

\$56,140,000	\$4,040,000
County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project)	County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project)
\$14,525,000	\$3,265,000
County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project)	County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project)

Dated: 1993 Series B: January 1, 1993 2003 Series A: Date of Delivery Due: June 1, as shown on the inside cover  
1997 Series C: August 21, 1997 2003 Series B: Date of Delivery

The County of Riverside Asset Leasing Corporation (the "Corporation") is offering \$56,140,000 aggregate principal amount of its Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) (the "2003A Bonds") and \$4,040,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project) (the "2003B Bonds," and together with the 2003A Bonds, the "2003 Bonds"). The 2003 Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 1989, as amended and supplemented, including as amended and supplemented by a Supplemental Indenture of Trust No. 7, dated as of January 1, 2003 (collectively, the "Indenture"), by and among the Corporation, the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). The 2003 Bonds are being issued for the purpose of providing funds, together with other available moneys, to refund certain of the Corporation's outstanding Leasehold Revenue Bonds, 1993 Series A (the "1993A Bonds") and to pay costs of issuance of the 2003 Bonds. See "PLAN OF REFUNDING" herein.

The County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "1993B Bonds") and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) (the "1997C Bonds," and together with the 1993B Bonds, the "Reoffered Bonds") will be reoffered as fixed rate bonds. Salomon Smith Barney Inc. has been appointed to serve as the Remarketing Agent for the Reoffered Bonds. The Reoffered Bonds and the 2003 Bonds are collectively referred to herein as the "Bonds."

The 2003 Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Reoffered Bonds when initially issued, were issued in fully registered form in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Bonds, and individual purchases of the Bonds will be made in book-entry form only. Interest on the Bonds is payable on June 1, 2003 and semiannually thereafter on June 1 and December 1 of each year. Principal, premium, if any, and interest on the Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds, as described herein. Purchasers of such interest will not receive Bond certificates representing their interest in such Bonds.

The 1993B Bonds were initially issued to refund a portion of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project) (the "1989 Bonds"). The 1997C Bonds were initially issued to (i) refund the remaining 1989 Bonds and (ii) provide additional funds for completion of the Project, all as more fully described herein.

*In the opinion of O'Melveny & Myers LLP, Bond Counsel, assuming the accuracy of certain representations and compliance by the County and the Corporation with certain tax covenants described herein, the interest and original issue discount ("OID"), if any, on the 2003A Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions and is exempt from personal income taxes of the State of California under present state law. In addition, Bond Counsel is of the opinion that the 2003A Bonds are not "specified private activity bonds" and, therefore, the interest and OID, if any, on the 2003A Bonds will not be treated as specific items of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest on the 2003A Bonds is included in the computation of certain federal taxes on corporations. See "TAX MATTERS" herein.*

*Interest on the 2003B Bonds and the Reoffered Bonds is not excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the 2003B Bonds and the Reoffered Bonds is exempt from personal income taxes of the State of California under present state law. In addition, OID, if any, with respect to the 2003B Bonds and the Reoffered Bonds is treated the same as interest and is not excluded from gross income of each Owner of the 2003B Bonds and the Reoffered Bonds for federal income tax purposes, but such OID is exempt from personal income taxes of the State of California to the same extent as interest. See "TAX MATTERS" herein.*

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under separate insurance policies to be delivered concurrently with the issuance of the 2003 Bonds and reoffering of the Reoffered Bonds by MBLA Insurance Corporation (collectively, the "Policy").



The Bonds are subject to redemption as described herein.

The Bonds are payable from revenues, consisting primarily of Base Rental payments to be made by the County to the Corporation for certain real property, equipment and improvements constructed thereon and in connection therewith (the "Project") under a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County, as amended, and an Equipment Lease, dated as of July 1, 1989, by and between the Corporation and the County, as amended, respectively (collectively referred to herein as the "Lease"). The Bonds are secured on a parity basis with \$106,635,000 outstanding County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A Bonds and \$41,170,072.65 outstanding County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A Bonds and \$67,950,000 outstanding County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B Bonds.

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

The Bonds are special limited obligations of the Corporation and are payable from and secured solely by the revenues and amounts pledged therefor. Neither the Bonds nor the obligation of the County to make Base Rental payments under the Lease constitutes a debt of the County, the State of California or any political subdivision thereof within the meaning of the constitution of the State of California.

*The 2003 Bonds are offered when, as and if issued and delivered to the Underwriters, subject to the approval of O'Melveny & Myers LLP, Los Angeles, California, Bond Counsel and certain other conditions. The Reoffered Bonds, when initially offered, were subject to the approval of legality by O'Melveny & Myers LLP, Los Angeles, California, Bond Counsel and to certain other conditions. Certain legal matters will be passed upon for the Remarketing Agent and the Underwriters by Sidley Austin Brown & Wood LLP, Los Angeles, California, and for the Corporation and the County by the Riverside County Counsel. It is expected that the 2003 Bonds in definitive form will be available for delivery in New York, New York through the DTC book-entry system on or about March 4, 2003. The Reoffered Bonds in definitive form are expected to be available for delivery in New York, New York through the book-entry system on or about February 13, 2003.*

Salomon Smith Barney

Bear, Stearns & Co. Inc.

Morgan Stanley & Co. Incorporated

Dated: January 29, 2003

## MATURITY SCHEDULE

### 1993B

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
June 1, 2014	\$14,525,000	5.410%	5.172%

### 1997C

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
June 1, 2019	\$3,265,000	5.810%	5.620%

### 2003A

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2004	\$9,185,000	2.500%	1.250%
2005	2,100,000	2.500	1.530
<del>2005</del>	7,315,000	4.000	1.530
2006	1,250,000	4.000	1.950
<del>2006</del>	8,510,000	4.500	1.950
2007	1,510,000	3.000	2.350
<del>2007</del>	4,640,000	5.000	2.350
2008	5,200,000	3.000	2.810
<del>2008</del>	5,400,000	5.000	2.810
2009	2,325,000	3.000	3.180
<del>2009</del>	8,705,000	5.000	3.180

### 2003B

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2007	\$4,040,000	3.350%	100%

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COUNTY OF RIVERSIDE, CALIFORNIA

BOARD OF SUPERVISORS

John Tavaglione, Chairperson  
Second District

Bob Buster  
First District

Roy Wilson  
Fourth District

James A. Venable  
Third District

Marion Ashley  
Fifth District

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COUNTY OFFICIALS

Larry Parrish  
*County Executive Officer*

Paul C. McDonnell, Jr.  
*Treasurer-Tax Collector*

William C. Katzenstein  
*County Counsel*

Robert Byrd  
*Auditor/Controller*

Edward Corser  
*County Finance Director*

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Bernard Simon, President

Wanda Hird

Wayne Keith

David Kolk

Candace Wiest

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O'Melveny & Myers LLP  
Bond Counsel

RBC Dain Rauscher Inc.  
Financial Advisor

U.S. Bank National Association  
Trustee

Grant Thornton, LLP  
Verification Agent

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

The information set forth herein has been obtained from official and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Corporation since the date hereof. This Official Statement is submitted in connection with the reoffering of the Reoffered Bonds and the offering of the 2003 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

IN CONNECTION WITH THIS REOFFERING, THE REMARKETING AGENT AND 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 REMARKETING AGENT MAY REOFFER AND SELL THE REOFFERED BONDS TO CERTAIN DEALERS AND BANKS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE REMARKETING AGENT.



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## OFFICIAL STATEMENT

\$56,140,000

County of Riverside Asset Leasing Corporation  
Leasehold Revenue Bonds, 2003 Series A  
(County of Riverside Hospital Project)

\$4,040,000

County of Riverside Asset Leasing Corporation  
Leasehold Revenue Bonds, 2003 Taxable Series B  
(County of Riverside Hospital Project)

\$14,525,000

County of Riverside Asset Leasing Corporation  
Leasehold Revenue Bonds, 1993 Series B  
(County of Riverside Hospital Project)

\$3,265,000

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

## INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with (i) the offering of \$56,140,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) (the "2003A Bonds") and \$4,040,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project) (the "2003B Bonds," and together with the 2003A Bonds, the "2003 Bonds") and (ii) the reoffering of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project), in the aggregate principal amount of \$14,525,000 (the "1993B Bonds") and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series C (County of Riverside Hospital Project) in the aggregate principal amount of \$3,265,000 (the "1997C Bonds," and together with the 1993B Bonds, the "Reoffered Bonds"). The Reoffered Bonds and the 2003 Bonds are collectively referred to herein as the "Bonds"). The Reoffered Bonds were issued and the 2003 Bonds will be issued, pursuant to an Indenture of Trust, dated as of July 1, 1989, as amended and supplemented by Supplemental Indenture of Trust No. 1, dated as of July 1, 1989, as amended and supplemented by Supplemental Indenture of Trust No. 2, dated as of January 1, 1993, as amended and supplemented by Supplemental Indenture of Trust No. 3, dated as of January 1, 1993 ("Supplemental Indenture No. 3"), as amended and supplemented by Supplemental Indenture of Trust No. 4, dated as of February 1, 1997, as amended and supplemented by Supplemental Indenture of Trust No. 5, dated as of August 1, 1997 and as amended and supplemented by Supplemental Indenture of Trust No. 6, dated as of December 1, 1997 and the 2003 Bonds are issued pursuant to Supplemental Indenture of Trust No. 7, dated as of January 1, 2003 (collectively, the "Indenture"), by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside, California (the "County") and U.S. Bank N.A., as successor trustee (the "Trustee"). The 2003 Bonds are being issued by the Corporation to provide funds, together with other available moneys, for the refunding of certain of the Corporation's 1993A Bonds described below.

All capitalized terms used but not otherwise defined in this Official Statement shall have the meanings set forth in the Lease (as hereinafter defined) or the Indenture. See APPENDIX D – “SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS” attached hereto.

This Official Statement includes certain changes since the date of the Preliminary Official Statement. These include, among others, changes: (i) under the caption “RIVERSIDE COUNTY POOLED INVESTMENT FUND” to update the County Pooled Investment Fund information (ii) to the table entitled “County of Riverside Estimated Direct and Overlapping Obligations” to update the County General Fund Obligations, (iii) under the caption “FINANCIAL INFORMATION – Fiscal Year 2002-2003 Final Budget” to update County budget information, (iv) under the caption “FINANCIAL INFORMATION – Recent Medical Center Financial Developments” to update RCRMC (as defined herein) financial information, (v) under the caption “FINANCIAL INFORMATION – Funding by State and Federal Government” to update State of California Budget information, and (vi) to the cover and under the caption “BOND INSURANCE” to reference that the payment of principal and interest on the Bonds when due will be guaranteed by the financial guaranty insurance policies to be issued by the Insurer.

In 1989, the Corporation issued \$200,102,532.50 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1989 Series A (County of Riverside Hospital Project) (the “1989 Bonds”). The 1989 Bonds were issued to provide funds to acquire and construct certain improvements and equipment (the “Improvements”) to be located on certain real property (the “Property,” and together with the Improvements, the “Project”) leased by the Corporation to the County pursuant to a Lease and Option to Purchase, dated as of July 1, 1989, as amended, and an Equipment Lease, dated as of July 1, 1989, as amended, each by and between the Corporation and the County (collectively, the “Lease”). See “THE PROJECT—Project Costs” herein.

In 1993, the Corporation issued \$134,535,000 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project) (the “1993A Bonds”) and the 1993B Bonds for the purpose of refunding certain of the 1989 Bonds. In 1997, the Corporation issued \$41,170,072.65 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A (County of Riverside Hospital Project) (the “1997A Bonds”) for the purpose of providing additional funds for the completion of the Project. Additionally, in 1997, the Corporation issued \$68,720,000 of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) (the “1997B Bonds”) and the 1997C Bonds for the purpose of refunding the remaining 1989 Bonds and to provide additional funds for completion of the Project. Following the refunding of certain 1993A Bonds, the 1993A Bonds will remain outstanding in an aggregate principal amount of \$47,135,000, the 1997A Bonds will remain outstanding in an aggregate principal amount of \$41,170,072.65 and the 1997B Bonds will remain outstanding in an aggregate principal amount of \$67,950,000. The 1993A Bonds, the 1997A Bonds and the 1997B Bonds are payable on a parity with the Reoffered Bonds and the 2003 Bonds.

Pursuant to the provisions of the Indenture, the Corporation has appointed Salomon Smith Barney Inc. as the Remarketing Agent (the “Remarketing Agent”) for the Reoffered Bonds.

The Reoffered Bonds, the 1993A Bonds, the 1997A Bonds, the 1997B Bonds, the 2003A Bonds, the 2003B Bonds and any Additional Bonds, Refunding Bonds and Capital Appreciation Bonds (as defined in the Indenture) issued from time to time pursuant to and under the Indenture are referred to collectively as the “Hospital Project Bonds.”

## PLAN OF REFUNDING

### Prior Financing

The 1993A Bonds were originally issued in the aggregate principal amount of \$134,535,000 pursuant to the Indenture for the purpose of refunding certain of the 1989 Bonds.

### Refunding Plan

The 2003 Bonds are being issued for the purpose of providing funds, together with other available funds, to refund certain of the 1993A Bonds and to pay costs of issuance of the 2003 Bonds.

The table below sets forth the par amount and maturities of the 1993A Bonds to be refunded and the redemption price (expressed as a percentage of the principal amount to be redeemed) of the 1993A Bonds to be refunded. Certain of the 1993A Bonds are to be refunded on June 1, 2003, contingent upon delivery of the 2003 Bonds.

#### Refunded 1993A Bonds

<u>Maturity Date (June 1)</u>	<u>Principal Amount being Refunded by 2003 Bonds</u>	<u>Redemption Price</u>
2004	\$ 8,490,000	102%
2005	9,000,000	102
2009	42,010,000	102

#### ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the 2003 Bonds are as follows:

##### Sources of Funds

Par amount of 2003A Bonds	\$56,140,000.00
Par amount of 2003B Bonds	4,040,000.00
Plus Net Original Issue Premium	3,359,794.60
Total	<u>\$63,539,794.60</u>

##### Uses of Funds

Deposit to 2003 Escrow Fund	\$62,390,989.22
Costs of Issuance <sup>(1)</sup>	1,148,805.38
Total	<u>\$63,539,794.60</u>

<sup>(1)</sup> Costs of issuance include Underwriters' discount, legal, financing and consulting fees, estimated bond insurance premium, printing costs and other miscellaneous expenses.

#### THE PROJECT

In 1980, the Board of Supervisors of the County initiated studies for a replacement of the Riverside General Hospital-University Medical Center (the "Existing Hospital") due to the age of the Existing Hospital, inefficiencies with the building design, and seismic risk associated with the existing

structures. In 1990, the County purchased land for a replacement hospital (the "New Hospital") and began construction in September 1994. Construction of the New Hospital was completed in December 1998.

The New Hospital is located in Moreno Valley, California. The site consists of 103.5 acres of land in which 40 acres comprise the hospital. The remaining land is dedicated to activities supporting the New Hospital which include a free standing dialysis center, integrated care community facilities and an office building expected to be completed by December 2003.

The New Hospital building is approximately 517,000 gross square feet. The New Hospital consists of 362 acute care inpatient beds, an emergency room capable of handling 90,000 emergency visits per year, an obstetric suite capable of delivering 7,500 infants per year, and outpatient and clinical facilities accommodating approximately 250,000 visits per year. The total cost for land, construction, equipment and transition activities from the Existing Hospital to the New Hospital and other Project costs totaled approximately \$191,000,000.

The County currently maintains earthquake insurance through the California State Association of Counties – Excess Insurance Authority (CSAC-EIA). See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Facilities Lease, The Equipment Lease" attached hereto. Certain procedures and design standards were followed during the construction of the Project to ensure that the buildings were designed and constructed to meet, at a minimum, the highest seismic standards required by law. Some of the standards and procedures are listed below.

- Detailed geographical reports were prepared that address the seismic characteristics of the site.
- The buildings were designed and engineered to meet the highest risk of seismic activity, as described in 1995 California Building Code Seismic Zone 4.
- Internal design review by certified engineers were undertaken to ensure that the latest technologies are incorporated into the design and seismic performance will be verified.
- Independent seismic peer reviews were performed by registered professionals during the design phase.
- On-going field inspections and testing by certified inspectors and registered professionals will occur during all phases of construction to ensure compliance with design seismic standards.

The County covenants in the Lease to take such action as necessary to include all Base Rental and Additional Rental payments due thereunder in the annual budget. The County also anticipates the receipt of funds from the Project will be used in their entirety to supplement amounts by the County's General Fund. The following are the anticipated supplemental sources of funds.

#### SB1732

Senate Bill 1732, later amended by Senate Bill 2665, was adopted by the legislature of the State of California (the "State") in 1988. SB1732 enables a reimbursement of approved portions of debt-service by the State and Federal governments qualifying Disproportionate Share Hospitals. The hospital operates as and expects to continue qualifying as a Disproportionate Share Hospital. The County expects to receive

approximately 43% of the qualifying debt-service payments. Funds used to acquire land or moveable equipment may not qualify for reimbursement under SB1732. The County has qualified and has received \$38,590,922 in payments to date pursuant to the County's participation in the SB1732 program.

#### Tax Increment Revenues

In consideration of the County agreeing to locate the Project within the City of Moreno Valley, the Redevelopment Agency of the City of Moreno Valley contracted with the County to apportion over a twenty-five year period an annual amount up to \$5,000,000, once tax increment exceeds an annual threshold amount of \$7,000,000.

The total contractual commitment by the Redevelopment Agency to the County is \$75,000,000 over the twenty-five year period. As a result of a recent decline in real estate values, the County may not realize the entire \$75,000,000 over the twenty-five year contractual period. Since 1995, the County has collected \$749,238 pursuant to this commitment.

#### Medicare Payments

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

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

#### **Recent Medical Center Developments**

At June 30, 2001, the Riverside County Regional Medical Center (the "RCRMC") reflected a positive unrestricted fund balance of \$4.7 million. RCRMC is expected to have a negative unrestricted fund balance of \$3 million in Fiscal Year 2002. In Fiscal Year 2001 RCRMC had positive retained earnings of \$10.9 million, and in Fiscal Year 2002 RCRMC is expected to show a negative retained earnings of approximately \$8 million. RCRMC continues to experience growth in the patient collections as of the first quarter of Fiscal Year 2003. However, due to federal and state budget deficits RCRMC anticipates a negative retained earning and fund balance at Fiscal Year end June 30, 2003. 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. See APPENDIX A - "THE COUNTY OF RIVERSIDE - Recent Medical Center Financial Developments" attached hereto.

## THE BONDS

### Book-Entry System

The Depository Trust Company, New York, New York ("DTC"), is acting as securities depository for the Bonds. The Reoffered Bonds were initially issued, and the 2003 Bonds are being issued, exclusively in book-entry form and registered in the name of Cede & Co., DTC's partnership nominee. The Bonds will be delivered in fully registered form in denominations of \$5,000 or any integral multiple thereof. One fully registered bond certificate will be issued for each series of the Bonds, in the aggregate principal amount of each such maturity and each will be deposited with DTC. See APPENDIX E - "BOOK-ENTRY SYSTEM" attached hereto.

### Description of the Bonds

Commencing on the date of delivery of the Reoffered Bonds, the Reoffered Bonds will bear interest at a Fixed Interest Rate and mature as set forth on the inside front cover page hereof. The 2003 Bonds will bear interest at the rates per annum and mature as set forth on the inside front cover page hereof.

### Interest on Bonds

General Interest on the Bonds is payable on June 1 and December 1 of each year (each, an "Interest Payment Date"), commencing June 1, 2003. Interest on the Bonds shall be paid in arrears on each Interest Payment Date for such Bonds to the Owner thereof as of the close of business on the Record Date for such Bonds, such interest to be paid by check or draft of the Trustee, mailed to the owner at his address as it appears on the Bond Register or at such other address as is furnished to the Trustee in writing by the Owner by first-class mail; provided, however, that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon written request of such Owner to the Trustee specifying the account or accounts to which such payment shall be made and received by the Trustee prior to the applicable Record Date, interest payments shall be made by wire transfer of immediately available funds on such Interest Payment Date. Payments of defaulted interest with respect to any Bonds shall be paid by check or draft to the registered Owner of the Bonds as of a special record date to be fixed by the Trustee, notice of which special record date shall be mailed to the registered Owner of the Bond not less than ten days prior thereto. The Bonds are payable as to principal upon surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds shall be computed upon the basis of a year consisting of 360 days and 12 months of 30 days each.

### Redemption Provisions of the Bonds

Extraordinary Redemption of Bonds from Net Proceeds. In the event of a deposit of funds into the Prepayment Account by virtue of (i) the County's decision not to use insurance or condemnation proceeds to make repairs to the Project or (ii) an abatement of Base Rental due to a title defect relating to the Project, the Trustee shall provide for the call and redemption of the Bonds, at the principal amount thereof plus interest accrued thereon to the date specified for such redemption, without premium, on the next Interest Payment Date occurring more than 45 days after the date of such deposit.

### Optional Redemption

Reoffered Bonds. The Reoffered Bonds are not subject to optional redemption prior to maturity.



2003 Bonds. The 2003 Bonds are not subject to optional redemption prior to maturity.

Mandatory Redemption

1993B Bonds. The 1993B Bonds are subject to mandatory redemption prior to their maturity date on June 1, 2013, in the amount of \$7,050,000, in part, solely from Sinking Account Installments, upon mailed notice as provided in the Indenture, at the principal amount thereof plus interest accrued thereon to the date of redemption, without premium.

1997C Bonds. The 1997C Bonds are not subject to mandatory redemption prior to maturity.

2003 Bonds. The 2003 Bonds are not subject to mandatory redemption prior to maturity.

At its option, the Corporation may purchase 1993B Bonds in the open market. The principal amount of 1993B Bonds required to be redeemed on June 1, 2013 shall be reduced by the principal amount of 1993B Bonds so purchased by the Corporation and surrendered to the Trustee for cancellation.

Selection of Bonds to be Redeemed. Subject to the optional redemption provisions of the Indenture with respect to the Bonds of a series, if at any time less than all of the Bonds of a series shall be called for prior redemption, the particular Bonds to be redeemed shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may deem appropriate; provided, however, that the portion of any Bonds to be redeemed shall be in the principal amount of an Authorized Denomination.

Whenever the Trustee is required or authorized by the terms of the Indenture to redeem Bonds otherwise than at the direction of the Corporation, the Trustee shall select the Bonds to be redeemed and give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid, to the redemption date, in accordance with the terms of the Indenture.

Notice of Redemption of Bonds. When redemption is authorized or required pursuant to the Indenture, the Trustee shall give notice ("Redemption Notice"), at the expense of the Corporation, of the redemption of such Bonds. Such Redemption Notice shall specify: (a) the Bonds (including the official name thereof and the series designation, if any) or designated portions thereof (in the case of redemption of Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name, address and telephone number of any paying agent, (d) the Redemption Price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed in whole or in part, (f) the number of the Bonds to be redeemed in whole or in part and, in the case of any Bonds to be redeemed in part only, the amount of such Bonds to be redeemed, (g) the original delivery date, interest rate and stated maturity date of each Bonds to be redeemed in whole or in part, and (h) the publication date of such notice. Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bonds or portion thereof being redeemed at the Redemption Price, together with interest accrued to the redemption date thereon, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

At least thirty but not more than sixty days prior to the redemption date such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register as of the close of business on the date before such Redemption Notice is given. Notice shall be given to the securities depositories and information services as provided in the Indenture. At least thirty days prior to the redemption date, such Redemption Notice shall be published one time in The Bond Buyer or, if instructed by the Corporation or the County, in some other financial newspaper or journal which regularly carries notices of redemption of other

obligations similar to the Bonds. After the redemption date such Redemption Notice shall again be given in the manner provided above to the Owners of the Bonds designated for redemption who shall not have presented such Bonds for redemption within sixty days of the redemption date. Neither failure to receive any Redemption Notice nor any defect in such Redemption Notice so given shall affect sufficiency of the proceedings for the redemption of such Bonds.

## SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

### Special Obligation of Corporation

The Bonds constitute special limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured as to principal and redemption price thereof and interest thereon, and as to any premiums upon the redemption thereof, solely from (i) the Revenues, (ii) the Funds and Accounts under the Indenture (other than the Excess Earnings Fund, the County Contribution Account and any fund or account established pursuant to the Indenture, relating to the deposit of moneys to refund any Bonds of the applicable series), and (iii) other property subject to the lien of the Indenture and do not constitute obligations, nor evidence any indebtedness, of the County or the State. **The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.**

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

Base Rental. The obligation of the County to make Base Rental payments when due is a general fund obligation of the County and does not constitute a debt of the County for which the County is obligated to pledge or levy any form of taxation or for which the County has levied or pledged any form of taxation. Base Rental payments will be made from amounts included in the County's annual budget and appropriated therefor, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Capitalized Interest Subaccount and the Debt Service Reserve Fund established under the Indenture.

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

Equipment Lease" attached hereto. The County is also responsible for repair and maintenance of the Project during the term of the Lease.

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

So long as the County has the use and occupancy of the Project, the obligation of the County to make Base Rental and Additional Rental payments and payment of all other amounts provided for in the Lease, and to perform its obligations thereunder will be absolute and unconditional and such payments will not be subject to set-off, counterclaim or recoupment.

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

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

#### **Debt Service Reserve Fund**

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

#### **Insurance**

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

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

The County has obtained CLTA title insurance policy with respect to the Project.

#### **Base Rental Payment Schedule**

Base Rental payments must be deposited by the County with the Trustee on July 15 in each year the Bonds are outstanding. Base Rental payments are scheduled to be applied on each Interest Payment Date to pay the principal of and interest on the Bonds according to the schedule set forth in APPENDIX C - "SCHEDULE OF DEBT SERVICE PAYMENTS" attached hereto.

#### **BOND INSURANCE**

The following information has been furnished by the Insurer for use in this Official Statement. See APPENDIX H for a specimen of the Policy.

#### **The MBIA Insurance Corporation Insurance Policy**

The 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 Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

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

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

### **The Insurer**

The 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 Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has two European branches, one in the Republic of France, 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 Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The 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 Insurer set forth under the heading "BOND INSURANCE" and in APPENDIX H — "SPECIMEN MUNICIPAL BOND INSURANCE POLICY." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **MBIA 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, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

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 this Official Statement and prior to the termination of the offering of the 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, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), 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 Insurer is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, the Insurer had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

#### **Financial Strength Ratings of the Insurer**

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

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

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

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

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

#### **RISK FACTORS**

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

## Limited Obligations

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

The County covenants in the Lease to include appropriations in its annual budget for Base Rental payments. These appropriations are currently made from the County's Hospital Enterprise Fund. In the event the County's Hospital Enterprise Fund does not have sufficient revenues to pay Base Rental, the County has covenanted to pay the balance of such Base Rental from funds legally available to the County, including moneys in the County's General Fund. See APPENDIX A - "THE COUNTY OF RIVERSIDE" and APPENDIX B - "COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2001" attached hereto for information on amounts historically available in the General Fund. Amounts historically available in the General Fund, however, are not necessarily an indication of amounts that will be available in the General Fund in the future. In the event the County's revenue sources are less than its total obligations, the County could choose to fund other County services before making Base Rental payments. The same result could occur if, because of State Constitutional limits on expenditures or other restrictions, the County is not permitted to appropriate and spend all of its collected taxes.

## Abatement

Except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments on the Bonds, Base Rental and Additional Rental payments due under the Lease will be abated during any period in which, by reason of late completion of the Project, material damage, destruction, condemnation or defects in title to the Project, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement will be such that the resulting Base Rental and Additional Rental represents fair rental value for the use and possession of the remaining portions of the Project as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere with the use and right of possession by the County. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental represents such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such material damage, destruction, condemnation or title defects and ending with the restoration of the Project to tenantable condition. In the event that casualty insurance proceeds are unavailable because there is no coverage for the hazard or are insufficient in amount to provide for complete repair or reconstruction or replacement of the Project, or in the event the Project is not repaired or replaced during the period of time that proceeds of the County's rental interruption insurance may be available in lieu of Base Rental payments (a period of approximately two years) and the period for which funds are available from the Debt Service Reserve Fund, the Base Rental payments may be insufficient to cover debt service payments on the Bonds.

## **Risk of Uninsured Loss**

The County covenants under the Lease to cause to be maintained certain insurance policies on the Property. These insurance policies do not cover all types of risk. The Project could be damaged or destroyed due to a casualty for which the Project is uninsured. Under these circumstances an abatement of Base Rental could occur and could continue indefinitely. There can be no assurance that the providers of the County's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of the Project will be sufficient to redeem Bonds.

## **Seismicity**

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

For information concerning construction of the Project to seismic standards, see "THE PROJECT" herein.

## **Default and Limitation on Remedies**

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

The remedies provided for in the Lease include, in addition to all other remedies provided by law, (i) terminating the Lease and reletting the Project (without any right to damages with respect to any period following termination) and (ii) retaining the Lease and holding the County liable for each installment of Base Rental payments as it becomes due.

The enforcement of any remedies provided in the Lease and the Indenture may be limited by law (including limitations on a lessor's rights under real property leases and limitations on the rights of real property secured creditors) or could prove both expensive and time consuming. Although the Lease provides that if the County defaults the Trustee may reenter the Project and relet it, the Project may not be easily recoverable and, even if recovered, could be of little value to others because of its specialized nature, regulatory conditions, or other legal limitations on how and by whom the Project can be used. Furthermore, due to the essential governmental nature and use of the Project, it is not certain whether a court would permit the exercise of a remedy of removing the County.



## **Limitations on Sources of Revenues**

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

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

## **Federal Welfare Reform**

The entire Statewide welfare system was changed in response to the change in federal welfare law in 1996. The federal block grant formula established in 1996 is operative through federal fiscal year 2002. Under the revised basic State welfare system, California Work Opportunity and Responsibility to Kids (“CalWORKs”), counties are given flexibility to develop their own plans, consistent with State law, to implement Welfare-to-Work and to administer many of its elements and their costs for administrative and support services are capped at 1996-1997 levels. Counties are also given financial incentives if, at the individual county level or statewide, the CalWORKs program produces savings associated with specified Welfare-to-Work outcomes. Since these policy changes went into effect, the caseload in the County has decreased from over 38,000 cases to under 20,000 cases, while the population in the County continues to increase. Under CalWORKs, counties are still required to provide “general assistance” aid to certain persons who cannot obtain welfare from other programs.

Although State funding of these programs has decreased due to the State's budget deficit and the State has utilized County earned incentives to mitigate further cuts in funding statewide, the County is currently receiving sufficient state and federal funding to implement the various provisions of the federal welfare law without the need for additional County general fund support. There can be no assurance, however, that future state and federal funding will continue at current levels.

## **Bankruptcy**

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the “Bankruptcy Code”). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Bond would be treated as a creditor in the municipal bankruptcy. Among the adverse effects of such a bankruptcy might be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of

unsecured or court-approved secured debt which may have a priority of payment superior to that of owners of Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the County's debt without the consent of all of the owners of Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Code finds that such a plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Leases or the Bonds that makes the bankruptcy or insolvency of the County in event of default.

### THE REMARKETING AGENT

Salomon Smith Barney Inc. has been appointed to serve as the Remarketing Agent for the Reoffered Bonds. The Remarketing Agent is obligated under the Remarketing Agreement to use its best efforts to remarket the Reoffered Bonds in accordance with the Indenture.

### THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the County's Board of Supervisors to serve one year terms. The Board of Directors elects a President and Secretary from among the members, with the other directors serving as Vice-Presidents. There are currently four members of the Board of Directors, with an appointment of the fifth member currently pending.

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

### THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. The County is the fourth largest county (by area) in the State and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 24 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 1,644,341 as of January 1, 2002, reflecting a 2.17% increase over January 1, 2001.

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

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

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

See APPENDIX A – “THE COUNTY OF RIVERSIDE” for a more detailed description of the County.

### **RIVERSIDE COUNTY POOLED INVESTMENT FUND**

The County Treasurer maintains one Pooled Investment Fund (“PIF”) for all local jurisdictions having funds on deposit in the County Treasury. As of December 31, 2002, the portfolio assets comprising the PIF had a market value of \$2,294,052,129.

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, 1999, 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 90% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that 18 districts, constituting approximately 10% 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 made in accordance with the County Treasurer’s 2002 Statement of Investment Policy (the “Policy Statement”), which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. The Policy Statement specifically excludes future investments in all derivative securities and mutual bond funds, where the underlying portfolio assets are subject to daily market value adjustments. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The structure of the Pooled Investment Fund as of December 31, 2002 was:

Federal Agency Securities	\$1,553,343,648	67.71%
Commercial Paper	179,777,542	7.84%
Repurchase Agreements and Money Market Funds	551,000,000	24.02%
Local Agency Obligations <sup>(1)</sup>	4,930,939	.21%
Collateralized Time Deposits <sup>(2)</sup>	<u>5,000,000</u>	<u>.22%</u>
Total	\$2,294,052,129	100.00%
Weighted Average Yield	1.88%	
Weighted Average Maturity	190 days	

<sup>(1)</sup> Represents Local Agency Obligations issued by the County Redevelopment Agency and March Joint Powers Authority.

<sup>(2)</sup> Not rated; all other investments are government securities or rated investments.

The County began to mark-to-market the value of investment securities within the portfolio in December, 1994. As of October 31, 2002, the market value of the PIF was 100.30% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an Investment Oversight Committee ("IOC") in compliance with California Government Code Section 27131. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and, to make any findings and recommendations known to the Board. The IOC is currently comprised of the following members: the County Auditor-Controller, Finance Director, Superintendent of Schools, a school district representative, and a public member at large.

The County has obtained a rating on the PIF of "AAA/V-1+" from Fitch Ratings and a "Aaa/MR1" rating from Moody's Investors Service. 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.

**The Underwriters and the Remarketing Agent have made no independent investigation of the investments in the County PIF and have made no assessment of the current County Investment Policy. The value of the various investments in the County PIF will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the County PIF will not vary significantly from the values described herein.**

## CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS

### Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to (1) ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to November 1, 1978, or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after November 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors.

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

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

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

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

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

## **Article XIII B of the State Constitution**

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

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

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIII B and sets forth the methods of determining the appropriations limits for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective November 1, 1990, which implemented Proposition 111, the County has determined that its appropriations limit for "proceeds of taxes is greater than its appropriations subject to limitation."

## **Articles XIII C and XIII D of the State Constitution**

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

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

In addition, Article XIII C removes limitations on the initiative power in matters of local taxes assessments, fees and charges. Consequently, the voters of the County could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIII C, and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described below) would be applied to Article XIII C. The County has identified its hotel tax as the only tax, assessment or fee (other than as described below) that could be subject to this initiative power. See "Statutory Limitations" below. No assurance can be given, however, that the voters of the County will not, in the

future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

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

Article XIID also contains several provisions affecting "fees" and "charges," defined for purposes of Article XIID to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property related fees and charges must conform to specific requirements and prohibitions set forth in the Article. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The County's implementation of Proposition 218 has not had an impact on its General Fund. Parcel charges in 38 of the County's 57 county service areas ("CSAs") have been classified as fees and charges, assessments or special taxes under either Article XIIC or Article XIID. Eight CSAs are exempt from voter approval under the provisions, while 32 require the approval of local property owners or voters, as the case may be, for the County to continue collecting such charges. The County adopted a policy that unless County residents and property owners within the affected CSAs approve continuance of the applicable parcel charges, it would cease such services rather than use amounts in the General Fund to support them. Of the 32 CSAs which required an election to continue collecting parcel charges, two CSAs voted not to continue their parcel charges and services have terminated.

The interpretation and application of certain provisions of Proposition 218 remains subject to ultimate determination by the courts, and it is not possible at this time to predict with certainty the outcome of such determination.

### **Statutory Limitations**

A statutory initiative ("Proposition 62") was adopted by State voters at the November 4, 1986 General Election, which among other things (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity voting in such election, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote for the voters within that jurisdiction voting in such election, (3) restricts the use of revenues from a special tax to the purpose or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities (except for county or city documentary transfer taxes), except as permitted by Article XIII A and (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities.

Proposition 62 requirements are generally not applicable to general taxes and special taxes levied prior to its November 4, 1986 effective date.

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

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

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

Prior to 1986 the County levied a hotel tax, and subsequently increased the hotel tax in 1990. In October, 1990, the County increased its hotel tax from 8% to 10%, the current tax levied on the occupancy of any hotel room in the unincorporated areas of the County. The County collected approximately \$167,000 as a result of this increase in Fiscal Year 1997-98 and estimates that overall approximately \$1.25 million was collected as a result of the increase through June 30, 1998. If a court determined that the hotel tax increase in 1990 (after the effective date of Proposition 62) is in violation of Proposition 62, it would invalidate the increase and require, in accordance with Proposition 62, that the portion of the 1% general ad valorem property tax levy allocated to that jurisdiction be reduced by \$1 for every \$1 in revenue attributable to the invalid hotel tax for each year that such tax increase was collected.

## UNDERWRITING

Salomon Smith Barney Inc., as Representative of the Underwriters identified on the cover page of this Official Statement, has agreed to purchase the 2003 Bonds from the Corporation at a price of \$63,223,028.35 (which reflects a \$316,766.25 Underwriters' discount and the original issue premium of \$3,359,794.60), subject to certain conditions.

The Underwriters may offer and sell the 2003 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. The Purchase Contract for the 2003 Bonds provides that the Underwriters will purchase all of the 2003 Bonds, if any are purchased, the obligation to make such purchases being subject to certain terms and conditions set forth in the Purchase Contract.



The Remarketing Agent has agreed to remarket the Reoffered Bonds for a remarketing fee of \$145,800 (which includes expenses).

## TAX MATTERS

### 2003A Bonds

In the opinion of O'Melveny & Myers LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, the interest on the 2003A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). In addition, Bond Counsel is of the opinion that the 2003A Bonds are not "specified private activity bonds" as defined in Section 57(a)(5)(C) of the Code, and, therefore the interest on the 2003A Bonds will not be treated as a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest with respect to the 2003A Bonds received by or allocated to a corporation will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

The original issue discount ("OID") on the 2003A Bonds, if any, is treated as interest for federal income tax purposes and is excluded from gross income to the same extent as interest on the 2003A Bonds. OID is includable in adjusted current earnings as it accrues each year rather than at the time OID is actually paid to and received by the Owners of the 2003A Bonds upon the maturity or earlier redemption of the 2003A Bonds. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of such 2003A Bonds) rather than ratably, and an Owner's adjusted basis in such 2003A Bonds used to determine the amount of gain or loss on disposition of such 2003A Bonds, will be increased by the amount of such accrued OID.

Bond Counsel is further of the opinion that the interest on the 2003A Bonds (and OID, if any) is exempt from personal income taxes of the State of California under present State law.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the Corporation and the County in the Indenture and in the Tax and Nonarbitrage Certificate concerning the investment and use of 2003A Bond proceeds, the rebate, if any, to the United States Government of certain earnings thereon to the extent required and the use of the facilities financed or refinanced with the proceeds of the 2003A Bonds. In addition, Bond Counsel has assumed that all such representations are true and correct and that the Corporation and the County will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest and any OID on the 2003A Bonds from gross income under Section 103(a) of the Code in the event that any such representations by the Corporation and/or the County are untrue or if the Corporation or the County fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel. Bond Counsel has expressed no opinion regarding the effect, if any, of legislation enacted after the date hereof on the exclusion of interest on the 2003A Bonds from gross income for federal income tax purposes. In addition, no assurance can be given that such legislation could not directly or indirectly reduce the benefit of the receipt of interest which is otherwise excluded from gross income for federal income tax purposes.

Bond Counsel has expressed no opinion regarding any impact of ownership of, receipt of interest on, or disposition of the 2003A Bonds other than as expressly described above. Prospective purchasers of the 2003A Bonds should be aware that, in addition to the possible tax consequences, ownership of, receipt of interest on, or disposition of the 2003A Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the 2003A Bonds or, in the case of a financial institution, a portion of a holder's interest expense allocable to interest on the 2003A Bonds, (ii) with respect to insurance

companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the 2003A Bonds, (iii) interest on the 2003A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iv) passive investment income, including interest on the 2003A Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25 percent of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Code requires recipients of certain social security and certain railroad retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the 2003A Bonds. The presence of any such effect, as well as the magnitude thereof, depends on the specific factual situation with respect to each particular Bondholder.

### **2003B Bonds**

Concurrently with the issuance of and delivery of the 2003B Bonds, Bond Counsel will deliver its opinion to the effect that under existing laws, regulations, rulings and court decisions, and assuming other matters, interest and OID, if any, on the 2003B Bonds is exempt from personal income taxes of the State of California under present State law. NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES OF INTEREST ON THE 2003B BONDS AND INTEREST ON THE 2003B BONDS WILL BE SUBJECT TO ALL APPLICABLE FEDERAL TAXATION. IN ADDITION, OID, IF ANY, ON THE 2003B BONDS IS TREATED AS INTEREST AND IS NOT EXCLUDED FROM GROSS INCOME OF EACH OWNER THEREOF FOR FEDERAL INCOME TAX PURPOSES.

### **Reoffered Bonds**

Concurrently with the initial issuance and delivery of the 1993B Bonds, O'Melveny & Myers LLP, delivered its opinion to the effect that under the existing laws, regulations, rulings and court decisions, and assuming other matters, compliance with certain covenants, interest on the 1993B Bonds is exempt from State of California personal income taxes. Concurrently with the initial issuance and delivery of the 1997C Bonds, O'Melveny & Myers LLP, Bond Counsel, delivered its opinion to the effect that under the existing laws, regulations, rulings and court decisions, and assuming other matters, compliance with certain covenants, interest and OID, if any, on the 1997C Bonds was exempt from personal income taxes of the State of California under present state law. Such opinions spoke only as of their dated dates. Bond Counsel is not issuing any further opinion with respect to the validity or tax-exempt status of the Reoffered Bonds. NO ATTEMPT HAS BEEN MADE OR WILL BE MADE TO COMPLY WITH CERTAIN REQUIREMENTS RELATING TO THE EXCLUSION FROM GROSS INCOME FOR FEDERAL TAX PURPOSES OF INTEREST ON THE REOFFERED BONDS AND INTEREST ON THE REOFFERED BONDS WILL BE SUBJECT TO ALL APPLICABLE FEDERAL TAXATION.

### **VERIFICATION**

The accuracy of the mathematical computations prepared by the Underwriter relating to the sufficiency of amounts to be applied to the redemption of the 1993A Bonds will be verified by Grant Thornton, LLP a firm of independent certified public accountants.

These computations will be based upon information and assumptions supplied by the Underwriter on behalf of the Corporation. Grant Thornton, LLP has restricted its procedures to recalculating the

computations provided by the Underwriters and has not evaluated or examined the assumptions or information used in the computations.

### LEGAL MATTERS

The issuance of the 2003 Bonds is subject to the approval of legality of O'Melveny & Myers LLP, Bond Counsel. O'Melveny & Myers LLP, Bond Counsel, rendered an opinion with respect to the validity of the initial issuance of each series of the Reoffered Bonds. The applicable approving opinion was provided to the original purchasers upon delivery of each series of the Reoffered Bonds. Certain legal matters will be passed upon for the Remarketing Agent and the Underwriters by Sidley Austin Brown & Wood LLP, Los Angeles, California, and for the Corporation and the County by the Riverside County Counsel.

### LITIGATION

No litigation is pending against the County, or to the knowledge of the County, pending or threatened in any court (i) concerning the Project, (ii) in any way challenging the titles of the officials of the County executing documents relating to the 2003 Bonds and the Reoffered Bonds to their respective offices; (iii) seeking to restrain or enjoin the offering of the 2003 Bonds or the reoffering of the Reoffered Bonds, or in any way contesting or affecting the validity of the 2003 Bonds and the Reoffered Bonds, the Indenture, the Lease or the Agency Agreement, or contesting the powers of the County or any authority for the offering of the 2003 Bonds or the reoffering of the Reoffered Bonds; or (iv) asserting that this Official Statement contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

### FINANCIAL STATEMENTS

The Combined Financial Statements for the County for the Fiscal Year ended June 30, 2001, included in this Official Statement, have been audited by Marcias, Gini & Company LLP, independent auditors, as stated in their report herein. See APPENDIX B - "COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2001" attached hereto.

### CONTINUING DISCLOSURE

The County has covenanted for the benefit of owners of the 2003 Bonds and the Reoffered Bonds to provide certain financial information and operating data relating to the County by not later than 60 days after the County normally receives its audited financial statements from its auditor in each year, but in no event later than February 15, commencing with its report for the Fiscal Year ended June 30, 2002 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the County or U.S. Bank National Association, as dissemination agent (the "Dissemination Agent"), on behalf of the County with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Dissemination Agent on behalf of the County with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Remarketing Agent in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the County is summarized in "APPENDIX G - "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

## RATINGS

The Reoffered Bonds and the 2003 Bonds have received the ratings of "Aaa" by Moody's Investors Service ("Moody's"), "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies Inc. ("S&P") and "AAA" by Fitch Ratings ("Fitch"). The ratings are based on the issuance of the insurance policies by MBIA Insurance Corporation. In addition, Moody's, S&P and Fitch have assigned the underlying ratings of "A3", "A+", and "A+", respectively. Such ratings express only the views of Moody's and S&P and are not a recommendation to buy, sell or hold any of the Bonds. Any desired explanation of the significance of such ratings should be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the respective rating agency, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

## FINANCIAL ADVISOR

RBC Dain Rauscher, Inc., San Francisco, California, has served as financial advisor to the County (the "Financial Advisor") in connection with the offering of the 2003 Bonds and the reoffering of the Reoffered Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the County to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein.

## ADDITIONAL INFORMATION

The references herein to the Lease and the Indenture are brief outlines of certain provisions thereof. Such outlines do not purport to be complete, and for full and complete statements of such provisions reference is made to said documents. Copies of such documents are available from the Trustee in Los Angeles, California.

The attached Appendices are integral parts of this Official Statement and should be read in their entirety. The terms used in this Official Statement and defined herein shall have the meanings ascribed to them in the text. Capitalized terms which are not defined herein shall have the same meanings as set forth in the Lease or the Indenture. The preparation and distribution of this Official Statement have been authorized by the County and the Corporation.

### COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By:           /s/ Edward Corser            
Secretary

### COUNTY OF RIVERSIDE, CALIFORNIA

By:           /s/ Larry Parish            
County Executive Officer

**APPENDIX A  
THE COUNTY OF RIVERSIDE**

**GENERAL INFORMATION**

Set forth below is certain information with respect to the County. Such information was prepared by the County except as otherwise indicated.

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

**Population**

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 1,644,341 as of January 1, 2002, reflecting a 2.17% increase over January 1, 2001. Population rose 84.6% from 1980 to 1990 and 33.1% from 1990 to 2000.

The largest cities in the County are the cities of Riverside, Moreno Valley, Corona, Hemet, Indio, Palm Springs, Temecula and Murrieta. 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, 2002, 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	1997 <sup>(1)</sup>	1998 <sup>(1)</sup>	1999 <sup>(1)</sup>	2000 <sup>(1)</sup>	2001 <sup>(1)</sup>	2002 <sup>(1)</sup>
Banning.....	14,020	20,570	24,250	24,900	25,300	23,813	24,261	24,640
Beaumont.....	6,818	9,685	10,500	10,650	10,850	11,541	11,698	12,205
Blythe.....	6,805	8,428	20,750	21,050	20,950	20,310	20,951	21,222
Calimesa.....	-	-	7,400	7,550	7,650	7,129	7,261	7,272
Canyon Lake.....	-	-	11,400	11,650	11,850	9,996	10,214	10,345
Cathedral City.....	-	30,085	35,450	36,050	36,750	43,056	44,643	45,417
Coachella.....	9,129	16,896	21,350	21,850	22,200	22,769	23,944	24,282
Corona.....	37,791	76,095	104,300	111,500	117,300	125,595	131,246	133,966
Desert Hot Springs.....	5,941	11,668	15,050	15,300	15,400	16,825	16,999	16,866
Hemet.....	22,454	36,094	53,100	57,500	61,100	59,214	60,599	61,497
Indian Wells.....	1,394	2,647	3,190	3,270	3,410	3,694	4,024	4,348
Indio.....	21,611	36,793	42,800	43,800	44,500	49,792	51,480	52,187
Lake Elsinore.....	5,982	18,285	26,650	27,750	29,300	29,139	30,381	31,056
La Quinta.....	-	11,215	19,950	20,450	21,750	23,364	26,321	28,715
Morco Valley.....	-	118,779	134,600	137,200	139,100	144,608	146,505	146,435
Murrieta.....	-	-	36,600	39,000	41,550	44,343	46,833	51,630
Norco.....	19,732	23,302	24,650	25,500	25,500	24,396	24,746	24,899
Palm Desert.....	11,081	23,252	34,150	35,150	36,300	41,432	42,334	42,863
Palm Springs.....	32,359	40,181	41,900	42,650	42,900	43,221	43,819	43,715
Perris.....	6,827	21,460	30,300	31,050	31,550	36,691	37,549	37,510
Rancho Mirage.....	6,281	9,778	10,700	11,050	11,400	13,294	13,915	14,345
Riverside.....	170,591	226,505	245,200	250,800	254,300	257,951	265,684	269,402
San Jacinto.....	7,098	16,210	24,250	24,850	25,250	23,756	24,987	25,290
Temecula.....	-	27,099	43,750	46,550	48,850	57,284	62,107	72,715
<b>TOTALS:</b>								
Incorporated.....	385,914	785,027	1,021,490	1,057,070	1,085,010	424,614	436,855	441,499
Unincorporated.....	248,009	385,386	378,900	384,100	388,400	1,133,213	1,172,501	1,202,842
County-Wide.....	<u>633,923</u>	<u>1,170,413</u>	<u>1,400,390</u>	<u>1,441,170</u>	<u>1,473,410</u>	<u>1,557,827</u>	<u>1,609,356</u>	<u>1,644,341</u>
California.....	<u>23,668,562</u>	<u>29,473,000</u>	<u>32,670,000</u>	<u>33,252,000</u>	<u>33,773,100</u>	<u>34,088,000</u>	<u>34,885,000</u>	<u>35,037,000</u>

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

Source: U.S. Census Bureau, except California 1997, 1998, 1999, 2000, 2001 and 2002 data is from the State Department of Finance and the State Employment Development Department.

## 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 insurance. 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 1999 through 2001.

**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 <sup>(1)</sup>	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
1999			
Riverside County	\$ 22,453,426	\$35,145	31.7%
California	590,376,663	39,492	38.3
2000			
Riverside County	\$25,144,120	\$39,293	38.1%
California	652,190,282	44,464	44.3
2001			
Riverside County	\$23,617,301	\$37,480	31.9%
California	650,521,407	43,532	41.9

<sup>(1)</sup> Dollars in thousands.

Source: “Survey of Buying Power,” Sales & Marketing Management Magazine, dated 2000, 2001 and 2002.

## INDUSTRY AND EMPLOYMENT

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

### RIVERSIDE-SAN BERNARDINO PMSA ANNUAL AVERAGE EMPLOYMENT (in thousands)

<u>INDUSTRY</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Agriculture .....	21.7	21.6	21.6	21.7	19.9
Construction .....	52.1	60.8	70.0	78.9	86.6
Finance, Insurance and Real Estate .....	29.8	30.6	32.0	31.9	33.8
Government.....	171.6	174.7	183.2	192.1	200.7
Manufacturing:					
Nondurables .....	34.3	35.3	37.4	39.9	40.1
Durables.....	70.5	76.1	80.9	84.7	84.7
Mining .....	1.2	1.0	0.9	1.1	1.2
Retail Trade.....	177.8	181.0	186.7	199.5	208.3
Services.....	221.5	234.9	248.8	261.7	272.1
Transportation and Public Utilities .....	42.5	45.7	48.7	50.5	52.3
Wholesale Trade .....	40.2	42.2	45.0	48.2	49.9
<b>Total, All Industries.....</b>	<b>863.1</b>	<b>903.8</b>	<b>955.2</b>	<b>1010.1</b>	<b>1049.1</b>

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

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



The following table sets forth the major employers located in the County as of September 30, 2002:

**COUNTY OF RIVERSIDE  
MAJOR EMPLOYERS<sup>(1)</sup>**

Company Name	Location	Product/Service	Number of Employees
County of Riverside	Countywide	Government	16,762
University of California, Riverside	Riverside	Education	9,822
Stater Bros. Markets	Countywide	Supermarkets	5,320
Corona-Norco Unified School District	Corona	Education	4,800
Riverside Unified School District	Riverside	Education	3,906
Wal-Mart Stores Inc.	Countywide	Retail	3,550
Riverside Community College	Riverside	Education	3,350
Guidant Corp.	Temecula	Medical Devices	3,300
Kaiser Permanente Medical Center	Riverside	Health Care	2,886
Moreno Valley Unified School District	Moreno Valley	Education	2,836
City of Riverside	Riverside	Government	2,600
Murrieta Valley Unified School District	Murrieta	Education	2,305
Valley Health System	Hemet	Health Care	2,200
Hemet Unified School District	Hemet	Education	2,000
Eisenhower Medical Center	Rancho Mirage	Health Care	1,900
Temecula Valley Unified School District	Temecula	Education	1,888
Lake Elsinore Unified School District	Lake Elsinore	Education	1,863
Jurupa Unified School District	Riverside	Education	1,792
Casino Morongo	Cabazon	Gaming	1,650
Palm Springs Unified School District	Palm Springs	Education	1,606
Riverside County Office of Education	Riverside	Education	1,600
Alvord Unified School District	Riverside	Education	1,590
Fleetwood Enterprises Inc.	Riverside	Manufacturing	1,550
KSL Desert Resorts Inc.	La Quinta	Hotel Resort	1,525
Desert Regional Medical Center	Palm Springs	Health Care	1,500

<sup>(1)</sup> The County itself does not directly maintain employment records, but relies upon a variety of independent surveys, as well as upon its own surveys to identify major employers.

Source: The Business Press

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

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

	1997	1998	1999	2000	2001
County <sup>(1)</sup> .....	6.9%	6.1%	5.1%	5.1%	5.0%
California <sup>(1)</sup> .....	6.3%	5.9%	5.2%	4.9%	5.3%
United States.....	4.9% <sup>(2)</sup>	4.5% <sup>(2)</sup>	4.2% <sup>(3)</sup>	4.0%	4.8%

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

<sup>(2)</sup> Not strictly comparable with data for prior years.

<sup>(3)</sup> Beginning in January 1999, data is not strictly comparable with data for 1998 and earlier years because of revisions in the population controls in the household survey.

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

## Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are 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 1997 through 2001:

### COUNTY OF RIVERSIDE TAXABLE SALES TRANSACTIONS (in thousands)

	1997	1998	1999	2000	2001
Apparel Stores .....	\$ 488,625	\$ 498,753	\$ 495,945	\$ 538,578	\$ 565,295
General Merchandise Stores .....	1,331,898	1,456,256	1,670,748	1,877,399	2,098,746
Drug Stores .....	166,214	171,893	174,903	185,339	194,717
Food Stores .....	734,532	758,829	828,641	889,894	930,232
Packaged Liquor Stores .....	52,002	48,761	52,951	57,345	56,250
Eating and Drinking Places .....	1,030,655	1,117,921	1,233,274	1,364,808	1,465,467
Home Furnishing and Appliances .....	328,893	367,812	447,594	517,578	526,083
Building Materials & Farm Implements .....	831,063	998,256	1,260,027	1,446,829	1,591,275
Auto Dealers and Auto Supplies .....	1,565,935	1,724,833	2,329,125	2,814,375	3,141,484
Service Stations .....	855,454	793,252	983,739	1,196,693	1,223,753
Other Retail Stores .....	1,122,639	1,339,882	1,208,776	1,301,636	1,379,979
Retail Stores Total .....	\$ 8,507,910	\$ 9,276,448	\$10,685,724	\$12,190,474	\$13,173,281
All Other Outlets .....	3,464,361	3,864,406	4,391,221	4,788,975	5,058,274
Total All Outlets .....	<u>\$11,972,271</u>	<u>\$13,140,854</u>	<u>\$15,076,945</u>	<u>\$16,979,449</u>	<u>\$18,231,555</u>

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

## Building and Real Estate Activity

The first two tables that follow provide a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 1997. The high for single-family building permits occurred in 2001. The third table below reflects average home sales and average home sale prices for the same five-year period.

### COUNTY OF RIVERSIDE Building Permit Valuations (in thousands)

	1997	1998	1999	2000	2001
<b>Residential</b>					
New Single-Family	\$1,323,348.9	\$1,784,078.1	\$2,277,686.8	\$2,519,841.4	\$3,051,190.4
New Multi-Family	62,535.2	92,814.4	134,726.0	125,296.2	174,628.0
Residential Alterations & Adjustments	54,470.7	55,684.7	65,845.2	67,303.7	70,849.7
<b>Total Residential</b>	<b>\$1,440,354.8</b>	<b>\$1,932,577.2</b>	<b>\$2,478,258.0</b>	<b>2,712,441.4</b>	<b>3,296,668.2</b>
<b>Non-Residential</b>					
New Commercial	\$239,902.7	\$233,263.3	\$255,646.1	\$393,509.9	\$287,068.6
New Industry	97,515.7	118,308.3	112,238.5	98,621.8	74,766.3
New Other <sup>(1)</sup>	77,980.6	103,420.1	113,503.0	119,978.4	152,854.0
Alterations & Adjustments	101,553.8	135,949.7	126,079.4	157,802.1	143,351.7
<b>Total NonResidential</b>	<b>\$516,952.9</b>	<b>\$590,941.6</b>	<b>\$607,467.0</b>	<b>\$769,912.2</b>	<b>\$658,040.6</b>
<b>Total All Building</b>	<b><u>\$1,957,307.7</u></b>	<b><u>\$2,523,518.9</u></b>	<b><u>\$3,085,725.0</u></b>	<b><u>\$3,482,353.5</u></b>	<b><u>\$3,954,708.8</u></b>

<sup>(1)</sup> Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

### COUNTY OF RIVERSIDE Number of New Dwelling Units

	1997	1998	1999	2000	2001
Single Family.....	8,678	10,758	12,671	13,630	16,556
Multi-Family.....	1,106	1,735	2,010	1,780	2,458
<b>TOTAL.....</b>	<b><u>9,784</u></b>	<b><u>12,493</u></b>	<b><u>14,681</u></b>	<b><u>15,410</u></b>	<b><u>19,014</u></b>

Source: Construction Industry Research Board

**COUNTY OF RIVERSIDE**  
New Homes Sold<sup>(1)</sup>

	1997	1998	1999	2000	2001
<b>Median Values</b>					
Median Price	\$152,200	\$170,100	\$184,700	\$225,500	\$239,100
Living Area per Square Feet	1,885	2,000	2,030	2,540	2,470
Price per Square Feet	\$80.74	\$85.05	\$90.98	\$88.78	\$96.80
<b>Average Values</b>					
Average Price	\$171,200	\$181,800	\$210,800	\$249,900	\$252,700
Living Area per Square Feet	2,040	2,080	2,200	2,485	2,495
Price per Square Feet	\$83.92	\$87.40	\$95.82	\$100.56	\$101.28

<sup>(1)</sup> Not adjusted for inflation

Source: Construction Industry Research Board

**Agriculture**

Agriculture remains a leading source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, 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 1997 through 2001 is presented in the following table.

**COUNTY OF RIVERSIDE**  
Value of Agricultural Production

	1997	1998	1999	2000	2001
Citrus Fruits .....	\$ 85,602,500	\$ 110,869,000	\$ 118,236,100	\$ 114,572,900	\$ 130,221,100
Trees and Vines .....	201,322,500	248,126,000	224,383,600	177,390,100	191,579,100
Vegetables, Melons, Miscellaneous .....	164,748,200	204,511,200	238,001,400	193,720,100	196,785,100
Field and Seed Crops.....	90,136,200	77,180,200	64,554,300	66,921,500	80,215,900
Nursery .....	82,827,400	94,549,900	90,377,000	107,520,300	138,371,300
Apiculture .....	5,375,700	6,539,300	5,572,000	4,269,200	4,740,000
Aquaculture Products .....	12,535,300	10,431,000	16,006,800	17,174,700	15,412,400
Total Crop Valuation.....	\$ 642,547,800	\$ 752,208,100	\$ 757,131,200	\$ 681,568,800	\$ 757,324,900
Livestock and Poultry Valuation.....	431,374,900	447,298,600	440,230,900	366,992,800	367,583,500
Grand Total.....	\$1,073,922,700	\$1,199,506,700	\$1,197,362,100	\$1,048,561,600	\$1,124,908,400

Source: Riverside County Agricultural Commissioner

## Transportation

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego Counties is important to the County's employment picture. Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (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 and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with a stop in Indio. Freight service to major west coast and national markets is provided by two transcontinental railroads – (i) Union Pacific Railroad and (ii) the Burlington Northern and Santa Fe Railway Company. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. The SunLine Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The City of Banning also operates a local bus system.

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. 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 Force Base, which converted from an active duty base to a reserve-only base on April 1, 1996. Plans for joint military and civilian use of the base thereafter are presently being formulated by the March AFB Joint Powers Authority, comprised of the County and the Cities of Riverside, Moreno Valley and Perris.

## Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Ninety-five percent of all K-12 students attend schools in the unified school districts. The three largest unified districts are Riverside Unified School District, Moreno Valley Unified School District and Corona-Norco Unified School District.

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also 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 the Colorado River Aqueduct and the State Water Property.

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

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

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

## FINANCIAL INFORMATION

### Budgetary Process and Budget

The County 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, many counties have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in a mid year budget report.

### Fiscal Year 2002-2003 Final Budget

#### *General.*

The County adopted its Fiscal Year 2002-2003 Final Budget (the "Final Budget") on July 9, 2002. The Final Budget approved total General Fund expenditures of \$2.02 billion. Such expenditures are for primary County services including public protection, health and sanitation and public assistance. These three areas comprise approximately 78% of the County's total expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. Approximately 57% of the Final Budget is to be paid from State and Federal sources. The portion of the County's revenue that is not dependent upon State and Federal sources is considered to be "discretionary." The County uses the discretionary portion of General Fund revenues to match, if necessary, external sources of revenue and fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were \$59.2 million in Fiscal Year 1997-98, \$63.16 million in Fiscal Year 1998-99, \$74.2 million in Fiscal Year

1999-00, \$85.6 million in Fiscal Year 2000-01, \$81.7 million in Fiscal Year 2001-02 and is estimated at \$85.1 million in Fiscal Year 2002-03.

On August 5, 1998 the State of California and participating California Counties and Cities entered into a Memorandum of Understanding (MOU) which allocates a portion of tobacco settlement proceeds to the participating counties and cities. On December 9, 1998 the Master Settlement Agreement (MSA) between participating States and various tobacco companies received court approval. The County's portion of the settlement is approximately \$15 million per year. The County has received \$18,230,085 in Fiscal Year 1999-00, \$13,438,264 in Fiscal Year 2000-01, and \$19,297,798 in Fiscal Year 2001-02. It is projected that the County's share of settlement payments for Fiscal Years 2002-03 and 2003-04 will be \$19 million per year. The continued receipt of these settlement payments depends upon the ability of the tobacco companies to make continued payments under the MSA. See "RISK FACTORS—Limitations on Sources of Revenues."

On February 4, 2003, the County Executive Office released the mid-year budget report. Most discretionary revenues appear to be tracking favorably with year-end estimates expected to surpass budget estimates of \$366 million by \$5.53 million. Included in the report was a net decrease of \$6.2 million in the County's contingency fund mostly due to non-reimbursement by the State for mandated programs. The report also included \$16.4 million in potential additional costs for Fiscal Year 2002-03 due to a hospital budget shortfall and added retirement safety costs.

The County Executive Office also reported a potential \$8 million budget shortfall for Fiscal Year 2003-04 as a result of public safety retirement costs. The County anticipates that the General Fund's year-end fund balance will be sufficient to offset the \$8 million shortfall.

#### *Recent Medical Center Financial Developments.*

At June 30, 2001, the Riverside County Regional Medical Center (the "RCRMC") reflected a positive unrestricted fund balance of \$4.7 million. RCRMC is expected to have a negative unrestricted fund balance of \$3 million in Fiscal Year 2002. In Fiscal Year 2001 RCRMC had positive retained earnings of \$10.9 million, and in Fiscal Year 2002 RCRMC is expected to show a negative retained earnings of approximately \$8 million. RCRMC continues to experience growth in the patient collections as of the first quarter of Fiscal Year 2003. However, due to federal and state budget deficits RCRMC anticipates a negative retained earning of \$18.9 million and a negative cash balance of \$10.9 million at Fiscal Year end June 30, 2003. 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 2002-2003 totaling approximately \$2.2 billion. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. See "Ad Valorem Property Taxes" in this APPENDIX A. A total of \$426 million of assessments, representing \$4.26 million in general purpose taxes, was reduced from the County tax roll for Fiscal Year 2000-2001 and Fiscal Year 2001-2002, representing 11% of the total assessed valuation which was appealed. Virtually all of the appeals applicable to Fiscal Year 2000-2001 have been completed. The remainder of the Fiscal Year 2001-2002 and the Fiscal Year 2002-2003 assessment appeals are expected to be completed by June 1, 2004.



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 2003-2004 budget will be determined primarily by three components: (i) the remainder of the Fiscal Year 2000-2001 and Fiscal Year 2001-2002 assessment appeals still to be completed; (ii) approximately 30% of the Fiscal Year 2002-2003 appeals being completed during Fiscal Year 2002-2003; and (iii) additional assessment revenue of approximately \$3 million, which the County Assessor projects will be billed during Fiscal Year 2002-2003 and reduce the impact of the Fiscal Year 2002-2003 appeals.

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 2000-01, 2001-02 AND 2002-03  
(in millions)**

	Final 2000-01 Budget	Final 2001-02 Budget	Final 2002-03 Budget
<b><u>REQUIREMENTS</u></b>			
General Government	\$119.9	\$152.5	\$109.8
Public Protection	507.5	568.4	610.5
Health and Sanitation	272.5	314.1	346.6
Public Assistance	493.1	512.4	547.5
Education	.3	.3	0.3
Recreation and Cultural	.3	.3	0.2
Debt Retirement-Capital Leases	44.1	60.4	50.3
Contingencies	13.2	16.1	19.5
Increase Reserves	3.7	21.6	30.5
Total Requirements.....	\$1,454.6	\$1,646.1	\$1,715.2
<b><u>AVAILABLE FUNDS</u></b>			
Beginning Unrestricted Fund Balance	\$19.1	\$41.7	\$64.3
Estimated Revenues:			
Property Taxes	133.5	142.6	115.4
Other Taxes	26.4	31.6	34.6
Licenses, Permits and Franchises	15.3	14.5	18.6
Fines, Forfeitures and Penalties	29.7	30.3	33.5
Use of Money and Properties	29.7	23.3	12.3
Aid from Other Governmental Agencies:			
State	508.0	576.2	638.4
Federal	341.2	370.1	358.6
Other	.2	.2	0
Charges for Current Services	206.4	245.5	258.5
Other Revenues <sup>(1)</sup>	145.1	170.1	181.0
Total Available Funds .....	\$1,454.6	\$1,646.1	\$1,715.2

<sup>(1)</sup> Includes payments and reimbursements for programs which fund disproportionate share hospitals (DSB and SB 1255).

Source: County Auditor-Controller

## **Funding by State and Federal Government**

For Fiscal Year 2002-03, approximately 34.46% of the County's General Fund budget consists of payments from the State and 22.19% consists of payments from the Federal government.

Due to reduced spending in the State's Fiscal Year 2002-03 budget, the County's state funding has been reduced by nearly \$39 million, with over 70 percent of those reductions occurring in health and human services programs. The affected departments are developing a strategy to balance their budgets with minimal impact to the County's General Fund.

The State anticipates a budget deficit for Fiscal Year 2003-04 of between \$24 billion and \$35 billion. While it is not possible to determine what impact this deficit will have on the County's budget, the County has established a \$56 million Reserve for Economic Uncertainty Fund in anticipation of State funding reductions.

## **Ad Valorem Property Taxes**

Approximately 6.7% of the County's Final Budget for Fiscal Year 2002-03 consists of ad valorem property tax collections (see table entitled "Final General Fund Budgets" above). Taxes are levied for each Fiscal Year (July 1 to June 30, inclusive) on taxable real and personal properties that are situated in the County as of the preceding January 1.

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

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

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

The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rented premises, which is not secured by the underlying property. Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% of the delinquent taxes per month begins to accrue beginning November 1 of the Fiscal Year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) instituting a civil action against the taxpayer, (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's Office in order to obtain a lien on certain property of the

taxpayer, and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

**COUNTY OF RIVERSIDE  
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS  
FISCAL YEARS 1993-94 THROUGH 2002-03**

**SECURED PROPERTY TAX ROLL <sup>(1)</sup>**

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 <sup>(2)</sup>	Total Collections <sup>(3)</sup>	Percentage of Total Collections to Current Levy
1993-94	\$ 941,680,298	\$ 76,547,902	8.13%	\$ 954,696,240	101.38%
1994-95	948,727,678	68,916,650	7.26%	973,953,378	102.66%
1995-96	958,384,214	55,095,925	5.75%	983,383,857	102.61%
1996-97	948,771,329	50,879,482	5.36%	979,548,891	103.24%
1997-98	947,845,457	43,413,279	4.58%	989,979,458	104.45%
1998-99	964,844,205	39,123,778	4.05%	1,015,412,511	105.24%
1999-00	1,020,377,069	34,509,599	3.38%	1,076,947,278	105.54%
2000-01	1,106,323,881	40,719,497	3.68%	1,132,998,817	102.41%
2001-02	1,209,745,111	42,292,916	3.50%	1,235,188,224	102.10%
2002-03	1,348,190,139	47,186,655 <sup>(4)</sup>	3.50% <sup>(4)</sup>	1,376,502,132 <sup>(4)</sup>	102.10% <sup>(4)</sup>

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

<sup>(2)</sup> 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.

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

<sup>(4)</sup> Estimate only.

Source: County Auditor-Controller

**UNSECURED PROPERTY TAX ROLL <sup>(1)</sup>**

Fiscal Year	Unsecured Property Tax Levy	Total Collections <sup>(2)</sup>	Percentage of Total Collections to Original Levy
1993-94	28,148,126	30,177,206	107.21%
1994-95	27,925,546	30,376,694	108.78%
1995-96	28,779,287	31,649,332	109.97%
1996-97	29,750,582	32,192,685	108.21%
1997-98	29,470,141	32,449,742	110.11%
1998-99	34,146,467	34,311,411	101.95%
1999-00	37,937,325	38,540,297	101.59%
2000-01	44,089,979	42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50%
2002-03	51,805,548	49,011,550	94.61% <sup>(3)</sup>

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

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

<sup>(3)</sup> Estimate only.

Source: County Auditor-Controller

**COUNTY OF RIVERSIDE  
SUMMARY OF SUPPLEMENTAL ROLL  
AD VALOREM PROPERTY TAXATION  
FISCAL YEARS 1992-93 THROUGH 2001-02**

Fiscal Year	Tax Levy for Increased Assessments <sup>(1)(2)</sup>	Refunds for Decreased Assessments <sup>(1)</sup>	Net Tax Levy	Collections <sup>(1)(3)</sup>
1992-93	24,629,702	2,785,323	21,844,379	20,595,982
1993-94	15,525,496	4,314,271	11,211,225	14,014,151
1994-95	16,194,896	6,638,055	9,556,841	21,860,083
1995-96	14,185,628	6,895,458	7,290,170	15,806,432
1996-97	13,990,281	6,638,692	7,351,589	14,724,507
1997-98	21,720,736	8,089,710	13,624,026	19,755,383
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	6,387,867	44,314,821	49,125,986
2000-01	54,057,911	5,282,983	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150

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

<sup>(2)</sup> The reduction in the supplemental tax since Fiscal Year 1990-91 is due to the reduction in new construction in the County.

<sup>(3)</sup> Includes current and prior years' taxes, redemption penalties and interest collected.

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

**COUNTY OF RIVERSIDE  
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE<sup>(1)</sup>  
FISCAL YEARS 1998-99 THROUGH 2002-03  
(in millions)**

Category	1998-99	1999-00	2000-01	2001-02	2002-03
<b>SECURED PROPERTY:</b>					
Land .....	\$26,294	\$27,570	\$29,741	\$32,151	\$35,014
Structures .....	44,465	47,710	53,602	61,230	69,219
Personal Property .....	710	735	734	795	845
Utilities .....	2,303	2,383	2,116	2,010	2,012
Total Secured.....	\$73,772	\$78,398	\$86,193	\$96,186	\$107,090
<b>UNSECURED PROPERTY:</b>					
Land .....	\$16	\$14	\$515	\$13	\$9
Improvements .....	1,330	1,530	1,729	1,847	2,049
Personal Property .....	1,712	2,097	2,365	2,577	2,740
Total Unsecured.....	\$3,058	\$3,641	\$4,107	\$4,437	\$4,798
Grand Total.....	\$76,830	\$82,039	\$90,309	\$100,623	\$111,888

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

Source: County Auditor-Controller/County Assessor

## Largest Taxpayers

The 15 largest taxpayers in the County, as shown on the Fiscal Year 2002-03 tax roll, and the approximate amounts of their property tax payments (for all taxing jurisdictions within the County) for such Fiscal Year are shown below. The total amount of property taxes levied on these taxpayers in Fiscal Year 2002-03 (as indicated in the table below) represented approximately 2.82% of the total levy.

### COUNTY OF RIVERSIDE FIFTEEN LARGEST TAXPAYERS IN FISCAL YEAR 2002-03 SECURED AND UNSECURED ASSESSMENTS

Taxpayer	Nature of Business	Total Taxes Levied in Fiscal Year 2002-03 <sup>(1)</sup>
Verizon California Inc.	Public Utility	\$ 7,485,665
Southern California Edison Company	Public Utility	5,253,324
Southern California Gas Co.	Public Utility	3,144,416
Desert Springs Marriott Ltd. Partnership	Hotel	2,693,861
KSL Desert Resorts, Inc.	Real Estate Development Co.	2,554,507
Pacific Bell	Public Utility	2,544,427
OTR	Retail Sales	2,294,225
Woodside Glenoaks Inc.	Land Developer	1,935,425
Blythe Energy	Private Utility	1,893,988
Overland Moreno Valley	Land Developer	1,582,361
Forecast Group	Land Developer	1,565,480
Advanced Cardiovascular Systems, Inc.	Medical Device Sales	1,537,087
International Rectifier Corp.	Manufacturing Co.	1,500,048
Pulte Home Corp.	Land Developer	1,399,997
Bighorn Dev.	Land Developer	<u>1,376,168</u>
TOTAL		<u>\$38,760,980</u>

<sup>(1)</sup> Dollar amounts have been rounded.

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 2001-02, the County retained approximately 13% of the total amount collected. The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies.

## Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on

the "frozen" tax base, except for those instances where the affected taxing agencies have negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds.

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

**COUNTY OF RIVERSIDE  
COMMUNITY REDEVELOPMENT AGENCIES'  
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS  
AND TOTAL TAX ALLOCATIONS  
FISCAL YEARS 1992-93 THROUGH 2001-02**

Fiscal Year	Frozen Base Value	Full Cash Value Increments <sup>(1)</sup>	Total Tax Allocations <sup>(2)</sup>
1992-93	\$6,691,403,381	\$13,381,230,705	\$136,924,493
1993-94	6,718,110,520	14,104,775,709	143,596,496
1994-95	7,624,042,510	14,270,345,110	146,456,151
1995-96	8,153,019,644	14,511,477,774	147,112,474
1996-97	8,168,238,236	14,310,497,618	145,706,128
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	237,129,120 <sup>(3)(4)</sup>

<sup>(1)</sup> 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.

<sup>(2)</sup> Actual cash revenues collected by the County and subsequently paid to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.

<sup>(3)</sup> Of the total tax allocation in Fiscal Year 2001-02, \$62,442,913 is attributable to amounts that would have accrued to the County's General Fund. Of this amount, \$35,741,199 (Est.) is returned to the General Fund through negotiated agreements.

<sup>(4)</sup> Estimate.

Source: County Auditor-Controller

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

The County has formed a redevelopment agency with project areas in 34 unincorporated communities. As of June 30, 2002, the County Redevelopment Agency had a total land area of 42,203 acres and a base year assessed value, including State-owned land, of \$2,192,830,340. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in Fiscal Year 2001-2002 was estimated at \$6,156,226.

## Financial Statements and Related Issues

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

The California Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board and must be conducted annually. The County's financial statements for the Fiscal Year ended June 30, 2001 were audited by Ernst & Young LLP. See APPENDIX B - "COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 2001."



**COUNTY OF RIVERSIDE**  
**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES**  
**IN UNRESERVED FUND BALANCES - GENERAL FUND**  
**FISCAL YEARS 1996-97 THROUGH 2000-01**

	1996-97	1997-98	1998-99	1999-00	2000-01
<b>BEGINNING UNRESERVED FUND BALANCE.....</b>	\$26,109,617	\$34,511,120	\$36,533,668 <sup>(1)</sup>	\$22,141,000	\$106,439,297 <sup>(1)</sup>
<b>REVENUES</b>					
Taxes .....	129,910,641	146,354,395	142,637,116	162,850,208	167,990,856
Licenses, permits and franchises ...	13,275,402	13,272,753	10,339,119	12,849,737	13,898,534
Fines, forfeitures and penalties .....	9,330,192	19,353,225	26,416,586	25,657,029	27,033,349
Use of money and property .....	18,322,249	18,236,264	21,370,266	28,000,191	36,113,480
Rents and concessions .....	356,800	175,407	624,078	518,318	913,912
Government Aid - State.....	471,124,085	448,254,658	422,853,599	457,078,557	512,489,994
Government Aid - Federal.....	200,496,660	200,085,515	271,756,181	271,963,503	317,406,065
Charges for current services .....	122,343,902	135,537,821	145,062,960	169,924,149	182,917,667
Other revenues .....	12,177,060	23,804,888	41,208,104	40,721,490	53,900,316
<b>TOTAL REVENUES.....</b>	<b>\$997,336,991</b>	<b>\$1,005,074,926</b>	<b>\$1,082,365,989</b>	<b>\$1,169,563,182</b>	<b>\$1,312,664,173</b>
<b>EXPENDITURES</b>					
General government .....	\$54,181,432	\$74,813,540	\$68,712,137	\$96,350,125	\$100,553,305
Public protection .....	348,336,538	416,469,800	434,611,414	455,842,287	500,350,943
Health and sanitation .....	225,021,097	242,435,840	248,824,822	230,547,784	271,826,233
Public assistance.....	389,625,079	362,108,718	386,585,794	392,465,354	454,203,415
Education .....	301,570	263,663	284,499	290,000	313,638
Recreation and cultural.....	478,561	474,250	284,892	166,985	181,952
Capital Outlay .....	20,873,023	26,953,182	5,416,872	1,947,219	29,777,333
Debt service and capital leases .....	6,232,487	27,179,824	55,031,824	10,354,631	17,332,653
<b>TOTAL EXPENDITURES.....</b>	<b>\$1,045,049,787</b>	<b>\$1,150,698,817</b>	<b>\$1,199,752,254</b>	<b>\$1,187,973,385</b>	<b>\$1,374,539,472</b>
Excess (deficit) of revenues over expenditures .....	(67,712,796)	(145,623,891)	(117,366,065)	(18,410,203)	(61,875,299)
Change in reserve for encumbrance	104,287	2,676,572	(1,498,954)	(1,715,511)	7,018,245
Changes in other reserves .....	1,222,687	(73,112,006) <sup>(2)</sup>	5,857,578	(323,200)	(52,993,508)
Transfer from other funds.....	107,066,055	107,752,445	104,602,134	69,836,928	121,325,769
Transfer to other funds .....	(53,151,853)	(21,766,993)	(25,804,534)	(38,759,040)	(39,339,516)
Capital Leases .....	20,873,123	26,953,182	5,416,672	1,947,210	29,777,333
Bond Issuance		105,132,600	26,990,000		
<b>Ending Unreserved Fund Balance:</b>	<b>\$34,511,120</b>	<b>\$36,523,029</b>	<b>\$34,730,499</b>	<b>\$34,717,193</b>	<b>\$110,352,323</b>
Less: Designated Unreserved Fund Balance .....	3,220,093	20,237,000	1,585,304	23,779,381	44,663,148
<b>UNDESIGNATED UNRESERVED FUND BALANCE.....</b>	<b>\$31,291,027</b>	<b>\$16,286,029</b>	<b>\$33,145,195</b>	<b>\$10,937,812</b>	<b>\$65,689,173</b>

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

(2) Includes \$73,182,761 for debt service.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE  
GENERAL FUND BALANCE SHEETS  
AT JUNE 30, 1997 THROUGH JUNE 30, 2001**

	1997	1998	1999	2000	2001
<b>ASSETS</b>					
Cash & Marketable Securities....	\$ 0 <sup>(1)</sup>	\$ 0 <sup>(1)</sup>	\$ 0 <sup>(1)</sup>	\$ 0 <sup>(1)</sup>	\$ 0 <sup>(1)</sup>
Taxes Receivable .....	3,591,988	52,223,884 <sup>(4)</sup>	38,919,498	3,167,000	3,767,279
Accounts Receivable.....	5,149,225	11,460,818	47,679,808	2,145,391	3,972,766
Interest Receivable.....	1,781,826	2,651,642	1,551,012	2,241,318	17,307,429
Advances to Other Funds .....	2,034,800	1,739,500	8,859,840	15,236,087	6,436,614
Due from Other Funds .....	95,380,994	146,849,698	145,350,442 <sup>(2)</sup>	196,330,900	145,701,208
Due from Other Governments ...	83,398,093	110,825,850	116,077,410	204,771,000	135,557,590
Deposits.....	2,469,996	2,469,996	2,469,746	0	0
Inventories.....	2,247,020	2,468,450	2,487,057	895,604	863,531
Prepaid Expenses.....	41,659	41,659	41,694	0	0
Restricted Assets .....		25,489,263 <sup>(5)</sup>	261,872,746 <sup>(6)</sup>	235,000,000 <sup>(7)</sup>	293,878,401 <sup>(8)</sup>
<b>Total Assets .....</b>	<b>\$196,095,601</b>	<b>\$356,220,760</b>	<b>\$625,309,253</b>	<b>\$659,787,302</b>	<b>\$607,484,818</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>LIABILITIES:</b>					
Accounts Payable .....	\$4,403,116	\$2,699,052	\$6,083,147	\$6,443,651	\$12,123,548
Salaries & Benefits Payable.....	15,131,707	17,100,971	20,204,862	24,891,133	27,712,182
Due to Other Funds .....	52,416,151	97,173,232	104,471,624	119,702,105	19,741,149
Due to Other Governments .....	2,453,900	11,108,851	29,742,065	24,994,325	4,338,720
Tax and Revenue Anticipation Notes Payable .....					
Deferred Revenue.....	69,671,683	103,671,666	111,492,411	192,257,000	137,043,388
Interest Payable.....			235,000,000	235,000,000	228,395,000
Bonds & Notes Payable.....					
<b>Total Liabilities.....</b>	<b>\$144,076,557</b>	<b>\$231,753,772</b>	<b>\$506,994,109</b>	<b>\$603,288,214</b>	<b>\$429,353,981</b>
<b>FUND BALANCE:</b>					
Reserved.....	\$17,508,024	\$87,943,959 <sup>(4)</sup>	\$83,584,645	\$21,781,895	\$67,778,516
Unreserved .....	34,511,020	36,523,029	34,730,499	34,717,193	110,352,321
<b>Fund Balance.....</b>	<b>\$52,019,044</b>	<b>\$124,466,988</b>	<b>\$118,315,144</b>	<b>\$56,499,088</b>	<b>\$178,130,837</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$196,095,601</b>	<b>\$356,220,760</b>	<b>\$625,309,253</b>	<b>\$659,787,302</b>	<b>\$607,484,818</b>

<sup>(1)</sup> The General Fund experienced a negative cash balance of \$52,416,000 at June 30, 1997, \$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 \$409,525,000 available to cover the negative cash balance on June 30, 1999 \$469,206,000 at June 30, 2000 and \$19,695,000 at June 30, 2001.

<sup>(2)</sup> Includes amounts from Riverside General Hospital under SB 855 and SB 1255 and amounts from the Tax Loss Reserve Fund of the Teeter Plan.

<sup>(4)</sup> Increase reflects the impact of a change in Teeter financing of delinquent secured roll taxes receivable.

<sup>(5)</sup> Assets restricted at June 30, 1998 for payment of Teeter Commercial Paper Note.

<sup>(6)</sup> Assets restricted at June 30, 1999 for payment of Tax Anticipation Notes and Teeter Commercial Paper Notes.

<sup>(7)</sup> Assets restricted at June 30, 2000 for payment of Tax Anticipation Notes.

<sup>(8)</sup> Assets restricted at June 30, 2001 for payment of Tax Anticipation Notes and Teeter Commercial Paper Notes.

Source: County Auditor-Controller.

## Long-Term Obligations of County

During its 105 years of existence, to the best knowledge of County officials, the County has never failed to pay the principal or interest on any of its bonded indebtedness. As of December 1, 2002, 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 December 1, 2002.

**COUNTY OF RIVERSIDE  
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS**

2002-03 Assessed Valuation: \$110,020,472,952 (includes unitary utility valuation)  
 Redevelopment Incremental Valuation: 27,138,018,936  
 Adjusted Assessed Valuation: \$ 82,882,454,016

<u>DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:</u>	<u>% Applicable</u>	<u>Debt 12/1/02</u>
Riverside County	100. %	\$ 0 (1)
Metropolitan Water District	4.444	22,333,766
Unified School Districts	2.703-100.	469,111,457
Perris Union High School District	100.	15,594,882
City of Corona	100.	5,065,000
Eastern Municipal Water District Improvement Districts	100.	9,885,000
Elsinore Valley Municipal Water District Improvement District No. U2	100.	2,215,000
Coachella County Water District Improvement Districts	100.	21,048,250
Other Special Districts	100.	<u>2,440,500</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT</b>		<b>\$547,693,855</b>
Less: Eastern Municipal Water District self-supporting bonds		<u>580,250</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT</b>		<b>\$547,113,605</b>

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT AND ASSESSMENT DEBT:</u>	<u>%</u>	<u>\$</u>
Riverside County General Fund Obligations	100. %	\$ 646,023,162 (1)
Riverside County Board of Education Obligations	100.	14,460,574
School Districts General Fund and Lease Tax Obligations	2.703-100.	424,854,931
City of Corona Certificates of Participation	100.	27,190,000
City of Moreno Valley Certificates of Participation	100.	19,925,000
City of Palm Springs Certificates of Participation	100.	74,637,000
Other City General Fund Obligations	100.	81,579,412
Rancho California Water District Water Facilities Corporation	100.	223,994,290
Other Water District Certificates of Participation	Various	17,120,948
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	11,409,477
Community Facilities Districts	100.	1,091,946,320
Riverside County 1915 Act Bonds	100.	80,240,000
City and Special District 1915 Act Bonds (Estimated)	100.	<u>207,621,324</u>
<b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT</b>		<b>\$2,921,002,438</b>
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		6,395,000
Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)		22,999,010
Temecula Unified School District Certificates of Participation (self-supporting from tax increment revenues)		6,040,000
City of Palm Springs Wastewater Certificates of Participation (self-supporting from enterprise revenues)		652,638
Other Special District self-supporting bonds (self-supporting from enterprise revenues)		612,051
Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		<u>16,560,000</u>
<b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT</b>		<b>\$2,867,743,739</b>

**GROSS COMBINED TOTAL DEBT** \$3,468,696,293 (2)  
**NET COMBINED TOTAL DEBT** \$3,414,857,344

(1) Excludes revenue 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 2002-03 Assessed Valuation:

Direct General Obligation Debt ..... 0.00%  
 Gross Direct and Overlapping General Obligation Debt ..... 0.50%  
 Net Direct and Overlapping General Obligation Debt ..... 0.50%

Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt (\$646,023,162) ..... 0.78%  
 Combined Net Direct Debt (\$616,629,152) ..... 0.74%  
 Combined Gross Debt ..... 4.19%  
 Combined Net Debt ..... 4.12%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: \$0

### **Teeter Obligations**

In 1993, the Board adopted the Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County (see "Other Taxing Agencies" below) on the basis of the tax levy, rather than on the basis of actual tax collections. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2002-03, approximately 70% of all taxing entities are participating in the Teeter Plan.

On October 28, 2002 the County issued \$37,682,000 County of Riverside Teeter Obligation Tax-Exempt 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.

### **Lease Obligations**

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

The following tables summarize the County's outstanding lease rental obligations as of December 1, 2002, and their annual lease requirements.

**COUNTY OF RIVERSIDE**  
**Summary of Lease Rental Obligations**  
**(Payable from the County's General Fund)**  
**(As of December, 2002)**

	Final Maturity Year	Original Issue Amounts	Obligations Outstanding	Annual Base Rental <sup>(1)(2)</sup>
Riverside County Public Facilities Project 1985 Certificates of Participation - Type I	2015	\$148,500,000	\$108,700,000	\$9,819,540 <sup>(3)</sup>
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	6,523,261	1,003,404
Riverside County Hospital Project, Leasehold Revenue Bonds				
1993 Series A and B <sup>(4)</sup>	2014	149,060,000	121,160,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	71,215,000	20,396,118 <sup>(5)</sup>
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	7,600,000	893,000 <sup>(6)</sup>
1993 Master Refunding Project Certificates of Participation <sup>(7)</sup>	2018	33,640,000	11,035,000	3,347,579
Palm Desert Financing Authority Lease Revenue Bonds, Series 1996 (Blythe County Administrative Center Project)	2026	7,010,000	6,395,000	534,791
County of Riverside Certificates of Participation (Family Law Court Project)	2027	12,165,000	11,165,000	840,151
County of Riverside Certificates of Participation (Historic Courthouse Project)	2027	21,834,879	21,179,878	1,376,020.
County of Riverside Certificates of Participation <sup>(8)</sup> (1997 Lease Refunding Project)	2021	58,070,000	33,145,000	3,556,010
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	17,000,000	1,513,625 <sup>(9)</sup>
County of Riverside Certificates of Participation <sup>(10)</sup> (1998 Larson Justice Center Refunding)	2021	36,100,000	30,745,000	2,498,060
Riverside District Court Financing Corporation (United States District Court Project)				
Series 1999	2020	24,835,000	22,764,111	
Series 2002	2020	925,000	925,000	1,773,049 <sup>(11)</sup>
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project Series 2000 A&B)	2032	94,245,000	94,245,000	1,941,918 <sup>(12)</sup>
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	38,075,000	0 <sup>(13)</sup>
<b>TOTAL:</b>		<u>\$774,624,952</u>	<u>\$643,042,323</u>	<u>\$49,493,265</u>

(1) See the following table for a complete schedule of the County's lease obligations.

(2) Annual base rental for FY 2002-2003 unless otherwise noted.

(3) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending November 25, 2002 was approximately 1.43%.

(4) \$59,500,000 of the 1993 Series A Bonds will be refunded by the 2003 Bonds.

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

(6) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending November 26, 2002 was approximately 2.01%.

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

(8) The 1997 Lease Refunding Project refunded the 1991 Series A Capital Projects and the 1991 Series B Equipment Projects.

(9) Annual base rental estimated at assumed interest rate of 7.5% per annum. The average interest rate for the twelve-month period ending November 26, 2002 was approximately 1.86%.

(10) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project.

(11) Total annual base rental for Riverside Court Financing Corporation (United States District Court Project).

(12) Annual base rental offset by \$3,154,499 from capitalized interest.

(13) Annual base rental paid from capitalized interest through November 1, 2003.

Source: County Executive Office

## COUNTY OF RIVERSIDE Annual Lease Requirements (1)(6)

Fiscal Year	1985 Public Facilities <sup>(2)</sup>	1986 CA Health Facility	1993/97 Hospital Project <sup>(3)</sup>	1990 Monterey Avenue <sup>(4)</sup>	1993 Master Refund	1996 Blythe Adm. Cr.	1997 Family Law Court	1997 Historic Courthouse	1997 Lease Refunding	Bankruptcy Court <sup>(5)</sup>	1998 Larson Justice Ctr Refunding	U.S. District Court	Southwest Justice Center	CAC Annex	Fiscal Year Total
2002-03	\$9,819,540	\$1,003,404	\$ 6,506,547.47	\$893,000	\$3,347,579	\$534,791	\$840,151	\$1,376,020	\$3,556,010	\$1,513,625	\$2,498,060	\$1,773,049	\$1,941,918	\$0	\$35,603,694.47
2003-04	10,015,286	1,002,700	7,469,054.00	875,000	3,326,455	533,400	840,359	1,400,205	3,954,938	1,515,625	2,506,460	1,796,115	4,948,468	1,567,266	41,751,331.00
2004-05	10,188,611	1,001,944	7,465,710.26	857,000	1,085,288	531,584	839,891	1,417,588	3,953,880	1,516,125	2,497,610	1,801,474	6,577,935	2,538,531	42,273,171.26
2005-06	10,535,480	1,001,140	7,466,929.00	839,000	1,080,747	534,188	838,729	1,442,975	3,953,488	1,515,125	2,496,015	1,801,717	6,569,060	2,535,781	42,612,374.00
2006-07	10,750,735	1,000,269	7,462,491.50	821,000	1,078,625	531,194	841,731	1,466,048	2,635,938	1,512,625	2,496,278	1,801,967	6,567,675	2,536,406	41,502,982.50
2007-08	11,133,929	999,338	7,467,191.50	898,500	1,073,244	532,300	838,876	1,496,465	2,625,538	1,513,438	2,488,925	1,802,222	6,556,296	2,535,281	41,961,543.50
2008-09	11,477,885	998,340	7,470,541.50	871,500	1,074,688	532,419	840,136	1,514,143	2,630,473	1,512,375	2,488,775	1,802,478	6,571,041	2,532,406	42,317,200.50
2009-10	11,978,571	997,270	19,697,681.50	844,500	1,083,256	531,900	840,511	1,543,850	2,631,710	1,509,438	2,482,105	1,812,364	6,560,397	2,532,656	55,049,560.50
2010-11	12,428,809	996,126	19,663,196.50	817,500	1,078,950	530,744	839,939	1,570,088	2,632,844	1,509,438	2,482,105	1,812,364	6,553,583	2,530,906	55,446,592.50
2011-12	12,926,582	248,842	19,633,919.00	886,000	469,881	533,791	837,958	1,614,825	2,618,638	1,507,188	2,484,525	1,812,111	6,540,370	2,532,031	54,646,661.00
2012-13	13,564,267		19,450,944.00	850,000	471,769	530,784	834,215	1,639,825	2,619,388	1,507,500	2,482,563	1,811,849	6,482,251	2,530,906	54,776,261.00
2013-14	14,134,689		19,466,334.00	814,000	472,506	531,706	833,980	1,669,825	2,020,069	1,505,188	2,480,125	1,821,748	6,623,556	2,527,531	54,901,257.00
2014-15	14,931,796		19,489,861.50	873,500	472,094	531,634	837,463	1,704,825	2,021,138	1,505,063	2,476,875	1,820,656	6,576,806	2,526,781	55,768,492.50
2015-16	15,679,300		19,488,426.50	828,500	470,531	530,569	834,663	1,711,694	2,013,747	1,501,938	2,474,500	1,861,515	6,531,195	2,528,406	56,456,984.50
2016-17			19,492,946.50	879,000	472,675	528,509	835,580	1,739,419	2,012,769	1,500,625	2,477,625	1,824,006	6,499,229	2,527,281	40,789,664.50
2017-18			19,489,946.50	825,000	468,525	530,291	835,073	1,775,688	2,007,947	1,500,750	2,471,125	1,822,764	6,549,247	2,523,406	40,804,762.50
2018-19			19,493,446.50	866,500	468,081	525,913	833,019	1,801,606	2,009,025	1,497,125	2,469,875	1,826,363	6,494,178	2,521,656	40,806,787.50
2019-20			19,505,000.00	803,500	468,081	525,375	829,413	1,836,828	2,005,747	1,494,563	2,463,625	1,829,910	6,580,359	2,521,781	40,396,101.00
2020-21			19,505,000.00	836,000		524,828	827,313	1,866,469	2,007,856	1,492,688	2,462,125		6,546,892	2,518,656	38,593,258.00
2021-22			19,505,000.00			524,819	828,531	1,900,234	2,005,097	1,491,125	2,460,000		6,558,087	2,516,241	37,787,925.00
2022-23			19,505,000.00			524,819	828,531	1,932,684		1,489,500			6,558,155	2,514,238	33,352,957.00
2023-24			19,505,000.00			523,153	827,738	1,973,231		1,482,625			6,541,052	2,513,263	33,366,062.00
2024-25			19,505,000.00			524,666	824,931	2,006,434		1,480,125			6,474,315	2,508,188	33,323,659.00
2025-26			19,505,000.00			524,191	824,969	2,046,853		1,476,438			6,497,700	2,508,756	33,383,907.00
2026-27			19,505,000.00			521,728	822,706	2,074,194		1,476,000			6,453,428	2,504,713	13,852,769.00
2027-28							823,000	2,074,191		1,473,250			6,491,412	2,505,800	13,367,653.00
2028-29													6,423,124	2,501,763	8,924,887.00
2029-30													6,442,843	2,497,472	8,940,315.00
2030-31													6,452,767	2,492,672	8,945,439.00
2031-32													6,414,779	2,484,431	8,899,210.00
2032-33													6,377,747		6,377,747.00
Total	\$169,565,480	\$9,249,373	\$383,210,167.73	\$16,179,000	\$17,994,894	\$13,232,824	\$21,680,100	\$44,598,207	\$51,918,240	\$38,999,205	\$49,642,101	\$32,640,218	\$195,955,895	\$72,115,205	\$1,116,981,209.73

(1) Includes payments on leases securing revenue bonds and certificates of participation. Does not include operating leases or private capital leases. Some portion of payments is provided for by capitalized interest. General Fund payments for several issues are partially offset by contributions from special districts, enterprise funds and state and federal reimbursements.

(2) Annual base rental estimated at assumed interest rate of 6.5% per annum. The average rate through the twelve-month period ending November 25, 2002, was approximately 1.43%.

(3) \$59,500,000 of the 1993 Series A Bonds will be refunded by the 2003 Bonds. Commencing March 4, 2003, the 1993 Series B Bonds and the 1997 Series C Bonds will bear interest at a fixed interest rate of 5.41% and 5.81%, respectively.

(4) Annual base rental estimated at assumed interest rate of 9% per annum. The average interest through the period ending November 26, 2002 has been 2.01%.

(5) Annual base rental estimated at assumed interest rate of 7.5% per annum. The average interest through the period ending November 26, 2002 has been 1.86%.

(6) Totals may not add due to rounding.

Source: County Executive Office

## Employees

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

**COUNTY OF RIVERSIDE  
PERMANENT EMPLOYEES  
1992 THROUGH 2002  
(As of December)**

<u>Year</u>	<u>Permanent Employees</u> <sup>(1)</sup>
1992	10,337
1993	10,334
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	14,729 <sup>(2)</sup>

(1) Excludes temporary, seasonal and Job Training Partnership Act employees, which in December 2002 totaled approximately 2,372 employees.

(2) Reduction in permanent employees due to court employees becoming State of California employees.

Source: County Human Resources

County employees comprise nineteen bargaining units. Eleven 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 75% 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) 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 County is currently in litigation with the Public Safety Unit (PSU) of RSA over compensation for probation officers.

The agreements with SEIU and LIUNA will extend through December 31, 2004. The County reached agreement with RSA on May 1, 2001, on a new agreement that will expire on December 31, 2004. The County reached agreement with LEMU on March 19, 2001, on a new agreement that will expire on January 31, 2005, and, on June 13, 2002, the County reached agreement with DDAA that will expire on June 30, 2005. During the last twenty years, there has been no major County employee work stoppage.



## Retirement Program

The County participates in the State's Public Employees' Retirement System ("PERS"). The retirement plan, as amended, provides simultaneous coverage of eligible employees with PERS and social security. The plan provides basic retirement benefits for service, disability or death. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. 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. On June 30, 2001, the plan covered approximately 11,562 active members.

PERS is funded by contributions from the County, which include contributions of both the County's share and its employees' share. For the Fiscal Year 2002-03, the County's employer contribution for miscellaneous members is 3.6% of total salaries paid; the County's employer contribution for Fiscal Year 2003-04 for miscellaneous members will be 9.8%. For safety members, the County's employer contribution for the Fiscal Year 2002-03 is 13.8% of total salaries paid; the County's employer contribution for Fiscal Year 2003-04 for safety members will be 17.0%. These contribution rates are based on actuarial data calculated as of June 30, 2001, and reflect the impact of recent improvements to the retirement plan formulae, as well as part of the impact of poor investment returns over the past two years. Additional increases in employer contribution rates are expected for Fiscal Year 2004-05, due to the ongoing negative stock market. PERS estimates that the miscellaneous plan employer contributions will increase to 15.3% of salaries for Fiscal Year 2004-05, and the safety plan employer contributions will increase to 25.1% for Fiscal Year 2004-05.

The County's contribution rates vary annually as a result of actuarial calculations, experience of the County's employees, benefits provided under the contract and quadrennial changes in actuarial assumptions. The members' contribution rates are fixed at 9% of salaries for safety and 8% of salaries for miscellaneous. The County pays the employee share of safety retirement for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement for all members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying all of the employee share.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for subsequent years.

As of June 30, 2001, PERS reported the actuarial status of County accounts, as follows:

<u>Present Value of:</u>	<u>Miscellaneous Members</u>	<u>Safety</u>
<u>Members</u>		
Benefits	\$2,315,031,072	\$1,092,857,235
Future Employer Costs	413,540,928	221,013,868
Future Employee Costs	324,013,168	103,787,565
Assets	1,720,517,029	803,870,603
Total Available	\$2,458,071,125	\$1,128,672,036
Unfunded (Overfunded)		
Liability	\$ (143,040,053)	\$ (35,814,801)

## 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 occurrence and insured for the balance to \$11.5 million for each occurrence on an occurrence basis, through CSAC Excess Insurance Authority. Workers compensation claims are self-insured to \$2 million and the balance (to \$48 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, 2001 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, 2001 was \$127.2 million.

APPENDIX B  
COMBINED FINANCIAL STATEMENTS OF THE COUNTY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

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# Independent Auditor's Report



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Macias, Gini & Company LLP

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Honorable Board of Supervisors  
County of Riverside  
Riverside, California

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying general-purpose financial statements of the County of Riverside, California (the County), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the following County department and component units: Housing Authority of the County of Riverside, Riverside County Flood Control and Water Conservation District, Riverside County Regional Park and Open-Space District, Redevelopment Agency for the County of Riverside, and Riverside County Regional Medical Center, which represent the following percentages of assets, liabilities, and operating revenues/additions as of and for the year ended June 30, 2001, of the following fund types and account groups:

<u>Fund Type</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Operating Revenues/Additions</u>
Special Revenue	56%	-	21%
Debt Service	44%	-	68%
Capital Projects	38%	-	54%
Enterprise	69%	-	88%
Internal Service	2%	-	2%
<u>Account Group</u>			
General Fixed Assets	7%	-	-
General Long-Term Debt	-	25%	-

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the County department and component units described above, is based solely 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

OFFICE LOCATIONS

Sacramento • Los Angeles • Fresno • San Francisco Bay Area

In our opinion, based on our audit and the reports of the other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the County as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 21 to the general-purpose financial statements, the County adopted the accounting and reporting standards for nonexchange transactions set forth in Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues - an amendment of GASB Statement No. 33*, effective July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2002 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

The statistical section listed in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the County. Such additional information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion thereon.

*Maclar, Jini & Company LLP*

Certified Public Accountants

Los Angeles, California  
January 18, 2002



# General Purpose Financial Statements



**COUNTY OF RIVERSIDE**  
**COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT**  
**JUNE 30, 2001 (In Thousands)**

	GOVERNMENTAL FUND TYPES				PROPRIETARY	FIDUCIARY	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	FUND TYPES ENTERPRISE	FUND TYPES INTERNAL SERVICE	FUND TYPES TRUST & AGENCY
<b>ASSETS AND OTHER DEBITS</b>							
Cash and investments (Note 3)	\$	187,083	56,804	97,248	23,886	144,574	1,382,021
Taxes receivable	3,767	2,276	8,758		10		12,847
Accounts receivable, net of allowance of \$42,953	3,973	214		1,028	47,417	1,578	60
Interest receivable	17,307	1,522	1,264	514	581	500	3,998
Prepaid items					1,618		
Advances to other funds (Note 6)	6,437						
Due from other funds (Note 6)	145,701	14,821	1,865	4,698	237	1,204	19,934
Due from other governments	135,568	10,473			18,937	195	9,430
Loans receivable		6,202					
Deposits							369
Inventories	864	2,893		3,264	4,456	2,054	
Land, structures and improvements, and equipment (Note 5)					392,563	164,733	
Accumulated depreciation and amortization					(121,414)	(105,590)	
Restricted assets (Notes 3 and 4)	233,878		65,698	-37,077	113,680		
Amount available for retirement of long-term debt							
Amount to be provided for compensation payable							
Amount to be provided for retirement of long-term debt							
<b>TOTAL ASSETS AND OTHER DEBITS</b>	<b>607,485</b>	<b>225,484</b>	<b>134,389</b>	<b>143,829</b>	<b>481,971</b>	<b>209,248</b>	<b>1,428,659</b>
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>							
<b>LIABILITIES:</b>							
Accounts payable	12,124	4,792	1,304	4,526	11,273	7,327	188,337
Salaries and benefits payable	27,712	2,002			3,966	2,533	
Advances from other funds (Note 6)		125			6,262		50
Due to other funds (Note 6)	19,741	3,478	1,865	434	13,929	255	148,758
Due to other governments	4,339	1,474			2,357		95,293
Due to third parties							81,975
Tax anticipation notes payable (Notes 9 and 20)	228,395						
Deferred revenue	137,043	11,897		4,854			
Interest payable					2,426		
Deposits payable					345		12,266
Accrued compensation payable (Note 9)					10,037	5,314	
Accrued closure and post-closure care costs (Note 7)					53,115		
Accrued remediation costs (Note 19)					24,302		
Notes and loans payable (Note 9)					4,709		
Bonds payable & certificates of participation (Note 9)					252,883	1,200	
Capital lease obligations (Note 9)					1,606	46,847	
Estimated claims liability (Note 11)						72,489	
Other liabilities					4,789	1,500	
<b>TOTAL LIABILITIES</b>	<b>429,354</b>	<b>23,768</b>	<b>3,169</b>	<b>9,814</b>	<b>391,999</b>	<b>137,445</b>	<b>526,679</b>
<b>UND EQUITIES AND OTHER CREDITS:</b>							
Investment in general fixed assets					14,139	5,806	
Contributed capital (Note 10)					75,833	65,997	
Retained earnings (Notes 2 and 10)							
Fund balance:							
Reserved (Note 10)	67,779	53,902	131,220	55,274			901,319
Unreserved:							
Designated (Note 10)	44,653	116,143		43,854			
Undesignated	65,689	31,571		34,787			661
<b>TOTAL FUND EQUITIES AND OTHER CREDITS</b>	<b>178,131</b>	<b>201,716</b>	<b>131,220</b>	<b>134,015</b>	<b>89,972</b>	<b>71,803</b>	<b>901,980</b>
<b>TOTAL LIABILITIES, FUND EQUITIES AND OTHER CREDITS</b>	<b>\$ 607,485</b>	<b>225,484</b>	<b>134,389</b>	<b>143,829</b>	<b>481,971</b>	<b>209,248</b>	<b>1,428,659</b>

ACCOUNT GROUPS		TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)	COMPONENT UNIT CHILDREN AND FAMILIES COMMISSION	TOTAL REPORTING ENTITY (MEMORANDUM ONLY)	ASSETS AND OTHER DEBITS
GENERAL FIXED ASSETS	GENERAL LONG- TERM DEBT				
		1,891,616	52,052	1,943,668	Cash and investments (Note 3)
		27,658		27,658	Taxes receivable
		54,270		54,270	Accounts receivable, net of allowance of \$42,953
		25,686	186	25,872	Interest receivable
		1,618		1,618	Prepaid items
		6,437		6,437	Advances to other funds (Note 6)
		188,460		188,460	Due from other funds (Note 6)
		174,593	4992	179,585	Due from other governments
		6,202		6,202	Loans receivable
		369		369	Deposits
		13,531		13,531	Inventories
					Land, structures and improvements, and equipment (Note 5)
		1,263,792	76	1,263,868	Accumulated depreciation and amortization
706496		(227,004)		(227,004)	Restricted assets (Notes 3 and 4)
		510,333		510,333	Amount available for retirement of long-term debt
	131,220	131,220		131,220	Amount to be provided for compensation payable
	83,884	83,884	23	83,907	Amount to be provided for retirement of long-term debt
	531,283	531,283		531,283	
<u>706,496</u>	<u>746,387</u>	<u>4,683,948</u>	<u>57,329</u>	<u>4,741,277</u>	TOTAL ASSETS AND OTHER DEBITS
					LIABILITIES, FUND EQUITY AND OTHER CREDITS
					LIABILITIES:
		229,683	257	229,940	Accounts payable
		36,213		36,213	Salaries and benefits payable
		6,437		6,437	Advances from other funds (Note 6)
		188,460		188,460	Due to other funds (Note 6)
		103,463	75	103,538	Due to other governments
		81,975		81,975	Due to third parties
		228,395		228,395	Tax anticipation notes payable (Notes 9 and 20)
		153,794	2037	155,831	Deferred revenue
		2,426		2,426	Interest payable
		12,611		12,611	Deposits payable
	83,884	99,235	23	99,258	Accrued compensation payable (Note 9)
		53,115		53,115	Accrued closure and post-closure care costs (Note 7)
		24,302		24,302	Accrued remediation costs (Note 9)
	63,607	68,316		68,316	Notes and loans payable (Note 9)
	512,997	767,080		767,080	Bonds payable & certificates of participation (Note 9)
	85,899	134,352		134,352	Capital lease obligations (Note 9)
		72,469		72,469	Estimated claims liability (Note 11)
		6,289		6,289	Other liabilities
	<u>746,387</u>	<u>2,268,815</u>	<u>2,392</u>	<u>2,271,007</u>	TOTAL LIABILITIES
					FUND EQUITIES AND OTHER CREDITS:
706496		706,496	76	706,572	Investment in general fixed assets
		19,945		19,945	Contributed capital (Note 10)
		141,830		141,830	Retained earnings (Notes 2 and 10)
					Fund balance:
		1,209,494	54861	1,264,355	Reserved (Note 10)
					Unreserved:
		204,760		204,760	Designated (Note 10)
		132,808		132,808	Undesignated
<u>706496</u>		<u>2,415,333</u>	<u>54,937</u>	<u>2,470,270</u>	TOTAL FUND EQUITIES AND OTHER CREDITS
<u>706,496</u>	<u>746,387</u>	<u>4,683,948</u>	<u>57,329</u>	<u>4,741,277</u>	TOTAL LIABILITIES, FUND EQUITIES AND OTHER CREDITS

COUNTY OF RIVERSIDE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUND AND  
 DISCRETELY PRESENTED COMPONENT UNIT  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<b>REVENUES</b>				
Taxes	\$ 167,991	68,712	16,335	2,171
Licenses, permits and franchises	13,899	2,179		
Fines, forfeitures, and penalties	27,033	554		
Revenues from use of money and property:				
Interest	36,113	7,484	5,502	4,211
Rents and concessions	914	4,823	3,616	
Aid from other governmental agencies:				
State	512,490	28,634		
Federal	317,406	51,734		2,496
Charges for current services	182,918	32,982		3,819
Other revenue	53,900	20,999		2,210
<b>TOTAL REVENUES</b>	<u>1,312,664</u>	<u>218,101</u>	<u>25,453</u>	<u>14,907</u>
<b>EXPENDITURES</b>				
Current:				
General government	100,553	15,158	10,146	
Public protection	500,351	2,415		
Public ways and facilities		89,997		
Health and sanitation	271,826	683		
Public assistance	454,203	42,792		
Education	314	8,122		
Recreation and cultural services	182	734		
Capital outlay	29,777	846		61,072
Debt service:				
Costs of issuance			115	
Principal retirement			49,032	
Interest	17,333		21,441	
<b>TOTAL EXPENDITURES</b>	<u>1,374,539</u>	<u>160,747</u>	<u>80,734</u>	<u>61,072</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(61,875)</u>	<u>57,354</u>	<u>(55,281)</u>	<u>(46,165)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in (Note 6)	121,326	14,920	21,940	3,364
Operating transfers (out) (Note 6)	(39,340)	(41,649)	(3,256)	(13,810)
Proceeds from reimbursement agreement			78,004	1,258
Bond proceeds				38,482
Capital leases	29,777			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>111,763</u>	<u>(26,729)</u>	<u>96,688</u>	<u>29,294</u>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	49,888	30,625	41,407	(16,871)
<b>FUND BALANCES, JULY 1, 2000 AS RESTATED (Note 10)</b>	128,221	170,853	89,835	150,886
Residual equity transfers in (out) (Note 6)	22	238	(22)	
<b>FUND BALANCES, JUNE 30, 2001</b>	<u>\$ 178,131</u>	<u>201,716</u>	<u>131,220</u>	<u>134,015</u>

See accompanying notes to general purpose financial statements.

<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL PRIMARY GOVERNMENT (MEMORANDUM ONLY)</u>	<u>COMPONENT UNIT CHILDREN AND FAMILIES COMMISSION</u>	<u>TOTAL REPORTING ENTITY (MEMORANDUM ONLY)</u>	<u>REVENUES</u>
	255,209	20,174	275,383	Taxes
	16,078		16,078	Licenses, permits and franchises
	27,587		27,587	Fines, forfeitures, and penalties
				Revenues from use of money and property:
37	53,347	2,511	55,858	Interest
	9,353		9,353	Rents and concessions
				Aid from other governmental agencies:
465	541,589		541,589	State
	371,636		371,636	Federal
	219,719		219,719	Charges for current services
	77,109		77,109	Other revenue
502	1,571,627	22,685	1,594,312	TOTAL REVENUES
				<u>EXPENDITURES</u>
				Current:
464	126,321		126,321	General government
	502,766		502,766	Public protection
	89,997		89,997	Public ways and facilities
	272,509		272,509	Health and sanitation
	496,995	4,441	501,436	Public assistance
	8,436		8,436	Education
	916		916	Recreation and cultural services
	91,695		91,695	Capital outlay
				Debt service:
	115		115	Costs of issuance
	49,032		49,032	Principal retirement
	38,774		38,774	Interest
464	1,677,556	4,441	1,681,997	TOTAL EXPENDITURES
38	(105,929)	18,244	(87,685)	REVENUES OVER (UNDER) EXPENDITURES
				<u>OTHER FINANCING SOURCES (USES)</u>
	161,550		161,550	Operating transfers in (Note 6)
	(98,055)		(98,055)	Operating transfers (out) (Note 6)
	1,258		1,258	Proceeds from reimbursement agreement
	116,486		116,486	Bond proceeds
	29,777		29,777	Capital leases
	211,016		211,016	TOTAL OTHER FINANCING SOURCES (USES)
				REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES
38	105,087	18,244	123,331	FUND BALANCES, JULY 1, 2000 AS RESTATED (Note 10)
623	540,418	36,693	577,111	Residual equity transfers in (out) (Note 6)
	238		238	
661	645,743	54,937	700,680	FUND BALANCES, JUNE 30, 2001

**COUNTY OF RIVERSIDE**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>						
Taxes	\$ 163,224	167,991	4,767	59,422	68,712	9,290
Licenses, permits and franchises	15,357	13,899	(1,458)	655	2,179	1,524
Fines, forfeitures, and penalties	29,479	27,033	(2,446)	713	554	(159)
Revenues from use of money and property:						
Interest	29,201	36,113	6,912	3,372	7,484	3,512
Rents and concessions	771	914	143	4,940	4,823	(117)
Aid from other governmental agencies:						
State	552,983	512,490	(40,493)	37,574	28,634	(8,940)
Federal	355,840	317,406	(38,434)	113,875	51,734	(62,141)
Charges for current services	187,588	182,918	(4,670)	25,045	32,982	7,937
Other revenue	85,607	53,900	(31,707)	26,148	20,999	(5,149)
<b>TOTAL REVENUES</b>	<b>1,420,050</b>	<b>1,312,664</b>	<b>(107,386)</b>	<b>272,344</b>	<b>218,101</b>	<b>(54,243)</b>
<b>EXPENDITURES</b>						
Current:						
General government	161,475	100,653	60,922	24,856	15,158	9,698
Public protection	524,388	500,351	24,037	3,174	2,415	759
Public ways and facilities				162,289	89,997	72,292
Health and sanitation	307,603	271,826	35,777	684	683	1
Public assistance	503,785	454,203	49,582	82,214	42,792	39,422
Education	317	314	3	8,183	8,122	61
Recreation and cultural services	240	182	58	857	734	123
Capital outlay		29,777	(29,777)	2,285	846	1,439
Debt service:						
Principal retirement	20,114	17,333	2,781			
Interest						
<b>TOTAL EXPENDITURES</b>	<b>1,517,922</b>	<b>1,374,539</b>	<b>143,383</b>	<b>284,542</b>	<b>160,747</b>	<b>123,795</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(97,872)</b>	<b>(61,875)</b>	<b>35,997</b>	<b>(12,198)</b>	<b>57,354</b>	<b>69,552</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	118,831	121,326	2,495	19,136	14,920	(4,216)
Operating transfers (out)	(44,368)	(39,340)	5,028	(44,952)	(41,649)	3,303
Proceeds from reimbursement agreement				10,968		(10,968)
Bond proceeds		29,777	29,777			
Capital leases						
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>74,463</b>	<b>111,763</b>	<b>37,300</b>	<b>(14,848)</b>	<b>(26,729)</b>	<b>(11,881)</b>
<b>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>\$ (23,409)</b>	<b>49,888</b>	<b>73,297</b>	<b>(27,046)</b>	<b>30,625</b>	<b>57,671</b>
<b>FUND BALANCES, JULY 1, 2000 AS RESTATED (Note 10)</b>		128,221			170,853	
Residual equity transfers in		22			238	
<b>FUND BALANCES, JUNE 30, 2001 (Note 13)</b>		<b>\$ 178,131</b>			<b>201,716</b>	

See accompanying notes to general purpose financial statements.

BUDGETED DEBT SERVICE FUNDS			BUDGETED CAPITAL PROJECTS FUNDS			REVENUES
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
46,560	16,335	(30,225)	1,956	2,171	215	Taxes
						Licenses, permits and franchises
						Fines, forfeitures, and penalties
						Revenues from use of money and property:
1,204	2,327	1,123	60	561	501	Interest
242	250	8				Rents and concessions
						Aid from other governmental agencies:
						State
			1,491	2,496	1,005	Federal
			4,289	3,819	(470)	Charges for current services
			6,232	1,410	(4,822)	Other revenue
<u>48,006</u>	<u>18,912</u>	<u>(29,094)</u>	<u>14,028</u>	<u>10,457</u>	<u>(3,571)</u>	TOTAL REVENUES
						EXPENDITURES
						Current:
						General government
10,325	9,564	761				Public protection
						Public ways and facilities
						Health and sanitation
						Public assistance
						Education
						Recreation and cultural services
			25,078	19,754	5,324	Capital outlay
						Debt service:
32,087	35,396	(3,309)				Principal retirement
6,849	5,069	1,780				Interest
<u>49,261</u>	<u>50,029</u>	<u>(768)</u>	<u>25,078</u>	<u>19,754</u>	<u>5,324</u>	TOTAL EXPENDITURES
<u>(1,255)</u>	<u>(31,117)</u>	<u>(29,862)</u>	<u>(11,050)</u>	<u>(9,297)</u>	<u>1,753</u>	REVENUES OVER (UNDER) EXPENDITURES
						OTHER FINANCING SOURCES (USES)
1,258	1,256	(2)	108	2,105	1,997	Operating transfers in
(26,461)	(1,997)	24,464	(30)	(13,049)	(13,019)	Operating transfers (out)
				1,258	1,258	Proceeds from reimbursement agreement
26,461	78,004	51,543	10,891	38,482	27,591	Bond proceeds
						Capital leases
<u>1,258</u>	<u>77,263</u>	<u>76,005</u>	<u>10,969</u>	<u>28,796</u>	<u>17,827</u>	TOTAL OTHER FINANCING SOURCES (USES)
<u>3</u>	<u>46,146</u>	<u>46,143</u>	<u>(81)</u>	<u>19,499</u>	<u>19,560</u>	REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES
	54,343			81,047		FUND BALANCES, JULY 1, 2000 AS RESTATED (Note 10)
						Residual equity transfers in
	<u>100,489</u>			<u>100,546</u>		FUND BALANCES, JUNE 30, 2001 (Note 13)

**COUNTY OF RIVERSIDE**  
**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)**

	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL (MEMORANDUM ONLY)
<b><u>OPERATING REVENUES</u></b>			
Net patients revenue	\$ 280,230		280,230
Current services	48,888	200,694	249,582
Charges to other governments	40,684		40,684
Other	5,845		5,845
<b>TOTAL OPERATING REVENUES</b>	<b>375,647</b>	<b>200,694</b>	<b>576,341</b>
<b><u>OPERATING EXPENSES</u></b>			
Cost of materials used		6,498	6,498
Personnel services	92,433	51,398	143,831
Communications	602	5,394	5,996
Insurance	1,788	4,164	5,952
Maintenance of building and equipment	6,438	20,260	26,698
Insurance claims		41,233	41,233
Supplies	31,459	5,052	36,511
Purchased services	64,290	33,561	97,851
Depreciation and amortization	16,719	19,483	36,202
Rents and leases of equipment	335	1,575	1,910
Public assistance	32,004		32,004
Utilities	4,207	162	4,369
Closure and post-closure (Note 7)	(1,767)		(1,767)
Remediation	941		941
Provision for doubtful accounts	17,897		17,897
Other	3,334	8,303	11,637
<b>TOTAL OPERATING EXPENSES</b>	<b>270,680</b>	<b>197,083</b>	<b>467,763</b>
<b>OPERATING INCOME</b>	<b>104,967</b>	<b>3,611</b>	<b>108,578</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Interest on invested funds	8,418	1,176	9,594
Interest expense	(19,003)	(3,028)	(22,031)
Gain on sale of fixed assets	13		13
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>(10,572)</b>	<b>(1,852)</b>	<b>(12,424)</b>
<b><u>OPERATING TRANSFERS AND CAPITAL CONTRIBUTION</u></b>			
Capital contribution	260		260
Operating transfers in (Note 6)	20,103	134	20,237
Operating transfers (out) (Note 6)	(82,744)	(988)	(83,732)
<b>TOTAL OPERATING TRANSFERS AND CAPITAL CONTRIBUTION</b>	<b>(62,381)</b>	<b>(854)</b>	<b>(63,235)</b>
<b>NET INCOME</b>	<b>32,014</b>	<b>905</b>	<b>32,919</b>
<b>RETAINED EARNINGS JULY 1, 2000 AS RESTATED (Note 10)</b>	<b>43,819</b>	<b>65,092</b>	<b>108,911</b>
<b>RETAINED EARNINGS JUNE 30, 2001</b>	<b>\$ 75,833</b>	<b>65,997</b>	<b>141,830</b>

See accompanying notes to general purpose financial statements.



**COUNTY OF RIVERSIDE  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 104,967	3,611	108,578
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	16,719	19,483	36,202
(Increase) decrease in:			
Accounts and taxes receivable	(12,358)	(379)	(12,737)
Prepaid items	(6,045)	10	(6,035)
Due from other funds		(310)	(310)
Due from other governments	(7,224)	(109)	(7,333)
Inventories		46	46
Increase (decrease) in:			
Accounts payable	(3,847)	(1,984)	(5,831)
Other Liabilities		1,500	1,500
Salaries and benefits payable	3,516	782	4,298
Due to other funds	3,871	(5,771)	(1,900)
Due to other governments	(3,471)		(3,471)
Deposits payable	(62)		(62)
Accrued compensation payable	(3,950)	329	(3,621)
Accrued closure and post-closure care costs	(9,870)		(9,870)
Accrued remediation costs	83		83
Estimated claims liability		10,686	10,686
Other liabilities	9,583		9,583
Total adjustments	(13,055)	24,283	11,228
Net cash provided by operating activities	91,912	27,894	119,806
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating transfers in	20,103	134	20,237
Operating transfers (out)	(82,744)	(988)	(83,732)
Net cash used by noncapital financing activities	(62,641)	(854)	(63,495)

See accompanying notes to general purpose financial statements.

Continued on next page.

**COUNTY OF RIVERSIDE**  
**COMBINED STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES - Continued**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal paid on bonds and certificates	\$ (3,704)	1,200	(2,504)
Interest paid	(17,507)	(3,028)	(20,535)
Principal paid on loans and notes payable	(1,155)		(1,155)
Principal paid on capital leases		5,447	5,447
Proceeds from sale of fixed assets	13		13
Capital contribution	260		260
Acquisition of land, structures, improvements, and equipment	<u>(9,704)</u>	<u>(27,821)</u>	<u>(37,525)</u>
Net cash (used) by capital and related financing activities	<u>(31,797)</u>	<u>(24,202)</u>	<u>(55,999)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(4,867)		(4,867)
Interest on investments	8,601	1,604	10,205
Net cash provided by investing activities	<u>3,734</u>	<u>1,604</u>	<u>5,338</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,208</b>	<b>4,442</b>	<b>5,650</b>
<b>CASH AND CASH EQUIVALENTS AT JULY 1, 2000, AS RESTATED (Note 10)</b>	<u>124,005</u>	<u>140,132</u>	<u>264,137</u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2001</b>	<u>125,213</u>	<u>144,574</u>	<u>269,787</u>
<b>LESS: Cash and cash equivalents included in restricted assets</b>	<u>(101,327)</u>		<u>(101,327)</u>
<b>CASH AND INVESTMENTS</b>	<u>23,886</u>	<u>144,574</u>	<u>168,460</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of fixed assets through capital leases or long-term obligations	<u>255</u>		<u>255</u>
Acquisition of assets through donation/transfer	<u>215</u>		<u>215</u>
Accrued interest at June 30, 2000, reversed at June 30, 2001	<u>\$ 245</u>		<u>245</u>
See accompanying notes to general purpose financial statements.			

COUNTY OF RIVERSIDE  
 STATEMENT OF CHANGES IN NET ASSETS - INVESTMENT TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2001 (In Thousands)

	<u>INVESTMENT TRUST</u>
<u>ADDITIONS:</u>	
Contributions to pooled investments	\$ 3,653,166
Interest	<u>54,672</u>
TOTAL ADDITIONS	<u>3,707,838</u>
<u>DEDUCTIONS:</u>	
Distributions from pooled investments	<u>3,532,809</u>
TOTAL DEDUCTIONS	<u>3,532,809</u>
NET INCREASE	175,029
NET ASSETS HELD IN TRUST FOR EXTERNAL POOL PARTICIPANTS, JULY 1, 2000	726,528
Residual equity transfer (out)	<u>(238)</u>
NET ASSETS HELD IN TRUST FOR EXTERNAL POOL PARTICIPANTS, JUNE 30, 2001	<u>\$ 901,319</u>

See accompanying notes to general purpose financial statements.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies**

**Reporting Entity**

The County of Riverside (the "County") is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a Board of Supervisors (the "Board"), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include public safety, public works, health and sanitation, education, recreation, culture and public assistance. As required by generally accepted accounting principles, these financial statements present the County of Riverside (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the 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). The governing body of Housing is the County's governing body. Among its duties, it approves Housing's budget, determines the rates and charges for the use of facilities and appoints the management. Housing is reported as a proprietary fund type.

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

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

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

County of Riverside Asset Leasing Corporation (CORAL). The governing board of CORAL is appointed by the County's governing board and CORAL provides services entirely to the County. CORAL is reported as a governmental fund type.

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Reporting Entity (Continued)**

Riverside County Public Financing Authority (Authority). The governing body of the Authority is the County's governing body. The 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 Court Financing Corporation (Corporation). The governing body of the Corporation is the County's governing body. The Corporation assists the County by providing for the acquisition, construction and renovation of public facilities and improvements. The Corporation 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.

**Discretely Presented Component Unit**

Riverside County Children and Families Commission. The governing body of the Commission is appointed by and serves at the will of the County's governing body. The Commission was formed to develop, adopt, promote and implement early childhood development programs. The Commission is reported as a governmental fund type.

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

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation**

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

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

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

**Governmental Fund Types:**

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

**General Fund**

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

**Special Revenue Funds**

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

**Debt Service Funds**

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

**Capital Projects Funds**

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

**Proprietary Fund Types:**

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

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

Following are the County's Proprietary Fund Types:

**Enterprise Funds**

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

**Internal Service Funds**

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

**Fiduciary Fund Types:**

**Expendable Trust Fund**

The Expendable Trust Fund is used to account for principal and income which may be expended in course of the designated operation. The use of Expendable Trust is limited to instances where legally mandated or formal legal trustee relationship exists. Expendable Trust Fund is accounted for in essentially the same manner as Governmental Fund Types.

**Investment Trust Fund**

The Investment Trust Fund accounts for the external portion of the County Treasurer's investment pool. The Investment Trust Fund is accounted for in essentially the same manner as Proprietary Funds, using the same measurement focus and basis of accounting.

**Agency Funds**

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

**Account Groups:**

**General Fixed Assets Account Group**

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

**General Long-Term Debt Account Group**

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Basis of Accounting**

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

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

The County uses the modified accrual basis of accounting for the Governmental Fund Types (General, Special Revenue, Debt Service, and Capital Projects), Expendable Trust Fund and Agency Funds (assets and liabilities only). Revenues are recognized when susceptible to accrual, i.e., measurable and available to finance operations of the current period.

Secured and unsecured delinquent property taxes estimated to be collectible in future years are recorded as receivables and deferred revenue, with amounts expected to be collected within 60 days after year-end recognized as revenue. Interest income, sales taxes and charges for services are accrued when earned or held by the intermediary collecting agency. Federal and State grants and subventions are recorded as revenue when determined to be available and the related eligible expenditures are incurred. Revenues which are not considered susceptible to accrual include fines, forfeitures and penalties, and licenses, permits, and franchises. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt obligations, which is recognized when payment is due.

The accrual basis of accounting is used for Enterprise Funds, Internal Service Funds, and the Investment Trust Fund. Under this method of accounting, revenues are recognized when they are earned and become measurable, and expenses are recorded when they are incurred. Enterprise Fund unbilled health care services are included as accounts receivable in the accompanying combined balance sheet because such amounts are accrued as revenue when the services are provided.

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



**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Cash Deposits and Investments**

The County pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance 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 investments.

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

Pooled investments, including U.S. Treasury and Agency securities, are carried at fair value based on current market prices received from an independent registered investment advisor. Other County investments in U.S. Treasury and Agency securities are carried at fair value based on quoted 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, 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 participants' position in the pool is not the same as the value of pool 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, 2001 to support the valuation.

State law requires that all operating monies of the County, school districts and certain special districts be held by the County Treasurer. Collectively, these mandatory deposits constituted approximately 85.8% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 14.2% of the total funds on deposit in the County Treasury represented discretionary deposits.

In December 1994 the Board of Supervisors created an 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.

**Receivables and Payables**

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

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The estimated uncollectible amount from patient accounts receivable of Regional Medical Center is \$42,953,000.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Receivables and Payables (Continued)**

All jurisdictions within California derive their taxing authority via State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total 2000-01 gross assessed valuation of the County was \$89,655,344,000.

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. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than one percent (1%) of the tax levy for participating entities flow to the County General Fund. For FY 2000-01 there was \$10,000,000 transferred from the TLRF to the General Fund.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Prepaid Items and Inventories**

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

Inventories, which consist of materials and supplies held for consumption and land held for resale, are valued at the lower of cost (on a first-in, first-out basis) or market in the Proprietary Fund Types. Inventories for all Governmental Fund Types are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of these funds do not represent current budgetable resources and are therefore offset by a corresponding reservation of fund balance.

**Fixed Assets**

Expenditures exceeding \$5,000 for general fixed assets acquired through the General, Special Revenue and Capital Project Funds are capitalized at historical cost in the General Fixed Assets Account Group.

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

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

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities or extend useful lives, are capitalized.

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

**Leases**

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Restricted Assets**

The County maintains various restricted asset accounts as a result of debt agreements and certain State statutes.

The agreements authorizing the issuance of CORAL, Desert Facilities and Housing outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and for bond redemption purposes. Riverside County Waste Management Department (Waste) has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The General Fund has restricted assets to retire tax anticipation notes and Teeter commercial paper notes.

**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 not expected to be liquidated with expendable available financial resources in the General Long-Term Debt Account Group. Governmental Funds record no expenditure for these amounts. At June 30, 2001, the amount of accrued vacation and holiday pay reported in the General Long-Term Debt Account Group was \$83,884,000.

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

**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 arise when resources are received before the County has a legal claim to them, as when grant monies are received in advance of incurring qualified expenditures.

**Long-term Debt**

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

For Governmental Fund Types, discounts are recognized during the current period as an other financing use. Bond proceeds and bond premiums are reported as an other financing source. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For Proprietary Fund Types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable in the Proprietary Fund Types are reported net of the applicable bond premium or discount.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(1) Summary of Significant Accounting Policies (Continued)**

**Long-term Debt (Continued)**

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

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

**Fund Equity**

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

**Memorandum Only - Total Columns**

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

**(2) Stewardship, Compliance and Accountability**

**Budgetary Data**

In accordance with the provisions of Section 29000-29143 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, and Board Resolution No. 90-338, after conducting public hearings concerning the proposed budget, the Board adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the General Fund, Special Revenue Funds, certain Debt Service Funds and certain Capital Projects Funds and are prepared on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Annual budgets are not adopted for CORAL, Desert Facilities Corporation, and the District Court Project included in the Debt Service Funds and CORAL and the District Court Project included in the Capital Projects Funds and, accordingly, these funds are not included in the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types.

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(2) Stewardship, Compliance and Accountability (Continued)**

**Budgetary Data (Continued)**

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

Budget amounts reported in the accompanying general purpose financial statements reflect amended amounts. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

**Encumbrances**

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

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

**Excess of Expenditures Over Appropriations**

General Fund capital outlay expenditures of \$29,777,000 related to capital leases were unbudgeted. These expenditures were funded by the related other financing sources. Desert Expo Centre Special Revenue Fund operating transfers out of \$31,000 were unbudgeted. These transfers were financed by other financing sources. County Redevelopment Agency Debt Service expenditures for principal retirement of \$3,309,000, interest expenditures in the amount of \$575,000 and operating transfers out in the amount of \$1,997,000 were unbudgeted. These expenditures and transfers were financed by other financing sources. The Correctional Facilities Capital Project Fund operating transfers out of \$13,034,000 were unbudgeted. Regional Park and Open-Space District Capital Project Fund Capital Outlay expenditures of \$856,000 were unbudgeted. These expenditures and transfers were funded by available fund balance.

**County of Riverside  
Notes to General Purpose Financial Statements  
June 30, 2001**

**(2) Stewardship, Compliance and Accountability (Continued)**

**Deficit Fund Equity**

The following funds have accumulated deficits at June 30, 2001 (in thousands):

	<u>Accumulated Deficit</u>
<b>Enterprise Funds:</b>	
Blythe Marina	\$ 212
Regional Medical Center	9,000
Animal Spay and Neuter	228
<b>Internal Service Funds:</b>	
Medical Center Data Processing	1,178
Fleet Services	176
Information Services	548
Health Agency Support Services	877

The County plans to employ budgetary strategies necessary to cure these accumulated deficits, including seeking additional revenue sources and, where necessary, reducing non-essential and/or non-mandated services in order to reduce costs.

**(3) Cash Deposits and Investments**

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

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(3) Cash Deposits and Investments (Continued)**

**Cash Deposits**

In accordance with the Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the County's deposits at June 30, 2001 are categorized in the following manner (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name	\$2,379	\$2,379
Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	142,183	142,183
Category 3 - Uninsured, unregistered investments held by dealer's agent	763	763
Total	<u>\$145,325</u>	<u>\$145,325</u>

County warrants, unlike checks, are deducted from the County carrying value of cash at the time the warrants are presented for payment to the bank. There is no timing difference between when the County records the warrants as presented for payment and when the bank is authorized to honor the warrants by the County; therefore, the carrying balance of deposits at June 30, 2001 equals the bank balance. All expenditures for which warrants have been issued at June 30, 2001 are recognized in the operating funds at the time the warrants are issued. The liability for the payment of the warrants and the cash to fund the payment are recorded in a specific agency fund for Warrant Clearing.

The General Fund experienced a negative cash balance of \$19,695,000 at June 30, 2001, which is reported as an interfund borrowing from Departmental Agency Funds. There was a total of \$460,683,000 of County pooled deposits (including Departmental Agency Funds) available to cover the negative cash balance.

**Investments**

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

Category 1 includes investments that are insured, or registered, or held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments held by the counterparty, or by its trust department or agent, but not in the County's name.



**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(3) Cash Deposits and Investments (Continued)**

**Investments**

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

	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
U. S. government securities	\$ 523,364	\$ 7,743	\$ 531,107
Banker acceptances	57,815		57,815
Corporate bonds		4,611	4,611
Negotiable certificates of deposits	50,000		50,000
Medium term notes	5,098		5,098
Commercial paper	720,461	1,300	721,761
Repurchase agreements		509,294	509,294
Local agency obligations	5,624		5,624
Total	<u>\$1,362,362</u>	<u>\$522,948</u>	<u>1,885,310</u>

Amounts not categorized because securities that exist in physical or book entry form are not used as evidence of the investment:

Local agency investment fund	2,011
Guaranteed investment contracts	297,787
Mutual funds	123,568
Investment Total	<u>\$2,308,676</u>

The Local Investment Advisory Board (Board) has oversight responsibility for the State's Local Agency Investment Fund (LAIF). The Board consists of five members as designated by state statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the County's portion in the pool.

**Summary of Cash Deposits and Investments**

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

Cash deposits	\$ 145,325
Investments	<u>2,308,676</u>
Total	<u>\$2,454,001</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(3) Cash Deposits and Investments (Continued)**

**Summary of Cash Deposits and Investments (Continued)**

A summary of time deposits and investments held by the County Treasurer are as follows (in thousands):

<u>Investment</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Percent Range</u>	<u>Maturity Range</u>
Bankers acceptances	\$ 57,815	\$ 57,815	3.52-3.86	07/10/01-08/30/01
Commercial paper	720,461	720,461	3.62-4.14	07/02/01-09/19/01
Local agency obligations	5,624	5,624	5.02	06/30/03
Medium term notes	5,098	4,999	4.01	03/01/02
U.S. Treasury	254	249	3.76	01/31/02
U.S. Agency	523,111	521,068	3.63-6.78	07/02/01-05/24/04
Repurchase agreements	403,769	403,769	3.95-4.00	07/02/01-07/05/01
Mutual Funds	105,900	105,900	4.03	07/31/01
Negotiable certificate of deposits	<u>50,000</u>	<u>50,000</u>	<u>3.93</u>	<u>08/02/01-08/21/01</u>
Total Investments	<u>\$1,872,032</u>	<u>\$1,869,885</u>		
Total Deposits	<u>132,861</u>	<u>132,861</u>		
Total Investments and Deposits	<u>\$2,004,893</u>	<u>\$2,002,746</u>		

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 2001 (in thousands):

<b>Statement of Net Assets</b>	
Net assets held in trust for all pool participants	<u>\$2,004,893</u>
Equity of internal pool participants	1,103,574
Equity of external pool participants (voluntary and involuntary)	901,319
Total equity	<u>\$2,004,893</u>
<b>Statement of Changes in Net Assets</b>	
Net Assets at July 1, 2000	\$1,630,248
Net change in investments by pool participants	374,645
Net Assets at June 30, 2001	<u>\$2,004,893</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(4) Restricted Assets**

The amount of assets restricted and designated by legal and contractual requirements at June 30, 2001 is as follows (in thousands):

	General Fund	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Total
1985 Certificates	\$	16,973	2,971		\$ 19,944
1989/93 Hospital Bonds				28,622	28,622
1993 Master Refunding		2,536	14		2,550
1997 A Hospital				2	2
1997 Family Law Court		1,048			1,048
1997 Historic Court House		2,342			2,342
1997 Lease Refunding		158	1,351		1,509
1998 Larson Justice Center		30	15		45
1997 B/C Hospital				115	115
2000 Southwest Justice Center		7,338	32,582		39,920
Waste - Cash				82,904	82,904
Housing Authority Bond				2,037	2,037
Desert Facilities Corporation		142			142
District Court Project		313	144		457
Tax Anticipation Notes	232,770				232,770
Restricted Program Money	61,108				61,108
Teeter Commercial Paper Notes		34,818			34,818
<b>Total Restricted Assets</b>	<b><u>\$293,878</u></b>	<b><u>65,698</u></b>	<b><u>37,077</u></b>	<b><u>113,680</u></b>	<b><u>\$510,333</u></b>

At June 30, 2001 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

**(5) Fixed Assets**

Following is a summary of changes in general fixed assets by class for the year ended June 30, 2001 (in thousands):

	Balance at July 1, 2000	Additions	Retirements	Balance at June 30, 2001
Land	\$ 82,179	4,700	1,600	\$ 85,279
Structures and improvements	490,310	39,170		529,480
Equipment	76,775	20,220	5,258	91,737
<b>Total</b>	<b><u>\$649,264</u></b>	<b><u>64,090</u></b>	<b><u>6,858</u></b>	<b><u>\$706,496</u></b>

The following is a summary of Proprietary Fund fixed assets by class as of June 30, 2001 (in thousands):

	<u>Proprietary Funds</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 71,306	
Structures and improvements	194,238	4,098
Equipment	127,019	160,635
<b>Total</b>	<b><u>\$392,563</u></b>	<b><u>164,733</u></b>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(6) Interfund Transactions**

The following is a summary of individual interfund receivables and payables at June 30, 2001 (in thousands):

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:	<u>\$ 145,701</u>	<u>\$ 19,741</u>
Special Revenue Funds:		
Transportation	2,648	
Community Services	6,416	87
Other Special Revenue	2,187	
Flood Control	432	459
Redevelopment Agency	2,932	2,932
County Service Areas	206	
Total Special Revenue Funds	<u>14,821</u>	<u>3,478</u>
Debt Service Funds:		
Redevelopment Agency	<u>1,865</u>	<u>1,865</u>
Total Debt Service Funds	<u>1,865</u>	<u>1,865</u>
Capital Projects Funds:		
Public Facilities Improvements	4,193	
Redevelopment Agency	434	434
Parks	71	
Total Capital Projects Funds	<u>4,698</u>	<u>434</u>
Enterprise Funds:		
Regional Medical Center		13,252
Waste Management Department		386
Housing Authority	235	235
Flood Control	<u>2</u>	<u>56</u>
Total Enterprise Funds	<u>237</u>	<u>13,929</u>
Internal Service Funds:		
Medical Center Data Processing	832	
Information Services	39	
Health Agency Support Services	43	
OASIS Project		46
Flood Control Equipment	<u>290</u>	<u>209</u>
Total Internal Service Funds	<u>1,204</u>	<u>255</u>
Trust & Agency Funds:		
Departmental	19,934	91,506
Development		9,895
Grants		25,598
Property Tax/Assessments		20,653
Endowments		<u>1,106</u>
Total Agency Funds	<u>19,934</u>	<u>148,758</u>
Total	<u>\$188,460</u>	<u>\$188,460</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(6) Interfund Transactions (Continued)**

The General fund makes advances to other funds to assist in meeting their cash flow requirements. Advances at June 30, 2001 consist of the following (in thousands):

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	<u>\$ 6,437</u>	
Special Revenue Fund:		
Other Special Revenue		\$ <u>125</u>
Enterprise Funds:		
Regional Medical Center		6,008
Animal Spay & Neuter Clinic		<u>254</u>
Total Enterprise Funds		<u>6,262</u>
Trust & Agency Fund:		
Departmental		<u>50</u>
Total	<u>\$ 6,437</u>	<u>\$ 6,437</u>

**County of Riverside  
Notes to General Purpose Financial Statements  
June 30, 2001**

**(6) Interfund Transactions (Continued)**

The following is a summary of Operating Transfers In/Out at June 30, 2001 (in thousands):

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	<u>\$121,326</u>	<u>\$ 39,340</u>
Special Revenue Funds:		
Transportation	8,498	5,603
Community Services	5,075	31,598
Other Special Revenue	543	1,158
Flood Control	801	2,108
County Service Areas	<u>3</u>	<u>1,182</u>
Total Special Revenue Funds	<u>14,920</u>	<u>41,649</u>
Debt Service Funds:		
County of Riverside Asset Leasing Corporation	20,684	1,256
Flood Control	1,256	
Redevelopment Agency		1,997
District Court Project		<u>3</u>
Total Debt Service Funds	<u>21,940</u>	<u>3,256</u>
Capital Projects Funds:		
Public Facilities Improvements		15
Correctional Facilities		13,034
County of Riverside Asset Leasing Corporation	1,256	761
Flood Control	108	
Redevelopment Agency	1,997	
District Court Project	<u>3</u>	
Total Capital Project Funds	<u>3,364</u>	<u>13,810</u>
Enterprise Funds:		
Regional Medical Center	20,098	82,692
County Service Areas		18
Flood Control	<u>5</u>	<u>34</u>
Total Enterprise Funds	<u>20,103</u>	<u>82,744</u>
Internal Service Funds:		
Risk Management		826
Flood Control Equipment	<u>134</u>	<u>162</u>
Total Internal Service Funds	<u>134</u>	<u>988</u>
Total	<u>\$181,787</u>	<u>\$181,787</u>

Residual equity transfers in (out) are comprised of \$22,000 from County of Riverside Asset Leasing Corporation Debt Service Fund to General Fund and \$238,000 from Investment Trust – Trust & Agency Funds to County Community Parks Special Revenue Fund.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(7) Landfill Closure Costs**

Waste has recorded approximately \$76,737,000 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 20.5% 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 \$36,600,000 as the remaining estimated capacity of 20,900,000 tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2020. The total estimate of approximately \$113,300,000 is based on what it would cost to perform all closure and post-closure care at year-end. Actual costs may be different due to inflation, changes in technology or changes in regulations.

During 2001, the total cost estimate for closure and post closure care decreased by \$6.3 million from the prior year due to changes in technology, and the availability of actual closure and post closure expense data. This decreased cost estimate, along with increases for percent of capacity filled, capacity adjustments and inflation resulted in a net adjustment to operating expenses of (\$1,767,000) for the year ended June 30, 2001.

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

<u>Facility Name</u>	<u>Cumulative Expense</u>	<u>Capacity Used as of June 30, 2001</u>	<u>Estimated Years Remaining</u>
Anza (Anza)	\$ 2,463,000	100.0%	-
Badlands (Moreno Valley)	4,241,000	23.8%	19
Blythe (Blythe)	1,170,000	20.5%	19
Coachella (Coachella)	8,288,000	100.0%	-
Desert Center (Desert Center)	633,000	68.8%	15
Double Butte (Winchester)	9,024,000	100.0%	-
Edom Hill (Cathedral City)	14,424,000	84.2%	3
El Sobrante (Corona)	13,440,000	78.2%	29
Highgrove (Riverside)	6,429,000	100.0%	-
Lamb Canyon (Beaumont)	5,525,000	33.5%	23
Mead Valley (Perris)	8,280,000	100.0%	-
Mecca II (Mecca)	1,414,000	92.0%	4
Oasis (Oasis)	1,406,000	69.4%	19
	<u>\$76,737,000</u>		

Waste is required by State and Federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 14 of the California Code of Regulations (CCR) requires solid waste landfill operators to demonstrate the availability of financial resources to conduct closure and post-closure maintenance activities. In accordance with sections 18283 and 18290 of the CCR, 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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(7) Landfill Closure Costs (Continued)**

compliance with these requirements, and investments of \$69,814,000 are held for these purposes at June 30, 2001 and are classified as restricted assets in the general purpose financial statements. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users.

**(8) Operating Leases**

The following is a schedule by year of future minimum rental payments, which includes an average 4.5 percent per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2001 (in thousands):

<u>Year Ending June 30:</u>	
2002	\$19,387
2003	17,144
2004	14,617
2005	9,225
2006	5,535
Thereafter	<u>26,562</u>
Total Minimum Payments	<u>\$92,470</u>

Rental expense was \$22,354,000 principally in the General Fund for the year ended June 30, 2001.

**(9) Long-Term Obligations**

Long-term obligations of the County consist of capital lease obligations, bonds, 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 \$1,100,313,000.

**Capital Leases**

Capital leases for Governmental Funds are recorded both as capital expenditures and as an other financing source at inception, with the liability recorded in the General Long-Term Debt Account Group and the asset recorded in the General Fixed Assets Account Group. Capital leases are secured by a pledge of the leased equipment.



**County of Riverside  
Notes to General Purpose Financial Statements  
June 30, 2001**

**9) Long-Term Obligations (Continued)**

**Capital Leases (Continued)**

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, 2001 (in thousands):

<u>Year ending June 30:</u>	<u>Enterprise Funds</u>	<u>Internal Service</u>	<u>General Long- Term Debt Account Group</u>
2002	\$ 576	\$ 17,944	\$ 11,379
2003	548	14,705	9,949
2004	459	9,095	9,580
2005	95	4,212	9,096
2006	55	1,111	8,875
Thereafter	<u>37</u>	<u>4,526</u>	<u>71,028</u>
Total minimum payments	1,770	51,593	119,907
Less amount representing interest	<u>(164)</u>	<u>(4,746)</u>	<u>(34,008)</u>
Present value of net minimum lease payments	<u>\$ 1,606</u>	<u>\$ 46,847</u>	<u>\$ 85,899</u>

General Long-Term Debt Account Group includes the Palm Desert Financing Authority capital lease of \$6,620,000 for the construction of the Blythe County Administrative Center.

**Bonds and Notes Payable**

General obligation bonds are not secured by collateral. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds. 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.

The Housing note payable of \$4,709,000 is secured by a deed of trust.

On June 27, 1988, RDA, agreed to reimburse 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. During the fiscal year ended June 30, 2001 an adjustment of \$4,769,000 was made to record the proper receivable based on projected assessed values over the remaining years of the outstanding certificates. CORAL had previously recorded only the minimum amount due according to the agreement. At June 30, 2001, the total obligation from RDA was \$4,924,000.

CORAL financed debt is used by various departments within the County to acquire equipment and by the County to finance land acquisition and construction of structures and improvements. Assets thus acquired are financed through a master lease agreement. The 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 General Long-Term Debt Account Group.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**9) Long-Term Obligations (Continued)**

**Bonds and Notes Payable (Continued)**

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. RDA drew down \$410,000 in 1999 and an additional \$6,091,000 during the fiscal year ended June 30, 2000 for a total balance outstanding of \$6,500,000. During the current fiscal year, RDA made a principal payment of \$1,376,400 leaving an outstanding balance of \$5,123,600 as June 30, 2001.

On July 1, 2000, the County issued \$228,395,000 of Tax and Revenue Anticipation Notes, due September 29, 2001. The fifteen-month notes bear an interest rate of 4.7% per annum from their date of issuance and delivery until the notes are paid in full. At June 30, 2001, this liability is recorded in the General Fund as \$228,395,000 in tax anticipation notes payable, and assets of \$232,770,000 set aside to pay this obligation and related accrued interest were recorded as restricted assets.

During the year ended June 30, 2001 the County incurred interest costs of \$61,159,000.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

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

**Enterprise Fund Debt**

	<u>Balance at</u> <u>June 30, 2001</u>
Housing Authority of the County of Riverside notes payable, 5.3% and 10% Date issued: January 1, 1998 and January 26, 1998 Original amount: \$4,709 Maturity date: January 1, 2001 and February 29, 2008	\$ 4,709
Housing Authority of the County of Riverside bond payable, 7.4% Date issued: November 25, 1986 Original amount: \$1,960 Maturity date: November 1, 2006	1,335
Housing Authority of the County of Riverside bond payable, 6.3% to 6.9% Date issued: January 27, 1998 Original amount: \$2,405 Maturity date: December 1, 2018	1,020
Housing Authority of the County of Riverside bond payable, 4.0% to 5.0% Date issued: August 11, 1998 Original amount: \$4,055 Maturity date: June 1, 2019	3,640
Housing Authority of County of Riverside bond payable, 6.4% Date issued: August 19, 1998 Original Amount: \$5,085 Maturity Date: June 1, 2028	4,890
County of Riverside Asset Leasing Corporation-Waste Certificates of Participation, 4.1% to 5.5% Date issued: October 9, 1997 Original amount: \$58,070 Maturing in installments through November 1, 2003	768
County of Riverside Asset Leasing Corporation-Regional Medical Center Certificates of Participation, 4.1% to 5.5% Date issued: October 9, 1997 Original amount: \$58,070 Maturing in installments through November 1, 2005	4,450
Leasehold Revenue Bonds, 5.5% to 6.8% Date issued: January 21, 1993 Original amount: \$149,060 Maturing in installments through June 1, 2014	119,981
Leasehold Revenue Bonds, 5.7% to 6.0% Date Issued: February 20, 1997 Original amount: \$42,055 Maturing in installments through June 1, 2026	52,005

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**Enterprise Fund Debt (Continued)**

	Balance at <u>June 30, 2001</u>
Leasehold Revenue Bonds, 4.0% to 6.3%	\$64,794
Date issued: August 21, 1997	
Original amount: \$71,985	
Maturing in installments through June 1, 2019	
Capital Lease Obligations	<u>1,606</u>
Total Principal	<u>\$ 259,198</u>

**Internal Service Fund Debt**

	Balance at <u>June 30, 2001</u>
County of Riverside Asset Leasing Corp – Information Technology Certificates of Participation, 4.1% to 5.5%	\$1,200
Date Issued: October 9, 1977	
Original Amount: \$58,070	
Maturing in installments through November 1, 2002	
Capital Lease Obligations	<u>46,847</u>
Total Principal	<u>\$ 48,047</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**General Long-Term Debt Account Group**

	Balance July 1, 2000	Debt Issued or <u>Reassigned</u>	Debt Retired or <u>Assigned</u>	Balance June 30, 2001
Advances From Other Funds	\$ 1,096		1,096	
Accrued Compensation Payable	<u>77,649</u>	<u>6,235</u>		<u>83,884</u>
Notes Payable:				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 6.65% to 6.7%	475		475	
Date issued: August 1, 1990				
Original amount: \$3,600				
Matured August 1, 2000				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 5.4% to 5.8%	1,680		530	1,150
Date issued: December 1, 1992				
Original amount: \$4,750				
Maturing in installments through September 1, 2002				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 4.3% to 5.1%	1,745		260	1,485
Date issued: December 1, 1995				
Original amount: \$2,675				
Maturing in installments through September 1, 2005				
County of Riverside Teeter Tax-Exempt Commercial Paper Notes, Variable Interest Rate	46,700	26,461	30,278	42,883
Date Issued: September 14, 1999				
Original Amount: \$46,700				
County of Riverside Redevelopment Agency Bond Anticipation Notes, Variable Interest Rate	6,500		1,376	5,124
Date issued: May 20, 1999				
Original amount: \$6,500				
Matures May 20, 2002				
Riverside County Public Financing Authority 2000 Open Space Notes, 5%	17,965		5,000	12,965
Date Issued: April 25, 2000				
Original Amount: \$12,965				
Matures April 1, 2002				
Total Notes Payable	<u>75,065</u>	<u>26,461</u>	<u>37,919</u>	<u>63,607</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

<b><u>General Long-Term Debt Account Group (Continued)</u></b>	Balance July 1, <u>2000</u>	Debt Issued or <u>Reassigned</u>	Debt Retired or <u>Assigned</u>	Balance June 30, <u>2001</u>
<b>Bonds Payable:</b>				
County of Riverside Asset Leasing Corporation Certificates of Participation, variable interest rates Date issued: December 19, 1985 through June 22, 1988 Original amount: \$220,655 Maturing in installments through December 1, 2015	119,505		3,805	115,700
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.6% to 5.8% Date issued: November 1, 1993 Original amount: \$33,640 Maturing in installments through November 1, 2018	18,895		2,655	16,240
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.2% to 5.8% Date issued: March 1, 1997 Original Amount: \$12,165 Maturing in installments through November 1, 2027	11,790		200	11,590
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.5% to 6.1% Date issued: May 7, 1997 Original Amount: \$21,835 Maturing in installments through November 1, 2027	21,924	75	145	21,854
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.1% to 5.5% Date issued: October 9, 1997 Original amount: \$58,070 Maturing in installments through November 1, 2021	34,765	1,151	3,715	32,201
County of Riverside Asset Leasing Corporation Certificates of Participation, 3.8% to 5.7% Date issued: April 21, 1998 Original Amount: \$36,100 Maturing in installments through December 1, 2021	33,685		945	32,740
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.9% to 5.4% Date issued: May 24, 2000 Original Amount: \$94,245 Maturing in installments through November 1, 2032	94,245			94,245
County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 4.0% to 6.3% Date issued: August 21, 1997 Original Amount: \$71,985 Maturing in installments through June 1, 2019	2,000			2,000

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**General Long-Term Debt Account Group (Continued)**

	Balance July 1, <u>2000</u>	Debt Issued or <u>Reassigned</u>	Debt Retired or <u>Assigned</u>	Balance June 30, <u>2001</u>
County of Riverside District Court Financing Corporation Certificates of Participation, 7.6% Date issued: April 29, 1999 Original amount: \$2,186 Maturing in installments through June 15, 2020	2,355	182		2,537
County of Riverside Court Financing Corporation Certificates of Participation, 7.5% Date issued: October 30, 1997 Original amount: \$18,000 Maturing in installments through November 1, 2027	17,645		200	17,445
Riverside County Public Financing Authority County of Riverside Redevelopment Agency Tax Allocation Revenue Bonds, 4.4% to 5.6% Date issued: September 30, 1997 Original amount: \$69,625 Maturing in installments through October 1, 2033	69,240		820	68,420
Riverside County Desert Facilities Corporation Taxable Variable Rate Certificates of Participation, 6.0% Date issued: June 20, 1990 Original amount: \$8,800 Collateralized by an \$8,800 irrevocable letter of credit to the Desert Facilities Corporation with Bank of America	8,100		100	8,000
Riverside County Redevelopment Agency Tax Allocation Bonds Variable Interest Rate Date Issued: April 3, 2001 Original amount: \$90,025 Matures: October 1, 2035			90,025	90,025
Total Bonds Payable	<u>434,149</u>	<u>91,433</u>	<u>12,585</u>	<u>512,997</u>
Capital Lease Obligations	<u>63,599</u>	<u>29,777</u>	<u>7,477</u>	<u>85,899</u>
Total General Long-Term Debt Obligations	<u>\$651,558</u>	<u>153,906</u>	<u>59,077</u>	<u>746,387</u>

During FY 2000-01, the beginning balance of CORAL 1997 Lease Refunding debt \$36,096,000 was decreased by \$1,331,000. Also, the beginning balances of the 2000 Open Space Notes and Capital Lease Obligations were increased by \$5,000,000 and \$17,376,000 respectively.

CORAL's 1985 Capital Construction Program was issued as seven-day variable rate Certificates of Participation. Due to the variable rate, a letter of credit is required and was issued by National Westminster Bank and Commerzbank (the Banks), which will expire on April 18, 2003. In conjunction with the issuance of the letter of credit, CORAL and the County have entered into an Amended and Restated Sublease and Option to Purchase, a Second Amendment to Ground Lease, a Second Amendment to Trust Agreement and an Amended and Restated Assignment Agreement. Among the new provisions required by the Banks is a "cross-default" clause, whereby a default in any payment of any indebtedness of the County in excess of \$10,000 on outstanding principal in excess of \$10,000,000 is defined as an Event of Default on the 1985 Certificates of Participation.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**Debt Service Requirement to Maturity**

Redevelopment Agency BAN have a maturity date of May 20, 2002. Teeter Notes have a letter of credit, which expires November 19, 2002. A summary of the remaining General Long-Term Debt, Housing debt, and CORAL secured Internal Service Fund and Enterprise Fund debt service requirements, including interest to maturity, as of June 30, 2001 follows (in thousands):

	Housing Authority	Flood Control	CORAL	Desert Facilities Corporation	Redevelop- ment Agency	Court Financing Corporation	District Court Financing Corporation	Public Financing Authority
2002	\$6,755	946	57,935	911	10,580	1,523		13,613
2003	1,204	945	56,419	893	10,585	1,523		
2004	1,183	334	56,918	875	9,156	1,525		
2005	1,165	334	56,306	857	9,989	1,526		
2006	1,182	333	56,489	839	10,469	1,526		
Thereafter	<u>15,653</u>		<u>832,762</u>	<u>12,715</u>	<u>301,450</u>	<u>33,546</u>	<u>8,781</u>	
Totals	27,142	2,892	1,116,829	17,090	352,229	41,169	8,781	13,613
Less interest	(10,368)	(257)	(532,492)	(9,090)	(188,660)	(23,724)	(6,244)	(648)
Less related discount	<u>(1,180)</u>		<u>(14,569)</u>					
Notes and Bonds Payable, net	<u>\$15,594</u>	<u>2,635</u>	<u>569,768</u>	<u>8,000</u>	<u>163,569</u>	<u>17,445</u>	<u>2,537</u>	<u>12,965</u>

**Debt Service Requirement to Maturity (Continued)**

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

	Enterprise Funds	Internal Service Funds	General Long Term Debt Account Group	Total
2002	\$ 24,596	1,239	32,100	57,935
2003	24,242		32,177	56,419
2004	24,455		32,463	56,918
2005	24,672		31,634	56,306
2006	24,788		31,701	56,489
Thereafter	<u>357,235</u>		<u>475,527</u>	<u>832,762</u>
Total	479,988	1,239	635,602	1,116,829
Less interest	(223,421)	(39)	(309,032)	(532,492)
Less related discount	<u>(14,569)</u>			<u>(14,569)</u>
Bonds payable, net	<u>\$ 241,998</u>	<u>1,200</u>	<u>326,570</u>	<u>569,768</u>



**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**Teeter Notes**

In December 1993, the County adopted the Teeter Plan, an alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County 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. As a necessary component for the issuance of the commercial paper, the County entered into an agreement with a financial institution to provide \$26,461,000 in direct pay letters of credit. During FY 2000-01, the County retired \$30,278,000 of the \$46,700,000 principal amount outstanding at June 30, 2000 and issued tax-exempt commercial paper notes of \$26,461,000. No amounts were drawn on the letter of credit, which expires November 19, 2002.

**Defeasance of Debt**

On November 1, 1993, the County issued \$33,640,000 of CORAL Certificates of Participation (1993 Master Refunding Project). The proceeds from the sale of the 1993 certificates were applied to the refunding and defeasance of \$32,730,000 aggregate principal of leasehold mortgage bonds, leasehold revenue bonds and certificates of participation previously issued. Accordingly, the refunded debt has been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 2001 was \$16,050,000.

On January 21, 1993, the County issued \$149,060,000 of CORAL Leasehold Revenue Bonds 1993 Series A and 1993 Series B (County of Riverside Hospital Project). The proceeds from the sale of the 1993 bonds were used to advance refund \$141,160,000 of the 1989 Leasehold Revenue Bonds Series A (1989 Bonds). Accordingly, the refunded bonds have been eliminated and the advance refunding bonds included in the financial statements. The amount of refunded debt outstanding at June 30, 2001 was \$10,150,000.

On September 30, 1997, the Riverside County Public Financing Authority issued \$69,625,000 in Revenue Bonds with an average interest rate of 5.52%. Proceeds were used to concurrently loan to the Redevelopment Agency for 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 with an average interest rate of 7.44% and 7.78% respectively. 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 general long-term debt account group. The amount of the refunded debt outstanding at June 30, 2001 was \$10,745,000.

On October 9, 1997, the County issued \$58,070,000 of CORAL Certificates of Participation (1997 Lease Refunding). The proceeds from the sale of the certificates were used to advance refund \$43,130,000 of the Series 1991A and \$16,810,000 of Series 1991B 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, 2001 was \$38,470,000.

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, 2001 was \$29,625,000.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**Accrued Compensated Absences**

Enterprise Funds and Internal Service Funds reported an estimated liability for accrued compensated absences at June 30, 2001 of \$15,351,000. All accrued compensated absences are treated as long-term liabilities due to a lack of data necessary to determine a differentiation between current and long-term amounts.

**Single Family and Multi-Family Mortgage Revenue Bonds**

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates.

Multi-family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income.

A total of \$122,810,000 of Mortgage Revenue Bonds have been issued and \$113,271,000 are outstanding as of June 30, 2001. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Debt Account Group.

**Special Assessment Bonds**

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$247,723,000 at June 30, 2001, 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.

Flood has issued special assessment bonds, totaling \$8,790,000 as of June 30, 2001, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood. In accordance with bond covenants, Flood has established a reserve from bond proceeds for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(9) Long-Term Obligations (Continued)**

**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.

**(10) Fund Equity**

**Changes to Beginning Fund Balances and Retained Earnings**

Certain fund equities at July 1, 2000 have been restated based on additional information pertaining to prior years' activities.

In preparing for the implementation of GASB Statement No. 34 (see Note 21 for Effects of New Pronouncements), the County has been analyzing its agency funds to reclassify the accounting transactions into the new financial reporting model. Over 200 funds totaling \$1 billion as of June 30, 2001 have been reviewed with 264 funds, totaling \$106 million, pending review. Based on the agency funds reviewed as of December 31, 2001, some agency funds were established as holding accounts to deposit cash received for restricted or designated purposes until expended. As cash was expended from operating funds for the restricted/designated purposes, cash was transferred from the agency fund with revenue being recognized for the amount expended. With the implementation of GASB Statement No. 33, the revenue recognition process was reviewed and it was determined that the earning process had been completed prior to July 1, 2000 for \$120,345,000 held in 84 agency funds. As a result, the beginning fund balances/retained earnings as shown in the following schedule, were restated for revenue earned but not recognized in prior accounting periods. Cash and equity was restricted in the respective funds for all but \$547,000 of the adjustment amounts.

In addition to the agency fund adjustments, the beginning fund balances of the Redevelopment Agency Special Revenue, Debt Service and Capital Project Funds were adjusted to record land purchased in a prior year as well as to record expenditures in the proper fund. The beginning fund balance of the General Fund was adjusted due to the receipt of prior year Tobacco Settlement monies. The beginning fund balance of the County of Riverside Asset Leasing (CORAL) Debt Service Fund was adjusted due to an error in the recording of a receivable in a prior year. Beginning retained earnings of the Risk Management Internal Service Fund was adjusted due to an error in compensating absences recorded in a prior year.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(10) Fund Equity**

**Changes to Beginning Fund Balances and Retained Earnings (Continued)**

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

	July 1, 2000 Fund Balance/ Retained Earnings as Previously Reported	<u>Prior Period Adjustments</u>		July 1, 2000 Fund Balance/ Retained Earnings Restated
		Revenue Recognized From Agency Fund Reclass	Other	
General Fund	\$56,499	53,403	18,319	128,221
Special Revenue Funds:				
Transportation	8,062	33,288		41,350
Community Services	13,896	7		13,903
Other Special Revenue	1,780		(125)	1,655
Redevelopment Agency	19,481		219	19,700
County Service Areas	9,424	1,443		10,867
Debt Service Funds:				
CORAL	35,784		(971)	34,813
Redevelopment Agency	6,574		104	6,678
Capital Project Funds:				
Public Facilities Improvements	14,499	31,840		46,339
Redevelopment Agency	19,170		(65)	19,105
Enterprise Fund:				
County Service Areas	366	31		397
Internal Service Fund:				
Risk Management	54,009		849	54,858

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(10) Fund Equity (Continued)**

**Reserved Fund Balances**

The following is a summary of reserved fund balances at June 30, 2001; which are not available for appropriation and expenditure/expense (in thousands):

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Debt Service <u>Funds</u>	Capital Project <u>Funds</u>	Investment <u>Trust</u>
Reserved:					
Encumbrances	\$ 3,023	3,810		5,929	
Imprest cash	290	171			
Advances	6,437				
Loans receivable		6,202			
Inventories	864	2,893		3,264	
Debt service			131,220		
Construction				1,065	
General	350	56			
Restricted Program					
Money	56,815	40,770		45,016	
External investment					
pool participants					901,319
Total	<u>\$ 67,779</u>	<u>53,902</u>	<u>131,220</u>	<u>55,274</u>	<u>901,319</u>

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

**Unreserved Designated Fund Balances**

The following is a summary of unreserved fund balances at June 30, 2001 which have been designated by the Board for specified purposes (in thousands):

	General <u>Fund</u>	Special Revenue <u>Funds</u>	Capital Projects <u>Funds</u>
Designated:			
OASIS Project	\$ 4,155		
Strategic Planning	10,000		
Public Safety	64		
Tobacco Settlement	13,438		
Public Safety-COPS	5,380		
Restricted Program Money	3,389		
Sheriff-CAD System	1,362		
Capital projects	6,875	116,143	43,954
Total designated	<u>\$44,663</u>	<u>116,143</u>	<u>43,954</u>

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(10) Fund Equity (Continued)**

**Contributed Capital**

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

	Balance July 1, <u>2000</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, <u>2001</u>
Enterprise Funds:				
Blythe Marina	\$ 106			106
Regional Medical Center	<u>14,033</u>			<u>14,033</u>
Total Enterprise Funds	<u>14,139</u>			<u>14,139</u>
Internal Service Funds:				
Medical Center Data Processing	85			85
Transportation Equipment	1,277			1,277
Fleet Services	2,439			2,439
Information Services	1,405			1,405
Flood Control Equipment	<u>600</u>			<u>600</u>
Total Internal Service Funds	<u>5,806</u>			<u>5,806</u>
Total Contributed Capital	<u>\$19,945</u>			<u>19,945</u>

**(11) 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, which 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. Group health, dental, vision, life insurance and long-term disability programs are fully insured.

The County supplements its self-insurance for general liability, medical malpractice and workers' compensation with catastrophic excess insurance coverages. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are \$10,000,000, subject to a self-insured retention (SIR) of \$1,000,000 for each claim. The maximum limits under the excess workers' compensation, Section A, are statutory (unlimited) and Section B, employer liability is \$5,000,000 per claim subject to a \$500,000 SIR for each accident for employee injury and for disease. The County does occasionally structure settlements when feasible and agreeable to both parties. The amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

The County's property insurance program is insured for all Risk Management Division and Flood; Tower 1 has \$300,000,000 in limits, Tower IV (new hospital) has \$300,000,000 in limits, Tower V (jails) has \$440,000,000 in limits. Tower VIII was created to cover Courts/Administration with limits of \$540,000,000. Earthquake (scheduled locations = \$1 million in value) for each Tower is \$100,000,000 in limits. 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.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(11) Risk Management (Continued)**

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 that have occurred through June 30, 2001 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. Revenues of these Internal Service Funds are primarily provided by other County funds and are intended to cover self-insured claim payments, insurance premiums, and operating expenses; they do not however, cover catastrophic events and other uninsured liabilities. Cash available in the Risk Management Internal Service Funds at June 30, 2001 plus revenues to be collected during fiscal year 2001-02 are expected to be sufficient to cover all fiscal year 2001-02 payments. The carrying amount of unpaid claim liabilities is \$72,469,000. The liabilities are discounted at 6%.

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

	<u>June 30, 2000</u>	<u>June 30, 2001</u>
Unpaid claims, beginning of year	\$63,303	61,783
Increase in provision for insured events of prior year	1,400	14,010
Incurred claims	21,634	27,223
Claim payments	<u>(24,554)</u>	<u>(30,547)</u>
Unpaid claims, end of year	<u>\$ 61,783</u>	<u>72,469</u>

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

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are the Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP) and Indigent Adult (IA) programs.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a contractually agreed-upon per discharge rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the 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. In 2001 such differences amounted to a \$835,000 increase to net patient service revenue. The Regional Medical Center's Medicare cost reports have been audited by the fiscal intermediary through June 30, 1999.

**County of Riverside  
Notes to General Purpose Financial Statements  
June 30, 2001**

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

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 \$25,388,000 from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2001.

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

**(13) Budget/Actual Reconciliation**

Budgets are not adopted for all funds included in the Debt Service and Capital Projects Fund Types. The difference in the fund balances between the Combined Statement of Revenues, Expenditures and Changes in Fund Balance and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is attributable to this entity difference.

Fund balances (in thousands):

	<u>Debt Service</u>	<u>Capital Projects</u>
Fund balances, June 30, 2001, all funds	\$131,220	134,015
Less fund balances, June 30, 2001, unbudgeted funds		
CORAL	(30,390)	(33,325)
Desert Facilities Corporation	(142)	
District Court Project	(199)	(144)
Fund balances, June 30, 2001, budgeted funds	<u>\$100,489</u>	<u>100,546</u>



**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(14) Segment Information**

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

Segment information as of and for the fiscal year ended June 30, 2001 is as follows (in thousands):

	Regional Medical Center	Waste Management Department	Housing Authority	All Other	Total
Operating revenues, net	\$ 285,195	44,207	44,277	1,968	375,647
Operating expenses:					
Depreciation and amortization	11,396	3,659	1,613	51	16,719
Other	<u>184,433</u>	<u>25,711</u>	<u>41,920</u>	<u>1,897</u>	<u>253,961</u>
Operating income (loss)	89,366	14,837	744	20	104,967
Non-operating revenue					
(expenses), net	(15,844)	6,068	(933)	137	(10,572)
Current Capital Contributions	260				260
Operating transfers in	20,098			5	20,103
Operating transfers out	<u>(82,692)</u>			<u>(52)</u>	<u>(82,744)</u>
Net income (loss)	<u>11,188</u>	<u>20,905</u>	<u>(189)</u>	<u>110</u>	<u>32,014</u>
Property:					
Additions	\$ 2,401	6,324	486	24	9,235
Retirements	470	773	69	437	1,749
Net working capital	35,130	15,082	5,303	1,068	56,583
Total assets	288,479	151,135	38,960	3,397	481,971
Long-term liabilities	250,793	80,232	20,243	173	351,441
Total fund equity	5,033	67,774	15,894	1,271	89,972

**(15) Jointly Governed Organizations**

Under Section 605 of the Government Code, the County has entered into jointly governed organizations with various entities for various purposes. The boards of directors are composed of one representative of each member organization (with one exception). The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. Therefore, none of the following jointly governed organizations are included as component units, either blended or discretely, in these financial statements.

The jointly governed organizations in which the County participated at June 30, 2001 are as follows:

The CSAC Excess Insurance Authority was formed in October 1979 and has a current membership of 52 California counties. The Authority operates programs for excess workers' compensation, two excess liability programs, two property programs, and medical malpractice. It also provides support services for selected programs such as claims administration, risk management, loss prevention and training, and subsidies for actuarial studies and claims audits.

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

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(15) Jointly Governed Organizations (Continued)**

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto and Temecula for the purpose of serving as a forum for consideration, study and recommendation on area-wide and regional problems.

Riverside County Habitat Conservation (RCHCA) was formed in July 1990. The RCHCA is a Joint Powers Agreement Agency comprised of the cities of Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Perris, Riverside, Temecula, and the County of Riverside for the purpose of planning, acquiring, administering, operating and maintaining land and facilities for ecosystem conservation and habitat reserves for the Stephen's Kangaroo Rat and other endangered species under Article 1, Chapter 5, Division 7, Title 1 of the Government Code.

Van Horn Regional Treatment Facility was organized in January 1991 with Los Angeles, San Diego, San Bernardino and Orange Counties for the purpose of constructing and operating a treatment center for emotionally disturbed minors. The Facility's Board of Directors consists of the Chief Probation Officer and the Director of Mental Health for each county.

Riverside County Abandoned Vehicle Abatement Authority was formed in June 1993 with those cities within the County that have elected to create and participate in the Authority, pursuant to Vehicle Code Section 22710. The purpose of the Authority is to implement a program and plan for the abatement of abandoned vehicles.

The March Joint Powers Commission was formed in August 1993 with the cities of Moreno Valley, Perris and Riverside to formulate and implement plans for the use and reuse of March Air Force Base.

The Salton Sea Authority was formed in August 1993 with Imperial County, Imperial Irrigation District and Coachella Valley Water District to direct and coordinate actions relating to improvement of water quality and stabilization of water elevation and to enhance recreational and economic development potential of the Salton Sea and other beneficial uses.

Coachella Valley Regional Airport Authority was formed in April 1994 with the cities of Coachella, Indian Wells, Indio, La Quinta and Palm Desert for the purpose of acting as a planning commission for the continued growth and development of Thermal Airport and the surrounding area.

Inland Empire Health Plan was formed with the County of San Bernardino in June 1994 to be the administrative body and governing board to form and develop a managed health care system for Medical recipients in the two counties through the Local Initiative.

Palm Springs Visitors and Convention Bureau was formed in December 1995 with those member cities located in the Coachella Valley area of the County. The purpose of the Authority is to encourage and promote all aspects of the hospitality, convention and tourism industry in the Coachella Valley.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan**

**Plan Description**

The County, Flood, Park and Waste contribute to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. PERS issues a separate comprehensive annual financial report.

Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, CA 95814.

**Funding Policy**

Active plan members in the PERS are required to contribute 7% (9% for safety employees) of their annual covered salary. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above date make their own contributions for the first five years. Miscellaneous prosecution unit member employees hired on or after September 3, 1992 make their own contributions for the first year. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood, Parks and Waste are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. For fiscal year 2000-01, the contribution rates were:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	0.000%	0.000%	0.021%	8.007%
Safety	0.000%			

The contribution requirements of the plan member established by the State statute and the employer contribution rate is established and may be amended by PERS.

**Annual Pension Cost**

For fiscal year 2000-01, the annual pension costs for PERS was equal to the employer's required and actual contributions as noted below:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	\$ 0	0	98,714	877,186
Safety	0			

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan (Continued)**

**Annual Pension Cost (Continued)**

The required contribution for fiscal year 2000-01 was determined as part of the June 30, 1999 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (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 PERS assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period (smoothed market value) depending on the size of investment gains and/or losses. PERS's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization periods at June 30, 1999 (in years) are:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	20	20	20	20
Safety	20			

**Riverside County - Miscellaneous**

Required Supplementary Information  
Schedule of Funding Progress  
*(Dollar Amounts in Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)Entry Age (b)	Assets in Excess of AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess of AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 1997	\$ 1,026,517	\$ 844,142	\$ (182,375)	121.6%	\$281,966	(64.7%)
June 30, 1998	1,241,940	920,366	(321,574)	134.9%	299,745	(107.3%)
June 30, 1999	1,469,638	1,052,907	(416,731)	139.6%	366,461	(113.7%)

Three-Year Trend Information  
*(Dollar Amounts in Thousands)*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$ 15,215	100%	\$ 0
June 30, 2000	0	100%	0
June 30, 2001	0	100%	0

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan (Continued)**

**Annual Pension Cost (Continued)**

**Riverside County - Safety**

Required Supplementary Information  
Schedule of Funding Progress  
*(Dollar Amounts in Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)Entry Age (b)	Assets in Excess of AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess of AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 1997	\$487,251	\$ 407,559	\$ (79,692)	119.6%	\$91,884	(86.7%)
June 30, 1998	592,555	457,644	(134,911)	129.5%	79,255	(170.2%)
June 30, 1999	679,235	529,200	(150,035)	128.4%	105,987	(141.6%)

Three-Year Trend Information  
*(Dollar Amounts in Thousands)*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$9,620	100%	\$0
June 30, 2000	0	100%	0
June 30, 2001	0	100%	0

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan (Continued)**

**Annual Pension Cost (Continued)**

**Flood Control and Water Conservation District**

Required Supplementary Information  
Schedule of Funding Progress  
*(Dollar Amounts in Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Assets in Excess of AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess of AAL as a Percentage of Covered Payroll (b-a)/c
June 30, 1997	\$40,666	\$34,075	\$(6,591)	119.3%	\$7,407	(89.0%)
June 30, 1998	48,032	36,143	(11,889)	132.9%	7,199	(165.0%)
June 30, 1999	55,942	39,434	(16,508)	141.9%	7,607	(217.0%)

Three-Year Trend Information  
*(Dollar Amounts in Thousands)*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$851	100%	\$0
June 30, 2000	0	100%	0
June 30, 2001	0	100%	0

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan (Continued)**

**Annual Pension Cost (Continued)**

**Regional Park and Open-Space District**

Required Supplementary Information  
Schedule of Funding Progress  
*(Dollar Amounts in Thousands)*

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 1997	\$ 5,204	\$4,162	\$ (1,042)	125.1%	\$1,299	(80.3%)
June 30, 1998	6,679	4,729	(1,950)	141.2%	1,436	(135.8%)
June 30, 1999	8,083	5,560	(2,523)	145.4%	2,027	(124.5%)

Three-Year Trend Information  
*(Dollar Amounts in Thousands)*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$236	100%	\$ 0
June 30, 2000	101	100%	0
June 30, 2001	99	100%	0

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(16) Retirement Plan (Continued)**

**Annual Pension Cost (Continued)**

**Waste Management Department**

Required Supplementary Information  
Schedule of Funding Progress  
*(Dollar Amounts in Thousands)*

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
June 30, 1997	\$3,013	\$3,017	\$4	99.9%	\$ 6,634	.1%
June 30, 1998	4,713	4,125	(588)	114.3%	6,082	(9.7%)
June 30, 1999	6,548	5,660	(888)	115.7%	6,257	(14.2%)

Three-Year Trend Information  
*(Dollar Amounts in Thousands)*

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1999	\$1,100	100%	\$ 0
June 30, 2000	940	100%	0
June 30, 2001	877	100%	0



**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(17) Money Purchase Pension Retirement Plan**

**County of Riverside**

The County provides a Money Purchase Plan/Defined Contribution Retirement Plan to employees who are not eligible for social security or PERS benefits. 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 contribution is 1.75%.

The following information details plan activity during calendar year 2000 (in thousands):

Total covered payroll	\$ 31,988
Total payroll	\$ 645,789
Contribution requirement and actual contribution:	
Employer	\$ 557
Employee	\$ 1,193

In December 2001, it was discovered that an overpayment of approximately \$872,000 was made from the 401(a) plan during the 2000 calendar year. The County is seeking recovery from plan participants. As of June 30, 2001, the fund had a cash balance of \$3,015,000.

**Housing Authority**

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

On May 22, 2001 the County Board of Supervisors approved and authorized action to transition employees of Housing to County employees retroactive to May 3, 2001. These employees became subject to the provisions of the PERS retirement plan with no carry over vesting from the prior retirement plan. Employees will be 100% vested in the PERS retirement plan after 5 years of uninterrupted service.

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

Total covered payroll	\$2,847
Total payroll	\$3,981
Employer contribution requirement and actual contribution:	\$ 313

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(18) Post Employment Benefits**

In addition to providing retirement benefits, the County provides certain post employment benefits for retired employees, specifically, certain health insurance premium costs to qualifying retired employees and their eligible dependents or survivors pursuant to an agreement with PERS. Employees with a minimum of five years of service and are age 50 at retirement qualify to receive the post employment benefits. Currently, approximately 1,679 retirees meet the eligibility requirements and are covered. PERS is responsible for administering the benefits to the retirees.

The contributions are funded on a pay-as-you-go basis, which is allocated among the operating departments based on the proportionate number of current employees and amounted to approximately \$980,485 for the year ended June 30, 2001.

**(19) Commitments and Contingencies**

**Lawsuits and Other Claims**

The County has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, such loss has been accrued in the accompanying general purpose financial statements. In the opinion of management, the ultimate outcome of these claims will not materially affect the operations of the County.

The County and Auditor-Controller are defendants in a Petition for Writ of Mandate and Complaint for an Accounting and Money Damages filed by 5 cities within the County, based upon previous year(s) property tax allocation. The trial court sustained the demurrers filed by defendants and dismissed the cities' complaint, without leave to amend. While the plaintiff's are seeking to appeal the dismissal, any potential exposure to the County is so speculative as to be unquantifiable.

Housing was named as defendant in legal actions and maintains a contingent liability arising from an IRS ruling as to the taxability of bond issues which Housing is associated with in issuance. Housing was seeking indemnification under provisions of the financing document and filed an appeal in Superior Court regarding a previous judgment. Housing received determination from Riverside Superior Court that the claim could not be maintained as a class action. Housing was dismissed from this lawsuit in 1999, with no obligations pending. In October 2000, Housing counter-sued to recover funds spent in the litigations resulting from the lawsuit. Housing counter-suit was successful and funds in the amount of \$402,500 are anticipated as a result of settlement negotiations.

**Federal Grant Revenue**

Compliance examinations for the fiscal year ended June 30, 2001 identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, however, County management does not expect such amounts, if any, to be material to the general purpose financial statements.

**Commitments**

At June 30, 2001 the County has various noncancelable construction contracts with outside contractors through Capital Projects and General Fund financing, of which approximately \$60,710,000 will be payable upon future performance under the contracts.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(19) Commitments and Contingencies (Continued)**

**Construction and Consulting Contracts**

Waste enters into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Badlands, in accordance with State and Federal laws and regulations. Waste expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to approximate \$18,933,000, which will be capitalized as the costs are incurred.

**County of Orange v. Assessment Appeal Board**

An Orange County Superior Court ruled that an illegal assessment method was used in recapturing Proposition 13 values. Orange County is considering asking for appellate court review of the ruling. While there may eventually be some potential impact to Riverside County, it is not determinable or quantifiable at this time.

**Remediation Contingencies**

Waste is presently aware of groundwater contamination at 11 of its landfills, 7 of which are closed. Waste is also aware of air/gas contamination at 16 landfills, 9 of which are closed. Based on engineering studies, Waste estimates the present value of the total costs of corrective action for foreseeable contaminate releases at approximately \$24,302,000. At June 30, 2001, Waste has accrued \$24,302,000 for the estimated costs related to the remediation of these landfills.

Waste has established a remediation restricted cash fund to set aside funds for future remediation costs as they are required to be performed. Investments of \$10,570,000 are held for these purposes at June 30, 2001 and are classified as restricted assets in the general purpose financial statements.

**Metropolitan Water District of Southern California v. Superior Court et al.**

On October 16, 2001, the Court of Appeal, Second District, ruled on Metropolitan Water District of Southern California v. Superior Court et al. The Court of Appeal ruled that the Metropolitan Water District was required to enroll in the Public Employee Retirement System (PERS) certain workers hired through private contract service providers. While there may eventually be some potential to impact Riverside County, it is not determinable or quantifiable at this time.

**(20) Subsequent Events**

**Tax and Revenue Anticipation Notes**

On July 3, 2001, the County as a participant in the California Statewide Communities Development Authority Pool issued \$229,485,000 of Tax and Revenue Anticipation Notes, due June 28, 2002. The Notes will yield interest at the rate of 5.10% per annum from their date of issuance and delivery until the Notes are paid in full. The notes, in accordance with California law, are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to Fiscal Year 2001-02 and legally available for payment thereof. Proceeds from the notes will be used for Fiscal Year 2001-02 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(20) Subsequent Events (Continued)**

**Teeter Notes**

In October 2001, the County issued \$31,923,000 in Tax Exempt Commercial Paper Notes.

**Certificates of Participation**

On July 1, 2001, the County issued \$38,075,000 in Certificates of Participation, which are to be used to finance the construction of a County Administrative Center (CAC) Annex and Parking Structure project. Certificates are subject to prepayments and to optional and mandatory sinking fund account prepayment prior to their maturity dates. Interest payments will be made semiannually on May 1 and November 1 and will yield between 5.28% and 5.10%. Maturity dates are November 1, 2030 and November 1, 2031, respectively.

**Waste Management Headquarters Project**

On August 14, 2001 the Board of Supervisors (the Board) approved the contract for design and construction of the Waste Management Headquarters Project in the amount of \$5.9 million authorizing the Department to proceed with both the Administrative Building and the Maintenance Building facilities. The total budget for the project is estimated at \$7,250,000. The project includes the administrative building, site improvements, a fueling station, and the maintenance facility. The Board has included \$6 million in the Department fiscal year 2002 budget for the project. The difference will be funded from the Department budget for fiscal year 2003. The project completion is estimated for Fall 2002. At that time, the Department will return to the Board for authorization to sell the existing maintenance facility in Moreno Valley, which will offset a portion of the costs for the new facility.

**Landfill Operating Agreement**

On September 1, 1998, the County Board of Supervisors (the Board) approved an agreement between the County and Waste Management, Inc. (the Corporation) regarding a major expansion at the El Sobrante landfill. Since then, the Corporation has been working to obtain all necessary permits to proceed with the project. This was completed on August 6, 2001, when the LEA issued the final operating permit. On August 28, 2001, the Board redefined the start as July 1, 2001 for reasons, which would mutually benefit both the County and the Corporation. The agreement transfers responsibility for the closure liability and ownership of the associated Citicorp Trust Fund to the Corporation. The agreement also transfers responsibility for and ownership of the liner to the Corporation. On July 1, 2001, the Department removed the \$13.4 million liability and the \$13.5 million restricted cash from their financial statements. They also removed the \$10.6 million net liner asset and recognized the associated expense.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(21) Effects of New Pronouncements**

The following summarizes the new GASB pronouncements and their impact, if any, on the financial statements:

For fiscal year ended June 30, 2001, the County implemented Governmental Accounting Standards Board Statement No. 33, *"Accounting and Reporting for Nonexchange Transactions"* (GASB Statement No. 33), which was issued in December 1998 and effective for periods beginning after June 15, 2000. This statement establishes accounting and financial reporting standards related to revenue recognition for nonexchange transactions of state and local governments. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. Non-exchange transactions are typically described as taxes, fines and certain grants. GASB Statement No. 33 applies the criteria for revenue recognition under the modified-accrual basis of accounting to non-exchange transactions. Revenue from nonexchange transactions other than from property taxes is available for accrual and revenue recognition if received within twelve months of fiscal year end. Property taxes are considered available if they are received within 60 days after year-end. Since the availability period under GASB Statement No. 33 is consistent with the previous revenue recognition policy adopted for budget and financial reporting by the County, there was no financial statement impact in implementing GASB 33.

In June 1999, GASB issued statement No. 34, *"Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments,"* effective for periods beginning after June 15, 2001. This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will create new information and will restructure much of the information that governments have presented in the past. GASB Statement No. 34 represents the most important single change in the history of accounting and financial reporting for state and local governments. One of the most significant changes is that all capital assets, including infrastructure, will be reported within the basic financial statements, along with depreciation expense and accumulated depreciation. Currently, infrastructure related to governmental funds is not reported in the financial statements. GASB Statement No. 34 provides an alternative to depreciation for infrastructure, termed the "modified approach." The modified approach requires that use of a qualified asset management system and additional schedules to be reported in another new element of the financial statements, the "Management's Discussion and Analysis (MD&A) section. The County has decided to use the traditional approach of reporting depreciation of infrastructure assets rather than the modified approached.

In April 2000, GASB issued Statement No. 36, *"Recipient Reporting for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33"*, which is effective for the same periods as GASB Statement No. 33. This statement eliminates the timing difference in the recognition of shared portions of derived tax or imposed nonexchange revenues between a provider and recipient government that was previously in GASB Statement No. 33. Recipient governments are now required to account for the sharing of revenues in the same manner as provider governments. There was no material effect on the financial statements as a result of implementing this new pronouncement.

In June 2001, GASB issued Statement No 37, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Omnibus – an amendment of GASB Statements No. 21 and No. 34.* This statement is effective for the same periods as GASB Statement No. 34 and either clarifies or modifies certain provisions in GASB Statements No. 21 *"Accounting for Escheat Property"* and No. 34. It establishes guidance in the following areas: reporting of escheat property, topics for discussion in the Management's Discussion and Analysis (MD&A), program revenue classifications, the minimum level of detail required for business-type activities in the statement of activities. The County is completing the analysis required for the implementation of this new statement in FY 2001-02.

**County of Riverside**  
**Notes to General Purpose Financial Statements**  
**June 30, 2001**

**(21) Effects of New Pronouncements (Continued)**

Also, in June 2001, GASB issued Statement No. 38, "*Certain Financial Statement Note Disclosures*", which is effective for the same periods as GASB Statement No. 34. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Modifications to the note disclosures primarily focus on; a) revenue recognition policies; b) actions taken in response to significant violations of legal or contractual provisions; c) debt service requirements; d) lease obligations; e) short-term debt; f) inter-fund balances. These new disclosure requirements address the needs of users of financial statements identified by GASB. The analysis for the implementation of this new statement is being completed along with GASB Statement No. 34.

**APPENDIX C**  
**SCHEDULE OF DEBT SERVICE PAYMENTS**

Payment Dates	Series 1993A	Series 1993B	Series 1997A	Series 1997B	Series 1997C	Series 2003A	Series 2003B	Total Semi-Annual Debt Service	Total Annual Debt Service
06/01/03	\$1,320,468.75	\$189,902.27		\$2,069,971.25	\$45,843.32	\$535,527.29	\$32,707.17	\$4,194,420.05	\$ 4,194,420.05
12/01/03	\$1,320,468.75	392,901.25		1,773,808.75	94,848.25	1,107,987.50	67,670.00	4,757,684.50	
06/01/04	\$1,320,468.75	392,901.25		2,078,808.75	94,848.25	10,292,987.50	67,670.00	14,247,684.50	19,005,369.00
12/01/04	\$1,320,468.75	392,901.25		1,767,136.88	94,848.25	993,175.00	67,670.00	4,636,200.13	
06/01/05	\$1,320,468.75	392,901.25		2,082,136.88	94,848.25	10,408,175.00	67,670.00	14,366,200.13	19,002,400.26
12/01/05	\$1,320,468.75	392,901.25		1,760,246.25	94,848.25	820,625.00	67,670.00	4,456,759.50	
06/01/06	\$1,320,468.75	392,901.25		2,090,246.25	94,848.25	10,580,625.00	67,670.00	14,546,759.50	19,003,519.00
12/01/06	\$1,320,468.75	392,901.25		1,753,027.50	94,848.25	604,150.00	67,670.00	4,233,065.75	
06/01/07	\$1,320,468.75	392,901.25		2,093,027.50	94,848.25	6,754,150.00	4,107,670.00	14,763,065.75	18,996,131.50
12/01/07	\$1,320,468.75	392,901.25		1,745,377.50	94,848.25	465,500.00		4,019,095.75	
06/01/08	\$1,320,468.75	392,901.25		2,105,377.50	94,848.25	11,065,500.00		14,979,095.75	18,998,191.50
12/01/08	\$1,320,468.75	392,901.25		1,737,052.50	94,848.25	252,500.00		3,797,770.75	
06/01/09	\$1,320,468.75	392,901.25		2,117,052.50	94,848.25	11,282,500.00		15,207,770.75	19,005,541.50
12/01/09	\$1,320,468.75	392,901.25		1,728,122.50	94,848.25			3,536,340.75	
06/01/10	13,550,468.75	392,901.25		2,123,122.50	94,848.25			16,161,340.75	19,697,681.50
12/01/10	907,706.25	392,901.25		1,718,642.50	94,848.25			3,114,098.25	
06/01/11	13,932,706.25	392,901.25		2,128,642.50	94,848.25			16,549,098.25	19,663,196.50
12/01/11	468,112.50	392,901.25		1,708,597.50	94,848.25			2,664,459.50	
06/01/12	14,338,112.50	392,901.25		2,143,597.50	94,848.25			16,969,459.50	19,633,919.00
12/01/12		392,901.25		1,697,722.50	94,848.25			2,185,472.00	
06/01/13		7,442,901.25	\$7,575,000.00	2,152,722.50	94,848.25			17,265,472.00	19,450,944.00
12/01/13		202,198.75		1,686,120.00	94,848.25			1,983,167.00	
06/01/14		7,677,198.75	7,550,000.00	2,161,120.00	94,848.25			17,483,167.00	19,466,334.00
12/01/14				1,672,582.50	94,848.25			1,767,430.75	
06/01/15			4,000,000.00	13,627,582.50	94,848.25			17,722,430.75	19,489,861.50
12/01/15				1,331,865.00	94,848.25			1,426,713.25	
06/01/16			3,995,000.00	13,971,865.00	94,848.25			18,061,713.25	19,488,426.50
12/01/16				971,625.00	94,848.25			1,066,473.25	
06/01/17			4,000,000.00	14,331,625.00	94,848.25			18,426,473.25	19,492,946.50
12/01/17				637,625.00	94,848.25			732,473.25	
06/01/18			3,995,000.00	14,667,625.00	94,848.25			18,757,473.25	19,489,946.50
12/01/18				286,875.00	94,848.25			363,723.25	
06/01/19			3,990,000.00	11,761,875.00	3,359,848.25			19,111,723.25	19,475,446.50
12/01/19									
06/01/20			19,505,000.00					19,505,000.00	19,505,000.00
12/01/20									
06/01/21			19,505,000.00					19,505,000.00	19,505,000.00
12/01/21									
06/01/22			19,505,000.00					19,505,000.00	19,505,000.00
12/01/22									
06/01/23			19,505,000.00					19,505,000.00	19,505,000.00
12/01/23									
06/01/24			19,505,000.00					19,505,000.00	19,505,000.00
12/01/24									
06/01/25			19,505,000.00					19,505,000.00	19,505,000.00
12/01/25									
06/01/26			19,505,000.00					19,505,000.00	19,505,000.00

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**APPENDIX D**  
**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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**APPENDIX D**  
**SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS**

*The following is a brief summary of the provisions of the primary legal documents pertaining to the 1993B Bonds, the 1997C Bonds, the 2003A Bonds and the 2003B Bonds. Reference is made to said documents for the complete text thereof. Copies of said documents may be obtained from the Trustee.*

**Definitions of Certain Terms**

“1993 Bonds” shall mean the 1993B Bonds and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series A (County of Riverside Hospital Project).

“1993B Bonds” shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project).

“1997 Bonds” shall mean the 1997C Bonds and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series A and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project).

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

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

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

“1997A Insurer” shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 1997A Insurance Policy.

“1997A Insurance Policy” shall mean that certain bond insurance policy issued by the 1997A Insurer insuring payments of principal and interest on the 1997A Bonds in accordance with the terms of such policy.

“1997B Insurer” shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 1997B Insurance Policy.

“1997B Insurance Policy” shall mean that certain bond insurance policy issued by the 1997B Insurer insuring payments of principal and interest on the 1997B Bonds in accordance with the terms of such policy.

“1997B/C Bonds” shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1997 Series B (County of Riverside Hospital Project) and the 1997C Bonds.

“1997B/C Acquisition and Construction Account” shall mean the 1997B/C Acquisition and Construction Account established in Section 7.01 of Supplemental Indenture No. 5.

“1997B/C Costs of Issuance Account” shall mean the 1997B/C Costs of Issuance Account established in Section 7.01 of Supplemental Indenture No. 5.

"1997B/C Earnings Account" shall mean the 1997B/C Earnings Account established in Section 7.01 of Supplemental Indenture No. 5.

"1997B/C Excess Earnings Account" shall mean the 1997B/C Excess Earnings Account established in Section 7.01 of Supplemental Indenture No. 5.

"2003 Bonds" shall mean the 2003A Bonds and the 2003B Bonds.

"2003 Insurer" shall mean MBIA Insurance Corporation, a New York stock insurance company, and its successors, as issuer of the 2003 Insurance Policy.

"2003 Insurance Policy" shall mean those certain bond insurance policies issued by the 2003 Insurer insuring payments of principal and interest on the 2003 Bonds, the 1993B Bonds and the 1997C Bonds in accordance with the terms of such policies.

"2003A Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project).

"2003B Bonds" shall mean the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project).

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

"Additional Bonds" shall mean Bonds, other than the 1989 Bonds, the 1993 Bonds, the 1997 Bonds, the 1997B/C Bonds and the 2003 Bonds, including, but not limited to Refunding Bonds and Taxable Bonds, executed and delivered pursuant to the Indenture.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Construction Escrow Break Date" shall mean the first date on which the Trustee withdraws funds from the Acquisition and Construction Account to pay for the Cost of the Project (other than for the purchase price of the Property, Property preparation costs, architectural fees relating to the Project and for costs of issuance relating to the Bonds) all in accordance with Section 503(c) of the Indenture.

"Continuing Disclosure Certificate" shall mean the Continuing Disclosure Certificate executed and delivered by the County concerning the County's covenant to file or to cause to be filed certain annual financial information and operating data with each nationally recognized municipal securities information repository and the state information depository in California, if one is established, and to file or cause to be filed notice of certain events, if material, with the Municipal Securities Rulemaking Board.

"Corporation" shall mean the County of Riverside Asset Leasing Corporation and its successors and assigns. Any action required or permitted to be taken by the Corporation under the Indenture or under any of the documents related thereto may be taken by an Authorized Officer.

"Cost of the Project" shall mean the cost of the acquisition, construction, equipping, development and financing of the Project, and shall include, without limitation, the cost of any engineering, architectural services, plans, specifications and surveys and estimates of costs; the cost of the Property or reimbursement of the costs of the County in connection with the acquisition of the Property; the cost of any taxes or assessments paid or to be paid in connection with the transfer of any property related to the Project; the cost of any indemnity or surety bonds or other insurance with respect to the acquisition, construction, development, installation or financing of the Project; fees and expenses incurred in connection with the preparation, issuance and delivery of the Bonds; the costs or reimbursement of the costs of the Corporation or the County incurred in connection with the issuance of the Bonds, including without limitation expenses relating to registering or qualifying the Bonds for distribution in any jurisdiction of the United States, discounts, commissions, financing charges and fees and expenses of underwriters, attorneys, accountants, advisors and consultants, the cost of audits and any Credit Facility and any qualifications of the Indenture under the Trust Indenture Act of 1939; the cost of title insurance; fees and expenses of the Trustee in connection with the preparation, issuance and delivery of the Bonds; the administrative expenses of the Corporation and the County attributable to the Project and incurred in connection with the issuance of the Bonds, including without limitation compensation of officers,

directors, employees, agents, attorneys, accountants and consultants of the Corporation and any fees and expenses of the Trustee; and such other costs, whether or not specified in the Indenture, as may be necessary or incidental to the acquisition, construction, equipping, development or financing of the Project and the placing of the same in operation, and such other costs and expenses for changes, alterations and additions to the Project requested by the County and authorized by the Board of Directors or an Authorized Officer.

"County" shall mean the County of Riverside, California and its successors and assigns.

"Credit Facility" shall mean a letter of credit, line of credit, surety bond or insurance policy or similar facility.

"Debt Service" for any period shall mean, with respect to the Bonds, an amount equal to the sum of (i) interest accruing during such period on the Bonds, and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment was deemed to accrue daily in equal amounts from the next preceding Principal Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment, or from July 1, 1989 whichever date is later). Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Fund" shall mean the Debt Service Fund established in the Indenture.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the Indenture.

"Debt Service Reserve Requirement" shall mean the lesser of (i) the maximum amount of principal and interest (and Accreted Value, in the case of Capital Appreciation Bonds) payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds or (ii) ten percent (10%) of the sum of the principal amount of the Bonds (other than Capital Appreciation Bonds), less original issue discount, if any, plus the aggregate Initial Amount of the Capital Appreciation Bonds.

"DTC" shall mean The Depository Trust Company and its successors and assigns.

"Delivery Office" shall mean, with respect to the Tender Agent, such address as specified in a written instrument delivered to the Corporation, the County, the Trustee and the Remarketing Agent or such other address as may be designated by the Tender Agent and delivered to the same.

"Equipment Lease" shall mean that certain Equipment Lease, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Equipment Project to the County, as from time to time amended or supplemented.

"Equipment Project" shall mean the new equipment to be acquired, delivered and installed as more particularly described in the Equipment Lease.

"Event of Default" shall have the meaning given to such term in the Indenture.

"Excess Earnings Fund" shall mean the Excess Earnings Fund established in Section 507 of the Indenture.

"Facilities Lease" shall mean that certain Lease and Option to Purchase, dated as of July 1, 1989, between the Corporation and the County pursuant to which the Corporation leases the Facilities Project to the County, as from time to time amended or supplemented.

"Facilities Project" shall mean, collectively, the Property and the acquisition and construction of the improvements thereon and equipment (other than the equipment acquired and installed pursuant to the Equipment Lease) to be acquired and installed on the Property with the proceeds of the Bonds.

"Final Compounded Amount" shall mean the Accreted Value of a Capital Appreciation Bond on its maturity date.

"Fiscal Year" shall mean the twelve-month period commencing on July 1 of each year and ending on the following June 30.

"Fund" or "Funds" shall mean, as the case may be, each or all or any one of the funds and accounts established in or pursuant to the Indenture.

"Indenture" shall mean the Indenture of Trust, dated as of July 1, 1989, among the Corporation, the County and the Trustee, and as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms of the Indenture.

"Initial Amount" shall mean the Accreted Value of a Capital Appreciation Bond on the Closing Date, determined by reference to the Accreted Value Table.

"Interest Payment Date" shall mean each June 1 and December 1 or, if any such June 1 and December 1 is not a Business Day, on the next succeeding Business Day.

"Leases" shall mean, collectively, the Facilities Lease and the Equipment Lease, together with any amendments or supplements thereto.

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

"Nominee" shall mean the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant to the Indenture.

"Nonarbitrage Certificate" or "Nonarbitrage Certificates" shall mean the 1989 Nonarbitrage Certificate, as it may be amended from time to time, and any other Tax and Nonarbitrage Certificates entered into by the County and the Corporation.

"Officers' Certificate" or "Certificate of the Corporation," when used with respect to the Corporation, shall mean a certificate signed by the Chairman of the Board or any Vice Chairman and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation.

"Opinion of Bond Counsel" shall mean an opinion signed by Bond Counsel.

"Outstanding," when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being executed and delivered under the Indenture except:

(i) Bonds cancelled by the Trustee at or prior to such date;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, or, in the case of Capital Appreciation Bonds, the Final Compounded Amount or Accreted Value, as the case may be, shall be held in trust under the Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in the Indenture or as in any Supplemental Indenture provided;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to the Indenture;

(iv) Bonds owned by the Corporation or the County; and

(v) Bonds deemed to have been paid as provided in the Indenture.

"Participants" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as securities depository.

"Principal Installment" shall mean, so long as any Bonds are Outstanding, (i) the principal amount and Final Compounded Amount of Bonds due on any future Interest Payment Date for which no Sinking Account Installments have been established, or (ii) the unsatisfied balance of any Sinking Account Installments due on any future Interest Payment Date for Bonds, plus the amount of the sinking account redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Account Installments, or (iii) if any future dates coincide as to different Bonds, the sum of such principal amount and Final Compounded Amount of Bonds and of such unsatisfied balance of Sinking Account Installments due on such date plus applicable redemption premiums, if any.

"Principal Office of the Trustee" shall mean the principal corporate trust office of the Trustee located in Los Angeles, California.

"Project" shall mean, collectively, the Facilities Project and the Equipment Project.

"Property" shall mean the real property described in Exhibit A to the Facilities Lease.

"Record Date" shall mean the fifteenth day of each May and November so long as Bonds remain Outstanding hereunder, excepting that Record Date shall mean with respect to any 1993B Bonds or 1997C Bonds bearing interest at a Fixed Rate, the close of business on the fifteenth day of the month immediately preceding any Interest Payment Date.

"Redemption Price" shall mean, with respect to any Bond other than a Capital Appreciation Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture and, with respect to a Capital Appreciation Bond, the Accreted Value of such Bond as of the date such Bond is to be redeemed, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.



"Refunding Bonds" shall mean all Bonds, whether issued in one or more series, executed and delivered on original issuance pursuant to the Indenture, and any Bonds thereafter executed and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Revenue Fund" shall mean the Revenue Fund established in the Indenture.

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

"S&P" shall mean Standard & Poor's Ratings Service, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

"Securities Depository" shall mean the securities depositories acting as such under the Indenture, and may be the Corporation.

"Sinking Account Installment" shall mean an amount so designated which is established pursuant to the Indenture.

"State" shall mean the State of California.

"State Bond Proceeds Account" shall mean that certain account established pursuant to the Indenture.

"Supplemental Indenture" shall mean any indenture supplemental to or amendatory of the Indenture, adopted by the Corporation in accordance with the Indenture.

"Supplemental Indenture No. 7" shall mean the Supplemental Indenture of Trust No. 7, modifying and amending the Indenture.

"Taxable Bonds" shall mean Bonds the interest on which no opinion of Bond Counsel has been rendered as to its exclusion from gross income for federal income tax purposes.

"Total Maturity Amount" shall mean, with respect to any Outstanding Capital Appreciation Bond, the Final Compounded Amount thereof and with respect to any other Bond, the principal amount thereof.

"Trustee" shall mean U.S. Bank National Association, as successor to First Trust of California, National Association, as successor to Security Pacific National Bank, its successor or successors and any

other corporation or Co-Trustee which may at any time be substituted in its place or designated as such pursuant to the Indenture.

“Written Requisition,” “Written Consent,” “Written Certificate,” “Written Order” and “Written Request” shall mean, respectively, a written requisition, consent, certificate, order or request signed, as the case may be, by or on behalf of the Corporation by its Chairman or its Vice Chairman or its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary or by any person (whether or not an officer of the Corporation) or signed by or on behalf of the County by the Treasurer or the Treasurer’s deputies or the Chief Executive Officer or by any other person who is specifically authorized by resolution of the Board of Directors or the County Board of Supervisors, respectively, to sign or execute such a document on its behalf, or by any other Authorized Officer.

### **The Facilities Lease**

The Corporation will lease the Facilities Project to the County pursuant to the Facilities Lease. Under the Facilities Lease, the County will make Base Rental payments for the use and occupancy of the Facilities Project in amounts set forth in a schedule contained in the Facilities Lease. Base Rental payments will be used to pay amounts equal to the principal of and interest on the Outstanding Bonds, including but not limited to the 1993B Bonds, the 1997C Bonds and the 2003 Bonds, relating to the Facilities Project. The County also promises to pay Additional Rental with respect to the Facilities Project, which includes taxes and assessments levied upon the Facilities Project, insurance premiums and, to the extent not paid out of the proceeds of the sale of the Bonds, the fees and expenses of the Trustee in connection with the Indenture, and any other fees, costs or expenses incurred by the Corporation or Trustee under the Facilities Lease or under any assignment thereof or under any other transaction relating to the Project. The Facilities Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Facilities Project.

Upon payment by the County of all Base Rental and Additional Rental payments required by the Facilities Lease, or exercise of the County’s option to purchase the Facilities Project, the Facilities Lease will terminate and all right, title and interest in the Facilities Project will vest in the County or its assignee without further action by the Corporation or the Trustee.

**Maintenance of the Facilities Project.** The Facilities Lease provides that the County, at its own expense, will maintain the Facilities Project in good order, condition and repair and provide all security service, custodial service and other services necessary for the proper upkeep and maintenance of the Facilities Project.

**Insurance.** Pursuant to the Facilities Lease, the County will maintain, with insurers of recognized responsibility or through a program of self insurance to the extent specifically permitted in the Facilities Lease (i) a policy or policies of insurance against loss or damage to the Facilities Project known as “all-risk” property insurance, including flood and earthquake coverage, in an amount which together with all risk insurance with respect to the Equipment Project is not less than the aggregate principal amount and the aggregate Accreted Value of Bonds at such time outstanding, with a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of \$1,000,000 for all losses in any year) including coverage, from and after substantial completion of the Facilities Project, for loss or damage caused by explosion of steam boilers, pressure vessels and similar apparatus (which coverage will be in an amount not less than \$2,000,000 per accident); (ii) from and after substantial completion of the Facilities Project, rental interruption insurance covering total or partial loss of the use of the Facilities Project as a result of any of the hazards covered by the insurance required pursuant to clause (i) above, in an amount sufficient at all times to pay the total rent payable under the Facilities Lease with respect to the

Facilities Project for a period adequate to cover the period of repair or reconstruction (the amount payable thereunder to be equal to not less than two years' maximum Base Rental for the Facilities Project); (iii) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Facilities Project with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk manager or an independent-insurance consultant retained by the County for that purpose; and (iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Facilities Project and to cover full liability for compensation under any such act aforesaid. The County's obligations under clauses (i), (iii) and (iv) above may be satisfied by self-insurance; provided, however, that any such self-insurance shall be approved by the 1997A Insurer, the 1997B Insurer and the 2003 Insurer; and provided, further, that with respect to earthquake insurance, the County may self-insure only in the event the County has submitted to S&P, and S&P has approved, a natural hazard survey with respect to the Facilities Project.

Each policy of insurance required by the Facilities Lease, with the exception of workers' compensation insurance, will provide that such policy will not be cancelled or materially changed without at least thirty days' prior written notice to the Trustee and the Corporation. All policies or certificates of insurance provided for in the Facilities Lease (other than insurance for general liability and workers compensation) will name the County as named insured, and will name the Corporation and its directors and the Trustee as additional named insureds.

Notwithstanding the foregoing, the County is not required to maintain or cause to be maintained more insurance than referred to above. In addition, with respect to the insurance required for all-risk, general liability and boiler and machinery coverage, the County shall not be required to maintain or cause to be maintained any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such insurance policies at a reasonable cost on the open market, the County shall self-insure to the extent permitted under the Facilities Lease.

Eminent Domain. If the Facilities Project, or so much thereof as to render the remainder of the Facilities Project unusable for the County's purposes under the Facilities Lease, is taken under the power of eminent domain, then the Facilities Lease will terminate as of the day possession is so taken or, if the County is the condemnor, as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental payments in accordance with the provisions of the Facilities Lease. If less than a substantial portion of the Facilities Project is taken under the power of eminent domain and the remainder is usable for County purposes, then there will be an abatement of Base Rental payments only to the extent of the unusable portion of the Facilities Project and the Facilities Lease will continue in full force and effect. If the County elects, pursuant to the Indenture, to apply an award in eminent domain proceedings to repair or replace such portion of the Facilities Project, Base Rental payments will again begin to accrue upon restoration of the Facilities Project to tenantable condition.

Assignment of Facilities Lease. The Facilities Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law or otherwise; provided, however, that the County may sublease all or any portion of the Facilities Project with the consent of the 1997A Insurer, the 1997B Insurer and the 2003 Insurer, may grant concessions to others involving the use of any portion of the Facilities Project and may assign its

right to purchase the Facilities Project (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease notwithstanding any subletting or granting of concessions which may be made.

Additions and Improvements. The County has the right during the term of the Facilities Lease to make any additions or improvements to the Facilities Project, to attach fixtures, structures or signs and to affix any personal property to the Facilities Project so long as the fair rental value of the Facilities Project is not thereby reduced. Title to all fixtures, equipment (other than Equipment) or personal property placed by the County on the Facilities Project will remain in the County.

Rental Abatement. Except to the extent of (i) amounts held in the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments with respect to the Bonds, rental payments due under the Facilities Lease with respect to the Facilities Project or portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Facilities Project, there is substantial interference with the use and right of possession by the County of the Facilities Project or portion thereof such that the remaining rental represents fair consideration for the use and possession of the usable portion of the Facilities Project. Such abatement will end with the restoration of the Facilities Project to tenantable condition.

Events of Default and Remedies. Events of default under the Facilities Lease include (1) failure of the County to deposit with the Trustee any Base Rental payment or pay any Additional Rental payment by the due date thereof, or (2) the County vacating or abandoning the Facilities Project, (3) breach by the County of any other terms, covenants or conditions contained in the Facilities Lease or in the Indenture and failure to remedy such breach within 15 Business Days after written notice thereof is given to the County by the Corporation, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, or any assignee of the rights of the Corporation under the Facilities Lease, has the right, at its option, without any further demand or notice, (1) to terminate the Facilities Lease or, with the consent of the County which consent shall not be unreasonably withheld, to keep the Facilities Lease in full force and effect and, in either event, to re-enter the Facilities Project and eject all parties in possession therefrom and re-let or sell the Facilities Project as the agent and for the account of the County upon such terms and conditions as the Corporation may deem advisable, in which event the rents received on such re-letting or sale will be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Facilities Project to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commissions actually paid, and second to the Revenue Fund for the payment of Base Rental in accordance with the Facilities Lease and the Indenture, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then, if the Facilities Lease has not been terminated, the County will pay to the Corporation any net deficiency existing on the date when Base Rental or Additional Rental payments are due; or (2) in lieu of the above, so long as the Corporation or its assignee does not terminate the County's right to possession, the Facilities Lease will continue in effect and the Corporation or its assignee will have the right to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rental payments as they become due under the Facilities Lease pursuant to Section 1951.4 of the California Civil Code. The Corporation or its assignee also has such other remedies as are legally available. In no event does the Corporation or any assignee have the right to accelerate the payment of any Base Rental under the Facilities Lease.

Option to Purchase. The County has the right and option under the Facilities Lease to purchase the Facilities Project in whole or in part on any Business Day upon payment of the option price thereof so

long as no event of default has occurred under the Facilities Lease or the Indenture. The option price for the purchase of the Facilities Project in whole will be determined by reference to a schedule contained in the Facilities Lease. The County may exercise its option by giving notice thereof to the Trustee not later than fifteen days prior to the Business Day on which it desires to purchase the Facilities Project. The option price for the purchase of any portion of the Facilities Project will be an amount sufficient to pay or redeem the principal and premium, if any, and accrued interest with respect to the Outstanding Bonds relating to such portion of the Facilities Project on the date of purchase, plus the amount of interest to accrue with respect to the Outstanding Bonds until the next succeeding Interest Payment Date and the Accreted Value of the Capital Appreciation Outstanding Bonds relating to such portion of the Facilities Project as of the next succeeding Interest Payment Date; provided, that on or after the purchase date the fair rental value of the remaining portion of the Facilities Project not so purchased equals or exceeds the amount required to pay the principal and interest due with respect to the remaining Outstanding Bonds. The 1993B Bonds, the 1997C Bonds and the 2003B Bonds are not subject to optional redemption from such proceeds.

If the Business Day on which the County intends to exercise its option to purchase is a date on which Bonds are subject to optional redemption in accordance with the Indenture, the County will deposit the full amount of the option price with the Trustee. If the Business Day on which the County intends to exercise its option to purchase is not a date on which Bonds are subject to optional redemption in accordance with the Indenture, the option price will be payable in installments in accordance with the Facilities Lease.

Amendments to Facilities Lease. The Facilities Lease may be amended in writing by agreement between the Corporation and the County, with the consent of the Trustee and the 1997A Insurer, the 1997B Insurer and the 2003 Insurer, but no such amendment will become effective as to the Owners of Bonds then outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Facilities Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of the 1997A Insurer, the 1997B Insurer and the 2003 Insurer or any Owners of the Bonds, upon the written agreement of the County and the Corporation, but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease, (ii) in regard to questions arising under the Facilities Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the terms thereof and which will not adversely affect the interests of the Owners of the Bonds, (iii) to release from the lien of the Facilities Lease any portion of the Facilities Project to the extent Base Rental payable under the Facilities Lease after such release is sufficient to pay Debt Service on the Bonds, (iv) to amend the schedule of Base Rental payments as provided in the Facilities Lease and the Indenture, (v) to add to the Facilities Lease a legal description of the Property, (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds, excepting any interest on Taxable Bonds, or (vii) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon an opinion of Bond Counsel stating that these requirements have been met with respect to such amendment or modification.

### The Equipment Lease

The Corporation will lease the Equipment Project to the County pursuant to the Equipment Lease. Under the Equipment Lease, the County will make Base Rental payments for the use of the Equipment Project in amounts set forth in a schedule contained in the Equipment Lease. Base Rental payments will be used to pay amounts equal to the principal of and interest on the Bonds relating to the Equipment

Project. The County also promises to pay Additional Rental with respect to the Equipment Project which includes taxes and assessments levied upon the Equipment Project, insurance premiums and, to the extent not paid out of the proceeds of the sale of the Bonds, the fees and expenses of the Trustee in connection with the Indenture, and any other fees, costs or expenses incurred by the Corporation or Trustee under the Equipment Lease or under any assignment thereof or under any other transaction relating to the Equipment. The Equipment Lease is a triple net lease and the County is obligated accordingly to pay all utility charges, maintenance expenses and other costs associated with the operation and possession of the Equipment.

Upon payment by the County of all Base Rental and Additional Rental payments required by the Equipment Lease, or exercise of the County's option to purchase the Equipment Project, the Equipment Lease will terminate and all right, title and interest in the Equipment Project will vest in the County or its assignee without further action by the Corporation or the Trustee; provided that with respect to any particular item of equipment the Equipment Lease will terminate and title will transfer with respect to such item of Equipment upon the date which the County substitutes such item of Equipment.

Maintenance of the Equipment Project. The Equipment Lease provides that the County, at its own expense, will maintain the Equipment in good order, condition and repair and will repair and replace any item of Equipment damaged or destroyed to the extent it would result in rental abatement with respect to such item of Equipment except as provided in the Indenture. The County will cause the Equipment to be operated in accordance with the manufacturer's or supplier's instructions or manuals by competent and duly qualified personnel.

Insurance. Pursuant to the Equipment Lease, the County will maintain, with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted under the Equipment Lease (i) a policy or policies of insurance against loss or damage to the Equipment known as "all-risk" property insurance, including flood and earthquake coverage, in an amount which together with all-risk insurance with respect to the Facilities Project is not less than the lesser of the full replacement value of such items of Equipment or the aggregate principal amount and the aggregate Accreted Value of Bonds at such time Outstanding, with a deductible not to exceed 10% of the total loss per occurrence (subject to a maximum deductible of \$1,000,000); (ii) from and after substantial completion of the acquisition and delivery and installation of the Equipment, rental interruption insurance covering total or partial loss of the use of the Equipment as a result of any of the hazards covered by the insurance required pursuant to clause (i) above, in an amount sufficient at all times to pay the total rent payable under the Equipment Lease with respect to the Equipment Project for a period adequate to cover the period of repair or reconstruction (the amount payable thereunder to be equal to not less than two years' maximum Base Rental for the Equipment Project); (iii) comprehensive general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the items of Equipment with a combined single limit of not less than \$1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk manager or an independent-insurance consultant retained by the County for that purpose; and (iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure employers against liability for compensation under the Labor Code of the State of California, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the items of Equipment acquired and to cover full liability for compensation under any such act aforesaid. The County's obligations under clauses (i), (iii) and (iv) above may be satisfied by self-insurance; provided, however, that any such self-insurance shall be approved by the 1997A Insurer, the 1997B Insurer and the 2003 Insurer.

Each policy of insurance required by the Equipment Lease, with the exception of workers' compensation insurance, will provide that such policy will not be cancelled or materially changed without at least thirty days' prior written notice to the Trustee and the Corporation. All policies or certificates of insurance provided for in the Equipment Lease (other than insurance for general liability and workers compensation) will name the County as named insured, and will name the Corporation and its directors and the Trustee as additional named insureds.

Notwithstanding the foregoing, the County is not required to maintain or cause to be maintained more insurance than referred to above. In addition, with respect to the insurance required for all-risk, general liability and boiler and machinery coverage, the County shall not be required to maintain or cause to be maintained any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market; provided, however, that in the event the County is unable to obtain such insurance policies at a reasonable cost on the open market, the County shall self-insure to the extent permitted under the Equipment Lease.

Eminent Domain. If all of the Equipment, or so much thereof as to render the remainder of the Equipment Project unusable for the County's purposes under the Equipment Lease, is taken under the power of eminent domain, then the Equipment Lease will terminate as of the day possession is so taken or, if the County is the condemnor, as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental payments in accordance with the provisions of the Equipment Lease. If less than a substantial portion of the Equipment is taken under the power of eminent domain and the remainder is usable for County purposes, then there will be an abatement of Base Rental payments only to the extent of the unusable portion of the Equipment and the Equipment Lease will continue in full force and effect. If the County elects, pursuant to the Indenture, to apply an award in eminent domain proceedings to repair or replace such item of Equipment, Base Rental payments will again begin to accrue upon replacement of such item or items of Equipment.

Assignment and Lease. The Equipment Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Equipment Lease by voluntary act or by operation of law or otherwise; provided, however, that the County may sublease all or any item of Equipment with the consent of the 1997A Insurer, the 1997B Insurer and the 2003 Insurer, may grant concessions to others involving the use of any portion of the Equipment and may assign its right to purchase the item of Equipment (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Equipment Lease notwithstanding any subletting or granting of concessions which may be made. Notwithstanding the foregoing the County may acquire any item of Equipment by substituting therefor and subjecting to the terms of the Equipment Lease any item or items having the same or longer useful life and subject to the same or greater Base Rental.

Additions and Improvements. The County has the right during the term of the Equipment Lease to make any additions or improvements to the Equipment, to attach fixtures, structures or signs and to affix any personal property to the Equipment so long as the fair rental value of the Equipment Project is not thereby reduced. Title to all fixtures, equipment (other than Equipment) or personal property placed by the County on the Equipment Project will remain in the County.

Title to any personal property, improvements or fixtures placed on the Equipment Project by any sublessee or licensee of the County will be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement will not be inconsistent with the Equipment Lease.

Rental Abatement. Except to the extent of (i) amounts held in the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or liquidated damages, if any, and (iii) amounts, if any, otherwise legally available to the Trustee for payments with respect to the Bonds, rental payments due under the Equipment Lease with respect to the Equipment Project or portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Equipment Project, there is substantial interference with the use and right of possession by the County of the Equipment Project such that the remaining rental represents fair consideration for the use and possession of the usable portion of the Equipment Project. Such abatement will end with the restoration of such item to useable condition or correction of the title defect.

Events of Default and Remedies. Events of default under the Equipment Lease include failure of the County to deposit with the Trustee any Base Rental payment or pay any Additional Rental payment by the due date thereof, or breach by the County of any other terms, covenants or conditions contained in the Equipment Lease or in the Indenture and failure to remedy such breach within 15 Business Days after written notice thereof is given to the County by the Corporation, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation has the right, at its option, without any further demand or notice, (1) to demand that the County return the item of Equipment or to enter and take possession of the same (2) to terminate the Equipment Lease and sell the items of Equipment at public or private sale, without notice to the County or other advertisement, or otherwise dispose of, hold, use, operate, lease to others or keep idle such items of Equipment as the Corporation may determine, all free and clear of any rights of the County and without any duty to account to the County with respect to such action or inaction or for any proceeds with respect thereto; (3) with the consent of the County and as agent for the County, to re-take possession of the items of Equipment and lease the same or any portion thereof for the account of the County, holding the County liable for any difference between the amounts thereby received and the amounts payable by the County with respect to such items of Equipment under the Equipment Lease; and (4) to exercise any other right or remedy which may be available to it under applicable law or to proceed by appropriate court action to enforce the terms thereof or to recover damages for the breach thereof or to rescind the Equipment Lease. In no event does the Corporation or any assignee have the right to accelerate the payment of any Base Rental under the Equipment Lease.

Option to Purchase. The County has the right and option under the Equipment Lease to purchase the Equipment Project in whole or in part on any Business Day upon payment of the option price thereof so long as no event of default has occurred under the Equipment Lease or the Indenture. The option price for the purchase of the Equipment Project in whole will be determined by reference to a schedule contained in the Equipment Lease. The County may exercise its option by giving notice thereof to the Trustee not later than fifteen days prior to the Business Day on which it desires to purchase the Equipment Project. The option price for the purchase of any portion of the Equipment Project will be an amount sufficient to pay or redeem the principal and premium, if any, and accrued interest with respect to the Bonds relating to such items of the Equipment on the date of purchase, plus the amount of interest to accrue with respect to the Bonds until the next succeeding Interest Payment Date and the Accreted Value of the Capital Appreciation Bonds relating to such items of Equipment as of the next succeeding Interest Payment Date; provided, that on or after the purchase date the fair rental value of the remaining portion of the Equipment Project not so purchased equals or exceeds the amount required to pay the principal and interest due with respect to the remaining Outstanding Bonds. The 1993B Bonds, the 1997C Bonds and the 2003B Bonds are not subject to optional redemption from such proceeds.

If the Business Day on which the County intends to exercise its option to purchase is a date on which Bonds are subject to optional redemption in accordance with the Indenture, the County will deposit the full amount of the option price with the Trustee. If the Business Day on which the County intends to



exercise its option to purchase is not a date on which Bonds are subject to optional redemption in accordance with the Indenture, the option price will be payable in installments in accordance with the Equipment Lease.

Amendments to Equipment Lease. The Equipment Lease may be amended in writing by agreement between the Corporation and the County, with the consent of the Trustee and the 1997A Insurer, the 1997B Insurer and the 2003 Insurer, but no such amendment will become effective as to the Owners of Bonds then outstanding unless and until approved in writing by the Owners of a majority in aggregate principal amount of Bonds then Outstanding. Notwithstanding the foregoing, the Equipment Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee but without the consent of the 1997A Insurer, the 1997B Insurer and the 2003 Insurer or any Owners of the Bonds, upon the written agreement of the County and the Corporation, but only (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Equipment Lease, (ii) in regard to questions arising under the Equipment Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the terms thereof and which will not adversely affect the interests of the Owners of the Bonds, (iii) to release from the lien of the Equipment Lease any portion of the Equipment Project to the extent Base Rental payable under the Equipment Lease after such release is sufficient to pay Debt Service on the Bonds, (iv) to amend the schedule of Base Rental payments as provided in the Equipment Lease and the Indenture, (v) to add to the Equipment Lease a legal description of the Property, (vi) to preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds, excepting any interest on Taxable Bonds, or (vii) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the County, the Corporation and the Trustee may rely in entering into any such amendment or modification thereof upon an opinion of Bond Counsel stating that these requirements have been met with respect to such amendment or modification.

### The Indenture

Funds and Accounts. Under the Indenture, the Trustee will establish the funds and accounts herein described and invest, transfer and disburse moneys on deposit therein. The Indenture establishes the Acquisition and Construction Fund, the Debt Service Fund, the Revenue Fund, the Excess Earnings Fund, the Debt Service Reserve Fund, the 1993 Escrow Fund, 1997 Escrow Fund, the 2003 Escrow Fund, the Administrative Expense Fund and certain other funds and accounts in each of such funds.

All Revenues will be deposited by the Trustee into the Revenue Fund. The Trustee, on the fifteenth day of the month immediately preceding each Interest Payment Date, will transfer from the Revenue Fund to the following accounts the following amounts: (i) to the Interest Account in the Debt Service Fund, an amount which, together with the money on deposit therein (taking into account transfers from the Capitalized Interest Subaccount, if any), equals the interest due on such Interest Payment Date, (ii) to the Principal Account in the Debt Service Fund, an amount which, together with money on deposit therein taking into account transfers after the Construction Escrow Break Date from the State Reimbursement Moneys Account and the State Bond Proceeds Account, equals the principal then due or required to be redeemed on such Interest Payment Date including the Principal Installment and Sinking Account Installment, if any, when due or required to be redeemed (plus premium, if any), (iii) to the Administrative Expense Account to the extent necessary to make the amount on deposit equal to \$40,000, (iv) to the Debt Service Reserve Fund to replenish the amount on deposit therein to the required amount, and (v) after the foregoing deposits, and after the Trustee has retained in the Revenue Fund sufficient amounts to pay Debt Service for the remainder of the Fiscal Year, any remainder will be remitted to the County. Following such transfer, if the amount on deposit in the Principal Account or Interest Account in the Debt Service Fund is insufficient to pay all principal and interest due with respect to the Outstanding

Bonds on such Interest Payment Date, the Trustee shall transfer from the Debt Service Reserve Fund an amount necessary to make up the difference.

The Trustee will deposit the proceeds of the sale of the 2003 Bonds in the (i) 2003 Escrow Fund; and (ii) 2003 Costs of Issuance Account, to be applied as provided in the Indenture.

Money on deposit in the 2003 Costs of Issuance Account will be used to pay costs of issuance of the 2003 Bonds. Moneys remaining in the 2003 Costs of Issuance Account twelve months after the date of issuance of the 2003 Bonds will be transferred by the Trustee, at the Corporation's direction, to the Debt Service Fund.

Money on deposit in the 2003 Earnings Account will be transferred (i) to the 2003 Excess Earnings Account in the Excess Earnings Fund to the extent required by the 2003 Nonarbitrage Certificate in accordance with written instructions to the Trustee by the County, (ii) to the Debt Service Reserve Fund to the extent the amount on deposit therein is less than the Debt Service Reserve Requirement, and (iii) to the Interest Account of the Debt Service Fund; provided that all amounts deposited in the 2003 Excess Earnings Account shall be retained therein and applied to the purposes thereof, unless a Written Order of the County (to the extent permitted by the 2003 Nonarbitrage Certificate) to the contrary is received by the Trustee from the County.

Events of Default and Remedies. Events of default under the Indenture include the following:

(i) if default is made in the due and punctual payment of the principal or Final Compounded Amount or Redemption Price of any Bond when and as the same become due and payable, whether at maturity or by call for redemption, or otherwise;

(ii) if default is made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Account Installment therefor (except when such Sinking Account Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Account Installment become due and payable;

(iii) if default is made by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall continue for a period of 120 days after written notice thereof to the Corporation by the Trustee or to the Corporation and to the Trustee by the Owners of not less than twenty percent (20%) in principal amount of the Bonds Outstanding;

(iv) the Corporation is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, makes an assignment for the benefit of creditors, or consents to the appointment of a receiver of itself or property covered by the Lease;

(v) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Corporation, a receiver of the Corporation or of the property covered by the Lease, and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of such appointment;

(vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Corporation under the provisions of any bankruptcy act and such order, judgment or decree shall not be vacated or set aside or stayed within 60 days from the date of entry of such order, judgment or decree;

(vii) under the provisions of any other law now or hereafter existing for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Corporation or of the property covered by the Lease or any part thereof, and such custody or control shall not be terminated within 60 days from the date of assumption of such custody or control; or

(viii) the County, for any reason whatsoever, fails in the payment of the Base Rental payments at the times, in the amounts and in the manner required by the Lease, and, after notice to the County, such failure continues to and including the Interest Payment Date immediately following the date on which such Base Rental payment was required to be deposited with the Trustee;

then, and in each and every such case, so long as such Event of Default is continuing, unless the principal or Final Compounded Amount of all the Bonds has already become due and payable, either the Trustee (by notice in writing to the Corporation, the 1997A Insurer, the 1997B Insurer and the 2003 Insurer and the County) or the Owners of not less than twenty-five percent (25%), in principal amount of the Bonds Outstanding (by notice in writing to the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer, the County and the Trustee), may declare the principal and Final Compounded Amount of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and be immediately due and payable, anything in this Indenture or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer or the Owners of not less than twenty-five percent (25%) in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the Corporation or the Trustee under this Indenture (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable solely by virtue of such declaration) are paid for the account of the Corporation or satisfactory provision is made for such payment, and all defaults under the Bonds or the Indenture (other than payment of principal and interest due and payable solely by reason of such declaration) are cured or secured or adequate provision is made therefor, then and in every such case the Owners of twenty-five (25%) in principal amount of the Bonds Outstanding, by written notice to the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer, and to the Trustee, may rescind such declaration and annul such default in its entirety, but no such rescission or annulment will extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon. Notwithstanding the foregoing, so long as neither the 1997A Insurer, the 1997B Insurer nor the 2003 Insurer have failed to make required payments under the 1997A Insurance Policy, the 1997B Insurance Policy or the 2003 Insurance Policy, respectively, the 1997A Insurer, the 1997B Insurer and the 2003 Insurer shall have the right to direct and control the remedies under the Lease or the Trust Agreement in the event of default thereunder.

Assignment of Rents, Issues and Profits. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee for the benefit of the Bond Owners all the rents, issues, profits and royalties (therein, individually and collectively, "rents") of the Trust Estate, and gives to and confers upon the Trustee for the benefit of the Bond Owners the right, power and authority to collect such rents, subject to assignments of record as of the date and time the Indenture is recorded. In addition, the Corporation irrevocably appoints the Trustee for the benefit of the Bond Owners its true and lawful attorney-in-fact, at the option of the Trustee for the benefit of the Bond Owners at any time and from time to time during the continuance of the trust, to demand, receive and enforce payment; to give receipts, releases and satisfactions; to sue, in the name of the Corporation or the Trustee for the benefit of the Bond Owners, for all such rents; and to apply the same to the indebtedness secured thereby. The Corporation further conveys, transfers and assigns all its right, title and interest to the Trustee for the benefit of the Bond

Owners of any award hereafter made in any bankruptcy, insolvency or reorganization proceedings in any state or federal court involving the County.

The Trustee. The County and the Corporation, if no Event of Default has occurred and is continuing, or the Owners of a majority in aggregate principal amount of Bonds then Outstanding may by written request at any time and for any reason, remove the Trustee and any successor thereto. The Trustee may resign by giving not less than 60 days' written notice thereof to the County, the Corporation, the 1997A Insurer, the 1997B Insurer, the 2003 Insurer, and the Owners. Upon such removal or resignation, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding by an instrument in writing, or by the County upon the written approval of the Corporation, but any such successor must be either the Treasurer of the County, or a bank or trust company or a national banking association having a combined capital stock and surplus aggregating at least \$50 million and having its principal corporate trust office in New York, New York, Chicago, Illinois, Los Angeles, California, San Francisco, California, or San Diego, California.

Amendment. The Indenture may be amended by Supplemental Indenture with the written consent of the 1997A Insurer, the 1997B Insurer, the 2003 Insurer, and the Owners of at least 60% in aggregate principal amount of the Bonds then Outstanding or, if less than all of the Bonds then Outstanding are affected by such amendment, by the Owners of at least 60% of the Bonds Outstanding affected by such amendment.

## APPENDIX E DTC AND THE BOOK-ENTRY SYSTEM

The information in the following section entitled "DTC's Book-Entry System" has been provided by DTC for use in securities offering documents, and the State takes no responsibility for the accuracy or completeness thereof. The Corporation cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Bonds or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. 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.

### **DTC's Book-Entry System**

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each Series of the Bonds, each in the aggregate principal amount of such Series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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 (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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 of the securities 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The Corporation may decide to discontinue use of the system of book-entry transfers through (DTC) (or a successor securities depository). In the event the Corporation and the Trustee determine not to continue the DTC book-entry only system, or DTC determines to discontinue its services with respect to the Bonds and the Corporation does not select another qualified securities depository, the Bond Certificates will be printed and delivered as described in the Indenture.

In the event that the book-entry system is discontinued, the following provisions would also apply: The Bonds may thereafter be transferred upon the books of the Trustee by the registered owners, in person or by authorized attorney, upon surrender of Bonds at the principal corporate office of the Trustee in Los Angeles, California, accompanied by delivery of an executed instrument of transfer in a form approved by the Trustee and upon payment of any charges provided for in the Indenture. Certificated Bonds may be exchanged for Bonds of other authorized denominations of the same aggregate principal amount and maturity at the principal corporate office of the Trustee in Los Angeles, California, upon payment of any charges provided for in the Indenture.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

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

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**APPENDIX F**  
**PROPOSED-FORM OF BOND COUNSEL OPINION**

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OUR FILE NUMBER  
715,075-099

WRITER'S DIRECT DIAL  
213-430-6000

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

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

Re: County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A and 2003 Taxable Series B (County of Riverside Hospital Project)

Ladies and Gentlemen:

We have acted as bond counsel to the County of Riverside Asset Leasing Corporation (the "Corporation") in connection with the issuance and sale by the Corporation of lease revenue bonds designated the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) (the "2003A Bonds") in the aggregate principal amount of \$56,140,000 and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project) (the "2003B Bonds") in the aggregate principal amount of \$4,040,000 (the 2003A Bonds and the 2003B Bonds are collectively referred to herein as the "2003 Bonds").

The Corporation was created pursuant to the Nonprofit Public Benefit Corporation Law (Title 1, Division 2, Part 2 of the Corporations Code of the State of California) on October 27, 1983. The 2003 Bonds are issued by the Corporation on behalf of the County of Riverside, California (the "County"), under the Nonprofit Public Benefit Corporation Law and pursuant to Supplemental Indenture of Trust No. 7 dated as of January 1, 2003 (the "Supplemental Indenture No. 7"), by and among the Corporation, the County and U.S. Bank National Association, as trustee (the "Trustee"), amending and modifying an Indenture of Trust dated as of July 1, 1989 (as heretofore amended and supplemented, the "Indenture"), by and among the Corporation, the County and Security Pacific National Bank, as prior Trustee.

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

We have examined the proceedings taken by the Corporation and the County in connection with the authorization of the execution, delivery and performance of Amendment No. 6 to Lease and Option to Purchase, dated as of January 1, 2003, by and between the Corporation and the County, amending and modifying a Lease and Option to Purchase, dated as of July 1, 1989, by and between the Corporation and the County (as heretofore amended and supplemented, the "Facilities Lease"), and in connection with Amendment No. 4 to Equipment Lease, dated as of January 1, 2003, by and between the Corporation and the County (as heretofore amended and supplemented, the "Equipment Lease"; the Equipment Lease together with the Facilities Lease are collectively referred to herein as the "Leases").

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the Corporation and the County in connection with the issuance of the 2003 Bonds and the sale of said 2003 Bonds to the original purchasers thereof. In this connection, we have also examined such certificates of officers of the Corporation and the County and others as we have considered necessary for the purpose of this opinion.

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

1. The Corporation is a corporation duly organized, existing and in good standing under the laws of the State of California;
2. The Leases have been duly authorized by all necessary corporate action on the part of the Corporation and by all necessary action on the part of the County, have been duly executed by the Corporation and the County and constitute the legally valid and binding obligations of the Corporation and the County, enforceable against the Corporation and the County in accordance with their terms;
3. Supplemental Indenture No. 7 has been duly authorized by all necessary corporate action on the part of the Corporation and by all necessary action on the part of the County, has been duly executed by the Corporation and the County and, assuming such document constitutes the legally valid and binding obligation of the Trustee, constitutes the legally valid and binding obligation of the Corporation and the County, enforceable against the Corporation and the County in accordance with its terms;
4. The proceedings for the issuance of the 2003 Bonds have been taken in accordance with the laws and constitution of the State of California, and the 2003 Bonds, having been issued in duly authorized form and executed by the proper officials, and delivered to and paid for by the purchasers, constitute the legally valid and binding obligations of the Corporation, payable solely from Revenues (as that term is defined in the Indenture) and from certain other funds as provided in the Indenture; and
5. (a) The 2003A Bonds. Under existing statutes, regulations, rulings and court decisions, the interest on the 2003A Bonds is excluded from gross income for federal

income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). The original issue discount ("OID"), if any, on the 2003A Bonds properly allocable to a 2003A Bond Owner is treated as interest for federal income tax purposes to the same extent as interest on the 2003A Bonds.

In addition, we are of the opinion that the 2003A Bonds are not "private activity bonds" within the meaning of Section 141(a) of the Code and, therefore, the interest on the 2003A Bonds is not a specified item of tax preference for purposes of the Code's alternative minimum tax provisions, except to the extent provided in the following paragraph. Interest on the 2003A Bonds received by or properly allocated to a corporation will be included in adjusted current earnings for purposes of computing its alternative minimum tax.

OID is included in adjusted current earnings as such amounts accrue each year rather than at the time such amounts are actually paid to and received by the owners of the 2003A Bonds upon the maturity or redemption thereof. OID accrues on an actuarial basis (i.e., on the basis of a geometric progression over the term of such 2003A Bonds rather than ratably) and an Owner's adjusted basis in such 2003A Bonds, used to determine the amount of gain or loss on disposition of such 2003A Bonds, will be increased by the amount of such accrued OID.

(b) The 2003B Bonds. Interest on the 2003B Bonds will be subject to federal income taxation. In addition, OID, if any, with respect to the 2003B Bonds properly allocated to the Owners of the 2003B Bonds is treated as interest and is not excluded from the gross income of each Owner of such 2003B Bonds for federal income tax purposes.

6. We are further of the opinion that the interest and OID, if any, on the 2003 Bonds is exempt from personal income taxes of the State of California under present state law.

In rendering the opinions expressed in paragraph 5(a) above, we are relying upon representations and covenants of the Corporation and the County in the Indenture, the Leases and the Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of the 2003A Bond proceeds, the rebate to the federal government of certain earnings thereon and the use of the property refinanced with the proceeds of the 2003A Bonds. We have assumed that all such representations are true and correct and that the Corporation and the County will comply with their respective covenants. We express no opinion with respect to the exclusion of the interest on the 2003A Bonds from gross income under Sections 103 and 141 through 150 of the Code in the event that any such representation is untrue or the Corporation or the County fails to comply with any such covenant. Further, we express no opinion as to the tax exempt status of interest on the 2003A Bonds in the event the Corporation or the County secures an opinion of nationally recognized bond counsel, other than ourselves, that the representations and covenants contained in the Tax and Nonarbitrage Certificate may be modified, that any action required thereunder is no longer required or that some further action is required.

Except as stated above, we express no opinion as to any federal tax consequences of the receipt of interest on, or the ownership or disposition of, the 2003 Bonds.

The opinions set forth in paragraphs 2, 3 and 4 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally. The enforceability of the Leases and Supplemental Indenture No. 7 is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific enforcement or injunctive relief, regardless of whether considered in a proceeding in equity or at law. Without limiting the foregoing opinion, we advise you that we have not made or undertaken to make any investigation of the state of title of any of the real property or ownership of any personal property described in the Leases, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We also express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2003 Bonds or any other offering material related to the 2003 Bonds.

We call attention to the fact the opinions expressed herein and the exclusion of interest on the 2003A Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or not occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken, omitted, occur or fail to occur.

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

Respectfully submitted,

**APPENDIX G**  
**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "**Certificate**") is executed and delivered by the County of Riverside (the "**County**") as of January 1, 2003 in connection with (i) the issuance of the \$56,140,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project) (the "**2003A Bonds**") and the \$4,040,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project) (the "**2003B Bonds**"), and (ii) the reoffering of the \$14,525,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project) (the "**1993B Bonds**" and, together with the 2003A Bonds and the 2003B Bonds, the "**Bonds**"). The Bonds are being issued or reoffered, as applicable, pursuant to the terms of an Indenture of Trust, dated as of July 1, 1989, by and among the County of Riverside Asset Leasing Corporation (the "**Corporation**"), the County and the trustee named therein, as amended and supplemented, including as amended and supplemented by Supplemental Indenture of Trust No. 7, dated as of January 1, 2003, by and among the Corporation, the County and U.S. Bank National Association, as trustee (the "**Trustee**") (as amended and supplemented, the "**Indenture**"), and a Resolution of the Board of Directors of the Corporation adopted on November 20, 2002 relating to the issuance and reoffering, as applicable, of the Bonds (the "**Resolution**"). The County hereby covenants and agrees as follows:

**Section 1. Purpose of Certificate.** This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter (as defined below) in complying with the Rule (as defined below).

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

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

"**Beneficial Owner**" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"**Commission**" means the Securities and Exchange Commission.

"**Dissemination Agent**" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

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

“**National Repository**” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission as of the date of this Certificate are set forth in Exhibit A to this Certificate.

“**Underwriters**” means the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

“**Repository**” means each National Repository and each State Repository.

“**Rule**” means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**State Repository**” means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

### **Section 3. Provision of Annual Reports.**

(a) The County shall, or shall cause the Dissemination Agent to, not later than sixty (60) days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the report for the County’s Fiscal Year ended June 30, 2002, provide to each Repository copies of an Annual Report of the County which is consistent with the requirements of Section 4 of this Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the County’s Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing each Annual Report to Repositories, the County shall provide such Annual Reports to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories such Annual Reports by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

**Section 4. Content of Annual Reports.** The Annual Reports of the County shall contain or include by reference the following:

(a) The audited financial statements of the County for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and procedures for Counties." If the County's audited financial statements are not available by the time the Annual Reports are required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable

to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

**Section 5. Reporting of Significant Events.**

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax status of the Bonds;
- (vii) modifications to the rights of Owners of the Bonds;
- (viii) bond calls other than mandatory sinking fund redemptions;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

**Section 6. Termination of Reporting Obligation.** The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

**Section 7. Dissemination Agent.** The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

**Section 8. Amendment; Waiver.** Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal 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 Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Section 9. Additional Information.** Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of

communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 12. Beneficiaries.** This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriter, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

**Section 13. Governing Law.** This certificate shall be governed by the laws of the State of California and the federal securities laws.

**COUNTY OF RIVERSIDE**

By: \_\_\_\_\_  
Authorized Signatory

EXHIBIT A

LIST OF NATIONAL REPOSITORIES

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of \_\_\_\_\_, 2003:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
(212) 771-7391 (Primary Market Information)  
<http://www.interactivedata.com>  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor's J. J. Kenny Repository  
55 Water Street  
45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

EXHIBIT B

FORM OF NOTICE TO REPOSITORIES  
OF FAILURE TO FILE ANNUAL REPORT

Obligated Person: County of Riverside, California

Name of Bond Issue: \$56,140,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Series A (County of Riverside Hospital Project), \$4,040,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 2003 Taxable Series B (County of Riverside Hospital Project)

Issuance Date: March 4, 2003

Name of Bond Issue: \$14,525,000 County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, 1993 Series B (County of Riverside Hospital Project)

Applicable Reoffering Date: March 4, 2003

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 January 1, 2003, executed and delivered by the County. [The County anticipates the Annual Report will be filed by \_\_\_\_\_]

Dated: \_\_\_\_\_

COUNTY OF RIVERSIDE

By: \_\_\_\_\_  
Title: \_\_\_\_\_



**APPENDIX H**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of 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

Attest:

Assistant Secretary