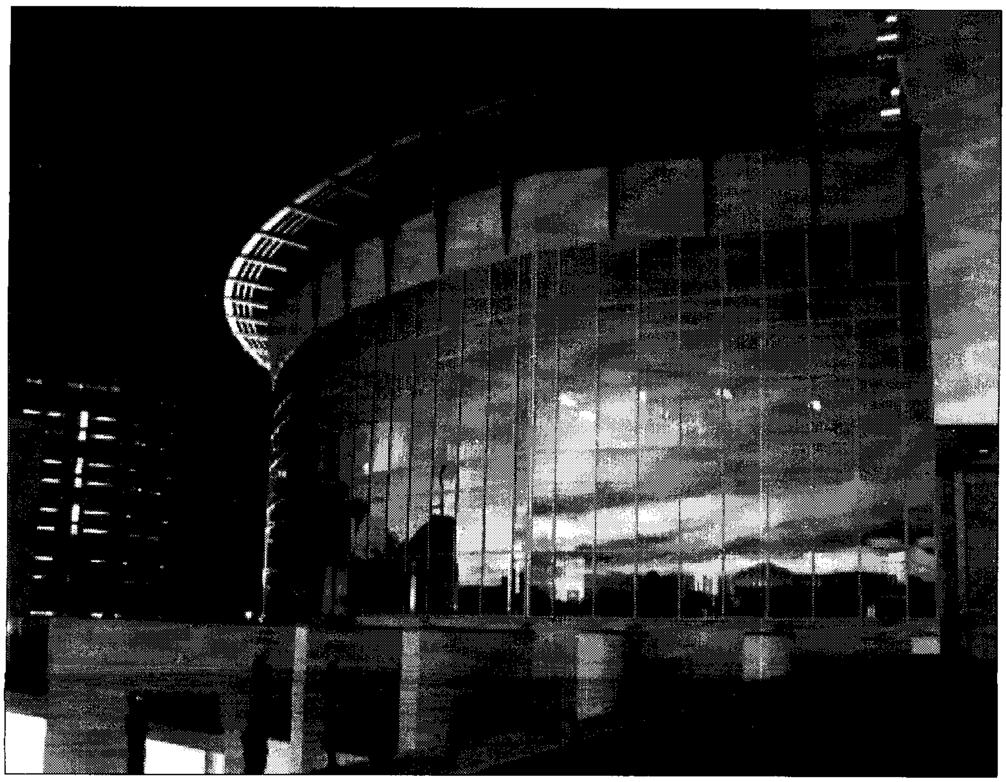
	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Other				
Assets				
Cash and investments	$ 58,052	$ 7,521	$ 513	$ 65,060
Accounts receivable	-	210	-	210
Interest receivable	5	67	-	72
Taxes receivable	390	-	10	380
Due from other governments	7	-	7	-
Total Assets	58,454	7,798	530	65,722
Liabilities				
Accounts payable	31,354	19,022	(3,959)	54,335
Salaries and benefits payable	-	5	-	5
Due to other governments	22,279	-	13,188	9,091
Due to third party	4,821	-	4,821	-
Advance from other funds	-	2,291	-	2,291
Total Liabilities	$ 58,454	$ 21,318	$ 14,050	$ 65,722
Payroll Deductions				
Assets				
Cash and investments	$ 22,334	$ 3,881	$ -	$ 26,215
Interest receivable	7	-	6	1
Taxes receivable	9	-	2	7
Total Assets	22,350	3,881	8	26,223
Liabilities				
Accounts payable	9,449	23,487	6,713	26,223
Due to other governments	12,901	-	12,901	-
Total Liabilities	$ 22,350	$ 23,487	$ 19,614	$ 26,223
Property Tax Assessments				
Assets				
Cash and investments	$ 73,628	$ 60,864	$ -	$ 134,492
Total Assets	73,628	60,864	-	134,492
Liabilities				
Accounts payable	1,448	-	1,305	143
Due to other governments	72,180	62,486	317	134,349
Total Liabilities	$ 73,628	$ 62,486	$ 1,622	$ 134,492

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Warrants				
Assets				
Cash and investments	$ 42,472	$ -	$ 1,271	$ 41,201
Total Assets	42,472	-	1,271	41,201
Liabilities				
Accounts payable	40,822	379	-	41,201
Due to other governments	1,650	-	1,650	-
Total Liabilities	$ 42,472	$ 379	$ 1,650	$ 41,201
Total Agency Funds				
Assets				
Cash and investments	$ 196,486	$ 72,266	$ 1,784	$ 266,968
Accounts receivable	-	210	-	210
Interest receivable	12	67	6	73
Taxes receivable	399	-	12	387
Due from other governments	7	-	7	-
Total Assets	196,904	72,543	1,809	267,638
Liabilities				
Accounts payable	83,073	42,888	4,059	121,902
Salaries and benefits payable	-	5	-	5
Due to other funds	-	-	-	-
Due to other governments	109,010	62,486	28,056	143,440
Due to third parties	4,821	-	4,821	-
Advance from other funds	-	2,291	-	2,291
Total Liabilities	$ 196,904	$ 107,670	$ 36,936	$ 267,638

STATISTICAL SECTION



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County of Riverside
Government-wide Expenses By Function
Governmental Activities
Last Three Fiscal Years
(Dollars In Thousands)

Table 1

Function	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
General Government	$ 154,665	$ 183,132	$ 232,322
Public Protection	549,019	620,663	710,053
Public Ways and Facilities	135,183	87,092	93,529
Health and Sanitation	310,434	330,830	376,338
Public Assistance	563,273	588,502	590,719
Education	9,315	8,609	10,280
Recreation and Culture	9,332	8,842	9,666
Interest on Long-Term Debt	38,945	33,666	29,890
Total	$ 1,770,166	$ 1,861,336	$ 2,052,797

Note: The Government-wide reporting requirements related to the implementation of GASB 34 were initiated during FY 2001-02. We therefore only have three years of data available to report.

Source: Auditor-Controller, County of Riverside

Table 2

County of Riverside
Government-wide Revenues
Governmental Activities
Last Three Fiscal Years
(Dollars In Thousands)

	Fiscal Year 2002		Fiscal Year 2003		Fiscal Year 2004	
Program Revenues						
Charges for Services		$ 366,626		$ 387,467		$ 424,644
Operating Grants and Contributions		993,977		1,050,230		1,086,456
Capital Grants and Contributions		32,364		32,537		33,041
General Revenues						
Taxes:						
Property Taxes	$ 179,079		$ 209,979		242,647	
Property Transfer Taxes	14,767		15,796		23,744	
Sales and Use Taxes	27,168		22,444		26,633	
Transient Occupancy Taxes[1]	17,267		-		-	
Other	16,905		10,377		12,108	
Subtotal:		255,186		258,596		305,132
Intergovernmental Revenue:						
Contractual Revenue - Redevelopment	55,587		6,015		11,385	
Motor Vehicle In-lieu Taxes	100,457		106,466		87,435	
Subtotal:		156,044		112,481		98,820
Investment Earnings		40,061		24,909		16,835
Miscellaneous		90,226		156,124		191,227
Total Program and General Revenues		$ 1,934,484		$ 2,022,344		$ 2,156,155

[1] Transient Occupancy Taxes are included in other taxes for fiscal years 2002-03 and 2003-04

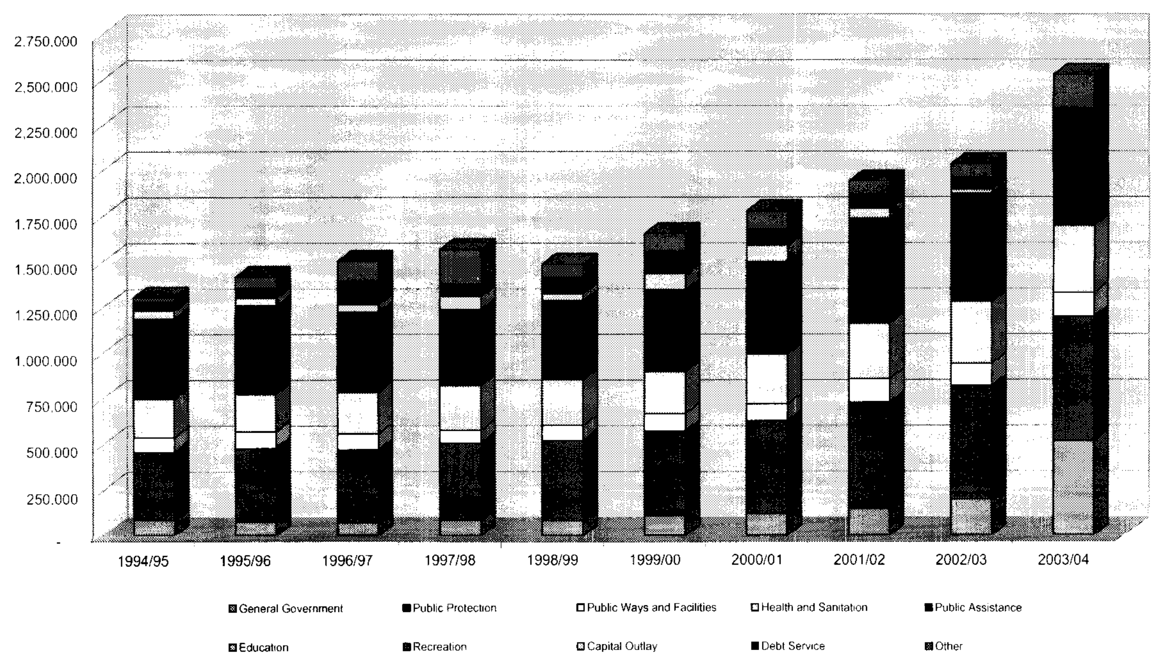
Note: The Government-wide reporting requirements related to the implementation of GASB 34 were initiated during FY 2001-02. We therefore only have three years of data available to report.

Source: Auditor-Controller, County of Riverside

Table 3

County of Riverside
General Governmental Expenditures and Transfers Out by Function
All Government Fund Types
Last Ten Fiscal Years
(Dollars In Thousands)

Fiscal Year	General Government	Public Protection	Public Ways and Facilities	Health and Sanitation	Public Assistance	Education	Recreation	Capital Outlay	Debt Service	Transfers Out	Total
1994/95	$ 92,289	$ 366,291	$ 79,925	$ 207,731	$ 424,748	$ 9,639	$ 5,295	$ 43,775	$ 49,540	$ 24,555	$ 1,303,788
1995/96	80,205	399,915	89,618	202,542	470,659	7,164	6,446	43,608	54,918	59,360	1,414,435
1996/97	75,239	395,347	87,090	225,251	426,627	6,715	6,319	41,638	131,103	105,734	1,501,063
1997/98	90,198	418,006	68,442	242,944	405,150	6,105	5,418	72,711	69,642	187,333	1,565,949
1998/99	85,454	436,689	81,532	249,470	426,077	6,243	874	38,447	86,155	74,135	1,485,076
1999/00	114,348	458,601	93,857	231,228	437,708	7,514	762	90,565	120,736	97,016	1,652,335
2000/01	125,857	502,766	89,997	272,509	496,995	8,436	916	91,695	87,921	98,055	1,775,147
2001/02	153,329	574,343	128,544	302,887	558,638	8,672	8,153	56,160	77,120	70,230	1,938,076
2002/03	204,861	613,781	120,490	339,123	570,458	9,261	10,722	22,489	68,863	71,879	2,031,927
2003/04	517,416	677,798	133,973	365,727	576,267	10,241	9,242	1,604	57,145	179,701	2,529,114

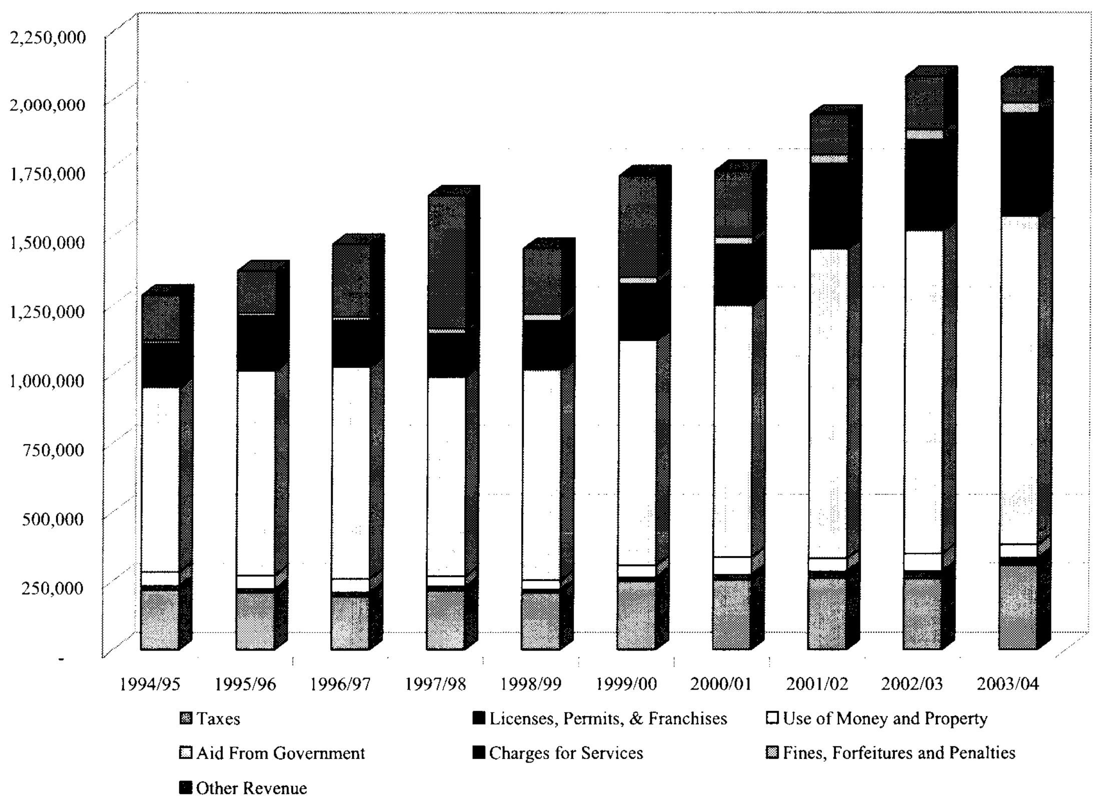


Source: Auditor-Controller, County of Riverside

Table 4

County of Riverside
General Governmental Revenues And Transfers In By Source
All Governmental Fund Types
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Taxes	Licenses Permits and Franchises	Use of Money and Property	Aid From Government	Charges For Services	Fines, Forfeitures and Penalties	Other and Transfers In	Total
1994/95	$ 217,311	$ 14,200	$ 50,431	$ 670,589	$ 155,967	$ 11,259	$ 165,114	$ 1,284,871
1995/96	206,355	15,293	47,210	742,555	195,887	13,353	151,143	1,371,796
1996/97	192,905	14,633	50,408	766,291	166,604	13,536	263,282	1,467,659
1997/98	214,321	15,838	36,741	720,678	155,449	19,796	480,320	1,643,143
1998/99	207,091	10,764	35,153	760,723	175,808	26,822	235,373	1,451,734
1999/00	248,502	13,423	42,511	816,389	202,153	26,085	367,236	1,716,299
2000/01	255,209	16,078	62,663	912,760	219,719	27,587	239,947	1,733,963
2001/02	261,348	21,883	47,666	1,119,916	308,345	31,908	145,327	1,936,393
2002/03	258,596	25,677	63,164	1,170,998	327,918	37,241	199,996	2,083,590
2003/04	305,132	26,418	48,097	1,190,866	368,497	43,297	100,404	2,082,711

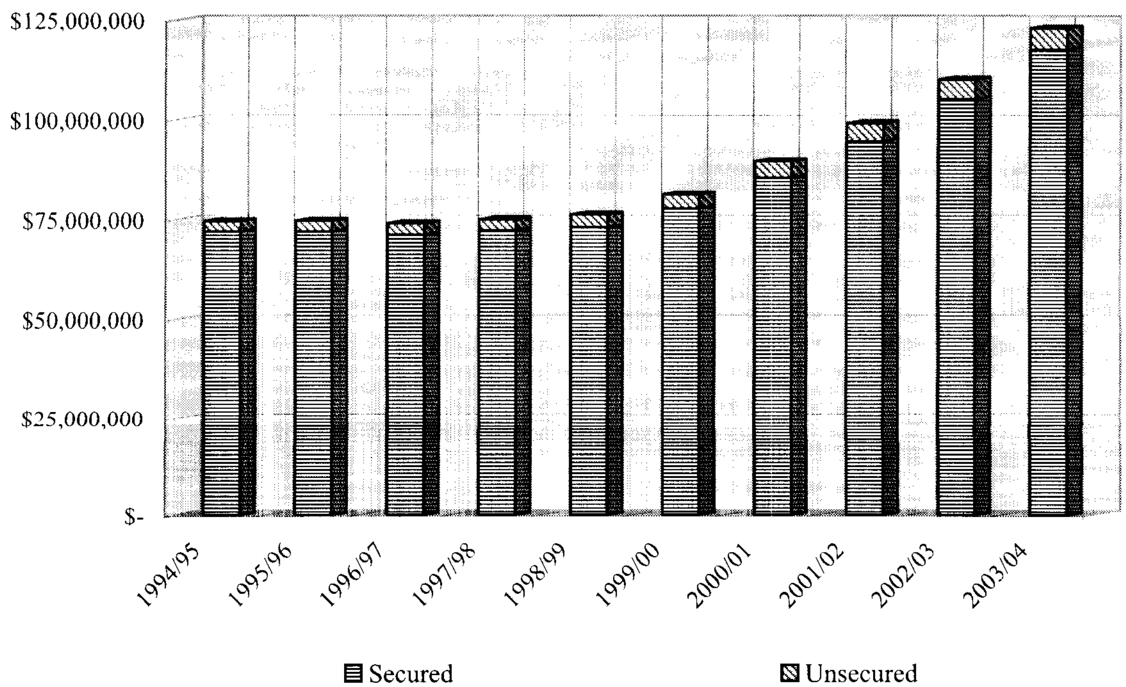


Source: Auditor-Controller, County of Riverside

Table 5

County of Riverside
Assessed Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Secured	Unsecured	Total
1994/95	$ 71,975,652	$ 2,644,821	$ 74,620,473
1995/96	72,005,972	2,724,591	74,730,563
1996/97	71,274,926	2,796,593	74,071,519
1997/98	72,274,222	2,764,571	75,038,793
1998/99	73,155,309	3,160,379	76,315,688
1999/00	77,828,451	3,539,191	81,367,642
2000/01	85,549,275	4,106,069	89,655,344
2001/02	94,589,630	4,459,640	99,049,270
2002/03	105,150,229	4,870,244	110,020,473
2003/04	117,597,417	5,246,965	122,844,382



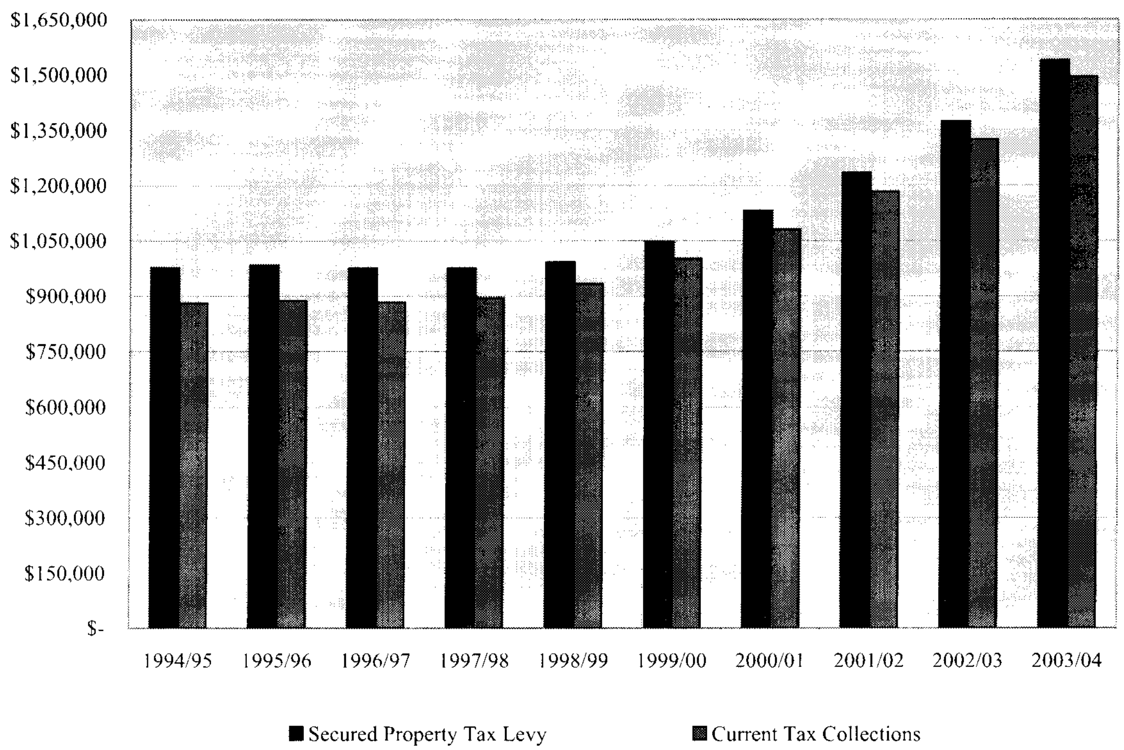
Source: Assessor-Recorder, County of Riverside

Table 6

County of Riverside
Property Taxes Levies and Collections
Direct and Overlapping Governments
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Total Secured Property Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	Delinquent Tax Collections	Total Tax Collections June 30 (1) (2)	Percent of Total Tax Collections To Tax Levy	Current Levy Delinquent June 30
1994/95	$ 975,132	$ 881,063	90.35%	$ 71,733	$ 952,796	97.71%	$ 94,069
1995/96	982,743	886,672	90.22%	70,163	956,835	97.36%	96,071
1996/97	974,580	882,328	90.53%	62,638	944,966	96.96%	92,252
1997/98	974,439	895,057	91.85%	67,606	962,663	98.79%	79,382
1998/99	990,884	934,080	94.27%	62,047	996,127	100.53%	56,804
1999/00	1,047,635	1,000,896	95.54%	65,813	1,066,709	101.82%	46,739
2000/01	1,130,564	1,080,296	95.55%	40,888	1,121,184	99.17%	50,268
2001/02	1,233,418	1,182,693	95.89%	43,543	1,226,236	99.42%	50,725
2002/03	1,372,208	1,324,013	96.49%	53,120	1,377,133	100.36%	48,195
2003/04	1,536,905	1,492,922	97.14%	67,284	1,560,206	101.52%	43,983

Note: 1 Includes tax levies and collections for redevelopment agencies which are not available for County operating purpose.
2 Includes current and prior year's redemption, penalties and interest.

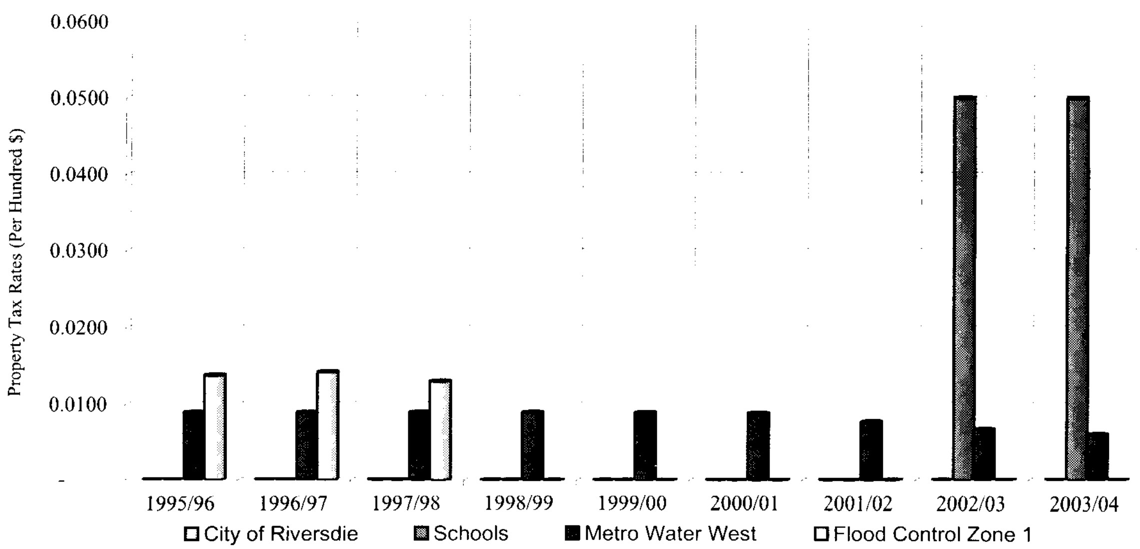


Source: Assessor-Recorder, County of Riverside

Table 7

County of Riverside
Secured Property Tax Rates
Direct and Overlapping Governments
Tax Rate Area 9 - (Per $100 of Assessed Value)
Last Ten Fiscal Years

Fiscal Year	Countywide Tax	City of Riverside	Schools	Flood Control Zone 1	Metro Water West	Total
1995/96	1.00000	0.00000	0.00000	0.01372	0.00890	1.02262
1996/97	1.00000	0.00000	0.00000	0.01416	0.00890	1.02306
1997/98	1.00000	0.00000	0.00000	0.01289	0.00890	1.02179
1998/99	1.00000	0.00000	0.00000	0.00000	0.00890	1.00890
1999/00	1.00000	0.00000	0.00000	0.00000	0.00890	1.00890
2000/01	1.00000	0.00000	0.00000	0.00000	0.00880	1.00880
2001/02	1.00000	0.00000	0.00000	0.00000	0.00770	1.00770
2002/03	1.00000	0.00000	0.05000	0.00000	0.00670	1.05670
2003/04	1.00000	0.00000	0.04993	0.00000	0.00610	1.05603



Note 1: California voters, on June 6, 1978, approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, which limits the taxing power of California public agencies. Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978 Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property tax except to pay debt service on indebtedness approved by voters prior to July 1, 1978, and that each County will levy the maximum tax permitted by Article XIIIA of $1 per $100 of full cash value. Assessed value is equal to full cash value, pursuant to Senate Bill 1656, Statutes of 1978. The rates shown above are percentages of assessed valuation

Note 2: The tax rate for Tax Rate Area 9, which applies to most property within the City of Riverside, is used to illustrate the breakdown of tax rate within the County.

Source: Auditor-Controller, County of Riverside

Table 8

County of Riverside
Ratio of Net General Bonded Debt
To Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years (Dollars in Thousands Except Net Bonded Debt Per Capita)

Fiscal Year	Population*	Assessed Value	Gross Bonded Debt (1)	Debt Service Money Available	Net Bonded Debt	Ratio Of Net Bonded Debt To Assessed Value	Net Bonded Debt Per Capita
1994/95	1,355,600	$ 74,620,473	$ 486,410	$ 115,590 (2)	$ 370,820	0.50%	$ 273.55
1995/96	1,381,900	74,730,563	468,635	113,312 (2)	355,323	0.48%	257.13
1996/97	1,380,000	74,071,519	568,665	45,323 (2)	523,342	0.71%	379.23
1997/98	1,441,200	75,038,793	581,828	32,386 (2)	549,442	0.73%	381.24
1998/99	1,473,300	76,315,688	560,368	29,862 (2)	530,506	0.70%	360.08
1999/00	1,557,800	81,367,642	647,075	73,377 (2)	573,698	0.71%	368.27
2000/01	1,583,600	89,655,344	627,809	122,502 (2)	505,307	0.56%	319.09
2001/02	1,645,300	99,049,270	633,357	123,240 (2)	510,117	0.52%	310.04
2002/03	1,719,000 (3)	110,020,473	620,369	133,049 (2)	487,320	0.44%	283.49
2003/04	1,776,700	122,844,382	643,177	72,798 (2)	570,379	0.46%	321.03

*Source: California State Department of Finance

Notes: (1) Includes all long-term general obligation bonds and certificates of participation.

(2) Includes $107,534, $104,219, $106,133, $38,774, $27,367, $23,880, $35,025, $30,425, $42,438,$34,043 and $44,323 County of Riverside Asset Leasing Corporation (CORAL) restricted assets in 1994-95, 1995-96, 1996-97, 1997-98, 1998-99, 1999-00, 2000-01, 2001-02, 2002-03 and 2003-04 respectively. Assets are restricted for funding prepayment and retirement of outstanding County of Riverside CORAL debt issues.

(3) Revised Total

Table 9

County of Riverside
Computation of Legal Debt Margin
June 30, 2004
(Dollars In Thousands)

Net assessed valuation, June 2003(1)	$	120,904,584
Applicable percentage in computing capacity		1.25%
Total debt limit		1,511,307
Less indebtedness, June 30, 2004 (2)		(635,290)
Legal debt margin, June 30, 2004	$	876,017

Notes:

(1) Net assessed valuation does not include homeowners exemption of $1,939,799 which cannot be considered as part of the valuation in computing the legal debt margin.

(2) Represents the County's general long-term debt obligations.

Source: Auditor-Controller, County of Riverside

Table 10

County of Riverside
Estimated Direct and Overlapping Bonded Debt
June 30, 2004
(Dollars in Thousands)

Fiscal Year 2003-04 Assessed Valuation: $122,844,382 (after deducting $30,791,964 redevelopment incremental valuation; includes unitary utility valuation)

DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:	% Applicable	06/30/04
Riverside County	100%	$ -
Metropolitan Water District	5.343%	23,908
Unified School Districts	2.738-100%	762,465
Perris Union High School District	100%	15,215
Other School Districts	1.497-100%	10,477
City of Corona	100%	4,705
City of Riverside	100%	20,000
Eastern Municipal Water District Improvement Districts	100%	6,990
Elsinore Valley Municipal Water District Improvement Districts No. U2	100%	2,040
Coachella County Water Districts Improvement Districts	100%	17,991
Other Special Districts	100%	14,466
Total Gross Direct And Overlapping General Obligation Bonded Debt		$ 878,257
Less: Eastern Municipal Water District and High Valleys Water District Self-Supporting bonds		(336)
Total Net Direct And Overlapping General Obligation Bonded Debt		$ 877,921

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Riverside County General Fund Obligations	100%	$ 643,177
Riverside County Board of Education Obligations	100%	13,160
School Districts General Fund and Lease Tax Obligations	2.738-100%	371,074
City of Corona General Fund Obligations	100%	60,985
City of Moreno Valley Certificates of Participation	100%	17,670
City of Palm Springs Certificates of Participation	100%	122,111
City of Riverside Certificates of Participation	100%	59,250
City of Riverside Pension Obligations	100%	89,540
Other City General Fund and Special Tax Obligations	100%	69,472
Rancho California Water District Financing Authority	100%	174,359
Other Water District Certificates of Participation	Various	15,969
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	10,262
Community Facilities Districts	95.313-100%	1,480,796
Riverside County 1915 Act Bonds	100%	66,335
City and Special District 1915 Act Bonds (Estimated)	100%	226,802
Total Gross Direct And Overlapping General Fund Obligation And Assessment Debt		$ 3,420,962
Less: Riverside District Court Financing Corporation(100% self-supporting from U.S. General Services Administration)		(21,409)
Rancho California Water District Financing Authority self-supporting obligations		(135,617)
Other Special District Self-Supporting Bonds (self-supporting from enterprise revenues)		(433)
Moreno Valley Community Facilities District 87-1 (100% Self-Supporting from tax increment revenues)		(15,630)
Total Net Direct And Overlapping General Fund Obligation And Assessment Debt:		$ 3,247,873

RATIOS TO ASSESSED VALUATION:	
Total Gross General Obligation Debt	0.71%
Total Net General Obligation Debt	0.71%
Combined Direct Debt ($643,177)	0.70%
Combined Gross Debt ($4,299,219)	4.67%
Combined Net Debt ($4,125,795)	4.48%

(1) Excludes Tax and Revenue Anticipation Notes., enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

Table 11

County of Riverside
Ratio of Annual Debt Service Expenditures For General Obligation Bonded Debt To Total General Expenditures
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service (a)	Total General Expenditures (b)	Ratio of Debt Service To General Expenditures
1994/95	$ 2,524	$ 1,209	$ 3,733	$ 1,279,233	0.29%
1995/96	2,530	1,060	3,590	1,462,438	0.25%
1996/97	4,064	914	4,978	1,395,329	0.36%
1997/98	3,602	673	4,275	1,519,878	0.28%
1998/99	1,585	271	1,856	1,410,941	0.13%
1999/00	1,240	255	1,495	1,555,319	0.10%
2000/01	1,318	182	1,500	1,677,092	0.09%
2001/02	864	117	981	1,867,846	0.05%
2002/03	875	70	945	1,960,048	0.05%
2003/04	295	39	334	2,049,413	0.02%

Notes: (a) Flood Control General Obligation Bonded Debt and Negotiable Promissory Note Retirement

(b) Includes General, Special Revenue, Debt Service and Capital Projects funds expenditures.

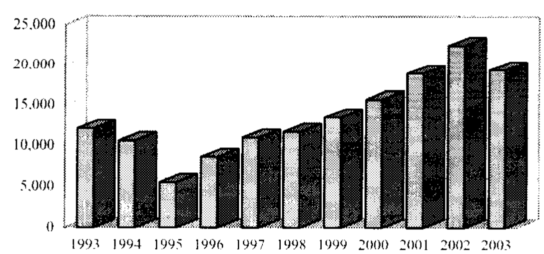
Source: Auditor-Controller, County of Riverside

Table 12

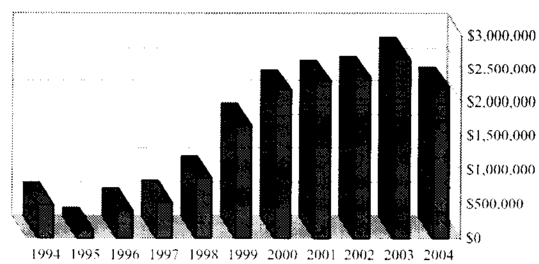
County of Riverside
Construction and Bank Deposits
Last Ten Fiscal Years
(Dollars In Thousands)

	New Dwelling Units		Construction Valuation		
Year	Residential (1)	Non-Residential (1)	Residential (1)	Non-Residential (1)	Bank Deposits (2)(a)
1993	10,888	1,209	$ 390,522	$ 91,604	$ 10,336,294
1994	9,693	901	93,936	22,034	10,145,319
1995	4,972	552	325,170	76,274	10,345,954
1996	7,776	864	420,455	98,625	10,225,026
1997	10,154	822	713,518	167,368	10,204,657
1998	10,536	1,170	1,338,584	313,989	11,198,386
1999	12,163	1,351	1,754,536	411,558	11,513,232
2000	14,115	1,568	1,872,158	439,148	12,243,890
2001	17,066	1,896	1,921,437	450,707	12,830,468
2002	20,284	2,254	2,151,265	504,618	13,918,801
2003	17,468	1,940	1,790,731	420,048	15,459,977

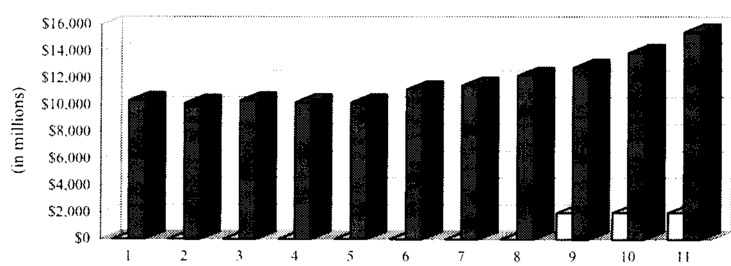
New Dwelling Units



Construction Valuation



Bank Deposits



Note: (a) Bank deposit data is for commercial banks, savings & loans and credit unions

Source: (1) Assessor-Recorder, County of Riverside

(2) Federal Deposit Insurance Corporation

County of Riverside
Demographic Statistics
Last Ten Fiscal Years

Table 13

Year	Population (a)		Per Capita Income (a)		Public School Enrollment (b)	Unemployment Rate % (c)
1995	1,355,600		$ 18,715		260,216	10.0%
1996	1,381,900		19,632		268,800	9.1%
1997	1,380,000		19,950		277,404	7.8%
1998	1,441,200		20,645		285,516	7.7%
1999	1,473,300		22,451		295,229	6.3%
2000	1,557,800		23,271		307,055	5.3%
2001	1,583,600		24,957		319,393	5.3%
2002	1,645,300		24,548		333,330	5.7%
2003	1,719,000	(2)	24,814		349,607	6.2%
2004	1,776,700			(1)	364,857	5.8%

Note: (1) Not Available
(2) Revised Estimate

Sources: (a) California State Department of Finance
(b) Riverside County Superintendent of Schools, School Fiscal Services
(c) State of California, Employment Development Department

Table 14

County of Riverside
Principal Taxpayers
Fiscal Year Ended June 30, 2004
(Dollars in Thousands)

Taxpayer	Type of Business	2003-04 Assessed Value	Percentage of Total Assessed Value
Southern California Edison Company	Utilities	$ 6,911	0.45%
Verizon California Inc.	Communications	6,631	0.43%
KB Home Coastal Inc.	Real Estate Development	3,506	0.23%
Blythe Energy, LLC	Utilities	3,462	0.23%
Southern California Gas Company	Utilities	3,461	0.23%
DS Hotel	Real Estate Development	2,741	0.18%
KSL Desert Resorts, Inc.	Real Estate Development	2,554	0.17%
Pulte Home Corp	Real Estate Development	2,548	0.17%
Norco Ridge Ranch	Real Estate Development	2,391	0.16%
Tyler Mall LTD, Partnership	Retail Sales	2,185	0.14%
Centex Homes	Real Estate Development	2,169	0.14%
Starfield Sycamore Inv.	Real Estate Development	2,135	0.14%
Pacific Bell	Communications	1,987	0.13%
Starwood Mission Hills CMBS I	Real Estate Development	1,702	0.11%
Advanced Cardiovascular System Inc.	Medical Devices	1,558	0.10%
Total Assessed Valuation		$ 45,941	3.01%

Source: Treasurer-Tax Collector, County of Riverside

County of Riverside
Miscellaneous Statistical Information
June 30, 2004

Table 15

Geographical Location: The State's fourth largest county by area. The County extends greater than 183 miles across Southern California from the Arizona border to within 10 miles of the Pacific Ocean. Situated immediately east of Los Angeles and Orange Counties, south of San Bernardino County and north of San Diego and Imperial Counties.

Area of County: 7,295 square miles

County Seat: Riverside, California

Date of Incorporation: May 9, 1893

Form of Government: General Law County, governed by a five-member Board of Supervisors

Fiscal Year Begins: July 1

Registered Voters: 657,836 as of August 3, 2004

Population (1):

Year	Unincorporated	Incorporated	Total
1994	376,100	955,900	1,332,000
1995	376,300	979,300	1,355,600
1996	380,600	1,001,300	1,381,900
1997	373,400	1,006,600	1,380,000
1998	384,130	1,057,070	1,441,200
1999	390,200	1,091,100	1,481,300
2000	424,600	1,133,200	1,557,800
2001	429,600	1,154,000	1,583,600
2002	441,500	1,202,800	1,644,300
2003	458,600	1,260,400	1,719,000
2004	477,000	1,299,700	1,776,700

Total County Employess (2):

Year	Number of Permanent Employees
1994	10,648
1995	11,018
1996	11,076
1997	11,304
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	15,846
2003	16,248
2004	16,337

Sources: (1) California State Department of Finance.
(2) Auditor-Controller, County of Riverside

Table 15

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2004

Major County Employers

Company	Location	Product/Service	Employees
The County of Riverside	Countywide	Government	16,337
Stater Bros.	Countywide	Grocery Retailer	5,600
Kaiser Permanente	Riverside	Health Care	2,893
Fleetwood Enterprises, Inc.	Riverside	Manufactured Housing & Rec. Veh.	2,125
Eisenhower Medical Center	Rancho Mirage	Health Care	1,972
Valley Health System	Hemet	Health Care	1,756
Riverside Community Hospital	Riverside	Health Care	1,641
KSL Desert Resorts Inc.	La Quinta	Hotel Resort	1,600
Desert Regional Medical Center	Palm Springs	Health Care	1,500
Vons	Countywide	Grocery Retailer	1,500
SBC	Countywide	Telecommunications Provider	1,100
The Press-Enterprise Co.	Riverside	Printing and Publishing	1,090
Casino Morongo	Cabazon	Indian Gaming Casino	1,075
Corona Regional Medical Center	Corona	Health Care	1,060
Sears Roebuck and Co.	Countywide	Retail and Services	1,000
Bank of America	Countywide	Financial Services	791
The Gas Co.	Countywide	Utility	765

Source: The Business Press

Table 15

County of Riverside
Miscellaneous Statistical Information (Continued)
June 30, 2004

County Special Districts by Type

Special District	Number	Special District	Number
Cemetery	10	Library	4
Community Services	2	Mosquito Abatement	2
County Service Areas	59	Regional Park and Open-Space	1
County Water	1	Recreation & Parks	4
Flood Control (including 7 zones)	2	Redevelopment Agency	1
Habitat Conservation Agency	1	Resource Conservation	1

Population by City

Incorporated Cities (a):	Population	Incorporated Cities (a):	Population
Banning	27,200	Lake Elsinore	35,350
Beaumont	16,350	La Quinta	32,500
Blythe	21,950	Moreno Valley	155,100
Calimesa	7,350	Murrieta	77,700
Canyon Lake	10,650	Norco	25,500
Cathedral City	48,600	Palm Desert	44,800
Coachella	27,650	Palm Springs	44,250
Corona	141,800	Perris	41,300
Desert Hot Springs	17,700	Rancho Mirage	15,500
Hemet	63,800	Riverside	277,000
Indian Wells	4,430	San Jacinto	26,700
Indio	59,100	Temecula	77,500

Sources: (a) State Department of Finance

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APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the Series 2005 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2005 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2005 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The DTC will act as Securities Depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Series 2005 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Holder") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Holders will not receive written confirmation from DTC of their purchase. Beneficial Holders are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Holder entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Holders. Beneficial Holders will not receive certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Holders of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Holders. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Holders will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Holders of the Series 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Holders of the Series 2005 Bonds may wish to ascertain that the nominee holding the Series 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Holders. In the alternative, Beneficial Holders may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Holders will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Holder, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2005 Bonds called for redemption or of any other action premised on such notice. Redemption of portions of the Series 2005 Bonds by the County will reduce the outstanding principal amount of Series 2005 Bonds held by DTC. In such event, DTC will implement, through its book-entry system, a redemption by lot of interests in the Series 2005 Bonds held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a redemption of the Series 2005 Bonds for the Beneficial Holders. Any such selection of Series 2005 Bonds to be redeemed will not be governed by the Trust Agreement and will not be conducted by the County or the Trustee.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Holders will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Holders will be the responsibility of Direct and Indirect Participants.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL HOLDERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL HOLDERS OR THE SELECTION OF SERIES 2005 BONDS FOR PREPAYMENT.

DTC may discontinue providing its services as depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository). In that event, bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the County or the Trustee take any responsibility for the accuracy thereof.

Neither the County, the Trustee nor the Underwriters can and do not give any assurances that DTC, the DTC Participants, the Indirect Participants or others will distribute payments of principal of, premium, if any, or interest on the Series 2005 Bonds paid to DTC or its nominee as the registered Holder, or will distribute any redemption notices or other notices, to the Beneficial Holders, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement. Neither of the County nor the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Holder with respect to the Series 2005 Bonds or an error or delay relating thereto.

GLOBAL CLEARANCE PROCEDURES

The information that follows is based solely on information provided by the Euroclear Operator. No representation is made as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Clearstream International and Clearstream

Clearstream International is the product of the merger of Deutsche Borse and Cedel International, the European international clearing depository founded in 1970, and a number of its subsidiaries including Cedelbank. Clearstream International is registered in Luxembourg and has two subsidiaries: Clearstream Banking and Clearstream Services. Clearstream Banking ("Clearstream") contains the core clearing and settlement business and consists of Clearstream Banking Luxemborg, Clearstream Banking Frankfurt and six regional offices in Dubai, Hong Kong, London, New York, São Paulo and Tokyo. Clearstream holds securities for its participating organizations ("Clearstream Participants") and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. As a professional depository, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Euroclear System

The Euroclear System ("Euroclear") was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. The Euroclear System is owned Euroclear plc and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the "Euroclear Operator").

The Euroclear Operator holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

The Euroclear Operator provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services.

Non-Participants of Euroclear may hold and transfer book-entry interests in the Securities through accounts with a direct Participant of Euroclear or any other securities intermediary that holds a book-entry interest in the Securities through one or more securities intermediaries standing between such other securities intermediary and the Euroclear Operator

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with Persons holding through Euroclear participants.

Distribution of the Series 2005 Bonds through Clearstream or Euroclear

Distributions with respect to the Series 2005 Bonds held through Clearstream or Euroclear are to be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its Depository (as defined below). Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by an Owner of the Series 2005 Bonds under the Trust Agreement on behalf of a Clearstream Participant or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the relevant Depositary's ability to effect such actions on its behalf through DTC. Owners of the Series 2005 Bonds may hold their Series 2005 Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The Series 2005 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositaries which in turn are to hold such positions in customers' securities accounts in the depositaries' names on the books of DTC. Citibank, N.A. acts as depositary for Clearstream and the Euroclear Operator acts as depositary for Euroclear (in such capacities, individually, the "Depositary" and, collectively, the "Depositaries").

Transfers of the Series 2005 Bonds between DTC Participants are to occur in accordance with DTC Rules. Transfers between Clearstream Participants and Euroclear Participants are to occur in accordance with their respective rules and operating procedures. Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant may be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing would be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a Participant are to be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlements in DTC.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Participants or Euroclear Participants, on the other, are to be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its Depositary; however, such cross-market transactions require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system if the transaction meets its settlement requirements, is to deliver instructions to its Depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Participants and Euroclear Participants may not deliver instructions to the Depositaries.

THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2005 BONDS (1) PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2005 BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SERIES 2005 BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2005 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR, EUROCLEAR PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON SERIES 2005 BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM, CLEARSTREAM PARTICIPANTS, EUROCLEAR OR EUROCLEAR PARTICIPANTS OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE TRUST AGREEMENT; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SERIES 2005 BONDS.

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APPENDIX D

SUMMARY OF THE TRUST AGREEMENT

The following summary discussion of selected provisions of the Trust Agreement are made subject to all of the provisions of the Trust Agreement. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2005 A Bonds are referred to the complete texts of said document, copies of which are available upon request sent to the Trustee.

Definitions

"Accreted Value" means, with respect to any Capital Appreciation Bond or Convertible Auction Rate Security, as of any date of calculation, the sum of the Principal Amount thereof and the interest accrued thereon to such date of calculation, compounded from the date of initial issuance at (a) in the case of Capital Appreciation Bonds, the stated yield to maturity thereof, and (b) in the case of Convertible Auction Rate Securities, the stated yield to the Full Accretion Date, assuming in any such semiannual period that such Accreted Value increases in equal daily amounts on the basis of a 360-day year comprised of twelve 30-day months.

"Act" means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the California Government Code.

"Additional Bonds" means Bonds other than Series 2005 A Bonds issued under the Trust Agreement in accordance with the provisions of the Trust Agreement.

"Auction Rate Securities" means all Bonds issued in such Mode prior to their Fixed Rate Conversion Date, if any, in any one or more Tranches and, unless otherwise indicated, all references in the Trust Agreement to Auction Rate Securities shall include Convertible Auction Rate Securities.

"Authorized Denominations" means (a) as to Bonds issued as Standard Bonds, $5,000 principal amount or any integral multiple thereof, (b) as to Bonds issued as Listed Securities, $25 principal amount or any integral multiple thereof, (c) as to Bonds issued as Auction Rate Securities (other than Convertible Auction Rate Securities), $25,000 principal amount or any integral multiple thereof, (d) as to Bonds issued as Capital Appreciation Bonds, $5,000 Maturity Amount or any integral multiple thereof, (e) as to Bonds issued as Index Bonds, $5,000 principal amount or any integral multiple thereof, (f) as to Bonds issued as Convertible Auction Rate Securities, $25,000 Maturity Amount or any integral multiple thereof, and (g) any other principal amount or integral multiple thereof as provided in a Supplemental Trust Agreement.

"Authorized Officer" means, with respect to the County, the Treasurer-Tax-Collector of the County, the County Executive Officer of the County, the Assistant County Executive Officer of the County, the County Finance Director of the County, the Deputy County Executive Officer of the County and any other person designated as an Authorized Officer of the County in a Written Certificate of the County filed with the Trustee.

"Beneficial Owner" means (a) as to Auction Rate Securities, a customer of a Broker-Dealer (other than the County) who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of Auction Rate Securities, and (b) as to all Bonds that are not Auction Rate Securities, the beneficial owner of each such Bond, determined under the rules of DTC.

"Bonds" means the Series 2005 A Bonds and all Additional Bonds.

"Bond Year" means the twelve-month period ending on February 15 of each year to which reference is made; provided, however, that the first Bond Year shall commence on the date the Series 2005 A Bonds are originally delivered and shall end February 15, 2006.

"Business Day" means any day other than (a) a Saturday or a Sunday, (b) a day on which banking institutions in the city in which the Corporate Trust Office of the Trustee is located or banking institutions in New York, New York, are authorized or required by law to be closed, or (c) a day on which the New York Stock Exchange is closed.

"Capital Appreciation Bonds" means Bonds the interest on which is payable at maturity and compounded on each Interest Payment Date through and including the maturity dates thereof as specified in the Supplemental Trust Agreement pursuant to which such Bonds are issued.

"Closing Date" means the date on which the Series 2005 A Bonds are delivered to the original purchaser of the Series 2005 A Bonds.

"**Continuing Disclosure Certificate**" means the Continuing Disclosure Certificate, dated as of the date hereof, of the County, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Convertible Auction Rate Securities" means all Bonds issued as Auction Rate Securities, which by their terms accrete interest on a compounded basis through the Full Accretion Date and, thereafter bear interest at a rate which will be established in accordance with the auction provisions set forth in a Supplemental Trust Agreement, payable, together with their Accreted Value, solely at maturity or on a redemption date, if any.

"Corporate Trust Office" means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the County, initially being Los Angeles, California; provided, however, that the Trustee may designate in writing to the County and the Owners such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of any of the Bonds.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the County relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, bond insurance premiums, filing and recording fees, initial fees, expenses and charges of the Trustee and its counsel (including the Trustee's first annual administrative fee), the first annual fee of the Auction Agent, the first year of fees of any Broker-Dealer, fees, charges and disbursements of attorneys, financial advisors, actuaries, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

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

"Counterparty" means, with respect to a Qualified Swap Agreement, the party thereto that is not the County.

"Counterparty Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Counterparty under such Qualified Swap Agreement.

"County Swap Payments" means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the County under such Qualified Swap Agreement.

"Defeasance Securities" means any of the following to the extent then permitted by applicable laws of the State:

(a) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series -- " SLGs").

(b) Direct obligations of the Treasury of the United States which have been stripped by the Treasury itself, CATS, TIGRS and similar securities

(c) Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(d) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

(e) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.

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

(ii) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) General Services Administration
Participation certificates

(vi) U.S. Maritime Administration
Guaranteed Title XI financing

(vii) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

"DTC" means The Depository Trust Company and any successor thereto or any nominee thererof.

"Event of Default" means an event described as such in the Trust Agreement.

"Fiscal Year" means the twelve-month period ending on June 30 of each year, or any other annual accounting period hereafter selected and designated by the County as its Fiscal Year in accordance with applicable law.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

"Fixed Rate" means a rate of interest that does not change during a specific term, without adjustment, resetting or variation due to the effects of marketing, remarketing or indices.

"Fixed Rate Bonds" means those Bonds which, by their terms, bear interest at Fixed Rates, payable semiannually (except that the first interest period with respect thereto may be more or less than six months but not more than twelve months following their date of issuance), and shall include Standard Bonds and Bonds issued as Listed Securities.

"Fixed Rate Conversion Date" means the date upon which a fixed rate conversion occurs.

"Full Accretion Date" means the date that each Convertible Auction Rate Security shall reach its stated Maturity Amount, assuming in any semiannual period that the value increases in equal daily amounts on the basis of a 360-day year of twelve 30-day months, as specified in the Trust Agreement.

"Index Bonds" means those Bonds which, by their terms, bear interest at an Index Rate, and are payable as to principal and interest quarterly or at such other times as are specified in the Supplemental Trust Agreement pursuant to which such Index Bonds are issued.

"Index Rate" means the interest rate on Index Bonds established as provided in the Supplemental Trust Agreement pursuant to which such Index Bonds are issued.

"Information Services" means any of the following services which has been designated in a certificate of the County delivered to the Trustee: Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; or such other services providing information with respect to called bonds as the County may designate in a certificate of the Agency delivered to the Trustee.

"Interest Accrual Date" means each date established for the accrual and compounding of interest on Capital Appreciation Bonds and Convertible Auction Rate Securities, as specified in the Trust Agreement.

"Interest Payment Date" (a) with respect to the Series 2005 A Bonds, means February 15 and August 15 of each year, commencing August 15, 2005, and (b) with respect to any Additional Bonds, the dates specified in the Supplemental Trust Agreement pursuant to which such Additional Bonds are issued.

"Interest Rate Period" means any designated period during which Bonds are Outstanding in the form of Auction Rate Securities or bear interest at the Index Rate.

"LIBOR" on any date of determination for any Auction Rate Period, means:

(a) subject to clause (b) below (A) for any Standard Auction Rate Period or any Special Auction Rate period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on Telerate Page 3750 at approximately 11:00 a.m., London time, on such date, or if such date is not a London Business Day, then on the next preceding London Business day (the "calculation date") and (B) for any Special Auction Rate period of (i) 49 or more but fewer than 70 days, such rates for deposits in U.S. dollars for a two-month period; (ii) 70 or more but fewer than 85 days, the arithmetic average of such rates for deposits in U.S. dollars for two-and three-month periods; (iii) 85 or more but fewer than 120 days, such rate for deposits in U.S. dollars for a three-month period; (iv) 120 or more but fewer than 148 days, the arithmetic average of such rates for deposits in U.S. dollars for three- and six-month periods; (v) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six-month period; (vi) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six- and nine-month periods; (vii) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period; (viii) 290 or more but fewer than 325 days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods; and (ix) 325 days or more, such rate for deposits in U.S. dollars for a one-year period; or

(b) if, on any calculation date, no rate appears on Telerate Page 3750 as specified in clause (a) above, the arithmetic average of the offered quotations of four major banks in the London interbank market, selected by the Auction Agent for deposits in U.S. dollars for the respective periods specified in clause (a) above to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such calculation date and in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time, unless fewer than two such quotations are provided, in which case, the arithmetic average of the rates quoted at approximately 11:00 a.m., New York time, on the date next preceding such calculation date by three major banks in the City of New York, selected by the Auction Agent, for loans in U.S. dollars to leading European banks in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time.

"Listed Securities" means those Bonds which, by their terms, bear interest at Fixed Rates, and which are listed on the New York Stock Exchange.

"London Business Day" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date, are expected to be transacted, in the London, U.K., interbank market.

"Maturity Amount" means (a) the accreted value of any Capital Appreciation Bond on its maturity date, and (b) the accreted value of any Convertible Auction Rate Security on its Full Accretion Date.

"Mode" means the Principal Amount, Authorized Denomination, interest rate and payment structure, including any methodology for the reset thereof, for any Series of Bonds; the Trust Agreement authorizes the issuance of Bonds in the following Modes: Fixed Rate Bonds, Listed Securities, Auction Rate Securities (including Convertible Auction Rate Securities), Capital Appreciation Bonds, Index Bonds and any other Mode as set forth in a Supplemental Trust Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

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

"Outstanding" means, when used as of any particular time with reference to Bonds (subject to the provisions of the Trust Agreement), all Bonds theretofore or thereupon executed by the County and authenticated by the Trustee, except (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation in accordance herewith, (b) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement, and (c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the County pursuant hereto.

"Owner" means, with respect to any Bond, the registered owner thereof, as shown on the registration books maintained by the Trustee under the Trust Agreement.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws of the State:

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

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

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

(ii) Farmers Home Administration (FmHA)
Certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) Federal Housing Administration Debentures (FHA)

(v) General Services Administration
Participation certificates

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

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

(viii) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System
Senior debt obligations

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations

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

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

(v) Resolution Funding Corp. (REFCORP) obligations

(vi) Farm Credit System
Consolidated systemwide bonds and notes

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

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

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

(g) Investment Agreements, including GICs, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to the 2005 Bond Insurer.

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

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

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

(k) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to the 2005 Bond Insurer.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

(i) Repos must be between the County or the Trustee and a dealer bank or securities firm

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

(B) Banks rated "A" or above by S&P and Moody's.

(ii) The written repo contract must include the following:

(A) Securities which are acceptable for transfer are:

(1) Direct U.S. governments, or

(2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)

(B) The term of the repo may be up to 30 days

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

(D) Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(a) The value of collateral must be equal to 104% of the amount of cash transferred by the County or the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the County or the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(iii) Legal opinion which must be delivered to the County:

(A) Repo meets guidelines under state law for legal investment of public funds.

(l) The County Treasurer's Pooled Investment Fund (as that term is defined in Section 16429.1 of the Government Code of the State, as such Section may be amended or recodified from time to time.

(m) Any state administered pooled investment fund in which the County is statutorily permitted or required to invest including, but not limited to, the Local Agency Investment Fund in the treasury of the State.

(n) Investment Trust of California (CalTRUST).

(o) Any other investment approved by the 2005 Bond Insurer.

"PERS Contract" means the contract dated April 1, 1945 and witnessed December 26, 1944, and as amended effective February 1, 1948, September 1, 1949, January 1, 1952, February 1, 1954, January 1, 1960, February 1, 1960, July 1, 1961, January 2, 1963, December 1, 1964, October 3, 1968, February 5, 1970, March 28, 1974, June 6, 1974, October 10, 1974, March 10, 1977, April 7, 1977, July 14, 1977, October 1, 1977, February 1, 1980, July 23, 1981, September 17, 1981, November 26, 1982, February 17, 1983, September 1, 1984, November 21, 1985, March 13, 1986, June 6, 1986, January 15, 1987, August 25, 1988, December 25, 1992, June 20, 1995, December 1, 1995, December 19, 1996, December 24, 1998, April 6, 2000, September 1, 2000, June 28, 2001, January 11, 2002 and July 11, 2002, between the County and the System, as heretofore and hereafter amended from time to time.

"Principal Amount" means (a) as to any Fixed Rate Bond, Auction Rate Security (other than a Convertible Auction Rate Security) or Index Bond, the principal amount thereof, and (b) as to any Capital Appreciation Bond or Convertible Auction Rate Security, the Maturity Amount thereof.

"Principal Payment Date" means each February 15 on which principal is due on the Bonds.

"Qualified Swap Agreement" means any ISDA Master Swap Agreement, by and between the County and a Qualified Swap Provider acceptable to the 2005 Bond Insurer, which includes Schedule A thereto and the applicable Commitment (a) that is entered into by the County with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (b) which provides either (i) that the County shall pay to the Qualified Swap Provider an amount based on the interest accruing at a fixed rate on an amount equal to the Principal Amount of Outstanding Bonds covered by such Qualified Swap Agreement, if any, and that the Qualified Swap Provider shall pay to the County an amount based on the interest accruing on a principal amount equal to the then-Outstanding Principal Amount of the affected Bonds, at a variable rate of interest computed according to a formula set forth in the Qualified Swap Agreement (which need not be the same formula by which the Auction Rate, if applicable, is calculated) or that one shall pay to the other any net amount due under such arrangement, or (ii) that the County shall pay to the Qualified Swap Provider an amount based on the interest accruing on a principal amount equal to the Principal Amount of Outstanding Bonds covered by such Qualified Swap Agreement, at a variable rate of interest computed according to a formula set forth in the Qualified Swap Agreement (which need not be the same formula by which the Auction Rate, if applicable, is calculated), and that the Qualified Swap Provider shall pay to the County an amount based on the interest accruing at a fixed rate on a principal amount equal to the then-Outstanding Principal Amount of the affected Bonds, or that one shall pay to the other any net amount due under such arrangement, and (c) which has been designated in writing to the Trustee in a Written Certificate of the County as a Qualified Swap Agreement with respect to the affected Bonds; provided, however, that the County shall have notified each Rating Agency of its intention to enter into the proposed Qualified Swap Agreement and shall have determined that the execution and delivery of such Qualified Swap Agreement would not cause the reduction or withdrawal of the then current rating on any of the Bonds by any such Rating Agency.

"Qualified Swap Provider" means with respect to the counterparty under any Qualified Swap Agreement meeting the requirements of the definition thereof, a financial institution approved by the County and the 2005 Bond Insurer, and (a) the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the related Qualified Swap Agreement by at least two Rating Agencies as not lower than "A2" by Moody's or "A" by S&P or Fitch, or (b) the obligations of which under the particular Qualified Swap Agreement are unconditionally guaranteed by a bank or non-bank financial institution, the long-term, unsecured and unsubordinated obligations of which are rated at the time of execution of the Qualified Swap Agreement by at least two Rating Agencies as not lower than "A2" by Moody's or "A" by S&P or Fitch.

"Rating Agencies" means Fitch, Moody's and S&P, but in each case only to the extent that such Rating Agency is then rating the Bonds at the request of the County.

"Record Date" means, with respect to (a) Fixed Rate Bonds, the first day (whether or not such day is a Business Day) of the month of each Interest Payment Date, (b) Auction Rate Securities, the day (whether or not such day is a Business Day) immediately preceding each Interest Payment Date, (c) Capital Appreciation Bonds, the fifteenth day (whether or not such day is a Business Day) of the month immediately preceding the maturity thereof or such other date set forth in a Supplemental Trust Agreement, and (d) Index Bonds, the close of business on the Business Day prior to the next Interest Payment Date.

"Representation Letter" means the Letter of Representations from the County to DTC, or any successor Securities Depository for the Bonds, in which the County makes certain representations with respect to issues of its securities for deposit by DTC or such successor depository.

"Retirement Law" means the Public Employees' Retirement Law, commencing with Section 20000 of the California Government Code.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the County.

"Securities Depository" means DTC and its successors and assigns or any other securities depository selected by the County which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds that are in book-entry form.

"Series" means all of the Bonds designated as being within a certain series, regardless of variations in maturity date, interest rate (but within the same Mode), redemption and other provisions, and any Bonds thereafter issued in transfer or exchange for such Bonds pursuant to the Trust Agreement.

"Series 2005 A Bonds" means the County of Riverside Taxable Pension Obligation Bonds, Series 2005 A, issued under the Trust Agreement.

"Service Charges" means (a) the regularly scheduled fees and charges payable by the County to the Auction Agent under the Auction Agreement, (b) the regularly scheduled fees and charges payable by the County a Broker-Dealer under a Broker-Dealer Agreement, (c) the regularly scheduled fees and charges payable by the County to the Trustee under the Trust Agreement, (d) ordinary fees and charges payable to a Rating Agency for its rating of the Bonds, (e) other ordinary fees and charges payable by the County to a third party for administrative services with respect to the Bonds.

"Standard Bonds" means those Fixed Rate Bonds issued in Authorized Denominations of $5,000 and any integral multiple thereof.

"State" means the State of California.

"Supplemental Trust Agreement" means any supplemental trust agreement amendatory of or supplemental to the Trust Agreement, but only if and to the extent that such supplemental trust agreement is specifically authorized under the Trust Agreement.

"System" means the California Public Employees' Retirement System.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may subsequently replace the 3750 page on that service or such other service as may be nominated by the British Banker's Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

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

"Tranche" means the designated portion of a Series of Bonds sharing a particular Mode, and other characteristics, designated as such in the Trust Agreement; provided, however, that each Tranche of Bonds within a Series of Bonds must be within the same Mode.

"Trust Agreement" means the Trust Agreement, dated as of February 1, 2005, by and between the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented by one or more Supplemental Trust Agreements.

"Trustee" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any successor thereto as Trustee under the Trust Agreement, appointed as provided in the Trust Agreement.

"2005 Bond Insurer" means MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, as issuer of the 2005 Bond Insurance Policy.

"2005 Bond Insurance Policy" means the financial guaranty insurance policy issued by the 2005 Bond Insurer guaranteeing the payment when due of the principal of and interest on the 2005 Insured Bonds.

"2005 Insured Bonds" means the Series 2005 A Bonds maturing on February 15, 2006, February 15, 2007, February 15, 2008, February 15, 2009, February 15, 2010, and February 15, 2011, and the Series 2005 A Bonds maturing on February 15, 2025 and bearing interest at the rate of 4.910% (CUSIP Number 76913CAR0).

"Written Certificate" and **"Written Request"** of the County mean, respectively, a written certificate or written request signed in the name of the County by an Authorized Officer. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Pledge; Funds

Pledge. Subject only to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement, all of the amounts held in the Bond Fund are pledged by the County to secure the payment of the principal, Accreted Value or redemption price of and interest on the Bonds in accordance with their terms, the provisions of the Trust Agreement and the Act. Said pledge shall constitute a first lien on such assets.

Bond Fund. (a) The Trustee shall establish and maintain a special fund designated the "Bond Fund."

(b) The County agrees and covenants that, not later than July 31 of each year, it will transfer to the Trustee an amount which, together with the amount then on deposit in the Bond Fund, will equal the amount of the principal and Accreted Value of and interest on the Bonds coming due in the then current Fiscal Year and in July of the following Fiscal Year; provided, however, that, if and to the extent that all or a portion of the Bonds are the subject of a Qualified Swap Agreement, the interest coming due on such Bonds in the then current Fiscal Year and in July of the following Fiscal Year shall be excluded from such amount. The Trustee shall, upon receipt of the amount required to be transferred by the County pursuant to this subsection, deposit such amount in the Bond Fund.

(c) In order to determine the interest on Auction Rate Securities and Index Bonds coming due in a Fiscal Year for purposes of subsection (b), above, it shall be assumed (i) that Auction Rate Securities with an Auction Rate Period of less than 360 Rate Period Days and Index Bonds will bear interest during such Fiscal Year at an assumed interest rate equal to the actual average interest rate for the immediately preceding Fiscal Year plus 200 basis points (2.00%) and, if such information is not available for the full immediately preceding Fiscal Year, that such Bonds will bear interest during such Fiscal Year at an assumed interest rate equal to the average one-month LIBOR plus 200 basis points (2.00%) for the immediately preceding Fiscal Year, provided, however, that if the average one-month LIBOR for the prior Fiscal Year is not available, then such debt service shall be calculated at a rate mutually agreed to by the County and the 2005 Bond Insurer, and (ii) that Auction Rate Securities with an Auction Rate Period of 360 Rate Period Days or longer will bear interest during such Fiscal Year at an assumed interest rate equal to the actual interest rate in effect for such Auction Rate Securities.

(d) Immediately upon receipt thereof, the Trustee shall deposit all Counterparty Swap Payments in the Bond Fund.

(e) In the event that, on the third Business Day immediately preceding an Interest Payment Date, amounts in the Bond Fund are insufficient to pay the principal and Accreted Value, if any, of and interest on the Bonds due and payable on such Interest Payment Date, the Trustee shall immediately notify the County and the 2005 Bond Insurer of the amount of such insufficiency. Upon being so notified, the County shall, prior to the close of business on the Business Day immediately preceding such Interest Payment Date, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to the amount of such insufficiency. Immediately upon receipt thereof, the Trustee shall deposit such funds in the Bond Fund.

(f) On each Interest Payment Date, the Trustee shall withdraw from the Bond Fund for payment to the Owners of the Bonds the principal and Accreted Value, if any, of and interest on the

Bonds then due and payable. If there are insufficient funds in the Bond Fund to pay the principal and Accreted Value, if any, of and interest on the Bonds, the Trustee shall apply the available funds first to the payment of interest on the Bonds, then to the payment of principal and Accreted Value of the Bonds.

Deposit Fund. (a) If the County shall enter into a Qualified Swap Agreement with respect to the Bonds, the County shall send written notice thereof to the Trustee. Upon receipt of the first of any such notices, the Trustee shall establish a special fund designated the "Deposit Fund," which the Trustee shall maintain so long as any Qualified Swap Agreement with respect to the Bonds remains in effect.

(b) The County agrees and covenants that, not later than the fifth Business Day prior to July 31 of each year in which a Qualified Swap Agreement with respect to the Bonds is in effect (or such other day as may be agreed to from time to time by the 2005 Bond Insurer), it will transfer to the Trustee an amount which, together with the amount then on deposit in the Deposit Fund, will equal the amount of the County Swap Payments coming due in the then current Fiscal Year and in July of the following Fiscal Year. The Trustee shall, upon receipt of the amount required to be transferred by the County pursuant to this subsection, deposit such amount in the Deposit Fund.

(c) In the event that, on the second Business Day immediately preceding a date on which County Swap Payments are due and payable under a Qualified Swap Agreement (or such other day as may be agreed to from time to time by the 2005 Bond Insurer), amounts in the Deposit Fund are insufficient to pay such County Swap Payments, the Trustee shall immediately notify the County of the amount of such insufficiency. Upon being so notified, the County shall, prior to the close of business on the date on which such County Swap Payments are due and payable, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to the amount of such insufficiency. Immediately upon receipt thereof, the Trustee shall deposit such funds in the Deposit Fund.

(d) On each date on which County Swap Payments are due and payable under a Qualified Swap Agreement, the Trustee shall withdraw from the Deposit Fund for payment to the Counterparty under such Qualified Swap Agreement an amount equal to such County Swap Payments.

Pension Liability Management Fund. (a) The Trustee shall establish and maintain a special fund designated the "Pension Liability Management Fund."

(b) At its sole option, the County may make deposits into the Pension Liability Management Fund at any time. Amounts in the Pension Liability Management Fund shall, as specified in a Written Request of the County (i) be transferred by the Trustee to the Bond Fund to pay principal or Accreted Value of and interest on the Bonds, (ii) be transferred to the Deposit Fund to pay County Swap Payments, (iii) be transferred by the Trustee to the Redemption Fund to pay the redemption price of Bonds optionally redeemed pursuant to the provisions of the Trust Agreement, or (iv) be transferred to the County and applied by the County to pension funding costs; amounts in the Pension Liability Management Fund shall not be used for any other purpose.

Administrative Expense Fund. (a) The Trustee shall establish and maintain a special fund designated the "Administrative Expense Fund."

(b) The County agrees and covenants that, not later than July 31 of each year, it will transfer to the Trustee an amount which, together with the amount then on deposit in the Administrative Expense Fund, will equal the amount of the Service Charges reasonably estimated by the County to be coming due in the then current Fiscal Year and in July of the following Fiscal Year. The Trustee shall, upon receipt of the amount required to be transferred by the County pursuant to this subsection, deposit such amount in the Administrative Expense Fund.

(c) In the event that, on the second Business Day immediately preceding a date on which Service Charges are due and payable under the Auction Agreement or under a Broker-Dealer Agreement, amounts in the Administrative Expense Fund are insufficient to pay such Service Charges, the Trustee shall immediately notify the County of the amount of such insufficiency. Upon being so notified, the County shall, prior to the close of business on the date on which such Service Charges are due and payable, deliver or cause to be delivered to the Trustee immediately available funds in an amount equal to the amount of such insufficiency. Immediately upon receipt thereof, the Trustee shall deposit such funds in the Administrative Expense Fund.

(d) On each date on which Service Charges are due and payable under the Auction Agreement or under a Broker-Dealer Agreement, the Trustee shall, upon receipt of an appropriate invoice, withdraw from the Administrative Expense Fund for payment to the Auction Agent or Broker-Dealer, as applicable, an amount equal to such Service Charges. Additionally, money in the Administrative Expense Fund shall be used and withdrawn by the Trustee to pay Service Charges upon receipt of a Written Request of the County filed with the Trustee, each of which shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against the Administrative Expense Fund.

Redemption Fund. (a) The Trustee shall establish and maintain a special fund designated the "Redemption Fund."

(b) The Trustee shall deposit in the Redemption Fund amounts received from the County in connection with the County's exercise of its rights to optionally redeem Bonds pursuant to the provisions of the Trust Agreement.

(c) Amounts in the Redemption Fund shall be disbursed therefrom for the payment of the redemption price of Bonds redeemed pursuant to the provisions of the Trust Agreement.

Deposit and Investments of Money in Funds. All money held by the Trustee in any of the funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the County. If no Written Request of the County is received, the Trustee shall invest funds held by it in Permitted Investments described in paragraph (d) of the definition thereof. Such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement. All interest, profits and other income received from any money so invested shall be deposited in the Bond Fund. The Trustee shall have no liability or responsibility for any loss resulting from any investment made or sold in accordance with the provisions of the Trust Agreement, except for any loss due to the negligence or willful misconduct of the Trustee. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charge therefor.

Additional Bonds

Conditions for the Issuance of Additional Bonds. The County may at any time issue Additional Bonds on a parity with the Series 2005 A Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any such Additional Bonds:

(a) The County shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The issuance of such Additional Bonds shall have been authorized pursuant to the Act and shall have been provided for by a Supplemental Trust Agreement which shall specify the following:

(i) The purpose for which such Additional Bonds are to be issued; provided that such Additional Bonds shall be applied solely for (i) the purpose of satisfying any obligation of the County to make payments to the System pursuant to the Retirement Law relating to pension benefits accruing to the System's members, and/or for payment of all costs incidental to or connected with the issuance of Additional Bonds for such purpose, and/or (ii) the purpose of refunding any Bonds then Outstanding, including payment of all costs incidental to or connected with such refunding;

(ii) Whether such Additional Bonds are fixed rate bonds, variable rate bonds, indexed notes, current interest bonds, deferred interest bonds, capital appreciation bonds, convertible capital appreciation bonds, embedded cap bonds, equity participation bonds or synthetic or hedged fixed rate bonds or such other Mode as may be set forth in a Supplemental Trust Agreement;

(iii) The authorized principal amount and designation of such Additional Bonds;

(iv) The date and the maturity dates of and the sinking fund payment dates, if any, for such Additional Bonds;

(v) The interest payment dates and principal payment dates for such Additional Bonds;

(vi) The denomination or denominations of and method of numbering such Additional Bonds;

(vii) The redemption premiums, if any, and the redemption terms, if any, for such Additional Bonds;

(viii) The amount, if any, to be deposited from the proceeds of sale of such Additional Bonds in the Bond Fund; and

(ix) Such other provisions (including the requirements of a book-entry Bond registration system, if any) as are necessary or appropriate and not inconsistent herewith.

<u>Procedure for the Issuance of Additional Bonds</u>. At any time after the sale of any Additional Bonds in accordance with the Act, the County shall execute such Additional Bonds for issuance under the Trust Agreement and shall deliver them to the Trustee, and thereupon such Additional Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the County, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Additional Bonds by the Trustee:

(a) An executed copy of the Supplemental Trust Agreement authorizing the issuance of such Additional Bonds;

(b) A Written Request of the County as to the delivery of such Additional Bonds;

(c) An Opinion of Counsel to the effect that (i) the County has executed and delivered the Supplemental Trust Agreement, and the Supplemental Trust Agreement is valid and binding upon the County, and (ii) such Additional Bonds are valid and binding obligations of the County;

(d) A Written Certificate of the County stating that all requirements of the provisions of the Trust Agreement described under the caption "Additional Bonds" have been complied with and containing any other such statements as may be reasonably necessary to show compliance with the conditions for the issuance of such Additional Bonds contained in the Trust Agreement;

(e) Such further documents, money or securities as are required by the provisions of the Supplemental Trust Agreement providing for the issuance of such Additional Bonds.

Covenants of the County

Punctual Payment and Performance. The County shall punctually pay the principal, Accreted Value or redemption price of and interest on every Bond issued under the Trust Agreement in strict conformity with the terms of the Trust Agreement and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the County contained in the Trust Agreement and in the Bonds.

Extension of Payment of Bonds. The County shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest on the Bonds, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Trust Agreement, to the benefits of the Trust Agreement, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this paragraph shall be deemed to limit the right of the County to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Additional Debt. The County expressly reserves the right to enter into one or more other agreements or indentures for any of its purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds. The County is duly authorized pursuant to law to issue the Bonds and to enter into the Trust Agreement. The Bonds and the provisions of the Trust Agreement are the legal, valid and binding obligations of the County in accordance with their terms. The Bonds constitute obligations imposed by law.

Accounting Records and Reports. The County shall keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of moneys on deposit in the funds and accounts established under the Trust Agreement.

Prosecution and Defense of Suits. The County shall defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the County to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding.

Continuing Disclosure. The County and the Trustee shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the County to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Series 2005 A Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2005 A Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Waiver of Laws. The County shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Trust Agreement or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the County to the extent permitted by law.

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

The Trustee

The Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default that has not been cured or waived exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The County, with the prior written consent of the 2005 Bond Insurer, may at any time, unless there exists any Event of Default, remove the Trustee initially appointed and any successor thereto acceptable to the 2005 Bond Insurer and may appoint a successor or successors thereto by an instrument in writing; provided, however, that any such successor shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the provisions of the Trust Agreement described under the caption "The Trustee," the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the County and the 2005 Bond Insurer and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement.

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in the preceding paragraph, shall be the successor to the Trustee under the Trust Agreement and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor under the Trust Agreement, without the execution or filing of any paper or further act, anything in the Trust Agreement to the contrary notwithstanding.

The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the County and shall destroy such Bonds and a certificate of destruction shall be delivered to the County. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the Bonds shall be taken as recitals of facts, agreements and covenants of the County, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct or breach of duty.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in Aggregate Principal Amount of the Bonds at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of any of the Owners pursuant to the provisions of the Trust Agreement unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest on, principal of or redemption premium, if any, with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties under the Trust Agreement.

The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of a default or event of default thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it.

The Trustee may execute any of the trusts or powers under the Trust Agreement or perform any duties under the Trust Agreement either directly or by or through attorneys-in-fact, agents or receivers, shall not be answerable for the negligence or misconduct or any such attorney-in-fact, agent or receiver appointed by it in accordance with the standards specified above. The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty under the Trust Agreement, but the Trustee shall not be answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms of the Trust Agreement, if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

Whether or not therein expressly so provided, every provision of the Trust Agreement, or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Trust Agreement described under the caption "The Trustee."

The Trustee shall be protected in acting upon any notice, resolution, requisition, request (including any Written Request of the County), consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith and in accordance therewith.

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

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties under the Trust Agreement, or in the exercise of its rights or powers.

The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

All immunities, indemnifications and releases from liability granted in the Trust Agreement to the Trustee shall extend to the directors, employees, officers and agents thereof.

<u>Compensation and Indemnification of Trustee</u>. The County shall pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties under the Trust Agreement of the Trustee, and the County will pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Trust Agreement (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct, including the negligence or willful misconduct of any of its officers, directors, agents or employees. The County, to the extent permitted by law, shall indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Trust Agreement, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence, default or willful misconduct. The duty of the County to indemnify the Trustee shall survive the termination and discharge of the Trust Agreement.

Amendment of the Trust Agreement

Amendment of the Trust Agreement. (a) The Trust Agreement and the rights and obligations of the County and of the Owners may, with the consent of the 2005 Bond Insurer, be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment shall (i) extend the maturity of or reduce the interest rate on or amount of interest on or principal, Accreted Value or redemption price of, or extend the time of payment of, any Bond without the express written consent of the Owner of such Bond, or (ii) reduce the percentage of Bonds required for the written consent to any such amendment.

(b) The Trust Agreement and the rights and obligations of the County and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding without the consent of any Owners, for any one or more of the following purposes:

(i) to add to the agreements and covenants required in the Trust Agreement to be performed by the County other agreements and covenants thereafter to be performed by the County, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred in the Trust Agreement on the County;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the County may deem desirable or necessary and not inconsistent herewith;

(iii) to provide for the issuance of any Additional Bonds and to provide the terms of such Additional Bonds, subject to the conditions and upon compliance with the procedure set forth in the Trust Agreement;

(iv) to modify, amend or add to the provisions in the Trust Agreement to permit the qualification thereof under the Trust Agreement Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute; and

(v) to modify, amend or supplement the Trust Agreement in any manner that does not materially adversely affect the interest of Owners of Bonds.

The 2005 Bond Insurer shall receive written notice of any proposed amendments pursuant to this subsection (b).

Disqualified Bonds. Bonds owned or held by or for the account of the County shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the provisions of the Trust Agreement described under the caption "Amendment to the Trust Agreement," and shall not be entitled to consent to or take any other action provided in such provisions.

Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as provided in the Trust Agreement, the County may determine that the Bonds may bear a notation by endorsement in form approved by the County as to such action, and in that case upon demand of the Owner of any Outstanding Bonds and presentation of his Bond for such purpose at the Corporate Trust

Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the County shall so determine, new Bonds so modified as, in the opinion of the County, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office of the Trustee without cost to each Owner for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

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

Attorney's Opinion Regarding Supplemental Trust Agreements. The Trustee may obtain an opinion of counsel that any Supplemental Trust Agreement complies with the provisions of the Trust Agreement and the Trustee may conclusively rely upon such opinion.

Events of Default and Remedies

Events of Default. If one or more of the following events (herein called "Events of Default") shall happen, that is to say:

(a) if default shall be made by the County in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the County in the due and punctual payment of the principal, Accreted Value or redemption price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the County in the performance of any of the agreements or covenants required in the Trust Agreement to be performed by the County, and such default shall have continued for a period of 60 days after the County shall have been given notice in writing of such default by the Trustee or the Owners of not less than 25% in aggregate Principal Amount of the Bonds at the time Outstanding, specifying such default and requiring the same to be remedied, provided, however, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or

(d) if the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the County or of the whole or any substantial part of its property.

Institution of Legal Proceedings by the Trustee; Remedies. If an Event of Default shall occur and be continuing, the Trustee may, and upon the written request of the Owners of a majority in aggregate Principal Amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of the Bonds under the Trust Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties under the Trust Agreement.

Non-Waiver. Nothing in the Trust Agreement or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal, Accreted Value or redemption price of and the interest on the Bonds to the respective Owners of the Bonds on the respective Payment Dates as provided in the Trust Agreement, or shall affect or impair the right of such Owners, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Trust Agreement and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Owner shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Owner to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Owners by the Act or by the provisions of the Trust Agreement described under the caption "Events of Default and Remedies" may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Owners.

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

Remedies Not Exclusive. No remedy conferred upon or reserved to the Owners in the Trust Agreement is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Limitation on Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of at least a majority in aggregate Principal Amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Trust Agreement or to institute such suit, action or proceeding in its own name, (c) such Owners shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred by it in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Trust Agreement; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Bonds.

Absolute Obligation of County. Nothing contained in the Trust Agreement or in the Bonds shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the principal, Accreted Value or redemption price of and the interest on the Bonds to the respective Owners of the Bonds on their respective Payment Dates as provided in the Trust Agreement.

Defeasance

Discharge of Bonds. (a) If the County shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated therein, and shall pay or provide for the payment of all fees and expenses of the Trustee and for payment of all fees and expenses owed to the 2005 Bond Insurer under the 2005 Bond Insurance Policy, then all agreements, covenants and other obligations of the County to the Owners of such Bonds under the Trust Agreement shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the County all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the County shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with the Trust Agreement, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Securities, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, in the opinion of an Independent Certified Public Accountant (addressed to the County, the Trustee and the 2005 Bond Insurer), to pay when due the principal, Accreted Value or redemption price of and the interest on such Bonds to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, (iii) there shall be delivered to the Trustee an escrow agreement entered into by the County and the Trustee or other fiduciary or escrow agent, acceptable in form and substance to the 2005 Bond Insurer, (iv) there shall be delivered to the Trustee an opinion of nationally recognized bond counsel to the effect that such Series 2005 A Bonds have been paid within the meaning of the provisions of the Trust Agreement described under the caption "—Discharge of Bonds" addressed to the Trustee and the 2005 Bond Insurer, and (v) the County shall have given the Trustee in form satisfactory to it irrevocable instructions to mail to the Owners of such Bonds in accordance with the Trust Agreement notice that the deposit required by clause (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the provisions of the Trust Agreement described under the caption "—Discharge of Bonds" and stating the maturity date or redemption date upon which money is to be available for the payment of the principal, Accreted Value or redemption price of and interest on such Bonds.

Unclaimed Money. Anything contained in the Trust Agreement to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or the interest thereon which remains unclaimed for two years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds and interest shall have become due and payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the County, the Trustee may, and at the request of the County shall, at the expense of the County, mail to the Owners in accordance with the Trust Agreement a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the County.

Insurance Policy Provisions

Rights of 2005 Bond Insurer. Notwithstanding anything to the contrary contained in the Trust Agreement, so long as the 2005 Bond Insurer is not in default under the 2005 Bond Insurance Policy (a) the 2005 Bond Insurer, acting alone, shall have the right to direct all remedies upon the occurrence and during the continuance of an Event of Default under the Trust Agreement, if and to the extent that the Owners of all of the 2005 Insured Bonds, acting together, would have the right, pursuant hereto, to so direct such remedies, (b) the 2005 Bond Insurer shall be deemed to be the Owner of all 2005 Insured Bonds for the purpose of exercising all rights and privileges available to Owners, and (c) the 2005 Bond Insurer shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of 2005 Insured Bonds in accordance with the applicable provisions of the Trust Agreement.

Reimbursement of 2005 Bond Insurer. The County agrees to reimburse the 2005 Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the 2005 Bond Insurer in connection with (i) the enforcement by the 2005 Bond Insurer of the County's obligations, or the preservation or defense of any rights of the 2005 Bond Insurer, under the Trust Agreement and any other document executed in connection with the issuance of the 2005 Insured Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Trust Agreement or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment (as determined by the 2005 Bond Insurer) at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the 2005 Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

Other Agreements with 2005 Bond Insurer.

(a) The County agrees not to use the 2005 Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the 2005 Bond Insurer's prior consent; provided however, such prohibition on the use of the 2005 Bond Insurer's name shall not relate to the use of the 2005 Bond Insurer's standard approved form of disclosure in public documents issued in connection with the 2005 Insured Bonds; and provided further that such prohibition shall not apply to the use of the 2005 Bond Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

(b) The County shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which 2005 Insured Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such 2005 Insured Bonds without the prior written consent of the 2005 Bond Insurer.

Miscellaneous

Benefits of the Trust Agreement Limited to Parties. Nothing contained in the Trust Agreement, expressed or implied, is intended to give to any person other than the County, the Trustee, the 2005 Bond Insurer and the Owners any right, remedy or claim under or by reason of the Trust Agreement. Any agreement or covenant required in the Trust Agreement to be performed by or on behalf of the County or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the 2005 Bond Insurer and the Owners.

To the extent that the Trust Agreement confers upon or gives or grants to the 2005 Bond Insurer any right, remedy or claim under or by reason of the Trust Agreement, the 2005 Bond Insurer is explicitly recognized as being a third party beneficiary under the Trust Agreement and may enforce any such right remedy or claim conferred, given or granted under the Trust Agreement.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such Owner's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which such person purports to act that the person signing such declaration, request or other instrument or writing acknowledged to such person the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books for the Bonds maintained by the Trustee pursuant to the Trust Agreement.

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

Waiver of Personal Liability. No member, officer or employee of the County shall be individually or personally liable for the payment of the principal, Accreted Value or redemption price of or the interest on the Bonds by reason of their issuance, but nothing contained in the Trust Agreement shall relieve any officer of the County from the performance of any official duty provided by the Act or any other applicable provisions of law or by the Trust Agreement.

Acquisition of Bonds by County. All Bonds acquired by the County shall be surrendered to the Trustee for cancellation.

Destruction of Cancelled Bonds. Whenever provision is made for the return to the County of any Bonds which have been cancelled pursuant to the provisions of the Trust Agreement, the Trustee shall destroy such Bonds and furnish to the County a certificate of such destruction.

Notice to Owners. Any notice required to be given by the Trustee under the Trust Agreement by mail to any Owners shall be given by mailing a copy of such notice, first class postage prepaid, or by giving such notice by telecopy or by an overnight delivery service, to such Owners at their addresses appearing in the registration books maintained by the Trustee pursuant to the Trust Agreement not less than 30 days nor more than 45 days following the action or prior to the event concerning which notice thereof is required to be given; provided, however, that receipt of any such notice shall not be a condition precedent to the effect of such notice and neither failure of any Owner to receive any such notice nor any immaterial defect contained therein shall affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

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

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

Accounts and Funds; Business Days. Any account or fund required in the Trust Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. Any action required to occur under the Trust Agreement on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

Governing Law. The Trust Agreement shall be governed by and construed in accordance with the laws of the State of California.

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series 2005 A Bonds, Orrick, Herrington & Sutcliffe LLP proposes to render its final approving opinion with respect to the Series 2005 A Bonds in substantially the following form:

[Delivery Date]

County of Riverside
4080 Lemon Street
Riverside, California

County of Riverside
Taxable Pension Obligation Bonds, Series 2005 A
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County of Riverside (the "County") of $400,000,000 aggregate principal amount of County of Riverside Taxable Pension Obligation Bonds, Series 2005 A (the "Series 2005 A Bonds"), pursuant to Articles 10 and 11 of Chapter 3 of Division 2 of Title 5 of the California Government Code (the "Act") and the Trust Agreement, dated as of February 1, 2005 (the "Trust Agreement"), by and between the County and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement, opinions of counsel to the County and the Trustee, certifications of Bartel Associates, LLC, actuaries, regarding the unfunded accrued actuarial liability of the County to the California Public Employees' Retirement System, certificates of the County, the Trustee and others and such other documents, matters and opinions to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, including the default judgment rendered on May 3, 2004, by the Superior Court of the County of Riverside in the action entitled *County of Riverside v. All Persons Interested, etc.*, No. RIC408895, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Series 2005 A Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the County. We have assumed without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. We call attention to the fact that the rights and obligations under the Series 2005 A Bonds and the Trust Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against counties in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2005 A Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2005 A Bonds constitute valid and binding obligations of the County.

2. The Trust Agreement has been duly executed and delivered by, and constitutes a valid and binding obligation of, the County.

3. Interest on the Series 2005 A Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2005 A Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

SPECIMEN 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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of a 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 U.S. Bank Trust National Association, 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 U.S. Bank Trust National Association, U.S. Bank Trust National Association 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

SPECIMEN

President

Attest:

Assistant Secretary

TD-R-CA-7
2/04

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APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside (the "County") in connection with the execution and delivery by the County of its $400,000,000 Taxable Pension Obligation Bonds, Series 2005 A (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of February 1, 2005, (the "Trust Agreement"), by and between the County and Wells Fargo Bank, National Association, as Trustee. The County covenants as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

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

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

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income purposes.

"Disclosure Representative" shall mean the chief finance officer of the County or his or her designee, or such other officer or employee as the County shall designate from time to time.

"Dissemination Agent" shall mean any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Disclosure Certificate, the County has not appointed a Dissemination Agent.

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purpose of the Rule. The National Repositories currently approved by the Securities and Exchange Commission (the "SEC") are listed in the SEC website at http://www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" shall mean the Official Statement relating to the Bonds dated February 10, 2005.

"Participating Underwriters" shall mean any of the original Underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The County shall provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate not later than March 31 after the end of the County's fiscal year (which currently ends on June 30), commencing with the report for Fiscal Year 2004-05 (except that the first Annual Report for Fiscal Year 2004-05 need only contain the financial statements referred to in Section 4(a)). The County may satisfy this requirement by providing the Annual Report to the Dissemination Agent (if one has been appointed) as provided herein. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the County may be submitted separately from and later than the balance of the Annual Report if they are not available by the date required above for the filing of the Annual Report.

An Annual Report shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months. The County's fiscal year is currently effective from July 1 to the immediately succeeding June 30 of the following year. The County will promptly notify each Repository or the Municipal Securities Rulemaking Board and, in either case, the Trustee and the Dissemination Agent (if one has been appointed) of a change in the fiscal year dates.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the County shall provide the Annual Report to the Dissemination Agent (if one has been appointed) and the Trustee (if the Trustee is not the Dissemination Agent). If by fifteen (15) Business Days prior to such date the Trustee has not received a copy of the Annual Report, the Trustee shall contact the County and the Dissemination Agent (if one has been appointed) to determine if the County is in compliance with subsection (a). The County shall provide a written statement with each Annual Report furnished to the Dissemination Agent (if one has been appointed) and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent (if one has been appointed) and Trustee may conclusively rely upon such statement of the County and shall have no duty or obligation to review such Annual Report.

(c) If the Dissemination Agent (if one has been appointed) is unable to verify that an Annual Report has been provided to Repositories by the date required in subsection (a), the Dissemination Agent (if one has been appointed) shall send a notice to each Repository, in substantially the form attached as Exhibit A.

(d) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly after receipt of the Annual Report, file a report with the County and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference:

(a) Financial Statements. The financial statements of the County for the most recent fiscal year of the County then ended. If the County will prepare audited financial statements for such fiscal year, then such audited financial statements shall be filed. If the County prepares audited financial statements each fiscal year and if the audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain any unaudited financial statements of the County in a format similar to the financial statements, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Audited financial statements of the County shall be audited by such auditor as shall then be required or permitted by State law or the Trust Agreement. Audited financial statements, if prepared by the County, shall be prepared in accordance with generally accepted accounting principles as prescribed for governmental units by the

Governmental Accounting Standards Board; provided, however, that the County may from time to time, if required by federal or state legal requirements, modify the basis upon which its financial statements are prepared. In the event that the County shall modify in any material respect the basis upon which its financial statements are prepared, the County shall provide a description of such modification in its Annual Report, including a reference to the specific federal or state law or regulation specifically describing the legal requirements for the change in accounting basis.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(1) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(2) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(3) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget;

(4) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(5) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(6) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

(c) Any or all of the items listed in (a) or (b) above may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

(d) The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) principal and interest payment delinquencies.

(2) an event of default under the Trust Agreement other than as described in (1) above.

(3) unscheduled draws on the Reserve Fund.

(4) unscheduled draws on any credit enhancements securing the Bonds.

(5) any change in the provider of any letter of credit or any municipal bond insurance policy securing the Bonds or any failure by the providers of such letters of credit or municipal bond insurance policies to perform on the letter of credit or municipal bond insurance policy.

(6) adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

(7) modifications to the rights of Bond Owners.

(8) unscheduled redemption of any Bond.

(9) defeasances.

(10) any release, substitution, or sale of property securing repayment of the Bonds.

(11) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

SECTION 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign at any time by providing at least 30 days written notice to the County.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), section 4 or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the County to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement with respect to the Bonds, and the sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Disclosure Certificate.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if one has been appointed) shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent (if one has been appointed), its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent (if one has been appointed), the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated as of: February 1, 2005

COUNTY OF RIVERSIDE

By: ____

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: County of Riverside

Name of Bond Issue: County of Riverside Taxable Pension Obligation Bonds, Series 2005 A

Date of Issuance: February 17, 2005

NOTICE IS HEREBY GIVEN that the County of Riverside (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated as of February 1, 2005. The County anticipates that the Annual Report will be filed by ________.

COUNTY OF RIVERSIDE

Dated: ______________________________ By: ____
Authorized Officer

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