NEW ISSUE - BOOK-ENTRY ONLY

S&P: AA- (stable)
Fitch: A+ (stable)
See "RATINGS" herein

In the opinion of Best Best & Krieger LLP, Riverside, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, the interest on the 2013 Bonds is excluded from gross income for federal income tax purposes, and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the federal alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, interest on the 2013 Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

$66,015,000
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2013A
(Public Defender/Probation Building and Riverside County Technology Solutions Center Projects)

Dated: Date of Delivery **Due: As shown on the inside front cover**

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

The County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "2013 Bonds") are being issued pursuant to an Indenture of Trust, dated as of July 1, 2013 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Indenture"), to (i) provide moneys to acquire, construct, improve, furnish and equip buildings that will house the offices for the County of Riverside's (the "County") Public Defender, Probation Department and Information and Technology Department; (ii) fund a reserve fund for the 2013 Bonds; and (iii) pay the cost of issuance in connection with the issuance of the 2013 Bonds, all as more fully described herein. See "SOURCES AND USES OF FUNDS."

The 2013 Bonds will be issued as fully registered bonds registered in the name of a nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the 2013 Bonds. Purchases of the 2013 Bonds may be made in book-entry form only, in the denominations set forth on the inside front cover of this Official Statement through brokers and dealers who are or who act through, DTC Participants. Beneficial owners of the 2013 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the 2013 Bonds will be made to DTC by the Trustee. Disbursements of payments to DTC Participants is the responsibility of DTC and disbursement of payments to the beneficial owners is the responsibility of DTC Participants. See "THE 2013 BONDS—General—Book-Entry System for the 2013 Bonds" herein. Principal will be payable on the dates set forth on the inside cover of the Official Statement. Interest on the 2013 Bonds will be payable semiannually on May 1 and November 1 commencing November 1, 2013. Upon receipt of payments of principal or early redemption and interest, DTC will in turn remit such principal and interest to DTC Participants for subsequent disbursement to beneficial owners of the 2013 Bonds, all as more fully described herein.

The 2013 Bonds will be subject to optional and extraordinary redemption as described herein.

The 2013 Bonds will be payable and secured solely from revenues, consisting primarily of Lease Payments (defined herein) to be made by the County to the Corporation for certain real property, equipment and improvements to be constructed thereon and in connection therewith (the "Leased Premises") under a Lease Agreement, dated as of July 1, 2013, by and between the Corporation and the County (the "Lease Agreement"). The County has covenanted in the Lease Agreement to take such action as may be necessary to include Lease Payments and Additional Rental (defined herein) payments due under the Lease Agreement in its annual budget, and to make necessary annual appropriations therefor.

THE 2013 BONDS WILL BE SPECIAL LIMITED OBLIGATIONS OF THE CORPORATION AND WILL BE PAYABLE FROM AND SECURED SOLELY BY THE REVENUES AND AMOUNTS PLEDGED THEREFOR. NEITHER THE 2013 BONDS NOR THE OBLIGATION OF THE COUNTY TO MAKE 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 2013 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Best Best & Krieger LLP, Riverside, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Los Angeles, California, and for the Corporation and the County by the Riverside County Counsel. Kutak Rock LLP, Los Angeles, California, serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2013 Bonds. It is expected that the 2013 Bonds will be available for delivery through the DTC book-entry system on or about July 17, 2013.

DE LA ROSA & CO.
INVESTMENT BANKERS

Dated: July 9, 2013

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

	Maturity Date	Principal Amount	Interest Rate	Yield	Price	CUSIP
Serial Bond:	November 1, 2014	$1,030,000	3.000%	0.550%	103.141	76911A BU8
	November 1, 2015	1,065,000	4.000	1.040	106.676	76911A BV6
	November 1, 2016	1,105,000	4.000	1.490	108.025	76911A BW4
	November 1, 2017	1,150,000	4.000	1.920	108.521	76911A BX2
	November 1, 2018	1,195,000	5.000	2.340	113.156	76911A BY0
	November 1, 2019	1,255,000	5.000	2.730	113.032	76911A BZ7
	November 1, 2020	1,320,000	5.000	3.090	112.375	76911A CA1
	November 1, 2021	1,385,000	5.000	3.440	111.162	76911A CB9
	November 1, 2022	1,455,000	5.000	3.780	109.476	76911A CC7
	November 1, 2023	1,525,000	5.000	4.010	108.273	76911A CD5
	November 1, 2024	1,600,000	5.250	4.250	108.257[c]	76911A CE3
	November 1, 2025	1,685,000	5.250	4.430	106.710[c]	76911A CF0
	November 1, 2026	1,775,000	5.250	4.560	105.609[c]	76911A CG8
	November 1, 2027	1,870,000	5.250	4.690	104.522[c]	76911A CH6
	November 1, 2028	1,965,000	5.250	4.810	103.530[c]	76911A CJ2
Term Bonds:	November 1, 2033	11,430,000	5.000	5.130	98.364	76911A CK9
	November 1, 2038	14,585,000	5.000	5.160	97.746	76911A CL7
	November 1, 2043	18,620,000	5.000	5.210	96.810	76911A CM5

[c] Priced to November 1, 2023 call date at par.

COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

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

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President and Chairman
Charles Bryant, Vice President
Joe Deledonne, Treasurer
Kari Middleton Hendrix, Secretary

SPECIAL SERVICES

Bond Counsel

Best Best & Krieger LLP
Riverside, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2013 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2013 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2013 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

The County maintains a website at http://www.countyofriverside.us. However, the information presented there is not part of this Official Statement and is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the 2013 Bonds.

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OFFICIAL STATEMENT

$66,015,000
County of Riverside Asset Leasing Corporation
Lease Revenue Bonds, Series 2013A
(Public Defender/Probation Building and Riverside County Technology Solutions Center Projects)

INTRODUCTION

The purpose of this Official Statement, including the cover page, and the appendices attached hereto, is to provide information in connection with the offering of the County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "2013 Bonds"), in the aggregate principal amount of $66,015,000. The 2013 Bonds will be executed and delivered pursuant to an Indenture of Trust, dated as of July 1, 2013 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

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

The 2013 Bonds are being issued for the purpose of (a) providing moneys for the construction, renovation, equipping and furnishing of an existing building located at 4075 Main Street in the City of Riverside for use by the County Public Defender and by the Department of Probation; (b) providing moneys for the acquisition, construction, improvements, furnishing and equipping of an existing building located at 3450 14th Street in the City of Riverside to house the County's Information and Technology Department; (c) funding a reserve fund for the 2013 Bonds and (d) paying the costs of issuance of the 2013 Bonds.

Upon the issuance of the 2013 Bonds, the 2013 Bonds will be payable from Revenues consisting primarily of Lease Payments to be made by the County to the Corporation pursuant to the terms of the Lease Agreement. Under the Lease Agreement, the County is required to deposit with the Trustee that portion of Lease Payments due under the Lease Agreement semiannually on each May 1 and November 1 during the term of the Lease Agreement (or if such day is not a Business Day, on the immediately preceding Business Day) commencing November 1, 2013. The County is also required under the Lease Agreement to pay as Additional Rental certain other costs and expenses relating to the Leased Premises and the Trustee. The County covenants in the Lease Agreement to take such actions as may be necessary to include all Lease Payments and Additional Rental due under the Lease Agreement in each of its budgets during the term of the Lease Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2013 BONDS—Lease Payment Schedule" herein.

Brief descriptions of the 2013 Bonds, the Leased Premises, the Continuing Disclosure Certificate, the Lease Agreement, the Ground Lease, dated as of July 1, 2013 between the County and the Corporation, pursuant to which the County leases the Leased Premises to the Corporation, the Indenture, the County and the Corporation are provided herein. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee.

THE LEASED PREMISES AND THE PROJECTS

The Projects

Proceeds of the 2013 Bonds will be used by the County for the construction and renovation of a building located at 4075 Main Street in the City of Riverside for use by the County's Law Officers of the Public Defender (the "Public Defender Building") and for the acquisition, construction and renovation of a building located at 3450 14th Street in the City of Riverside to house the County's Information and Technology Department (the "Technology Solutions Center").

Public Defender Building. The Public Defender Building is an approximately 54,552 square foot, eight-story office building and an approximately 45,000 square foot three-story parking structure located on an approximately 20,540 square foot parcel. The Public Defender Building was built in 1965 and has been owned by the County since 1994. The building housed the County's district attorneys' office until 2010, when the district attorneys' offices were relocated. It is currently valued by the County at approximately $25 million. Approximately $20 million of the proceeds of the 2013 Bonds will be applied to retrofit and improve the Public Defender Building. The County has entered into a construction contract with AWI Builders, Inc., Glendale, California for the renovation. The renovation commenced in April 2013, and the County expects that the project will be completed by November 2014. Upon completion of construction, the Public Defender Building will be occupied by the County Public Defender and by the Department of Probation.

Technology Solutions Center. The Technology Solutions Center is located on a 5.25 acre parcel and includes an approximately 139,900 square foot, five-story office building known as 3450 Fourteenth Street, Riverside, California, an approximately 7,839 square foot building known as 3478 Fourteenth Street, Riverside, California and an adjacent parking lot with spaces for 355 vehicles. The buildings are currently used as the offices of the *Riverside Press-Enterprise* newspaper. The County is in escrow to purchase the Technology Solutions Center concurrently with the issuance of the 2013 Bonds for the purchase price of approximately $30 million. The County plans to apply approximately $2 million of the proceeds of the 2013 Bonds to construct and improve certain tenant improvements at the Technology Solutions Center, and anticipates that such improvements will be completed within 180 days of the purchase of the building. The County intends to use the Technology Solutions Center to consolidate the operations of the County's information technology department. In addition, the County plans to use approximately $12 million of the proceeds of the 2013 Bonds to purchase a data center and associated data center equipment, including communications equipment, racks, servers and environmental infrastructure to serve the County Administration Center, other County departments, and potentially other government agencies that desire colocation for their data for disaster recovery purposes.

The Leased Facilities

The Leased Facilities under the Lease Agreement will consist initially of the Northwest Animal Shelter, the 4200 Orange Building, the First American Title Building (each as described below, and together referred to as the "Interim Leased Facilities") and the Technology Solutions Center.

Northwest Animal Shelter. The Northwest Animal Shelter, located at 6851 Van Buren Boulevard, Riverside, California, is owned and operated by the County. The Northwest Animal Shelter was constructed in 2008 and includes twelve buildings consisting of approximately 62,000 square foot in aggregate on a 12.56 acre campus. It is valued by the County at approximately $27 million.

4200 Orange Building. The 4200 Orange Building is an approximately 36,300 square foot, three-story office building situated on an approximately 34,300 square foot lot located at 4200 Orange Street, Riverside, California. It is owned by the County and currently serves as the location of the Offices of the Public Defender. The 4200 Orange Building is valued by the County at approximately $7 million.

First American Title Building. The First American Title Building is an approximately 22,500 square foot, two-story office building situated on an approximately 36,700 square foot lot located at 3625 Fourteenth Street, Riverside, California. It is owned by the County and will be occupied by the County's mental health department beginning in July 2013. The First American Title Building is valued by the County at approximately $5.8 million.

Substitution of Leased Facilities

Pursuant to the Lease Agreement, the County may, at its option, release the Interim Leased Facilities from the lien of the Lease Agreement and substitute therefor the Public Defender Building to serve, together with the Technology Solutions Center, as the Leased Facilities. In order to effect such substitution, the County is required to provide to the Corporation and Trustee (a) an ALTA policy of title insurance insuring the County's leasehold estate under the Lease Agreement in the Public Defender Building, subject only to Permitted Encumbrances in an amount which, together with the amount of title insurance applicable to the unreleased portion of the Leased Facilities, equals at least the aggregate principal amount of the 2013 Bonds then outstanding, and (b) an opinion of bond counsel stating that such substitution is permitted pursuant to the Lease Agreement and does not cause interest on the 2013 Bonds to become includable in the gross income of the Bond Owners for federal income tax purposes.

ESTIMATED SOURCES AND USES OF 2013 BOND PROCEEDS

Following is a table of the estimated sources and uses of funds with respect to the 2013 Bonds:

Sources of Funds	
Par Amount of 2013 Bonds	$66,015,000.00
Net Premium	581,810.45
Total Sources	$66,596,810.45
Uses of Funds	
Project Fund	$64,000,000.00
Reserve Account of the Bond Fund	2,151,643.75
Costs of Issuance Fund (1)	445,166.70
Total Uses	$66,596,810.45

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

THE 2013 BONDS

General Provisions

The 2013 Bonds will be dated their date of delivery. Interest on the 2013 Bonds will be payable from such date at the rates set forth on the inside cover page of this Official Statement.

The 2013 Bonds will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. The 2013 Bonds will be issued in fully registered form and individual purchases will be made in book-entry form only. Principal at maturity or early redemption and interest are payable by U.S. Bank National Association, as trustee, to The Depository Trust Company, New York, New York ("DTC"), which will in turn remit such principal at maturity or early redemption and interest to the DTC

Participants (as defined below) for subsequent disbursement to the Beneficial Owners of the 2013 Bonds, as described in APPENDIX F: "BOOK-ENTRY SYSTEM."

The 2013 Bonds will be issued in denominations of $5,000 and any multiple integral thereof. Interest will be payable semi-annually on May 1 and November 1 commencing November 1, 2013.

Book-Entry System for 2013 Bonds

The DTC will act as securities depository for the 2013 Bonds. The 2013 Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC's partnership nominee. One fully registered bond certificate will be issued for each maturity of the 2013 Bonds, each in the aggregate principal amount of such maturity and will be deposited with DTC. See APPENDIX F: "BOOK-ENTRY SYSTEM."

Redemption Provisions of the 2013 Bonds

***Optional Redemption of the 2013 Bonds*.**

The 2013 Bonds maturing prior to November 1, 2024 shall not be subject to optional redemption. The 2013 Bonds maturing on or after November 1, 2024 are subject to redemption on or after November 1, 2023 at the option of the Corporation, upon the direction of the County, in whole or in part, on any date at a redemption price equal to the principal amount of the 2013 Bonds to be redeemed, together with accrued but unpaid interest to the redemption date, without premium.

***Mandatory Redemption of the 2013 Bonds*.**

The 2013 Bonds maturing November 1, 2033, November 1, 2038 and November 1, 2043, respectively, are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on November 1, 2029, November 1, 2034 and November 1, 2039, respectively, and each respective November 1 thereafter to and including the respective date of maturity, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; *provided, however*, that if some but not all of the 2013 Bonds maturing November 1, 2033, November 1, 2038 and November 1, 2043 have been redeemed pursuant to an optional or mandatory redemption, the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2013 Bonds so redeemed pursuant to such optional or mandatory redemption by reducing each such future Sinking Account payment on a pro rata basis (as nearly as practicable) in integral multiples of $5,000, as shall be designated pursuant to written notice filed by the Corporation with the Trustee.

2013 Bonds Maturing November 1, 2033

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2029	$2,070,000
2030	2,170,000
2031	2,280,000
2032	2,395,000
2033 (maturity)	2,515,000

2013 Bonds Maturing November 1, 2038

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2034	$2,640,000
2035	2,770,000
2036	2,910,000
2037	3,055,000
2038 (maturity)	3,210,000

2013 Bonds Maturing November 1, 2043

Mandatory Sinking Fund Redemption Date (November 1)	Principal Amount to Be Redeemed
2039	$3,370,000
2040	3,540,000
2041	3,715,000
2042	3,900,000
2043(final maturity)	4,095,000

Extraordinary Redemption of the 2013 Bonds.

The 2013 Bonds shall be subject to redemption as a whole or in part on any date, from the proceeds of insurance or eminent domain required to be used for such purpose as provided in the Indenture, at a redemption price equal to the principal amount thereof plus interest accrued thereon to the date fixed for redemption, without premium.

Procedure for and Notice of Redemption of 2013 Bonds.

The Trustee shall give notice of each redemption to the Owner of any 2013 Bonds of a series designated for redemption by first-class mail, postage prepaid, at the address which appears upon the Bond Register of the Trustee by mailing a copy of the redemption notice at least 30 but not more than 60 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any 2013 Bonds or the cessation of accrual of interest from and after the redemption date.

With respect to the optional redemption of the 2013 Bonds, the Corporation may instruct the Trustee to include a statement in the notice of redemption that such redemption is conditioned upon the receipt by the Trustee on or before the date fixed for such redemption of sufficient funds for such purpose. In the event that sufficient funds shall not have been deposited with the Trustee on or before the date fixed for redemption, the Trustee shall promptly so notify the Owners of the Bonds by telephone, facsimile transmission or other form of telecommunication, promptly confirmed in writing; and thereupon such redemption and the notice thereof shall be deemed to be canceled and rescinded.

Selection of 2013 Bonds for Redemption.

Except for mandatory redemption as described above, whenever provision is made in this Indenture for the redemption of less than all of the Bonds of a series, the Trustee shall select the Bonds to be redeemed from all Bonds of a series or such given portion thereof not previously called for redemption from such series, maturities, or portion of such maturities, as shall be set forth in a Written Request of the Corporation filed with the Trustee, or in the absence of such designation of maturities by the Corporation, then on a pro rata basis among maturities of a series, and in any case, by lot within a maturity in any manner which the Trustee in its sole discretion shall deem to maintain substantially level debt service; *provided, however*, that the remaining portion of any 2013 Bond of a series to be redeemed shall be in the principal amount of an Authorized Denomination.

DEBT SERVICE REQUIREMENTS

Under the Lease Agreement, Lease Payments payable by the County to the Corporation are due and payable by the County each April 15 and October 15 commencing October 15, 2013. Pursuant to the Indenture, on May 1 and November 1 commencing November 1, 2013, the Trustee will apply such amounts as are necessary to make principal and interest payments with respect to the 2013 Bonds as the same shall become due and payable, as shown in the following table:

DEBT SERVICE SCHEDULE

Bond Year Ending November 1	2013 Bonds Principal	2013 Bonds Interest	2013 Bonds Total Principal and Interest[(1)]
11/1/2013		$944,431.94	$944,431.94
11/1/2014	$1,030,000	3,269,187.50	4,299,187.50
11/1/2015	1,065,000	3,238,287.50	4,303,287.50
11/1/2016	1,105,000	3,195,687.50	4,300,687.50
11/1/2017	1,150,000	3,151,487.50	4,301,487.50
11/1/2018	1,195,000	3,105,487.50	4,300,487.50
11/1/2019	1,255,000	3,045,737.50	4,300,737.50
11/1/2020	1,320,000	2,982,987.50	4,302,987.50
11/1/2021	1,385,000	2,916,987.50	4,301,987.50
11/1/2022	1,455,000	2,847,737.50	4,302,737.50
11/1/2023	1,525,000	2,774,987.50	4,299,987.50
11/1/2024	1,600,000	2,698,737.50	4,298,737.50
11/1/2025	1,685,000	2,614,737.50	4,299,737.50
11/1/2026	1,775,000	2,526,275.00	4,301,275.00
11/1/2027	1,870,000	2,433,087.50	4,303,087.50
11/1/2028	1,965,000	2,334,912.50	4,299,912.50
11/1/2029	2,070,000	2,231,750.00	4,301,750.00
11/1/2030	2,170,000	2,128,250.00	4,298,250.00
11/1/2031	2,280,000	2,019,750.00	4,299,750.00
11/1/2032	2,395,000	1,905,750.00	4,300,750.00
11/1/2033	2,515,000	1,786,000.00	4,301,000.00
11/1/2034	2,640,000	1,660,250.00	4,300,250.00
11/1/2035	2,770,000	1,528,250.00	4,298,250.00
11/1/2036	2,910,000	1,389,750.00	4,299,750.00
11/1/2037	3,055,000	1,244,250.00	4,299,250.00
11/1/2038	3,210,000	1,091,500.00	4,301,500.00
11/1/2039	3,370,000	931,000.00	4,301,000.00
11/1/2040	3,540,000	762,500.00	4,302,500.00
11/1/2041	3,715,000	585,500.00	4,300,500.00
11/1/2042	3,900,000	399,750.00	4,299,750.00
11/1/2043	4,095,000	204,750.00	4,299,750.00
Totals:	$66,015,000	$63,949,756.94	$129,964,756.94

[(1)] Represents total debt service of the 2013 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the 2013 Bonds, are payable from lease payments by the County made from its General Fund.

SECURITY AND SOURCE OF PAYMENT FOR THE 2013 BONDS

General

The 2013 Bonds constitute special, limited obligations of the Corporation, and, subject to the terms of the Indenture, are payable and secured solely by all of the Revenues and any other amounts (excluding the following: (a) proceeds of the sale of the Bonds; (b) any amounts in the Costs of Issuance Fund; (c) any Additional Rent paid by the County to the Corporation pursuant to the Lease Agreement; and (d) excess earnings amounts to be rebated from Corporation to United States of America and any such amounts paid to Corporation by County for rebate to United States of America pursuant to the Indenture and the Lease Agreement) held in any fund or account established pursuant to the Indenture. **The 2013 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 (a) all amounts received by the Corporation or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable Additional Rents; (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (except for amounts required to be on deposit in the Rebate Fund); and (c) all proceeds of rental interruption insurance policies carried with respect to the Leased Premises pursuant to the Lease Agreement or in accordance with the Indenture.

Lease Payments

The obligation of the County to make Lease 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. Lease Payments will be made from amounts included in the County's annual budget and appropriated therefor except to the extent payments are made from the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Reserve Account of the Bond Fund established under the Indenture.

The Trustee, pursuant to the Indenture and the Lease Agreement, will receive Lease Payments for the benefit of the Owners of the 2013 Bonds. The County is required under the Lease Agreement to make semiannual Lease Payments from legally available funds, and Lease Payments are scheduled to be sufficient to pay, when due, the principal of and interest on the 2013 Bonds. The Trustee's obligation to make such payments to Owners is limited to amounts designated as principal of and interest on the 2013 Bonds. Additional Payments due from the County under the Lease Agreement include amounts sufficient to pay the fees and expenses of the Corporation and the Trustee, certain taxes and assessments, insurance premiums, and other fees and expenses set forth in the Lease Agreement. Lease Payments will be abated in the event of damage to, destruction or condemnation of the Leased Premises or any portion thereof. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" herein. The County is also responsible for repair and maintenance of the Leased Premises during the term of the Lease Agreement.

The County has covenanted in the Lease Agreement to take such action as may be necessary to include the annual portion of all rental payments due under the Lease Agreement for the Leased Premises in its annual budget and to make the necessary annual appropriations therefor. The Lease Agreement states that such covenants on the part of the County shall be deemed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

So long as the County has the use and occupancy of the Leased Premises, the obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in the Lease Agreement, and to perform its obligations thereunder will be absolute and unconditional and such payments will not be subject to setoff, counterclaim or recoupment, subject only to provisions in the Indenture and the Lease Agreement related to abatement.

Should the County default under the Lease Agreement, the Corporation may exercise any and all remedies available at law or in equity or granted pursuant to the Lease Agreement and may elect, without terminating the County's rights under the Lease Agreement, to continue the Lease Agreement in effect and enforce all of its rights and remedies thereunder, including the right to recover Lease Payments as they become due. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS –The Lease Agreement" herein. Pursuant to the Indenture, the Corporation assigns and transfers to the Trustee the Revenues, and confers upon the Trustee the power to collect the Revenues and appoints the Trustee as its attorney-in-fact to demand, receive and enforce payment of the Revenues. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Indenture" herein.

Reserve Account of the Bond Fund

A Reserve Account in an amount equal to 50% of the lesser of (a) the maximum amount of annual Debt Service coming due and payable in the current or any future Bond Year; (b) 125% of average annual Debt Service on the 2013 Bonds; or (c) ten percent (10%) of initial outstanding principal amount of the 2013 Bonds (the "Reserve Requirement") is pledged to pay principal of and interest on the Outstanding Bonds. Amounts in the Reserve Account are to be used for such purpose only in the event amounts in the Bond Fund are insufficient to make such payments. If on any Interest Payment Date the amounts in the Principal Account or Interest Account of the Bond 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 Reserve Account, for credit to the Interest Account and/or Principal Account, amounts sufficient to make up such deficiencies.

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

Upon the issuance of the 2013 Bonds, $2,151,643.75 of the proceeds of the 2013 Bonds will be deposited in the Reserve Account and the Reserve Account will be funded at the Reserve Requirement.

Insurance

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

The Lease Agreement also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises or any portion thereof including loss or damage caused by fire and lightning, with extended coverage, and vandalism and malicious mischief insurance. Said extended coverage insurance, will, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County's risk manager. Such insurance may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS —The Lease Agreement" and "RISK FACTORS–Risk of Uninsured Loss; Earthquakes" herein.

The County plans to obtain, contemporaneously with the issuance of the 2013 Bonds, an ALTA title insurance policy from First American Title Company with respect to the Leased Premises in the amount of the aggregate principal amount of all of the 2013 Bonds.

Additional Obligations

The Corporation may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part by amending the Indenture and the Lease Agreement, provided that (A) no Event of Default under the Indenture or the Lease Agreement has occurred and is continuing, (B) such additional amounts of rental do not cause the total rental payments made by the County under the Lease Agreement to exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a County Representative filed with the Trustee and the Corporation, (C) the County shall have obtained and filed with the Trustee and the Corporation a Written Certificate of an Authorized Representative of the County showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other capital improvements which are authorized pursuant to the laws of the State.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the 2013 Bonds. The following discussion of risks is not intended to be an exhaustive list of the risks associated with the purchase of the 2013 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 2013 Bonds. There can be no assurance that other risk factors will not become material in the future.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The slowdown of the economy of the County which began in 2008 is still ongoing, as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums, in each case as compared to historical levels. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make Lease Payments to provide for debt service payments on the 2013 Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Not a Pledge of Taxes

The obligation of the County to make Lease Payments or Additional Payments under the Lease Agreement does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the 2013 Bonds nor the obligation of the County to make Lease Payments or Additional Payments under the Lease Agreement constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

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

Additional Obligations of the County

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

Limitations on Remedies

The rights of the Owners of the 2013 Bonds are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the 2013 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the 2013 Bonds and/or delays in the enforcement of such rights.

Default

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

Abatement

Except to the extent of (i) amounts held by the Trustee in the Reserve Account for the 2013 Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the 2013 Bonds, Lease Payments due under the Lease Agreement with respect to the Leased Premises or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Premises or any portion thereof, there is substantial interference with the use or right of possession by the County of the Leased Premises or a portion thereof. Lease Payments will be abated under the Lease Agreement. The amount of abatement will be such that the resulting Lease Payments and Additional Payments represents fair rental value for the use and possession of the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere.

Wildfires and Flooding

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

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

Flood zones are identified by the Federal Emergency Management Agency (“FEMA”). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (a “NSFHA”). A NSFHA is an area that is in a low- to moderate-risk flood zone (i.e. not in a floodplain) and has less than a 1% chance of flooding each year. While the County, including the Leased Premises, is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Leased Premises and the abatement of the Lease Payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Lease Agreement to cause to be maintained certain insurance policies on the Leased Premises; provided, however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. These insurance policies are "all risk" policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims. Currently, the County maintains earthquake and flood insurance with respect to the Leased Premises. In the event the Leased Premises are damaged or destroyed due to a casualty for which the Leased Premises is uninsured, an abatement of the Lease Payments could occur and could continue indefinitely. The providers of the County's liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Leased Premises will be sufficient to prepay the 2013 Bonds.

The County in the past has purchased an "all-risk" insurance policy with respect to certain properties located within the County. Accordingly, the Leased Premises are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Leased Premises, sustain one or more losses or damages in a fiscal year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Leased Premises.

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

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 28 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,255,059 as of January 1, 2013, reflecting a 0.9% increase over the prior year.

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

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

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

See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE" for a more detailed description of the County.

THE CORPORATION

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

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

In 1978, California voters approved Proposition 13, adding Article XIIIA to the California Constitution. Article XIIIA was subsequently amended in 1986, as discussed below. Article XIIIA limits the amount of any ad valorem tax on real property to 1% of the full cash value thereof, except that additional ad valorem taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978 and on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters voting on such indebtedness. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill under 'full cash' or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, and to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the California Constitution. Propositions 98 and 111, approved by the California voters in 1988 and 1990, respectively, substantially modified Article XIIIB. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority, or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living and population. The initial version of Article XIIIB provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91, each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations subject to limitation of a local government under Article XIIIB include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity, exclusive of refunds of taxes. Proceeds of taxes include, but are not limited to, all tax revenues plus the proceeds to an entity of government from (1) regulatory licenses, user charges and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), (2) the investment of tax revenues, and (3) certain subventions received from the State. Article XIIIB permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years.

As amended by Proposition 111, Article XIIIB provides for testing of appropriations limits over consecutive two-year periods. If an entity's revenues in any two-year period exceed the amounts permitted to be spent over such period, the excess has to be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIIIB provides for the payment of a portion of any excess revenues to a fund established to assist in financing certain school needs.

The County's appropriations limit for the Fiscal Year 2011-12 was 2,139,732,138 and the amount shown in its budget for that year as the appropriations subject to limitation was $900,975,704. The County's appropriations limit for Fiscal Year 2012-13 is $2,246,378,720 and the amount subject to the limitation is $1,119,274,762.

Right To Vote on Taxes Initiative-Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 (Article XIIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote.

Proposition 218 (Article XIIID) also adds several provisions making it generally more difficult for local agencies to levy and maintain fees, charges, and assessments for municipal services and programs. These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that assessments must confer a "special benefit," as defined in Article XIIID, over and above any general benefits conferred, (iii) a majority protest procedure for assessments which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

Proposition 218 (Article XIIIC) also removes limitations on the initiative power in matters of reducing or repealing local taxes, assessments, fees or charges. No assurance can be given that the voters of any county will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the County's General Fund. No such initiative is currently pending, or to the knowledge of the County, proposed.

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

Proposition 62

Proposition 62, a statutory initiative that was adopted by the voters voting in the State at the November 4, 1986 general election, (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities be approved by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIIIA of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires a reduction of ad valorem property taxes allocable to the jurisdiction imposing a tax not in compliance with its provisions equal to one dollar for each dollar of revenue attributable to the invalid tax, for each year that the tax is collected.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. For example, in *County of Woodlake v. Logan*, 230 Cal.App.3d 1058 (1991) (the "Woodlake Case"), the Court of Appeal held portions of Proposition 62 unconstitutional as a referendum on taxes prohibited by the California Constitution. In reliance on the Woodlake Case, numerous taxes were imposed or increased after the adoption of Proposition 62 without satisfying the voter approval requirements of Proposition 62. On September 28, 1995, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "Santa Clara Case"), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote in order for a local government or district to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. In deciding the Santa Clara Case on Proposition 62 grounds, the Court disapproved the decision in the Woodlake Case.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 Fiscal Year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate then in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Proposition 25

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

Proposition 26

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

Proposition 26 provides that the local government bears the burden of proving by a preponderance of evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the government activity, and that the manner in which those costs are allocated to a payor bear a reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The County does not expect the provisions of Proposition 26 to materially and adversely affect its ability to pay debt service on the 2013 Bonds when due.

Assessment Appeals and Assessor Reductions

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

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In Fiscal Year 2012-13, the secured property tax roll declines by approximately 0.50% from the prior year. The County expects assessed valuation to increase by approximately 3.5% in Fiscal Year 2013-14, primarily as a result of increasing property values and sale volume. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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

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

Assessor-initialized reductions generally represent the bulk of adjustments to the tax roll during a time of a market decline. For Fiscal Year 2012-13 over 447,953 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer. No further Proposition 8 reductions are expected for Fiscal Year 2013-14.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 1A, 25 and 26 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guarantee the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal or interest due with respect to the 2013 Bonds is payable from any funds of the State.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2012-13, approximately 42.0% of the County's General Fund budget revenues consist of payments from the State and approximately 20.8% consists of payments from the Federal government. For Fiscal Year 2013-14, the County projects that approximately 42.6% of its General Fund budget revenues will consist of payments from the State and 21.2% will consist of payments from the Federal government.

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

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

State Budget for Fiscal Year 2012-13. In June 2012, the State budget for Fiscal Year 2012-13 (the "2012 Budget Act") was enacted. The 2012 Budget Act recognized a budget gap of $15.7 billion, comprised of a 2011-12 estimated deficit of $6.9 billion and a 2012-13 projected deficit, absent corrective actions, of $8.8 billion. The 2012 Budget Act included a combination of new taxes and expenditure reductions to close the gap.

To address the deficit, the 2012 Budget Act included $8.1 billion in expenditure reductions, $6.0 billion in additional revenues and $2.5 billion in other budget solutions. The 2012 Budget Act proposed that voters approve, at the November 2012 election, an increase in personal income tax on the State's wealthiest individuals for seven years and an increase in sales tax of one-quarter percent for four years. The 2012 Budget Act included a "backup plan" if the ballot measure was not approved by the voters, which would have required $5.9 billion in further cuts including further impacts on education and public safety.

Features of the 2012 Budget Act affecting counties in general include the following:

(a) A permanent funding structure for the general realignment adopted in the 2011 Budget Act would be implemented, designed to provide local entities with a known and stable funding source for re-aligned programs. Counties would be responsible for drawing down the maximum amount of federal funding the re-aligned programs and, where applicable, meeting associated federal requirements.

(b) Reductions in expenditures at the State level in areas such as health and human services will have a significant impact on counties, which already shoulder the burden of administering health-related state-funded services.

(c) Reductions of $469.1 million in expenditures for CalWORKs. Counties are responsible under State law for providing cash assistance to families unable to support themselves and ineligible for other State and Federal programs, and a reduction in state funding may require counties to supplement their assistance.

In the event the State reduces funding for State-funded County programs, the County does not expect to backfill such reductions from other sources unless otherwise required by law, thereby resulting in corresponding reductions in County services.

The 2012 Budget Act included The Schools and Local Public Safety Protection Act (the "Governor's Tax Initiative"), which was approved by a majority of the voters at the November 2012 election. The passage of the Governor's Tax Initiative temporarily increases the personal income tax on the state's wealthiest taxpayers for seven years, increases the sales tax by one-quarter percent for four years, and guarantees most of these new revenues to schools. The Legislative Analyst Office estimates that, as a result of the Governor's Tax Initiative, additional state tax revenues of about $6 billion annually from Fiscal Year 2012-13 through Fiscal Year 2016-17 will be received by the State, with lesser amounts of additional revenue available in Fiscal Years 2011-12, 2017-18 and 2018-19. These additional revenues will be available to fund programs in the 2012 Budget Act and prevent spending reductions of approximately $6 billion in Fiscal Year 2012-13, mainly to education programs. The Governor's Tax Initiative also adds to the State Constitution certain requirements related to the transfer of specified State program responsibilities to local governments, mostly counties, including incarcerating certain adult offenders, supervising parolees and providing substance abuse treatment services.

Proposed State Budget for Fiscal Year 2013-14 and May Revision. On May 14, 2013, Governor Brown released the May Revision to the budget for Fiscal Year 2013-14 originally proposed in January 2013 (as revised, the "Proposed 2013-14 Budget"). The Proposed 2013-14 Budget included an estimated $97.2 billion in revenues and transfers and planned spending of $96.3 billion. The Proposed 2013-14 Budget includes an expected spending increase of 5% from the 2012 Budget Act and includes an additional $2.7 billion in Proposition 98 funding, accounting for approximately 57% of General Fund spending. The Proposed 2013-14 Budget also contains a surplus of approximately $1.7 billion.

Significant features of the Proposed 2013-14 Budget pertaining to counties include the following:

- *Impact of Health Care Reform*—The Proposed 2013-14 Budget proposes the state-based approach to the optional expansion of health care, whereby the State will assume greater financial responsibility for health care programs. The Proposed 2013-14 Budget is based on the assumption that increased coverage will generate substantial savings for the counties which pay for care for adults who are not currently eligible for Medi-Cal through their local indigent health care services programs. Counties currently meet this responsibility by operating facilities including hospitals and clinics and/or by contracting with private providers. Under the proposed state-based approach, county costs and responsibilities for indigent health care are expected to decrease, but the Proposed 2013-14 Budget proposes that savings will be calculated based on the actual experience of each county by measuring actual county costs for providing services and the revenue received for such services. The Proposed 2013-14 Budget redirects to the State any such savings to support human services programs at the local level.

- *Redevelopment Agency Funds*—In those areas that contained redevelopment agencies, the 2013-14 Proposed Budget estimates that over Fiscal Year 2012-13 and Fiscal Year 2013-14, approximately $1.4 billion in redevelopment agency funds will be distributed back to counties.

- *CalWORKs Employment Services*—The 2013-14 Proposed Budget includes an increase of $191.1 million in fiscal year 2013-14 to support the CalWORKs refocusing measures enacted by SB 1041. Counties will assume greater financial responsibility for CalWorks, CalWorks-related child care programs and CalFresh (food stamps). Counties will need to enhance and expand their array of employment services and job development activities for program participants, and intensify case management efforts for individuals not currently participating in activities that will eventually lead to self-sufficiency.

- *In-Home Supportive Services ("IHSS")*—The 2013-14 Proposed Budget includes $1.8 billion General Fund for the IHSS program in Fiscal Year 2013-14, a 4.9% increase over the revised Fiscal Year 2012-13 budget and 6.5% increase from the 2012 Budget Act. An increase of $47.1 million is related to the recently enacted county maintenance-of-effort requirement ("MOE"). Effective July 1, 2012, counties' share of the non-federal portion of IHSS costs is based on actual expenditures by counties in fiscal year 2011-12. The counties MOE requirement will increase by 3.5 percent annually, beginning in fiscal year 2014-15.

- *Property Tax Revenues.* Statewide property tax revenues are estimated to increase 1.3% in Fiscal Year 2012-13 and 2.8% in Fiscal Year 2013-14. The base 1 percent rate is expected to generate roughly $50.9 billion in revenue in Fiscal Year 2013-14, of which roughly half ($27.2 billion) will go to K-14 schools. Of this amount, approximately $1.5 billion is shifted from schools to cities and counties to replace sales and use tax revenues redirected from those entities to repay the State's Economic Recovery Bonds, and approximately $6.1 billion is shifted from schools to cities and counties to replace Vehicle License Fee ("VLF") revenue losses stemming from the reduced VLF rate. Local governments now receive property tax revenue to compensate them for the loss of VLF revenue. In Fiscal Year 2013-14 the estimated value of the VLF backfill to cities and counties is $6 billion. The value of the reduction from 2% to 0.65% is $4.1 billion.

On June 28, 2013, Governor Brown signed and enacted the 2013-14 Budget Act.

Legislative Analyst's Office Response to 2013-14 Proposed Budget. The Legislative Analyst's Office (the "LAO") released its Overview of the 2013-14 Proposed Budget on January 14, 2013 and its overview of the May Revision on May 17, 2013 (together, the "LAO Overview"). The LOA Overview notes that the 2013-14 Proposed Budget reflects a significant improvement in the State's finances due to a continuing modest economic recovery, prior budgetary actions, and voter approval of certain revenue-raising measures at the November 6, 2012 general election. According to the LAO, the State has now reached a point where its underlying expenditures and revenues are roughly in balance so that State-supported program and service levels established in Fiscal Year 2012-13 will generally continue "as is" in Fiscal Years 2013-14 and 2014-15. The LAO believes that because there are still considerable risks to revenue estimates, given uncertainty surrounding federal fiscal policy and the volatility inherent in the State's revenue system, the Governor's focus on fiscal restraint and paying off debts is appropriate. The LAO also notes that the State is currently expected to end Fiscal Year 2012-13 with a surplus of $167 million and to end Fiscal Year 2013-14 with a $1 billion surplus, and that the 2013-14 Proposed Budget projects a multi-year forecast that revenues will continue to exceed expenditures annually, accumulating to a projected $2.5 billion general fund surplus by Fiscal Year 2016-17.

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

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2013 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, provided however, that for the purpose of calculating federal corporate alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2013 Bonds. The corporation and the County have covenanted to comply with certain restrictions designed to insure that interest on the 2013 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2013 Bonds being included in federal gross income, possibly from the date of original issuance of the 2013 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2013 Bonds may adversely affect the value of, or the tax status of interest on, the 2013 Bonds.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2013 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Bond Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the 2013 Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the 2013 Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the 2013 Bonds. Prospective purchasers of the 2013 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Certain requirements and procedures contained or referred to in the Indenture, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2013 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to the exclusion from gross income of interest on any 2013 Bond if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than Best Best & Krieger LLP.

The Internal Revenue Service (the “IRS”) has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2013 Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the 2013 Bonds (or by an audit of other similar bonds).

Although Bond Counsel is of the opinion that interest on the 2013 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2013 Bonds may otherwise affect a Bondholder’s federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder’s other items of income or deduction, and Bond Counsel expresses no opinion regarding any such other tax consequences.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

LEGAL MATTERS

The validity of the 2013 Bonds and certain other legal matters are subject to the approving opinion of Best Best & Krieger LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX C: “FORM OF BOND COUNSEL OPINION.” Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP serves as Disclosure Counsel to the Corporation and the County in connection with the issuance of the 2013 Bonds. Certain legal matters will be passed upon for the Underwriter by Hawkins Delafield & Wood LLP, Los Angeles, California. None of Bond Counsel, counsel to the Underwriter, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the 2013 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX E: "FORM OF THE CONTINUING DISCLOSURE CERTIFICATE." Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the 2013 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Lease Agreement.

For each of the last five years the County has timely filed each of its annual reports and all notices of material events as required by its previous undertakings with respect to the Rule. However, the County has recently determined that such previous filings did not include certain budget information required by its previous undertakings. Such information was however available on the County's website and/or available in other continuing disclosure filings made by the County. The County has subsequently filed such budget information and is currently in compliance with all of its undertakings with respect to the Rule.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the 2013 Bonds, the Lease Agreement or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the 2013 Bonds. Neither the County nor the Corporation is aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Lease Payments. See APPENDIX A: "THE COUNTY OF RIVERSIDE-Financial Information-Litigation" for a discussion of the County's pending general litigation.

FINANCIAL STATEMENTS

The County's audited financial statements with supplemental information for the year ended June 30, 2012, are included in this Official Statement as part of APPENDIX B: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATINGS

Standard & Poor's and Fitch Ratings have assigned the 2013 Bonds the ratings of "AA-" and "A+," respectively. In addition, both such rating agencies have issued stable outlooks for these ratings.

Such ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the 2013 Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agencies, or any of them, if in their, or its, judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriter undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the 2013 Bonds.

UNDERWRITING

The 2013 Bonds are being purchased through negotiation by De La Rosa & Co. (the "Underwriter"). The Underwriter has agreed to purchase the 2013 Bonds at a purchase price of $66,477,248.70 (representing the par amount of the 2013 Bonds, plus a net original issue premium of $581,810.45, less an Underwriter's discount of $119,561.75). The Underwriter is obligated to purchase all of the 2013 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the 2013 Bonds.

The Underwriter may also offer and sell the 2013 Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

The Corporation and the County have retained Fieldman, Rolapp and Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the 2013 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

EXECUTION AND DELIVERY

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

COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION

By: /s/ Harold Trubo
President

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ Christopher Hans
Chief Deputy County Executive Officer

APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

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APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

GENERAL INFORMATION

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,255,059 as of January 1, 2013, representing an approximately 0.9% increase over the County's population as estimated for the prior year. During this year, population increase in the cities of Lake Elsinore (4.2%) and Indio (4.0%) in the County ranked among the five fasted growing cities in the State based on percentage of change. For the ten year period of January 1, 2003 to January 1, 2013, the County's population grew by 30.33%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 269,963 as of January 1, 2013. Currently, the growth in the County has tempered due to the economy and in recent years that County's population has grown at a rate close to the statewide average.

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

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

CITY	2009	2010	2011	2012	2013
Banning	28,551	29,507	29,723	30,051	30,170
Beaumont	32,448	36,496	38,966	38,851	39,776
Blythe	21,346	20,873	20,063	20,440	19,606
Calimesa	7,504	7,853	7,910	8,022	8,094
Canyon Lake	11,143	10,528	10,606	10,721	10,768
Cathedral City	52,508	51,037	51,400	52,108	52,337
Coachella	41,043	40,464	41,339	42,030	42,784
Corona	148,770	151,854	153,047	154,985	156,823
Desert Hot Springs	26,584	25,852	27,277	27,721	27,828
Eastvale	-	-	54,090	55,770	57,251
Hemet	74,931	78,335	79,309	80,329	80,877
Indian Wells	5,099	4,941	4,990	5,050	5,081
Indio	82,325	75,122	76,817	78,298	81,393
Jurupa Valley	-	-	-	96,745	97,246
Lake Elsinore	50,324	51,445	52,294	53,183	55,430
La Quinta	43,830	37,307	37,688	38,190	38,401
Menifee	67,819	77,267	79,139	80,831	82,292
Moreno Valley	186,515	192,654	194,451	197,086	198,129
Murrieta	100,835	103,085	104,051	105,300	105,832
Norco	27,189	27,066	26,968	27,123	26,626
Palm Desert	51,570	48,132	48,920	49,619	49,949
Palm Springs	47,653	44,385	44,829	45,414	45,712
Perris	54,387	67,879	69,506	70,391	70,963
Rancho Mirage	16,938	17,168	17,399	17,556	17,639
Riverside	300,769	302,814	306,069	309,407	311,955
San Jacinto	36,521	44,043	44,421	44,937	45,217
Temecula	102,713	99,611	101,255	103,403	104,879
Wildomar	31,374	32,006	32,414	32,818	33,174
TOTALS					
Incorporated	1,650,689	1,677,724	1,754,009	1,876,494	1,896,232
Unincorporated	459,193	501,968	451,722	357,699	358,827
County-Wide	2,109,882	2,179,692	2,205,731	2,234,193	2,255,059
California	38,255,508	37,223,900	37,510,766	37,668,804	37,966,471

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2008 through 2012.

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

	Total Effective Buying Income(2)	Median Household Effective Buying Income	Percent of Households with Income over $50,000
2008			
Riverside County	$ 40,935,407	$46,958	46.2%
California	$832,531,445	$48,952	48.8%
2009			
Riverside County	$ 40,935,686	$46,852	46.2%
California	$832,528,809	$48,915	48.7%
2010			
Riverside County	$ 41,337,856	$47,080	46.6%
California	$844,822,042	$49,736	49.7%
2011			
Riverside County	$ 38,492,225	$44,253	43.07%
California	$801,393,028	$47,117	46.78%
2012			
Riverside County	$ 39,981,683	$44,116	42.91%
California	$814,578,458	$47,062	46.65%

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

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2008, and Nielson Solution Center for 2009 through 2012.

Industry And Employment

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

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

INDUSTRY	2008	2009	2010	2011	2012
Agriculture	15.9	14.9	15.0	14.9	15.1
Construction	90.7	67.9	59.7	59.0	41.2
Finance Activities	46.1	42.5	41.0	39.9	40.8
Government	231.0	235.2	234.3	227.5	224.5
Manufacturing:	106.9	88.8	85.1	85.1	86.5
Nondurables	34.3	30.6	29.8	29.3	29.8
Durables	72.5	58.1	55.3	55.8	56.8
Natural Resources and Mining	1.2	1.1	1.0	1.0	1.2
Retail Trade	168.6	156.2	155.5	158.5	161.7
Professional, Educational and other Services	441.8	419.8	418.2	428.1	442.2
Transportation, Warehousing and Utilities	70.2	66.8	66.6	68.7	70.8
Wholesale Trade	54.1	48.9	48.6	49.0	51.3
Information, Publishing and Telecommunications	14.8	14.1	14.0	12.1	11.6
Total, All Industries	1,241.2	1,156.4	1,139.0	1,143.7	1,166.7

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

Source: State Employment Development Department, Labor Market Information Division, as of March 29, 2013.

The following table sets forth the major employers located in the County as of 2012:

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(2012)

Company Name	Product/Service	No. of Local Employees[2]
County of Riverside	Government	17,815
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
University of California, Riverside	University	5,790
Walmart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Kaiser Permanente Riverside Medical Center	Hospital	4,000
Pechanga Resort and Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.
(2) Includes employees within the County; excludes, under certain circumstances, temporary, seasonal and per diem employees.
Source: County Economic Development Agency

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

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2008	2009	2010	2011	2012	March 2013
County[1]	8.5%	13.6%	14.7%	13.6%	11.1%	10.5%
California[1]	7.2	11.4	12.4	11.7	9.7	9.4
United States[2]	5.8	9.3	9.6	8.9	8.1	7.6

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) Data is seasonally adjusted.
Source: State of California Employment Development Department Labor Market Information Division; U.S. Bureau of Labor Statistics

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also two factory outlet malls (Desert Hills Factory Stores and Lake Elsinore Outlet Center) and over 200 area centers in the County.

The following table sets forth taxable transactions in the County for the years 2007 through 2011, the most recent year for which data is currently available:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2007	**2008**	**2009**	**2010**	**2011**
Apparel Stores	$ 1,171,013	$ 1,121,543	$ 1,293,271	$1,391,174	$1,505,821
General Merchandise Stores	3,272,665	3,081,989	2,855,733	2,947,905	3,051,709
Health and Personal Care Stores	320,469	307,947	288,768	292,463	454,268
Food Stores	1,352,609	1,254,366	1,144,235	1,152,507	1,179,649
Packaged Liquor Stores	84,397	98,338	106,981	115,251	125,082
Food Services and Drinking Places	2,388,039	2,340,554	2,266,853	2,317,486	2,473,339
Home Furnishing, Electronics and Appliances	843,945	816,379	858,098	883,109	914,888
Building Materials & Garden Equipment	1,961,911	1,435,337	1,128,595	1,232,145	1,303,073
Auto Dealers & Supplies	4,301,385	3,115,036	2,449,747	2,620,568	3,010,487
Gasoline Stations	2,835,690	3,011,476	2,300,247	2,685,840	3,300,785
Other Retail Stores	2,710,393	2,106,283	1,364,956	1,281,052	1,257,185
Retail Stores Total	$21,242,516	$18,689,249	$16,057,488	$16,919,500	$18,576,285
All Other Outlets	7,781,093	7,314,346	6,170,390	6,233,280	7,065,212
Total All Outlets	$29,023,609	$26,003,595	$22,227,878	$23,152,780	$25,641,497

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2008.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
(IN THOUSANDS)

	2008	2009	2010	2011	2012
RESIDENTIAL					
New Single-Family	$1,214,752	$ 891,825	$ 914,058	$651,747	$ 854,814
New Multi-Family	243,741	76,717	71,152	115,064	99,578
Alterations and Adjustments	118,490	85,148	94,429	119,684	84,517
Total Residential	$1,576,983	$1,053,690	$1,079,639	$886,495	$1,038,963
NON-RESIDENTIAL					
New Commercial	$ 539,944	$ 94,653	$ 191,324	$152,160	$346,865
New Industry	70,411	12,278	6,686	10,000	3,767
New Other(1)	138,766	107,334	98,105	99,898	78,602
Alterations & Adjustments	292,694	162,557	243,265	297,357	154,325
Total Nonresidential	$1,041,815	$376,822	$ 539,380	$559,415	$583,559
TOTAL ALL BUILDING	$2,618,798	$1,430,512	$1,619,019	$1,445,910	$1,602,522

(1) Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and other non-residential buildings and structures.

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2008	2009	2010	2011	2012
Single Family	3,815	3,424	4,031	2,676	3,455
Multi-Family	2,104	784	526	1,073	829
TOTAL	5,919	4,208	4,557	3,749	4,284

Source: Construction Industry Research Board for 2008 through 2011, California Homebuilding Foundation for 2012

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

COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES

Year	Los Angeles	Riverside	San Bernardino	Southern California[1]
2007	$535,000	$395,000	$355,000	$487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	163,000	300,000

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

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES

Year	Los Angeles	Riverside	San Bernardino	Southern California[1]
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003
2012	15,259	10,655	9,257	47,323

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

Source: MDA DataQuick Information Systems.

Agriculture

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

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

The value of agricultural production in the County for 2007 through 2011 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2007	2008	2009	2010	2011
Citrus Fruits	$ 121,387,100	$ 135,759,800	$ 101,652,000	$140,501,000	$119,942,513
Trees and Vines	189,286,500	173,678,000	191,682,600	164,994,000	232,649,262
Vegetables, Melons, Miscellaneous	234,854,700	266,414,900	221,286,700	292,002,200	278,628,295
Field and Seed Crops	94,492,000	123,545,400	69,699,800	81,328,300	149,198,052
Nursery	272,326,200	230,416,200	206,499,900	169,341,300	200,154,964
Apiculture	3,948,900	5,637,000	5,017,600	4,631,700	4,844,400
Aquaculture Products	9,829,200	12,077,700	5,243,900	4,921,700	4,808,250
Total Crop Valuation	$ 926,124,600	$ 947,529,000	$ 801,082,500	$857,720,200	$990,225,736
Livestock and Poultry Valuation	338,938,600	321,060,900	214,672,800	235,926,300	292,030,380
Grand Total	$1,265,063,200	$1,268,589,900	$1,015,755,300	$1,093,646,500	$1,282,256,116

Source: Riverside County Agricultural Commissioner

Transportation

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

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

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

The County seat, located in the City of Riverside, is within 20 miles of the Ontario International Airport in neighboring San Bernardino County. This airport is operated by Los Angeles World Airports, a proprietary department of the City of Los Angeles. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The

JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

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

There are seven two-year community college campuses located in the communities of Riverside, Moreno Valley, Norco, San Jacinto, Menifee, Coachella Valley and Palo Verde Valley. There are also three universities located in the City of Riverside -- the University of California, Riverside, La Sierra University and California Baptist University.

Environmental Control Services

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

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

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

Due to the water supply concerns in the County, the Board of Supervisors adopted Ordinance 859.2 -Water Efficient Landscaping Ordinance, which conforms to AB 1881. AB 1881 requires that measures be taken to assure the maintenance and protection of natural resources (water) by requiring that the resources be conserved through the implementation of water efficient landscape practices. As an added measure, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2.

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

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

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under the Government Code, the County must approve a recommended budget by June 30 of each year as the legal authorization to spend until the approval of the adopted budget. A final budget that reflects any revisions to the recommended budget must be adopted by the Board of Supervisors no later than October 2. The recommended and adopted budgets must be balanced.

Subsequent to the approval of the adopted budget, the County may make adjustments to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, the County, like many other counties, has adopted a budget in advance of the adoption of the State budget and has been required to make adjustments in certain circumstances upon the passage of the State budget. The County conducts quarterly reviews, with major adjustments generally addressed at the end of the first, second and third quarters.

Fiscal Year 2012-13 Budget

In June 2012, the Board of Supervisors approved the Fiscal Year 2012-13 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately $2.4 billion. For Fiscal Year 2012-13, the County projects that approximately 42.1% of its General Fund budget revenues will consist of payments from the State and 20.7% will consist of payments from the Federal government. Discretionary revenue is budgeted to decline to approximately $572 million for fiscal year 2012-13, a reduction of approximately 2% from the fiscal year 2011-12 adjusted budget estimates. The adopted budget includes a reduction in discretionary spending of approximately $39 million from the prior fiscal year. Property tax revenue is budgeted at approximately $266 million for Fiscal Year 2012-13, and represents approximately 46% of the County's discretionary revenue. The County estimates a decrease in assessed valuation in Fiscal Year 2012-13 of approximately 0.5% from Fiscal Year 2011-12.

During the Fiscal Year 2012-13 third quarter budget meeting, the County made a presentation reporting that, factoring out unique, one-time revenue receipts, general fund discretionary revenue is expected to fall short of the adopted budget. Shortfalls in property taxes and revenue related to fines and penalties were offset by increased sales and use tax revenue, one time revenue from property sales and unclaimed property tax overpayments, for a net positive variance from the adopted budget of $17.3 million. In addition, the County expects escalating costs in Fiscal Year 2013-14, including increased negotiated labor costs, increased pension contributions, and additional costs of operation of the public safety enterprise communication system. The County's departments were instructed to prepare their budget submittals based on cautious revenue assumptions and absorbing increased labor and pension cost increases.

Fiscal Year 2013-14 Proposed Budget

The County has started its budget process for Fiscal Year 2013-14 and held its budget impact hearings. At the budget impact hearings, all general fund departments were asked to present balanced budgets. The sheriff and fire departments presented budgets that needed additional resources and all other departments presented balanced budgets. These balanced budgets absorbed all additional costs that include salaries and benefit increases. Property tax revenue is expected to grow by 3.5% in Fiscal Year 2013-14, and growth is also expected in sales tax receipts. Using these additional revenues and the set aside in the budget stabilization fund created in Fiscal Year 2012-13, the County expects to present a balanced general fund budget for Fiscal Year 2013-14 without using its reserves. Outside of the general fund, the Riverside County Regional Medical Center (the "Medical Center"), operated as an enterprise fund, is projecting an operating deficit of approximately $52 million in Fiscal Year 2013-14. It is the County's intent that the Medical Center's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support, and the County does not intend to provide general fund support to fund the Medical Center's projected fiscal year 2013-14 operating deficit. See "-Medical Center" below.

As part of its commitment to Public Safety, on March 26, 2013 the Board adopted "Doctrine 1.2 – a Roadmap for Public Safety." This doctrine outlines a direction to the sheriff department to increase the deputy to population ratio from 0.75/1000 to 1.2/1000 in the unincorporated area of the County. The sheriff department has already initiated this process and expects to reach this goal within the next five years. This initiative is expected to add additional costs to the Sheriff's budget, and as part of the budget impact hearings, the sheriff department requested additional resources. The County expects to provide sufficient resources as the sheriff department adds additional deputies in accordance with the doctrine. In addition to this initiative, the County is in the process of building the East County Detention Center in Indio to give it further capacity to jail inmates. This jail is expected to be built with a grant from the State and issuance of bonds by the County. To prepare for the operations and maintenance of this facility, expected to be completed in 2017, the County has adopted a policy of setting aside the expected increases in Proposition 172 revenue. The County expects Proposition 172 revenue increases to total $30-$40 million over the next three years. In addition, the fire department has requested additional resources to purchase equipment and offset costs related to coverage of newly incorporated cities which are still served by the County's fire department. The County intends to provide funding to meet these needs.

In June 2013, the Board of Supervisors approved the Fiscal Year 2013-14 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately $2.7 billion. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its general fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the Federal government. Discretionary revenue is budgeted to increase to approximately $586.6 million for Fiscal Year 2013-14, an increase of approximately 3.0% from the Fiscal Year 2012-13 adjusted budget estimates. The adopted budget includes an increase in discretionary spending of approximately $16.7 million from the prior fiscal year. Property tax revenue is budgeted at approximately $266.2 million for Fiscal Year 2013-14, and represents approximately 45.4% of the County's discretionary revenue.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's 2012-13 and 2013-14 budgets. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

Realignment of Certain Services to Local Governments

As part of the State's 2011 Budget Act, the California Legislature enacted a major shift, or "realignment," of certain State program responsibilities and related revenues to local governments ("Realignment"). Beginning in Fiscal Year 2011-12, the realignment provides funds to local governments (primarily counties) to fund various criminal justice, mental health, and social services programs. Realignment funding is derived from three sources: 1) the dedication of 1.0625 cents of the existing sales tax rate; 2) the redirection of the revenue generated by Proposition 63 (the "millionaire tax" which supports mental health programs statewide); and 3) the redirection of a portion of vehicle license fee revenues.

Realignment is comprised of two distinct components: Health and Human Services and Public Safety. With respect to the former, the State has replaced the funding previously provided to counties as State reimbursement or direct payment with local appropriations equivalent to prior year funding levels. To date, the only significant programmatic change has resulted from the Health and Human Services component of Realignment related to the transfer of responsibility for funding education-related mental health services from counties to local school districts.

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to released inmates, newly convicted offenders, and parole violators. In Fiscal Year 2012-13, the County has received a $43 million appropriation from the State to address the needs of the realigned criminal justice population. In the current fiscal year, the County anticipates that this funding will be sufficient to support its achievement of the complementary goals of increasing public safety and reducing recidivism. In Fiscal Year 2013-14, the County anticipates an appropriation of $58 million from the State for realignment, which is anticipated to be sufficient to pay for the County's realignment-related operations. In addition, the County is expecting to receive a grant of $25 million in Fiscal Year 2013-14 from the State for an expansion of the Van Horn Youth Center in the City of Riverside, and a grant of $100 million in Fiscal Year 2014-15 for the construction of a new jail facility in the City of Indio.

Final Budget Comparison

The following table compares the general fund budgets for each of the last five fiscal years as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS[1]
FISCAL YEARS 2008-09, 2009-10, 2010-11, 2011-12 AND 2012-13
(IN MILLIONS)

	2008-09 Budget	2009-10 Budget	2010-11 Budget	2011-12 Budget	2012-13 Budget
REQUIREMENTS					
General Government	$ 238.6	$ 239.2	$ 175.3	$ 174.4	$ 180.4
Public Protection	1,132.0	1,055.2	1,062.4	1,060.0	1,072.1
Public Ways and Facilities	2.1	2.2	0.0	0.0	0.0
Health and Sanitation	392.3	395.2	396.0	411.9	430.1
Public Assistance	791.1	815.5	780.0	802.9	762.3
Education	0.6	0.4	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.3	0.4	0.0
Debt Retirement-Capital Leases	22.3	6.8	6.8	5.0	5.0
Contingencies	34.8	30.0	20.0	20.0	7.0
Increase to Reserves	5.0	(12.8)	17.5	2.4	2.3
Total Requirements[3]	$2,619.1	$2,532.0	$2,458.9	$2,477.7	$2,459.8
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 107.1	$ 112.8	$ 107.8	$ 90.1	$ 74.0
Estimated Revenues:					
Property Taxes	287.2	244.9	222.4	214.9	211.5
Other Taxes	49.1	46.1	46.0	35.5	35.0
Licenses, Permits and Franchises	24.9	20.7	19.8	18.1	17.7
Fines, Forfeitures and Penalties	60.6	55.7	58.0	56.2	51.7
Use of Money and Properties	29.7	13.5	11.2	10.0	7.4
Aid from Other Governmental Agencies:					
State	991.8	962.0	921.7	936.3	1,005.5
Federal	465.4	511.1	501.2	506.7	493.9
Charges for Current Services[2]	385.1	452.7	461.0	462.8	442.6
Other Revenues[2]	217.9	112.5	111.9	147.7	120.5
Total Available Funds[3]	$2,619.1	$2,532.0	$2,458.9	$2,477.7	$2,459.8

(1) Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

(2) Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.

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

Source: County Auditor-Controller

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of May 31, 2013, the portfolio assets comprising the PIF had a market value of $5,582,276,144.63.

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, 2012, 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 67.82% of the funds on deposit in the County Treasury, while approximately 32.18% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2011 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of May 31, 2013, was as follows:

	% of Pool
Federal Agency Securities	63.31%
Cash Equivalents & Money Market Funds	6.75
Commercial Paper	9.91
Municipal Notes	1.04
Certificates of Deposit	4.02
Repurchase Agreements	2.01
U.S. Treasury Bonds	11.86
Local Agency Obligations (1)	1.10
Total	100.00%
Book Yield:	0.38%
Weighted Average Maturity:	1.31 years

(1) Includes the CalTrust Short Term Fund.
Source: County Treasurer-Tax Collector

As of May 31, 2013, the market value of the PIF was 0.99% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

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

Ad Valorem Property Taxes

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

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

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

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

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2001-02 through fiscal year 2012-13.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2012-13

SECURED PROPERTY TAX ROLL[(1)]

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30[(2)]	Total Collections [(3)]	Percentage of Total Collections to Current Levy
2001-02	$1,209,745,112	$42,292,916	3.50%	$1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,809,408,918	104.96
2012-13	2,677,034,057	N/A	N/A	N/A	N/A

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.
(3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL[(1)]

Fiscal Year	Unsecured Property Tax Levy	Total Collections [(2)]	Percentage of Total Collections to Original Levy [(2)]
2001-02	$47,725,432	$45,099,982	94.50%
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	72,606,443[(3)]	86.59[(3)]

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(3) Reflects partial year collections, through October 2012.
Source: County Auditor-Controller

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

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

The following table describes the supplemental tax roll of the County for fiscal year 2002-03 through fiscal year 2012-13.

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2002-03 THROUGH 2012-13

Fiscal Year	Tax Levy for Increased Assessments[(1),(2),(3)]	Refunds for Decreased Assessments[(1), (3)]	Net Supplemental Tax Levy	Collections[(1),(2)]
2002-03	$ 81,055,987	$ 2,060,886	$ 78,995,102	$ 72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09[(4)]	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)[(5)]	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,095
2012-13[(6)]	25,542,577	13,890,850	11,651,727	9,393,319

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.
(3) Tax levy amounts are shown net of minimum tax less than $10 and refunds are shown net of refunds of negative supplemental taxes less than $10.
(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.
(6) From July 2012 through March 2013.

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

The following table sets forth the assessed valuation by category and property type for fiscal year 2008-09 through fiscal year 2012-13.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE(1)
FISCAL YEARS 2008-09 THROUGH 2012-13
(IN MILLIONS)

Category	2008-09	2009-10	2010-11	2011-12	2012-13
SECURED PROPERTY:					
Land	$ 82,768	$ 69,917	$ 65,877	$ 64,308	$ 63,549
Structures	149,837	137,292	132,431	131,516	132,077
Personal Property	860	906	819	836	887
Utilities	3,154	2,907	3,018	3,614	3,475
Total Secured	$236,529	$211,022	$202,145	$200,274	$199,988
UNSECURED PROPERTY:					
Land	$ 16	$ 2	$ 14	$ 29	$ 17
Improvements	3,866	3,761	3,748	3,778	3,951
Personal Property	4,426	4,154	4,049	3,975	3,895
Total Unsecured(2)	$ 8,308	$ 7,917	$ 7,811	$ 7,782	$ 7,863
Grand Total	$244,837	$218,939	$209,956	$208,059	$207,851

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

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

Source: County Auditor-Controller/County Assessor

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

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

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of $16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately $40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year. In fiscal year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. Cumulatively, assessed valuation in the County has declined 16.36% since fiscal year 2007-08 due to the County Assessor's proactive reviews. No further Proposition 8 reductions are expected for Fiscal Year 2013-14.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2012-13 totaling approximately $20.9 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of $2.7 billion of assessed value was reduced from the County tax roll in fiscal year 2011-12 and fiscal year 2012-13, representing $2.7 million in general purpose taxes over the two-fiscal year period. 57% of the fiscal year 2011-12 assessment appeals have been completed. The majority of the remaining fiscal year 2011-12 assessment appeals are expected to be completed by November 30, 2013.

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 2013-14 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2011-12 assessment appeals still to be completed; and (ii) a portion of the fiscal year 2012-13 and fiscal year 2013-14 assessment appeals being completed during fiscal year 2013-14.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2011-12, approximately 76% of all taxing entities participated in the Teeter Plan.

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

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2012, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series D (the "D Notes") in the amount of approximately $142.8 million. The proceeds of the D Notes refunded the outstanding County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B originally issued in the amount of $171.3 million. The D Notes funded approximately $52.9 million representing fiscal year 2011-12 delinquent property taxes and approximately $92.3 million representing prior years' delinquent property taxes. The D Notes mature on October 16, 2013. The County's General Fund is pledged to the repayment of the D Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to repay the D Notes. In October 2013, the County expects to issue notes to finance its Teeter Plan obligation with respect to delinquent property taxes from fiscal year 2012-13 and prior fiscal years.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2012-13.

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2012-13
COMBINED TAX ROLLS†

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
Southern California Edison Company	$23,532,327.64	0.83%
Verizon California Inc.	9,205,279.60	0.33
Southern California Gas Company	6,789,190.40	0.24
Inland Empire Energy Center, LLC	5,993,563.64	0.21
Federal National Mortgage Association	3,416,198.58	0.12
Tyler Mall Ltd. Partnership	2,898,956.08	0.10
Abbott Vascular Inc.	2,898,956.08	0.10
Blythe Energy, LLC	2,739,241.06	0.10
Bank of New York Mellon	2,726,205.98	0.10
Chelsea GCA Realty Partnership	2,524,875.10	0.09
Roripaugh Valley Restoration	2,507,852.12	0.09
Standard Pacific Corp.	2,458,978.88	0.09
Wal Mart Real Estate Business Trust	2,443,706.96	0.09
Lowes HIW Inc.	2,402,339.86	0.09
Costco Wholesale Corp.	2,389,170.50	0.08
Target Corp.	2,375,335.00	0.08
Wells Fargo Bank	2,042,528.46	0.07
Health Care REIT	2,034,665.18	0.07
Palm Desert Funding Co.	2,033,212.92	0.07
Richmond American Homes of Maryland Inc.	2,027,563.68	0.07
KB Home Coastal Inc.	1,961,845.42	0.07
Pacific Bell Telephone Co. DBA AT&T California	1,933,850.04	0.07
Bank of America	1,887,533.60	0.07
KSL Desert Resort	1,881,481.98	0.07
Walgreen Co.	1,712,418.54	0.06
Total	**$94,815,766.07**	**3.36%**
Total Tax Charge for 2012-13	**$2,821,808,183.51**	

† Includes secured, unsecured and State-assessed property.
Source: County Treasurer and Tax Collector

The 10 largest property owners in the County by assessed value for all properties, for the fiscal year 2012-13 are shown below.

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2012-13
BY ASSESSED VALUE

ASSESSEE	ASSESSED VALUE
Eisenhower Memorial Hospital	$ 355,079,500
Kaiser Foundation Hospital	304,819,262
Walgreen Co.	281,697,471
Abbott Vascular Inc.	281,061,795
Target Corp.	224,027,467
Federal National Mortgage Assn.	214,934,309
Costco Wholesale Corp.	211,153,053
Kaiser Foundation Health Plan Inc.	210,980,121
Lowes HIW Inc.	203,474,228
Wal Mart Real Estate Business Trust	191,691,822
Subtotal	$ 2,478,919,028
All Others	202,409,592,440
Total	$204,888,511,468†

† Excludes State assessed property. Does not reflect any applicable exemptions.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The bulk of the funds collected are disbursed to other agencies. For fiscal year 2011-12, the County retained approximately 12.39% of the total amount collected (and is budgeted to retain 12.24% in fiscal year 2012-13). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See "-Redevelopment Agencies" below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

The County's share of the property tax will vary throughout the County depending upon the presence of other taxing entities, e.g. cities, water districts, sanitation districts, school districts and redevelopment agencies. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution effective as of February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

Redevelopment Agencies

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

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

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2012-13

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2] [3]
2001-02	$11,061,406,310	$23,504,382,046	$236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13[4]	16,352,697,201	56,178,718,338	594,476,134

(1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
(2) Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Includes general purpose and debt; excluded negative increment.
(4) Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2012-13.

Source: County Auditor-Controller

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of $3,971,824,734, and a 2011-12 assessed value of 8,266,787,927. In fiscal year 2011-12, the pass-through payment to the County's general fund from the County's redevelopment agency totaled $1,600,442.73, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County will no longer receive pass-through payments from the County redevelopment agency, but these amounts are relatively modest and will be largely offset by the County's receipt of its tax allocation under the AB 8 formula. In fiscal year 2012-13, as the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. As of April 2013, the County has received approximately $19.1 million.

In fiscal year 2012-13, the County estimates that it will receive approximately $78 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive $79.6 million in pass-through payments in fiscal year 2013-14. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

Financial Statements and Related Issues

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2012, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2007-08 THROUGH 2011-12

(In Thousands)

	2007-08	2008-09	2009-10	2010-11	2011-12
BEGINNING FUND BALANCE	$ 570,964	$ 481,776[1]	$ 372,121	$ 386,486	$ 343,562
REVENUES					
Taxes	309,295	274,480	229,631	221,807	216,746
Licenses, permits and franchises	24,525	19,840	16,724	18,187	17,648
Fines, forfeitures and penalties	90,788	107,147	112,813	93,528	88,979
Use of money and property – Interest	61,623	33,414	12,197	8,196	4,740
Use of money and property – Rents and concessions	2,578	3,157	3,936	3,669	3,798
Government Aid – State	905,998	908,334	820,432	856,327	931,652
Government Aid – Federal	473,731	472,210	504,605	490,088	475,221
Governmental Aid-Other	95,808	95,812	89,312	82,147	80,332
Charges for current services	358,767	364,649	367,249	369,780	354,451
Other revenues	29,308	36,149	30,670	37,654	40,852
TOTAL REVENUES	$2,352,421	$2,315,192	$2,187,569	$2,181,383	$2,214,419
EXPENDITURES					
General government	$ 145,290	$ 146,816	$ 130,516	$ 109,146	$ 127,195
Public protection	1,032,582	1,062,437	1,005,679	1,025,584	1,010,999
Public ways and facilities	4,717	4,378	-	-	-
Health and sanitation	368,753	382,588	333,068	345,649	369,165
Public assistance	704,404	719,328	712,353	731,017	719,670
Education	464	675	551	548	579
Recreation and cultural	206	230	312	364	324
Capital Outlay	8,670	22,746	31,018	8,321	2,671
Debt service	26,132	22,501	21,876	24,829	21,426
TOTAL EXPENDITURES	$2,291,218	$2,361,699	$2,234,373	$2,245,458	$2,252,029
Excess (deficit) of revenues over (under) expenditures	61,203	(46,507)	(47,804)	(64,075)	(37,610)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 104,892	$ 99,825	$ 168,833	$ 106,047	$ 123,587
Transfer to other funds	(269,961)	(185,719)	(132,682)	(93,217)	(98,045)
Capital Leases	8,670	22,746	31,018	8,321	2,671
Total other Financing Sources (Uses)	$ (153,399)	$ (63,148)	$ 62,169	$ 21,151	$ 28,213
NET CHANGE IN FUND BALANCES	$ (92,196)	$ (109,655)	$ 14,365	$ (42,924)	$ (9,397)
FUND BALANCE, END OF YEAR[2]	$ 478,768	$ 372,121	$ 386,486	$ 343,562	$ 336,598

(1) Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

(2) As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2008 THROUGH JUNE 30, 2012
(In Thousands)

	2008	2009	2010	2011	2012
ASSETS:					
Cash & Marketable Securities	$216,816	$150,728	$122,902	$160,887	$151,845
Taxes Receivable	58,256	46,813	27,714	17,790	14,046
Accounts Receivable	48,196	31,150	8,468	12,771	9,196
Interest Receivable	9,384	3,315	2,091	1,119	643
Advances to Other Funds	0	0	0	3,692	3,342
Due from Other Funds	24,716	19,110	25,353	18,787	14,227
Due from Other Governments	239,844	250,144	263,240	276,656	328,817
Inventories	2,105	2,132	1,941	1,564	1,187
Prepaid items	0	3,720	888	277	298
Restricted Assets	263,566	252,084	296,543	283,095	299,673
Total Assets	$866,259	$759,196	$749,140	$777,638	$823,274
LIABILITIES:					
Accounts Payable	$ 94,061	$ 68,560	$ 57,236	$ 84,116	75,996
Salaries & Benefits Payable	83,753	88,184	46,376	50,374	57,391
Due To Other Funds	283	0	2,155	2,639	1,466
Due to Other Governments	40,991	47,579	35,161	34,550	40,804
Deferred Revenue	168,282	180,777	218,676	260,343	311,003
Deposits Payable	121	1,975	3,050	2,054	16
Total Liabilities	$387,491	$387,075	$362,654	$434,076	$486,676
FUND BALANCE: [1]					
Nonspendable				$ 2,214	$ 1,834
Restricted				98,552	101,651
Committed				50,097	52,439
Assigned				3,463	8,674
Unassigned				189,236	171,910
Reserved	$ 84,466	$ 91,196	$ 90,374		
Unreserved	394,302	280,925	296,112		
Fund Balance	$478,768	$372,121	$386,486	$343,562	$336,598
Total Liabilities and Fund Balance	$866,259	$759,196	$749,140	$777,638	$823,274

[1] As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2005 THROUGH JUNE 30, 2012
(In Thousands)

	Reserved	Unreserved				Total
2005	$121,249	$231,205				$352,454
2006	100,436	346,482				446,918
2007	88,233	482,731				570,964
2008	84,466	394,302				478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2011[(1)]	$2,214	$98,552	$50,097	$3,463	$189,236	$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598

(1) As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller

Short-Term Obligations of County

In July 2013, the County issued its 2013-14 Tax and Revenue Anticipation Note (the "2013-14 TRAN") in the principal amount of $250,000,000 to provide funds to meet the County's fiscal year 2013-14 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2013-14 TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2013-14 fiscal year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 1, 2013, the County had $650,309,993 in direct general fund obligations and $346,790,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 1, 2013.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF APRIL 1, 2013)

2012-13 Assessed Valuation: $205,136,768,340 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/13	
Metropolitan Water District	6.160%	$ 10,169,236	
Community College Districts	1.176-99.999	551,599,044	
Unified School Districts	1.284-100.	2,116,789,204	
Perris Union High School District	100.	51,087,260	
Union School Districts	100.	56,358,493	
City of Riverside	100.	15,135,000	
Eastern Municipal Water District Improvement Districts	100.	40,435,000	
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,055,000	
San Gorgonio Memorial Hospital District	100.	108,170,000	
Community Facilities Districts	94.268-100.	2,796,648,860	
Riverside County 1915 Act Bonds	100.	3,435,000	
City and Special District 1915 Act Bonds (Estimated)	100.	232,420,398	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,984,302,495	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 650,309,993**	(1)
Riverside County Pension Obligations	**100.**	**346,790,000**	
Riverside County Board of Education Obligations	100.	3,900,000	
School Districts General Fund and Lease Tax Obligations	1.284-100.	484,303,062	
City of Corona General Fund Obligations	100.	58,940,000	
City of Moreno Valley General Fund Obligations	100.	72,729,000	
City of Indio General Fund Obligations	100.	40,165,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.	162,418,438	
City of Riverside Certificates of Participation	100.	204,082,442	
City of Riverside Pension Obligations	100.	127,480,000	
Other City General Fund Obligations	100.	84,322,800	
Other Water District Certificates of Participation	100.	1,006,854	
Other Special District Certificates of Participation	100.	2,880,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,239,327,589	
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**11,657,720**	
City of Corona Certificates of Participation supported by waste water revenues		1,965,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,225,704,869	
OVERLAPPING TAX INCREMENT DEBT:		$2,849,114,411	
GROSS COMBINED TOTAL DEBT		$11,072,744,495	(2)
NET COMBINED TOTAL DEBT		$11,059,121,775	

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

Ratios to 2012-13 Assessed Valuation:

Overlapping Tax and Assessment Debt 2.92%
Combined Gross Direct Debt ($1,038,668,180).................................. 0.49%
Combined Net Direct Debt ($1,026,272,273) 0.48%
Gross Combined Total Debt 5.40%
Net Combined Total Debt.. 5.39%

Ratios to Redevelopment Incremental Valuation ($56,178,718,338):

Total Overlapping Tax Increment Debt 5.07%

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

Lease Obligations

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

As of May 1, 2013, the County's current outstanding lease obligations total $647,832,793. The County's annual lease obligation is approximately $81,734,575 and the maximum annual lease payment is $87,175,427.

In addition, the County is expecting to enter into lease obligations with Riverside Community Properties Development, Inc. ("RCPD") in the fall of 2013 in connection with the issuance by RCPD of lease revenue bonds in an aggregate principal amount of approximately $45,000,000 to finance the construction and furnishing of the Indio Law Center in the City of Indio which will be leased to the County for a term of 30 years.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of May 1, 2013.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of May 1, 2013)

	Final Maturity Year	*Original Lease Amount*	*Obligations Outstanding*	*Annual Base Rental[(1)]*
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	$ 148,500,000	$ 39,800,000	$ 13,417,318[(2)]
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	14,525,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[(3)]	2019	90,530,000	90,530,000	19,880,794[(3)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	4,800,000	814,000[(4)]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A	2022	72,445,000	61,480,000	8,263,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,220,000	868,495
2005 Series B[(5)]	2027	22,610,000	18,720,000	1,575,575
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	8,300,000	1,448,247
County of Riverside Certificates of Participation[(6)] (2009 Larson Justice Center Refunding)	2021	36,100,000	20,475,000	2,562,425
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	11,147,720	
Series 2002	2020	925,000	510,000	1,821,748[(7)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	2,240,000	2,300,480
2008 Series A[(8)]	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[(9)]	2018	8,685,000	2,155,000	404,703
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) [(10)]	2036	51,655,000	44,575,000	3,392,425
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	31,495,000	2,163,069
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	49,280,000	11.108.125
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,340,000	1,153,555
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) [(11)]	2040	45,685,000	45,440,000	1,910,700
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,675,000	681,866
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) [(12)]	2031	33,360,000	31,800,000	2,513,438
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[(13)]	2033	17,640,000	16,995,000	1,387,475
TOTAL		$ 1,049,735,073	$ 647,832,793	$ 81,734,575

(1) Annual base rental for fiscal year 2013-2014 unless otherwise noted.

(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April, 22, 2013 was approximately 0.14%.

(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.

(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 20, 2013 was approximately 0.21%.

(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

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

(8) The 2008 Series A refunded the 2000 Series B SWJC Project.

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

(10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).

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

(12) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.

(13) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.

Source: County Executive Office.

Interest Rate Swap Agreements

The County adopted a written interest rate swap policy (the "Swap Policy") establishing the guidelines for the use of management of interest rate swaps as a method of lowering financing costs and reducing the risks associated with fluctuations in interest rates. The Swap Policy is reviewed annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the County's risk related to its debt portfolio.

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of $76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of February 2013. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of April 30, 2013, the swap agreement had a negative fair market value of approximately $32.4 million (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of Baa2 from Moody's and BBB from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "Aa-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of February, 2013, Assured Guaranty Corp. had a rating of "AA-" by S&P and "A3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

A summary of the County's employment levels are reflected for the past ten years.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2003 THROUGH 2012

Year	Regular Employees(1)
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013(2)	18,028

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of May 1, 2013.
Source: County Human Resources Department

County employees comprise 12 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 74% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

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

The County is currently subject to long-term agreements with all of its bargaining labor units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017.

Retirement Program

General. The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent changes to the plans, the County's retirement plans currently includes three tiers of benefits. For Miscellaneous members who qualify based on their date of hire for Tier I benefits, the benefit factor ranges from 2% at age 50 to 3% at age 60 and beyond. For Safety members who qualify based on their date of hire for Tier I benefits, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 18 of the Notes to Basic Financial Statements, June 30, 2012, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012."

In 2010, the County established a Pension Reform Advisory Committee ("PRAC") to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee's conclusions and recommendations included: (i) that current unfunded liability in the County's pension resulted in part from the "pension contribution holidays" and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees should be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform.

In April 2011, the Board of Supervisors approved a second tier ("Tier II) level of benefits for new Miscellaneous and Safety employees. The County implemented Tier II on August 23, 2012 for employees first employed by the County after that date. The retirement benefit calculation is based on years of service, age, and the average monthly qualifying wages during the highest three consecutive years of employment. The Tier II benefits for Miscellaneous Plan members ranges from 1.092% at age 50 to 2.418% at age 63 and beyond. For Safety Plan members, the Tier II benefits range from 2% at age 50 to 2.7% at 55 and beyond. The plans also provide for cost-of-living adjustments of up to 2% per year after retirement.

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Act of 1937 (the "1937 Act"). Among other things, PEPRA creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier ("Tier III") has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees/member, hires on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and at 2.7% at 57 for Safety members. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of current year of service. The County believes that the provisions of PEPRA will help to control its pension benefit liabilities in the future.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts equal to the recommended rates for the PERS Plans multiplied by the payroll of those employees of the County who are eligible under PERS.

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2012 covered PERS' fiscal year 2010-11). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County's contribution rates derived from the actuarial valuation as of June 30, 2011, which was prepared in October 2012, is effective for the County's fiscal year 2013-14). PERS rules require the County to implement the actuary's recommended rates.

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

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

In calculating the UAAL in an actuarial valuation, the PERS actuary spreads gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a "smoothing technique." Under the rate stabilization policy effective as of April 2005, one-fifteenth (1/15) of the market value change will be recognized in a given fiscal year. In each actuarial valuation, the PERS actuary calculates what was the expected actuarial value of the assets (the "Expected Value") of the PERS Plans at the end of the fiscal year, which assumes, among other things, that the actuarial rate of return during that fiscal year equaled the assumed rate of investment return. However, PERS does not allow the Expected Value to be less than 80% or more than 120% of the market value.

In response to the significant asset value declines of fiscal year 2008-09, the PERS Board approved an enhancement to its smoothing methodology in June 2009. The enhanced smoothing methodology incorporates a 3-year phase-in of the fiscal year 2008-09 investment loss by temporarily relaxing the constraints on the smoothed value of assets around the market value. The corridor will be allowed to expand between 60%-140% for the fiscal year 2011-12 contribution rate determination, 70%-130% for the fiscal year 2012-13 contribution rate determination, and then return to the 80%-120% for the fiscal year 2013-14 and beyond contribution rate determination. Asset losses outside the 80%-120% corridor are isolated and paid for with a fixed 30-year amortization schedule.

In March 2012, the PERS Board approved a change in the inflation assumption used in the actuarial valuations that set employer contribution rates. The inflation assumption was changed from 3% to 2.75%. The change impacted the inflation component of the annual investment return assumption, the long term payroll growth assumption and the individual salary increase assumptions as follows: (i) the annual assumed investment return has decreased from 7.75% to 7.50%; and (ii) reducing payroll growth from 3.25% to 3%. The change to the inflation assumption also impacted the cost of living adjustments and purchasing power protection allowances assumed in the actuarial valuations. The PERS Board also approved the amortization of gains and losses from fiscal years 2008-09 through 2010-11 over a fixed and declining 30-year period (rather than a rolling 30-year amortization).

As a result of these changes, according to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2014-15 and an increase of 0.3% of payroll for fiscal year 2015-16. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.23% of payroll for fiscal year 2014-15 and an increase of 0.50% of payroll for fiscal year 2015-16. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The Tier I members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. Tier II and Tier III contribution rates vary based on the terms of the collective bargaining agreements in effect. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County has historically been obligated pursuant to collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

In fiscal year 2011-12, the County entered into collective bargaining agreements with all of its bargaining units. Most of the agreements cover a four to five year period, with the longest agreement ending in June 2017. As part of these agreements, the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. Member contributions, including County Offsets of Employee Contributions, are not included in the required employer contribution rates prepared by PERS.

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 15.001% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately $125.8 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $8 million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2013-14 of approximately $133.9 million. In the actuarial valuation for the Safety Plan as of June 30, 2011, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 23.368% be implemented as the required rate for fiscal year 2013-14, which the County anticipates will result in a contribution to PERS of approximately $63.3 million for that fiscal year. In addition, the County will pay to PERS for the Safety Plan approximately $5.2 million in County Offsets of Employee Contributions for fiscal year 2013-14, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2013-14 of approximately $68.6 million.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 through 2011-12 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of $396.9 million, $311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and $85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of $5.0 million as of February 15, 2013. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008, pursuant to recommendations set forth in the annual Pension Advisory Review Committee ("PARC") reports, the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009, pursuant to the PARC recommendations, the Board of Supervisors authorized the use of $6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. From that amount, the County purchased $4.5 million worth of the 2005 Pension Obligation Bonds and retired them, achieving a debt service savings of $247,000. In 2010, liability management funds of $8.3 million were transferred to PERS. In 2011, liability management funds of $5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. In 2012, a payment of $1 million was made to PERS from this fund. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2007 through June 30, 2011 and the total employer contributions made by the County for fiscal year 2009-10 through fiscal year 2013-14. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions
2007	$ 78,113,619	94.3%	2009-10	$51,419,807	$19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,667,388	13,460,331(3)
2010	184,737,814	89.8	2012-13	64,076,419(2)	11,759972(2)(3)
2011	286,064,497	85.9	2013-14	69,679,000(2)	2,703,000(2)(3)

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
(2) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal years 2012-13 and 2013-14.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions
2007	$135,212,288	95.5%	2009-10	$89,998,824	$39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,892,326	36,974,032(3)
2010	444,330,905	89.2	2012-13	106,993,503(2)	17,875,440(2)(3)
2011	538,055,042	87.9	2013-14	154,422,000(2)	8,321,000(2)(3)

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
(2) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal years 2012-13 and 2013-14.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.
Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

SCHEDULE OF FUNDING PROGRESS
(Safety Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2007	$1,369,534,165	$1,291,420,546	$78,113,619	94.3%	$214,634,238	36.4%
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2007	$3,029,360,507	$2,894,148,219	$135,212,288	95.5%	$754,117,986	17.9%
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2009-10 through fiscal year 2013-14 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2007	2009-10	18.605%	11.999%
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001

Source: PERS Actuarial Reports for June 30, 2007 through June 30, 2011.

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

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

The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in fiscal year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rates under the Safety Plan and the Miscellaneous Plan will increase quickly through fiscal year 2014-15, followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.50% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2011, the funded status of the Miscellaneous Plan based on its market value of $3,525,640,733 was 79.0% and the funded status of the Safety Plan based on its market value of $1,565,799,198 was 77.1%.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2012, the County's current required contribution level is 1.79%. The County elected to contribute 2.60% to achieve a 90% funded ratio by June 30, 2013, so the County's contribution to the Plan was $588,977 for fiscal year 2011-12 and is estimated to be approximately $622,000 for fiscal year 2012-13. The Plan's unfunded liabilities as of June 30, 2012 are approximately $272,000.

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

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2012 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be $52.1 million, the accrued actuarial liability was estimated to be $42.9 million and the annual normal cost was $1.3 million. If the accrued actuarial liability of $42.9 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $2.6 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of $10.4 million was made to the trust. On June 26, 2009, the County contributed an additional $2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $20.3 million most recently.

Medical Center

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

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

At June 30, 2012, RCRMC reflected unrestricted net assets of approximately $48.2 million. RCRMC had a cash balance of approximately $22 million as of June 30, 2012. In fiscal year 2011-12, RCRMC had an increase in net unrestricted assets of approximately $44.5 million. RCRMC continued to experience a decline in patient collections in fiscal year 2011-12 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2011-12 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2011-12 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2012-13, the County anticipates contributing approximately $10 million to RCRMC from general fund tobacco settlement revenues and $5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses. RCRMC estimates that a deficit of approximately $10 million at the end of fiscal year 2012-13.

In its fiscal year 2013-14 recommended budget, RCRMC projected an operating deficit of approximately $52 million, primarily attributable to uncompensated services provided to uninsured mental health patients and jail inmates. RCRMC is pursuing various avenues to reduce the operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. It is the County's intent that RCRMC's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support, and the County does not intend to provide general fund support to fund RCRMC's projected fiscal year 2013-14 operating deficit.

On July 2, 2013, the Board of Supervisors approved a loan of up to $40 million to RCRMC from the County's Workers Compensation Fund to cover RCRMC's negative cash position at the end of the 2012-13 fiscal year, which RCRMC estimates to be approximately $33 million. The negative cash position is largely due to a delay in receipt of Medi-Cal reimbursements from the State. RCRMC estimates that it will collect such receivables by October 2013. RCRMC is required to repay the loan, with interest, by June 30, 2014. If RCRMC is unable to pay on time, then other options will be explored by the County, including the possibility of repayment from the general fund.

Insurance

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

The property insurance program provides insurance coverage for all risks subject to a $50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a $100,000 minimum per occurrence and $500,000 maximum per occurrence deductible within a 100-year flood zone and a $25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides $172.5 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of $82.5 million with an additional $225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a $100,000 minimum. Boiler and machinery provides up to $100 million in limits, with a $5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2012 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, 2012 was approximately $130.4 million.

Litigation

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the 2013 Bonds or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.

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APPENDIX B

THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Paul Angulo, CPA, MA-Mgmt
County Auditor-Controller

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2012

Prepared by the Office of:

Paul Angulo, CPA, MA-Mgmt

County Auditor-Controller

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2012

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INTRODUCTORY SECTION

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

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE
Paul Angulo, CPA, MA-Mgmt
Auditor-Controller

December 20, 2012

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

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside for the fiscal year ended June 30, 2012 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

The management's discussion and analysis (MD&A) immediately follows the report of the independent auditors and provides a narrative, overview, and analysis of the basic financial statements. The MD&A was designed to complement this letter of transmittal and should be read in conjunction with it.

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

The County has eleven independent fiscal entities that are considered blended component units and three discretely presented component units. These entities vary widely in function and provide essential services.

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

PROFILE OF THE GOVERNMENT

Riverside County is the fourth largest county by area in the state of California. It encompasses 7,295 square miles and extends nearly 184 miles across Southern California, from the Arizona border west to within 10 miles of the Pacific Ocean. It is situated east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties.

There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are Riverside (the County seat) with a population of 308,511, Moreno Valley 196,495, Corona 154,520, Temecula 103,092, and Murrieta 104,985. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. Total County population was 2,227,577 on January 1, 2012, an increase of 0.99 percent as compared to the revised estimate for January 1, 2011. Approximately 16 percent of the residents live in unincorporated areas.

The County is governed by a five-member Board of Supervisors, who serve four-year terms, and annually elect a Chairman and Vice-Chairman. The Supervisors represent five districts.

The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest.

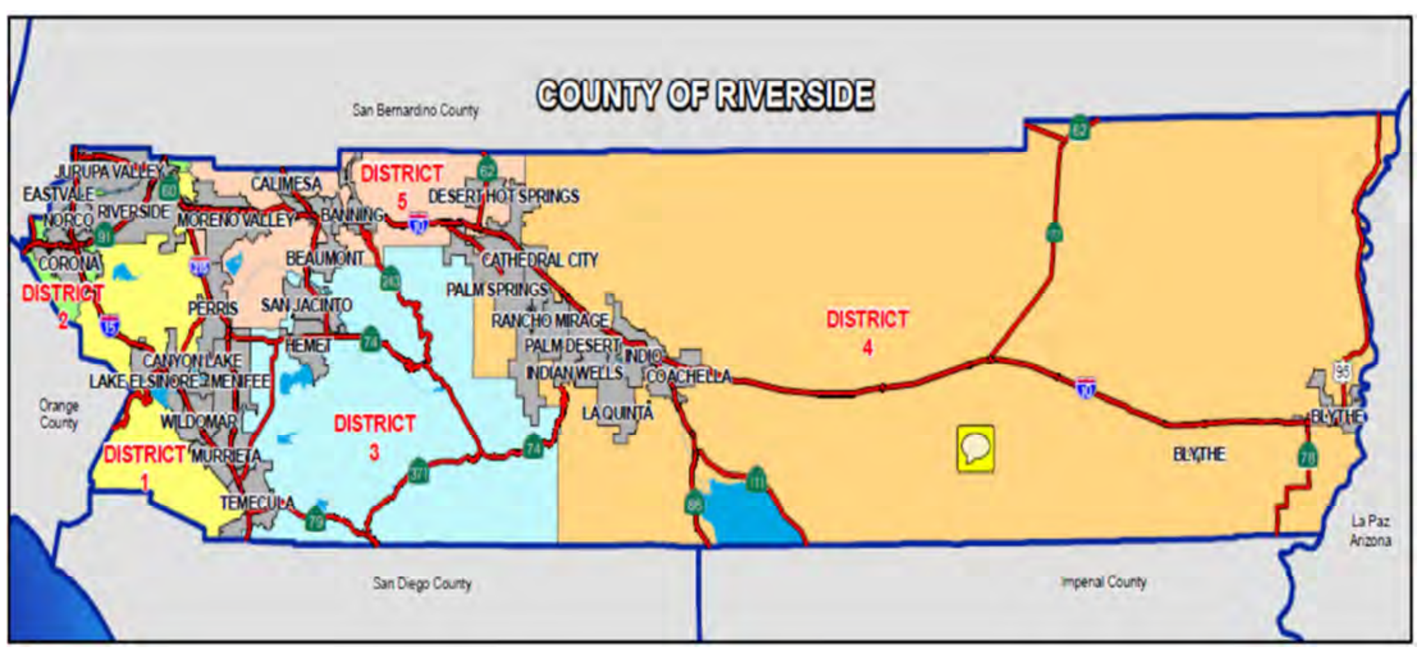
The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley (the newest city as of July 1, 2011). The unincorporated communities consist of Home Gardens, El Cerrito, Coronita, and Highgrove.

District Three includes the cities of Hemet, Murrieta, San Jacinto, and Temecula. Major unincorporated areas in the District include Aguanga, Anza, Idyllwild, Valle Vista, Winchester, Wine Country, and Pinyon Pines.

District Four is the largest district, covering the eastern two-thirds of the County. Within this District are the cities of Palm Springs (except the northern portion which resides in District 5), Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Desert Hot Springs, and Blythe. Major unincorporated areas include Bermuda Dunes, Thousand Palms, Sky Valley, Indio Hills, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Chiriaco Summit, Desert Center, Lake Tamarisk, Mesa Verde, Colorado River Communities, and Ripley.

The Fifth District includes the cities of Banning, Beaumont, Calimesa, Menifee, Moreno Valley, Perris, and the northern portion of Palm Springs. The unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Box Springs, Pigeon Pass, Reche Canyon, San Timoteo Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

County Of Riverside by Supervisorial Districts



Source: Riverside County GIS

The County provides a full range of services. These services are outlined in the following table:

Certificate, Licenses and Permits	**Human Services**
Birth, marriage, and death certificates, animal licensing and building permits	Assistance for Families, Veteran Services, Utility Assistance, Assistance for the Elderly
Children's Services	**Libraries and Museums**
Child Support Services, Mentor programs, and Children Medical Services	Edward Dean Museum, Riverside County Law Library
Criminal Justice	**Parks and Recreation**
District Attorney, Probation, Public Defender, and Sheriff	Regional Parks
Education	**Pets and Animal Services**
Office of Education	Animal Control, Animal Shelters
Emergency Services	**Property Information**
Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	Building permit report, obtain property information via GIS, pay property taxes online, track your property tax online, record map inquiry, information on new home owners and Riverside County land information
Environment	**Public and Official Records**
Solid waste, liquid waste, medical waste, sewage disposal, water systems, wells, backflow devices, food services, public pools and mobile home parks, vector control, hazardous materials services, fire protection services, waste reduction, and recycling	Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search
Flood Control	**Roads and Highways**
Flood Control and water conservation	Road maintenance, land development, engineering services, and survey
Health	**Taxes**
Family health centers, disease control, nutrition services, family planning, health education, injury prevention, emergency medical services, mental health services, industrial hygiene, laboratory, Epidemiology, medical marijuana identification cards	Property tax portal, tax bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, Auditor-Controller
Housing	
First time home buyer programs, low income housing, rental assistance program, homeless shelter, neighborhood stabilization program	

FACTORS AFFECTING ECONOMIC CONDITION

State Economy

The California economy continues to work towards recovery. The California Department of Finance reports continued gradual growth in statewide non-farm payroll employment through February. Six major industry sectors saw employment gains while five lost. The largest job gains were made in the information sector, followed by manufacturing, education, health services, and business services. Job losses occurred in government, trade, transportation, and utilities, among others. California's unemployment rate fell to 10.2 percent in September from 10.6 percent in August, posting one of the biggest drops of any state for the month. The decline took the rate to its lowest level since March 2009, during the worst recession in half a century.

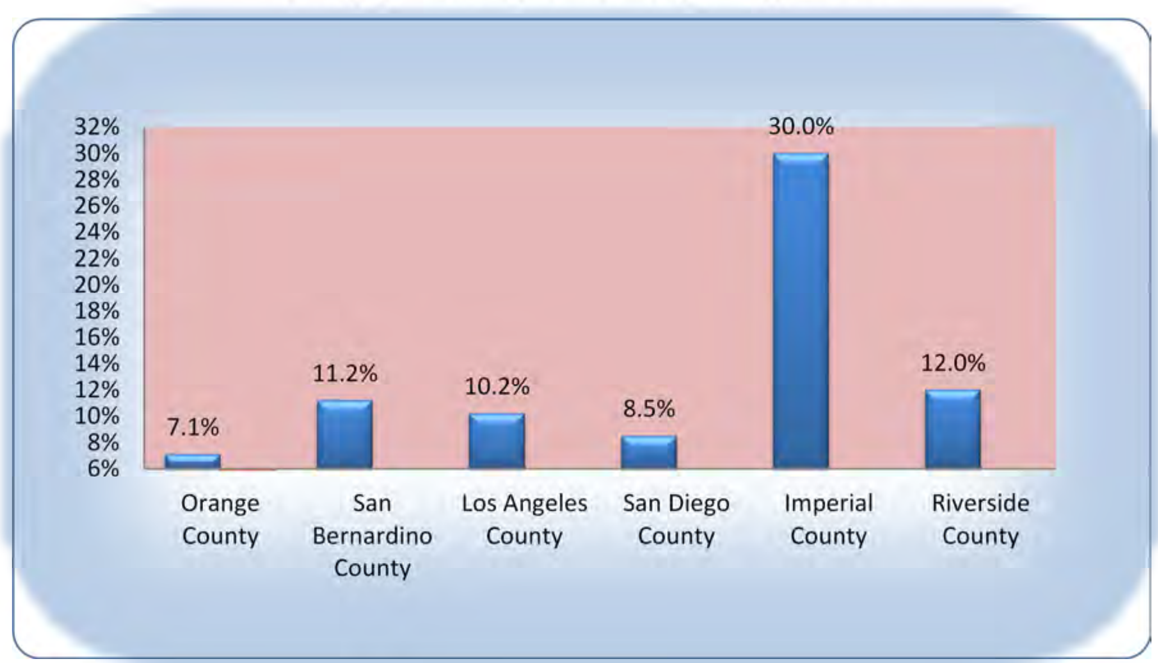
Statewide, issuance of residential construction permits increased 15 percent in January and February over the same period a year ago. Although home prices remain weak, sales improved modestly and inventory measures continue to improve.

Local Economy

Exceptional growth in the County's assessed property value began in fiscal year 2004-05, and started sharply declining in fiscal year 2007-08. For fiscal year 2011-12, assessed valuation decreased by 1.5 percent. The State Board of Equalization has confirmed that movement in the consumer price index for 2012 will permit return to the maximum two percent increase for properties subject to Prop. 13. Due in part to the incorporation of the cities of Eastvale and Jurupa, overall building permit volume for single-family, grading, plan check, in unincorporated Riverside County has dropped substantially.

Riverside County's unemployment rate has slightly improved from 12.6 percent in June 2012 to 12 percent in September 2012, compared to a year ago when unemployment stood at 14 percent.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, September 2012.

Relevant Financial Information

Debt Advisory Committee provides advice to the Board on debt issuance and management.

Pension Advisory Committee provides an institutional framework to help guide policy decisions about retirement benefits.

Deferred Compensation Advisory Committee provides assurance of the financial stability of the Plan through prudent monitoring of investments and costs.

Investment Oversight Committee shall cause an annual audit to be performed, and review the annual audit report prior to submittal to the Board of Supervisors; and to review the County's investment policies.

Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its *CAFR* for the fiscal year ended June 30, 2011. This was the twenty-fourth consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for new certificate.

The County of Riverside has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 2011. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal.

Acknowledgments

The preparation of this CAFR could not have been accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office, especially the staff members of the General Accounting Division who consistently produce award winning financial reports. I would also like to thank the staff members of the contributing component units and departments for their participation in the preparation of this report.

Additionally, I would like to offer my appreciation to the Board of Supervisors and County Executive Office for their visionary leadership making Riverside County a great place to live, work, and to conduct business. Finally, I would like to thank our independent auditors, Brown Armstrong Certified Public Accountants, for their efforts throughout this audit engagement.

Respectfully submitted,

Paul Angulo

PAUL ANGULO, CPA, MA-Mgmt
AUDITOR-CONTROLLER

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COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2012

ELECTED OFFICIALS

Board of Supervisors

BOB BUSTER
First District

JOHN F. TAVAGLIONE
Chairman
Second District

JEFF STONE
Third District

JOHN BENOIT
Vice Chairman
Fourth District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

PAUL ZELLERBACH
District Attorney

STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator

PAUL ANGULO
Auditor
Controller

LARRY WARD
Assessor
Clerk
Recorder

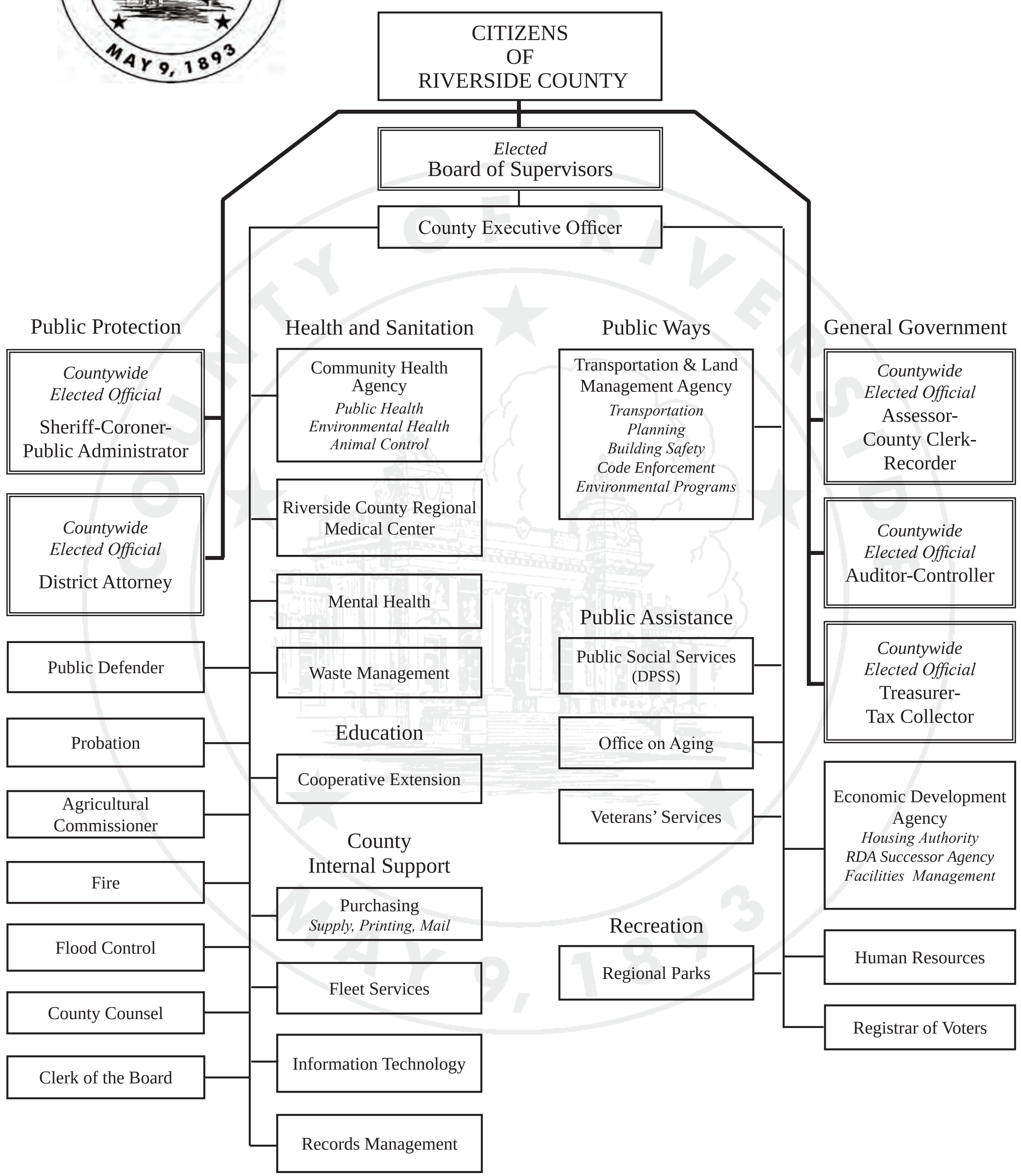
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

JAY ORR
County Executive Officer

PAMELA WALLS
County Counsel

County of Riverside Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011

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

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

Linda C. Davison
President

Jeffrey R. Emer
Executive Director

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FINANCIAL SECTION

BROWN ARMSTRONG
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com
560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218
8050 N. PALM AVENUE
SUITE 300
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593
790 E. COLORADO BLVD.
SUITE 908B
PASADENA, CALIFORNIA 91101
TEL 626.240.0920
FAX 626.240.0922
5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California, as of and for the year ended June 30, 2012, which collectively comprise the County of Riverside's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Riverside's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (the Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), Perris Valley Cemetery District (the Cemetery District), County of Riverside Redevelopment Agency (the RDA), and Children and Families First Commission of Riverside County (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	25%	6%
Business-Type Activities	6%	17%
Aggregate Remaining Fund Information	2%	1%
Discretely Presented Component Units	37%	72%

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the flood control special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the basic financial statements, in accordance with the State Assembly Bill 1X 26, the successor agency to the redevelopment agency has transferred the available assets that are not contractually committed to the designated public body. The County has reported an extraordinary net gain of $502.6 million in the governmental-wide financial statements of the County due to this transfer. Management has deemed obligations of the former redevelopment agency due to the County as valid enforceable obligations payable by the successor agency trust under the requirements of Assembly Bill 1X 26. The County's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012, on our consideration of the County of Riverside's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S

DISCUSSION AND ANALYSIS

It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report.

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal beginning on page V and the County's basic financial statements which begin on page 25.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements which are comprised of the following three components:

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

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

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

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

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets.* Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or declining. The Statement of Net Assets in summary can be found on page 7, and in more detail on page 25.

The *Statement of Activities,* presented on page 9 in summary and on pages 26 - 27 in detail, provides information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, Property Tax revenues have been recorded that have been accrued but not yet collected, and expenditures for compensated absences have been accrued, but not paid.

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

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

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

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- County of Riverside Bankruptcy Court Corporation
- Housing Authority of the County of Riverside
- In-Home Supportive Services Public Authority
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (no activity for fiscal year 2011-12)
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery District

Fund Financial Statements, illustrated on pages 30 - 47, provide information regarding the three major categories of County funds – governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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

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

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

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental fund budgets except for CORAL, District Court Project, Bankruptcy Court, Inland Empire Tobacco Securitization Authority and the RDA Housing Successor Agency. The budgetary comparison statements have been provided to demonstrate compliance with their respective budgets.

Proprietary Funds are used to account for services for which the County charges customers, either outside customers or internal departments of the County. Proprietary funds statements, found on pages 42-45, provide the same type of information as shown in the government-wide financial statements with more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional

Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Financial information for the remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the supplementary information section.

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

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements on pages 46 - 47, are presented on the economic resources measurement focus and the accrual basis of accounting.

Notes to the Basic Financial Statements provide additional information other than that displayed on the face of the financial statements and are essential for fair presentation of the financial information in the government-wide and fund financial statements. See pages 49 -113.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress and employer contributions. This additional information can be found beginning on page 115.

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the County's assets of $7.2 billion exceeded its liabilities of $2.8 billion resulting in $4.4 billion of net assets.
- Net assets includes $845.8 million of unrestricted net assets, which may be used to meet the County's ongoing obligations to citizens and creditors; $724.9 million of restricted net assets, which is required by external sources or through enabling legislation to be used for specific purposes; and $2.9 billion is invested in capital assets, net of related debt.
- During fiscal year 2011-12, the County's net assets increased by $591.0 million, or 15.2% including a restated amount of $4.5 million from prior fiscal year. Of this amount, an increase of $641.0 million was from governmental activities and an offset of a $50.0 million decrease from business-type activities. The increase in net assets was primarily due to an overall decrease in total liabilities. This decrease was largely due to $803.1 million in government activities from Redevelopment Agency Tax Allocation Bonds being transferred to its Successor Agency on February 1, 2012. Countywide expenses of $3.2 billion were offset by program revenues of $2.6 billion and general revenues of $764.3 million. Of the $2.6 billion, $1.4 billion, or 56.5%, was recognized through operating grants and contributions.
- On January 10, 2011, as part of a statewide budget process, Governor Brown proposed the elimination of Redevelopment Agencies (RDA's) throughout California starting fiscal year 2011-12. On December 29, 2011, after a period of litigation, the State of California Assembly Bill AB X1 26 was upheld by the California Supreme Court, and RDA's were officially dissolved as of February 1, 2012. The transfer of responsibility is described in Note 16 to the financial statements.
- As of June 30, 2012, the total fund balances of the governmental funds were $1.3 billion. This represents a decrease of $432.1 million, or 24.5%, in comparison with the prior year. This decrease was primarily the result of transferring assets and liabilities to the Riverside County Redevelopment Successor Agency, from the existing Redevelopment Agency, brought about by the legislation referred to above.

- As of June 30, 2012, fund balance for the General Fund was $336.6 million, or 15.0% of the total General Fund expenditures. This amount is comprised of the following fund balance categories: $1.8 million nonspendable, $101.7 million restricted, $52.4 million committed, $8.8 million assigned, and $171.9 million unassigned. The detail of these fund balances can be found in Note 13 to the financial statements.
- The County's long-term debt of $1.9 billion showed a net decrease of $834.0 million, or 31.0%, compared to the prior year. The decrease was mainly a result of the transfer of RDA's long term debt to RDA Successor Agency pursuant to the provisions of the Redevelopment Restructuring Act AB X1 26. These obligations are bonds payable, capital leases, certificates of participation, loans payable, and other long-term debt.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve as a useful indicator of a government's financial position. The Table below focuses on the net assets and changes in net assets in the County's governmental and business-type activities. It presents an analysis of the County's net assets as of June 30, 2012, in comparison to the prior fiscal year 2010-11. At the end of the current fiscal year, the County reported positive net assets in all three net assets categories, for both governmental and business-type activities. Total net assets, as indicated below, exceeded liabilities by $4.4 billion representing an increase of $591.0 million ($586.5 million as previously reported and restatement of $4.5 million, See Note 3), or 15.3% in comparison to the prior year's increase of $24.8 million or .07%. A more detailed statement can be found on Page 25 in the Government-Wide Financial Statements.

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2012	2011	2012	2011	2012	2011	%
Assets:							
Current and other assets	$ 2,903,152	$ 3,289,402	$ 308,604	$ 324,984	$ 3,211,756	$ 3,614,386	-11.1%
Capital assets	3,704,789	3,494,794	269,673	270,293	3,974,462	3,765,087	5.6%
Total assets	6,607,941	6,784,196	578,277	595,277	7,186,218	7,379,473	-2.6%
Liabilities:							
Current liabilities	788,496	760,630	100,275	73,802	888,771	834,432	6.5%
Long-term liabilities	1,543,912	2,384,434	311,845	305,350	1,855,757	2,689,784	-31.0%
Total liabilities	2,332,408	3,145,064	412,120	379,152	2,744,528	3,524,216	-22.1%
Net assets:							
Invested in capital assets, net of related debt	2,740,429	1,687,128	130,510	113,489	2,870,939	1,800,617	59.4%
Restricted	683,835	656,347	41,103	43,086	724,938	699,433	3.6%
Unrestricted	851,269	1,295,657	(5,456)	59,550	845,813	1,355,207	-37.6%
Total net assets	$ 4,275,533	$ 3,639,132	$ 166,157	$ 216,125	$ 4,441,690	$ 3,855,257	15.2%

Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets, net of related debt** represents $2.9 billion, or 64.5%, of the County's total net assets for fiscal year 2011-12 compared to $1.8 billion, or 46.7%, for fiscal year 2010-11. The increase is attributable to the completion of multiple construction projects including the Roy Wilson Fire Station, Lake Mathews Fire Station and Community Room Project, Highgrove Library, the installation of a 110 kilowatt solar shade system, the renovation of the Indio County Administrative Center, the resurfacing and widening of the Ramona Expressway, the construction of an underground storm drain and channel reconstruction, and a levee restoration project. This component consists of capital assets such as land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation. The amount is further reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net assets** account for $724.9 million, or 16.3%, of the County's total net assets for fiscal year 2011-12 compared to $699.4 million, or 18.1%, for fiscal year 2010-11. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** account for $845.8 million, or 19.4%, of the County's total net assets for fiscal year 2011-12 compared to $1.4 billion, or 35.2%, for fiscal year 2010-11. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2011-12, $851.3 million is from governmental activities and $5.5 million deficit for business-type activities, compared to prior year whereas, $1.3 billion was from governmental activities and $59.6 million from business-type activities.

The following table provides information from the Statement of Activities of the County for the fiscal year 2011-12, as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2012	2011	2012	2011	2012	2011	%
Revenues:							
Program revenues:							
Charges for services	$ 580,797	$ 591,738	$ 505,665	$ 526,860	$ 1,086,462	$ 1,118,598	-2.9%
Operating grants and contributions	1,447,694	1,393,016	-	-	1,447,694	1,393,016	3.9%
Capital grants and contributions	27,909	32,114	335	-	28,244	32,114	-12.1%
General revenues:							
Property taxes	322,337	367,867	-	-	322,337	367,867	-12.4%
Sales and use taxes	26,744	45,489	-	-	26,744	45,489	-41.2%
Motor vehicle in-lieu taxes	226,384	235,153	-	-	226,384	235,153	-3.7%
Investment earnings	11,801	19,494	907	538	12,708	20,032	-36.6%
Other	176,113	151,970	-	6,617	176,113	158,587	11.1%
Total revenues	2,819,779	2,836,841	506,907	534,015	3,326,686	3,370,856	-1.3%
Expenses:							
General government	270,474	298,032	-	-	270,474	298,032	-9.2%
Public protection	1,047,202	1,021,288	-	-	1,047,202	1,021,288	2.5%
Public ways and facilities	84,797	87,424	-	-	84,797	87,424	-3.0%
Health and sanitation	374,950	369,984	-	-	374,950	369,984	1.3%
Public assistance	827,092	907,202	-	-	827,092	907,202	-8.8%
Education	10,376	15,816	-	-	10,376	15,816	-34.4%
Recreation and culture	15,806	9,364	-	-	15,806	9,364	68.8%
Interest on long-term debt	39,098	88,998	-	-	39,098	88,998	-56.1%
Regional Medical Center	-	-	417,074	401,120	417,074	401,120	4.0%
Waste Management	-	-	57,272	56,688	57,272	56,688	1.0%
Housing Authority	-	-	91,469	86,027	91,469	86,027	6.3%
Flood Control	-	-	2,306	3,711	2,306	3,711	-37.9%
County Service Areas	-	-	456	383	456	383	19.1%
Total expenses	2,669,795	2,798,108	568,577	547,929	3,238,372	3,346,037	-3.2%
Excess (deficiency) before Transfers	149,984	38,733	(61,670)	(13,914)	88,314	24,819	255.8%
Transfers in (out)	(11,702)	(10,355)	11,702	10,355	-	-	0.0%
Change in net assets, before extraordinary items	138,282	28,378	(49,968)	(3,559)	88,314	24,819	255.8%
Extraordinary Items	502,639	-	-	-	502,639	-	0.0%
Change in net assets	640,921	28,378	(49,968)	(3,559)	590,953	24,819	2281.0%
Net Assets, Beginning of Year, as Restated	3,634,612	3,610,754	216,125	219,684	3,850,737	3,830,438	0.5%
Net Assets, End of Year	$ 4,275,533	$ 3,639,132	$ 166,157	$ 216,125	$ 4,441,690	$ 3,855,257	15.2%

The following are specific major factors that resulted in the net asset changes between fiscal years 2011-12 and 2010-11 as shown in the above table.

Governmental Activities

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

- Operating Grants and Contributions are revenues received from parties outside of the County, such as state and federal agencies, and are generally restricted to one or more specific programs. These revenues were the largest governmental activities revenue source for fiscal year 2011-12 with a total of $1.4 billion being recognized. The increase of $54.7 million in current fiscal year is attributable to higher reimbursements from State and Federal funding for public assistance services, such as categorical aid, mental health services, and women, infants and children programs.

- A total of $580.8 million was earned as governmental activity charges for services compared to $591.7 million for fiscal year 2010-11. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. The decrease of $10.9 million was largely attributable to the establishment of AB109, California's Prison Realignment Plan, effective October 1, 2011. The implementation of this legislation caused a realignment of funding sources. One primary change effected the reimbursement of Trial Court Fees. In fiscal year 2011-12, trial court funding was received directly from the State rather than reimbursed through Superior Court. This change caused a decrease in revenue recognized in charges for services.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $27.9 million earned for fiscal year 2011-12 compared to $32.1 million earned for fiscal year 2010-11. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2011-12, $27.1 million, or 96.9% of the revenue, was received for public ways and facilities programs, as compared to $29.5 million, or 91.8%, for fiscal year 2010-11. This revenue is primarily related to the construction and acquisition of infrastructure capital assets.

- General revenue related to governmental activities primarily consists of taxes, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with $322.3 million recognized during the year, as compared to $367.9 million for fiscal year 2010-11. Investment earnings decreased from $19.5 million to $11.8 million, or 39.5%, as a result of continual declines in interest earnings reflecting rate cuts by the Federal Reserve. Motor vehicle in-lieu of taxes revenue decreased 3.7% from $235.2 million in fiscal year 2010-11 to $226.4 million in fiscal year 2011-12.

Expenses: Total program expenses for governmental activities were $2.7 billion for the current fiscal year, a decrease of $128.3 million or 4.6%, as compared to prior fiscal year. Public Protection represents $1.0 billion or 39.2%, of the total governmental activities expenses; $827.1 million or 31.0%, for Public Assistance; $375.0 million or 14.0%, for Health and Sanitation; and $270.5 million or 10.1%, for General Government. An extraordinary loss of $300.5 million was a result of the transfer of the former RDA assets and liabilities to the Private Purpose Trust Fund.

Business-type Activities

Revenues: The County has two major business-type activities: The Riverside County Regional Medical Center (RMC) and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities. For the current year, $505.7 million or 99.9%, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, $371.8 million, was received by RMC as compared to $386.5 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $568.6 million for the fiscal year compared to $547.9 million for the prior fiscal year. This represents an increase of $20.6 million or 3.8%. Expenses of $417.1 million or 73.4% were incurred by RMC in current fiscal year, as compared to $401.1 million or 73.2%, for the prior fiscal year.

In addition, expenses for the Housing Authority were $91.5 million or 16.1% of total expenses for business-type activities, compared to prior fiscal year's expenses of $86.0 million or 15.7%; Waste Management Department expenses were $57.3 million or 10.1% , compared to $56.7 million or 10.4% the prior fiscal year. Flood Control and County Service Areas account for the remaining 0.5% of expenses consistent with the prior fiscal year.

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of spendable resources. Such information is useful in assessing the County's short-term financial requirements. In particular, the total fund balance less the nonspendable amount may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Capital Project Funds, Debt Service Funds, and Permanent Funds.

As of June 30, 2012, the County's governmental funds reported combined fund balances of $1.3 billion, a decrease of $432.1 million, in comparison with the prior year. The components of total fund balance are as follows (See Note 13 - Fund Balances for additional information):

- Nonspendable fund balance – $4.1 million, are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance – $682.9 million, are amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – $319.9 million, are amounts that are committed for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- Assigned fund balance – $154.7 million, are amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – $171.9 million, are funds that are not reported in any other category and are available for any purpose within the General Fund.

Total governmental fund revenue decreased by $32.8 million or 1.2%, from the prior fiscal year with $2.8 billion being recognized for the fiscal year ended June 30, 2012. Expenditures decreased by $105.3 million or 3.5%, from the prior fiscal year with $2.9 billion being expended for governmental functions during fiscal year 2011-12. Overall, governmental fund balance decreased by $432.1 million or 24.5%. In comparison, fiscal year 2010-11 had a decrease in governmental fund balance of $27.5 million or 1.5%, over fiscal year 2009-10.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was $336.6 million, as compared to $343.6 million for the prior fiscal year. The decrease of $7.0 million, or 2.0% was a result of a decline in tax revenues due to a decrease in assessed property values, a reduction in interest earnings attributable to a lower interest rate, a reduction on the State allocation for vehicle license fees and less cost reimbursement from civil cases within the District Attorney's Office. As a measure of the General Fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The nonspendable portion of fund balance was $1.8 million, and the spendable portion was $334.8 million. The current year unassigned fund balance is 7.6% of the total General Fund expenditures of $2.3 billion, as compared to 8.4% of the prior year expenditures total of $2.2 billion. The total fund balance of the General Fund for the current year is 14.9% of the total General Fund expenditures as compared to 15.3% for the prior year.

Flood Control fund balance increased by $5.3 million or 2.1%, from $251.0 million in fiscal year 2010-11 to $256.3 million in fiscal year 2011-12. This increase was a result of an excess of revenues over expenses in current year operating activities.

Public Facilities Improvements Capital Projects fund balance decreased from $293.1 million to $242.5 million, 17.3% or $50.6 million. The decrease is due to the completion of various construction projects and the utilization of the reserve for construction account to reimburse costs of multiple capital projects, such as the Roy Wilson Fire

Station, Lake Mathews Fire Station and Community Room Project, the installation of a 110 kilowatt solar shade system at the Riverside County Administrative Center parking structure, the renovation project converting the Indio County Administrative Center into a Criminal Justice Law building, and the resurfacing and widening of the Ramona Expressway. In addition, there was a slight decrease in other revenue and interest earnings due to low interest rates caused by slow recovery in the economy.

Proprietary Funds

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

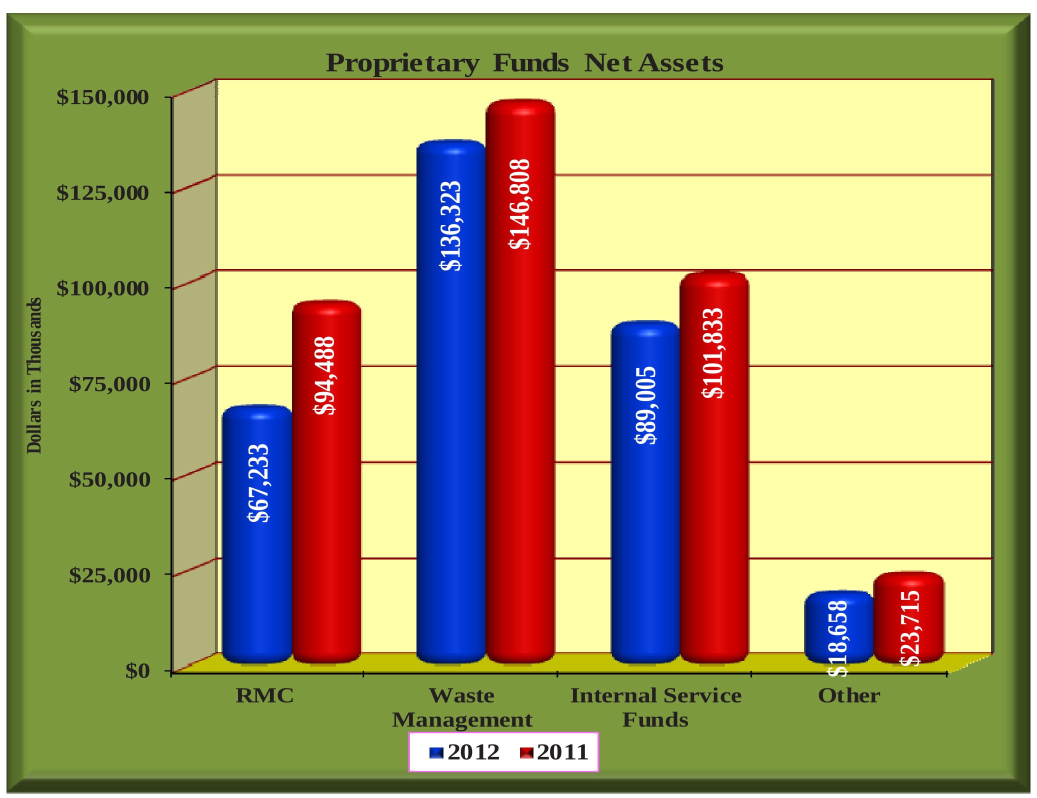
At the end of the fiscal year, total proprietary fund net assets were $311.2 million, compared to $366.8 million for prior fiscal year. Total proprietary fund net assets decreased by $55.6 million or 15.2%, compared to $17.1 million or 4.4%, decrease for the prior fiscal year.

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

- Riverside County Regional Medical Center: -$11.9 million
- Waste Management: $54.8 million
- Other enterprise fund activities: $7.6 million
- Internal service fund activities: $68.4 million

RMC's net assets decreased $27.3 million or 28.9%, from $94.5 million to $67.2 million. The decrease is attributable to lower net patient revenue and an increase in operating expenses, as well as increased interest expense in fiscal year 2011-12.

Waste Management's net assets decreased from $146.8 million to $136.3 million. The decrease resulted primarily from the reclassification of closure, post-closure, and remediation funds into liability accounts.



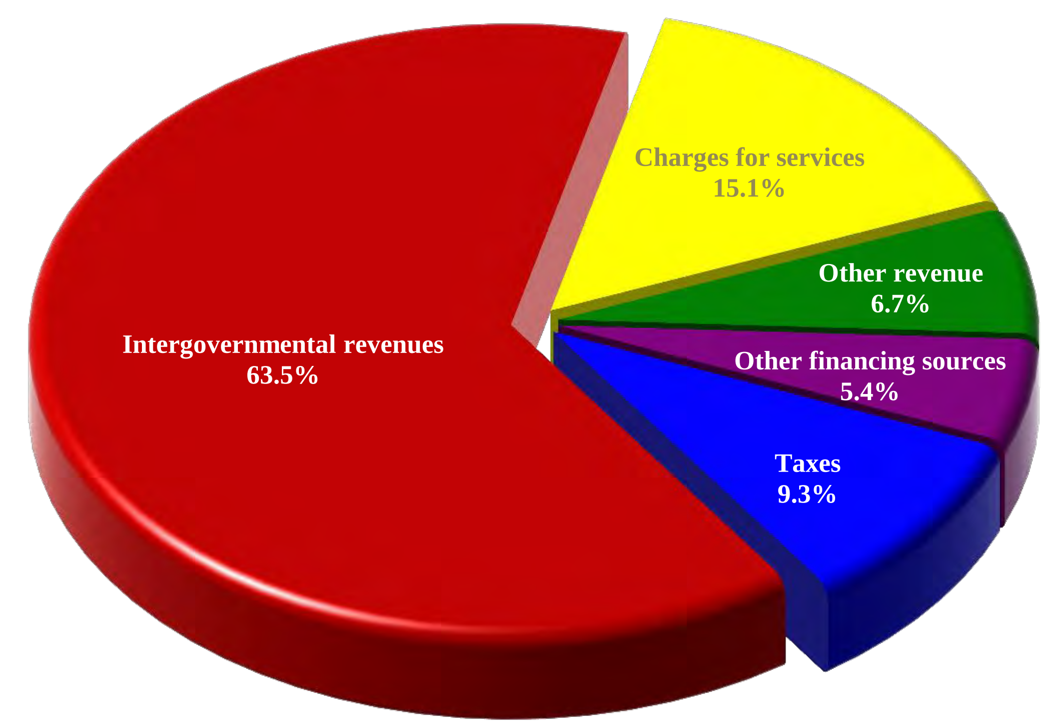
GENERAL FUND FINANCIAL ANALYSIS

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

Revenues and Other Financing Sources	Fiscal Year 2011-12	Percent of Total	Fiscal Year 2010-11	Percent of Total	Variance
Taxes	$ 216,746	9.3%	$ 221,807	9.7%	-2.3%
Intergovernmental revenues	1,487,205	63.5%	1,428,562	62.2%	4.1%
Charges for services	354,451	15.1%	369,780	16.1%	-4.1%
Other revenue	156,017	6.7%	161,234	7.1%	-3.2%
Other financing sources	126,258	5.4%	114,368	4.9%	10.4%
Total	$ 2,340,677	100.0%	$ 2,295,751	100.0%	2.0%

The loss of tax revenue was attributable to a decline in sales tax revenue due to new cities of Eastvale & Jurupa Valley and a sharp decline in secured property taxes due to a decrease in assessed values. The increase in intergovernmental revenue was primarily attributable to realignment revenue from the State and an increase in expenditures towards the Mental Health Services Act (MHSA) leading to greater reimbursements. The realignment revenue includes an increase in revenue for Early Periodic Screening & Diagnosis Treatment (EPSDT); Mental Health managed care, and Proposition 10. With the establishment of the Local Revenue Fund, Sheriff, Probation, District Attorney, Public Defender, and Mental Health received more State revenue due to the criminal justice alignment from AB109. Also with AB109, trial court funding is received directly from the State rather than the Superior Court which decreased revenue from charges for services.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2012

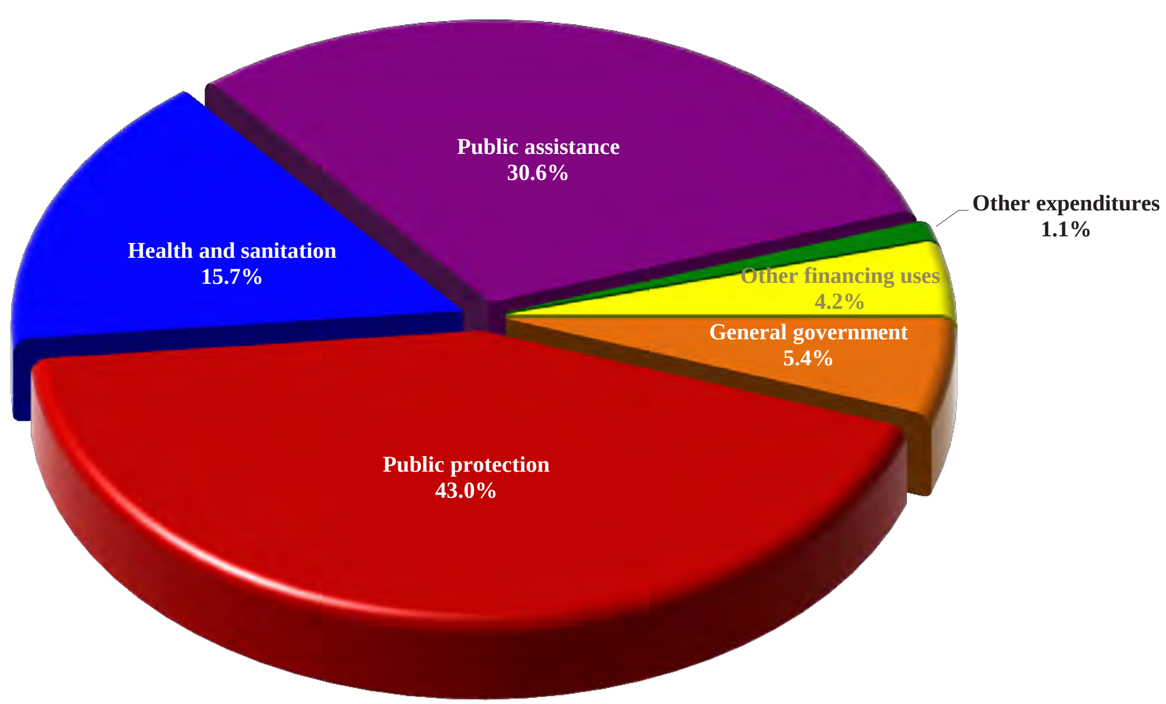


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2011-12	Percent of Total	Fiscal Year 2010-11	Percent of Total	Variance
General government	$ 127,195	5.4%	$ 109,146	4.7%	16.5%
Public protection	1,010,999	43.0%	1,025,584	43.9%	-1.4%
Health and sanitation	369,165	15.7%	345,649	14.8%	6.8%
Public assistance	719,670	30.6%	731,017	31.3%	-1.6%
Other expenditures	25,000	1.1%	34,062	1.5%	-26.6%
Other financing uses	98,045	4.2%	93,217	3.9%	5.2%
Total	$2,350,074	100.0%	$2,338,675	100.0%	0.5%

The increase of expenditures in general government was attributable to contributions made to the Public Safety Enterprise Communication (PSEC) project and the County of Riverside Enterprise Solutions for Property Tax (CREST) project. Energy Management also consolidated utility accounts from other departments and increased expenditures for energy conservation projects under the Energy Efficiency and Conservation Block Grant (EECBG). The decrease of expenditures in public protection was mainly attributable to District Attorney, Sheriff, and Code Enforcement. District Attorney had a decrease in salaries and benefits due to attrition and a large payout of annual leave in prior year. Sheriff had a reduction in funding with direction to lower staffing levels. Code Enforcement had significant reductions in grant related abatements. The increase of expenditures in health and sanitation was attributable to Mental Health and the Community Health Agency. Mental Health had an increase due to additional administrative staffing resources supporting the new Behavioral Health Information System (BHIS), the implementation of prevention programs with consultant contracts, and high usage of the Institute of Mental Disease (IMD). The Community Health Agency had an increase of expenditures due to increased costs in California Children's Services (CCS) administration, CCS therapy programs, and the Healthy Families program with more assigned children. The decrease in public assistance was attributable to a reduction of CalWORKS benefits in categorical aid.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2012



GENERAL FUND BUDGETARY HIGHLIGHTS

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

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variances

The original adopted General Fund estimated revenue budget decreased by $43.8 million, or 1.8%, from $2.5 billion to the final amended revenue budget of $2.4 billion. The $43.8 million represents a decrease of $86.5 million in charges for current services offset by an increase of $47.8 million in state aid and $4.0 million in other revenue.

State Aid: The increase in state aid of $47.8 million, or 5.1%, was partially the result of increases of $23.5 million in total by Sheriff, Mental Health, Probation, Public Defender, and District Attorney for implementation of AB109 criminal justice alignment. Sheriff, District Attorney, Probation, and Fire received $8.5 million in additional allocations from Proposition 172 public safety sales tax. Mental Health had an increase of $6.7 million to acquire additional Myers building facilities with MHSA funds. The Executive Office had an increase of $4.0 million for the implementation of the Low Income Health Program. Probation had an increase of $2.9 million for the SB678 Community Corrections Performance Incentive Act for evidence-based practice incentive funds.

Charges for Current Services: The net decrease of $86.5 million, or 17.8%, for charges for current services was mainly the result of intergovernmental activities.

Other Revenue: The decrease in other revenue of $4.0 million, or 4.1%, was primarily the result of intergovernmental activities and a reclassification of operating transfers to other financing sources.

Expenditure Appropriation Variances

The original adopted General Fund appropriation budget of $2.6 billion decreased by $10.8 million, or 0.4%, during the fiscal year. The significant appropriation changes were an increase of $16.2 million in public protection, an increase of $12.7 million in health and sanitation, and an increase of $9.5 million in general government offset by a decrease of $40.1 million in debt service and a decrease of $9.2 million in public assistance. The major appropriation variances are described below.

General Government: The appropriation budget increased by $9.5 million, or 4.8%, from the original adopted budget of $198.2 million to $207.7 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $1.6 million, or 1.9%, mainly due to intergovernmental activities and salary savings from furloughs and vacant positions.
- Services and supplies increased by $1.2 million, or 1.9%, mainly due to increases by the Economic Development Agency (EDA) Energy division and Human Resources. The EDA Energy division increased budget by $0.6 million to cover a rise in electricity costs. Human Resources increased budget by $0.6 million due to a rise in arbitration and communication services.
- Other charges increased by $3.7 million, or 4.8%, mainly due to Executive Office and the Board of Supervisors. Executive office had increases in legislative administration support by $9.0 million for the acquisition of property benefiting the Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP) and increases in contributions to other funds by $4.7 million for legal expenses. The Board of Supervisors increased by $1.8 million for community improvement designations. These increases were offset by intergovernmental activities.
- Appropriation for contingencies increased by $3.3 million, or 16.5%. The contingency budget covers current and potential General Fund liabilities and shortfalls in discretionary revenue. The increase is due to a $10.8 million capital fund reappropriation. During the year, the contingency covered a shortfall of $6.2 million in discretionary revenue including property taxes, interest earnings, and contractual revenue. The major liability covered was the obligation to pay $1.0 million to CAL FIRE.

Public Protection: The appropriation budget increased by $16.2 million, or 1.5%, from the original adopted budget of $1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $4.0 million, or 0.6%, primarily due to Sheriff, Probation, Public Defender, and District Attorney for positions to implement AB109 criminal justice alignment.
- Services and supplies increased by $9.1 million, or 3.0%, mainly due to Sheriff, Probation, Public Defender, and District Attorney for implementation of AB109 criminal justice alignment. Fire had an increase of over $0.7 million for carryover funds from Homeland Security grants.
- Other Charges decreased by $1.6 million, or 3.3%, mainly due to a decrease of $5.8 million for intergovernmental activities primarily offset by a $1.7 million increase in Sheriff for the following facilities management projects: a Blythe Jail and Colorado River Station generator, Smith Correction Facility warehouse construction, safety cell construction, and a window replacement. Sheriff also had an increase of $0.7 million for the fiscal year 2010 Homeland Security Grant Program and intergovernmental activity. Probation had an increase of $1.4 million primarily for a security camera system at Southwest Juvenile Hall, the Post Release Community Supervision Accountability Teams under AB109 criminal justice alignment, and the new secured Youthful Offender Program (YOP) facility.
- Capital assets increased by $5.5 million, or 236.8%, mainly due to Sheriff and Fire. Sheriff had an increase of $3.8 million primarily due to funding from the fiscal year 2011 Homeland Security Grant Program for mobile mapping and interoperable radio equipment for aircraft, mobile data computers (MDC) and digital imaging management system for patrol and due to funding from the fiscal year 2009-10 COPS grant for an Agency Data Management System, and night vision equipment. Fire had an increase of $1.3 million primarily for multiple mass shelters, a trailer, three pickup trucks, three sport utility vehicles, and a hazmat vehicle.

Health and Sanitation: The appropriation budget increased by $12.7 million, or 3.1%, from the original adopted budget of $411.9 million to $424.7 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits decreased by $1.1 million, or 0.5%, primarily due to labor savings from unfilled vacancies and intergovernmental activities.
- Services and supplies increased by $6.9 million, or 6.2%, mainly due to the Community Health Agency Department of Public Health, the Low Income Health Program, and Detention Health Systems. Public Health had increases of over $2.2 million throughout the year to reflect grant funding additions for industrial hygiene, disease control, and the Public Health Emergency Preparedness and Response. The Low Income Health Program, with an increase of $2.0 million, was implemented midyear and began serving patients in January. Detention Health Systems increased by over $1.1 million for pharmaceuticals and prisoner hospital charges under the 340B program.
- Capital assets increased by $6.9 million, or 968.3%, primarily due to Mental Health's $6.7 million purchase of Myers building facilities to provide client care for children under MHSA funding.

Public Assistance: The appropriation budget decreased by $9.2 million, or 1.1%, from the original adopted budget of $802.9 million to $793.7 million. The decrease was due to intergovernmental activities and State changes in Stage 1 childcare services which decreased caseloads for the Department of Public Social Services (DPSS).

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

During the year, the General Fund had a positive budget variance of approximately $85.8 million resulting from unexpended appropriations of $295.8 million, or 11.6%, and overestimated revenue of $210.1 million, or 8.7%. The following contributed to the variance:

Expenditure Variances

General Fund actual expenditures of $2.3 billion were 11.6%, or $295.8 million, less than the final amended appropriation budget of $2.6 billion. General government, public assistance, public protection, health and sanitation, and debt service were the five most significant factors attributing to the unexpended appropriations as follows:

General Government: Actual expenditures of $127.2 million were less than the final amended budget of $207.7 million by $80.5 million, or 38.8%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $5.7 million, or 6.5%, below budget primarily due to vacant positions and attrition for savings at EDA with $2.5 million, at Auditor-Controller with $0.9 million, and at Assessor with $0.6 million. Other general government departments had similar savings of a lesser proportion.
- Services and supplies were $4.7 million, or 7.1%, less than budgeted mainly due to EDA, Executive Office, and Assessor. EDA accounts for approximately $2.9 million of the variance mainly due to a $2.1 million savings in electricity costs. Executive Office accounts for $1.3 million mainly due to savings in professional services. Assessor had savings of $0.6 million due to intergovernmental activity.
- Other charges were $48.4 million, or 59.8%, less than budgeted primarily due to intergovernmental activities. Executive Office had savings of $8.2 million mainly due to less than projected costs for contributions to other funds and legal administration and support. EDA had savings of $0.5 million mainly due to lower costs for salary reimbursements and general office expenditures.
- Appropriation for contingencies resulted in a budget of $23.3 million. This is budgeted for potential liabilities from unexpected General Fund expenditures or shortfall of discretionary revenue.

Public Protection: Actual expenditures of $1.0 billion were less than the final amended budget of $1.1 billion by $65.3 million, or 6.1%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $33.7 million, or 4.7%, less than budgeted primarily due to Sheriff, Probation, Public Defender, Department of Child Support Services (DCSS), Fire, and $7.2 million in savings from intergovernmental activities. Sheriff had savings of $11.0 million mainly due to new AB109 funded positions, attrition, and newly negotiated contracts with the Riverside Sheriffs' Association (RSA) and the Law Enforcement Management Unit (LEMU). Probation had savings of $8.9 million and Public Defender had savings of $2.1 million mainly due to unfilled positions including those received with new funding for AB109 criminal justice alignment. Due to vacant positions, DCSS had savings of $1.6 million and Fire had savings of $0.8 million.
- Services and supplies were $18.8 million, or 5.9%, less than budgeted mainly due to Sheriff, Fire, District Attorney, Probation, Animal Services, Code Enforcement, and Executive Office. Sheriff had savings of $6.1 million primarily due to less than anticipated costs for a cellular vehicle project, liability insurance, carpool expense, conference and registration fees, professional services, and cleaning services. Fire had savings of $5.1 million due to less than expected costs to CAL FIRE for contract city partners, weed abatement, and equipment usage. District Attorney had savings of $2.4 million due to less than expected cost for software maintenance, office supplies, and other miscellaneous expenditures. Probation had savings of $1.5 million primarily due to the implementation of AB109 criminal justice alignment. For AB109, Probation planned for new leases to accommodate the anticipated growth and additional Post Release Community Supervision Accountability Teams (PRCSAT) related expenditures. Animal Services had savings of $0.9 million in utilities, pharmaceuticals, and administrative support. Code Enforcement had savings of $0.9 million mainly due to fewer than expected abatements. Executive Office had savings of $0.8 million primarily from less than expected projects costs for AB233 in trial court funding.
- Other charges were $8.3 million, or 17.5%, less than budgeted primarily due to County Clerk-Recorder, Executive Office, and Probation. County Clerk-Recorder had savings of $4.4 million mainly due to the delay in replacement of the main records system, related computer infrastructure, and hardware. Executive Office had savings of $2.3 million due to less expenditure for AB233 in trial court funding. Probation's Juvenile Hall Division had savings of $1.7 million mainly due to less than anticipated costs for medical services and a delay in projects including a security camera system for Southwest Juvenile Hall, a boiler replacement at Indio Juvenile Hall, and Air Quality Management District (AQMD) compliance preparation at Riverside Juvenile Hall.
- Capital assets were $3.4 million, or 43.6%, less than budgeted due to Fire and Sheriff. Fire had savings of $1.4 million mainly due to the purchase deferral of a fire engine and other equipment. Sheriff had savings of $1.6 million mainly due to less than expected purchases in communications and computer equipment. Also, Sheriff Corrections delayed purchase of a steam kettle, a visitation area security system, and a fork lift at the Smith Correctional Facility and a security system and combination oven at the Southwest Detention Center.

- Health and Sanitation: Actual expenditures of $369.2 million were less than the final amended budget of $424.7 million by $55.5 million, or 13.1%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $22.1 million, or 10.7%, less than budgeted primarily due to vacant positions in Mental Health with savings of $11.0 million, the Community Health Agency with savings of $6.6 million, and Detention Health Systems with savings of $1.4 million. Savings of $3.0 million was also achieved through intergovernmental activities.

- Services and supplies were $20.4 million, or 17.3%, less than budgeted primarily due to a $14.8 million savings in the Community Health Agency and a $4.4 million savings in Mental Health. The Community Health Agency (the Agency) had not fully expensed professional services as anticipated for industrial hygiene, disease control, and the Public Health Emergency Preparedness and Response. The Agency's administration had savings in payments for the Maddy Emergency Medical Services (EMS) program to County physicians and hospitals for their share of uncompensated emergency medical costs. The Agency also had savings in janitorial services and administrative support. Mental Health administration had savings due to budgeted lease payments for AB109 criminal justice alignment and a program in Perris that did not materialize within the year. Mental Health Treatment had savings in professional services and medical supplies.

- Other charges were $30.0 million, or 15.6%, less than budgeted primarily due to Executive Office, Mental Health, and the Medical Indigent Services Program (MISP). Executive Office received $15.0 million less than expected allocation from the State which was based on actual vehicle license revenue. Therefore, less was available to distribute for the Executive Office's contribution to health and mental health. Mental Health had savings of $14.9 million mainly due to gradual implementation of private care provider contracts for the prevention program. Also, Mental Health clinics had less dependence on client assistance than anticipated.

- Intrafund transfers were $17.4 million, or 17.6%, less than budgeted primarily due to Mental Health and the Community Health Agency. Mental Health had a shortfall of $10.4 million with Vehicle License Fee (VLF) revenue no longer being received. The Community Health Agency administration had a variance of $4.8 million attributed to lower reimbursements due to cost reductions within the department. Also, the Agency's Public Health department had savings of $1.2 million mainly due to a delay in utilizing grant funding for DPSS and Mental Health programs.

Public Assistance: Actual expenditures of $719.7 million were less than the final amended budget of $793.7 million by $74.1 million, or 9.3%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $5.9 million, or 2.5%, less than budgeted mainly due to lower staffing levels in DPSS and intergovernmental activities.
- Services and supplies were $10.7 million, or 13.7%, less than budgeted primarily due to DPSS with less funding coming in from the Supplemental Nutrition Assistance Program Education (SNAP Ed) Grant, the cancellation of funds needed for the Case Management Information Payrolling System (CMIPS) II, and lower than expected facility charges with the cancellation or delay of large projects including Norco and Perris Self Sufficiency.
- Other charges were $56.7 million, or 11.9%, less than budgeted primarily due to a $42.6 million categorical aid reduction of CalWORKS benefits from 60 months to 48 months, a 25% decrease. Also, DPSS had savings of $9.2 million due to a decrease in caseloads for Stage 1 childcare services. DPSS also had a $4.7 million savings with decreases in contracted expenditures, C-IV costs, and wraparound placements.

Debt Service: Actual expenditures of $21.4 million were less than the final amended budget of $44.5 million by $23.1 million, or 51.9%, primarily due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2012, the County's capital assets for both its governmental and business-type activities amounted to $4.0 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, equipment, and infrastructure. The County's infrastructure is comprised of channels, storm

drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 5.6%, or $209.4 million, from $3.8 billion in fiscal year 2010-11 to $4.0 billion in fiscal year 2011-12.

Construction in progress experienced an upturn from a negative 7.2% in fiscal year 2010-11 to a positive 24.1% increase in fiscal year 2011-12, as the last major projects funded with capital improvement plan funds are underway or nearing completion and no new redevelopment projects were initiated. During current economic conditions, shrinking department budgets must maintain a fine balance between providing services and assuming new costs, as we see in a 13.5% decrease in land and improvements and a decrease of 5.3% in equipment.

In fiscal year 2011-12, new major projects budgeted for construction and design included the following: East County Detention Center with a budgeted amount of $237 million, which entails the expansion of the Indio Jail capacity of the correctional system by approximately 1,200 beds and is expected to be completed within six years. The County Transportation Improvement Program provides for improvement to State Route 79N (Winchester Road) by widening it from two to four lanes between Thompson Road and Scott Road at $18.3 million. This expansion represents phase two and is intended to relieve congestion and improve safety. The second project funded under this program consists of $2.1 million, earmarked for phase four of road improvements to ten existing roads in Mead Valley. Additional projects include $1.4 million for the Palomar Street sewer improvements and $1.1 million for the pedestrian sidewalk construction and associated improvements to Krameria Avenue in the Woodcrest area. A budget of $1.6 million has been established by the Economic Development Agency (EDA), for the tenant improvement project to the second floor of the Riverside Centre Building. This facility will be occupied by the U.S. Attorney and is to be reimbursed by the Federal Government. To increase the effectiveness of perimeter security, the Sheriff Department budgeted $1.0 million for the 911 Dispatch Center Security Upgrade Project, as this center provides emergency services to a population of more than two million people.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2011-12:

In fiscal year 2011-12, additions in the amount of $224.2 million consisted of costs related to existing projects and new projects.

Existing project costs include the following:

- Roads and signal infrastructure additions were $73.5 million**.**
- The EDA incurred $59.2 million in costs for projects such as the Cabazon Civic Center, which will include a library, a child care center, an administration building for Cabazon Water District, basketball courts, and many other amenities. An additional venture includes the Leadership in Energy and Environmental Design (LEED) certified Mead Valley Community Center. This project is envisioned to enhance numerous programs to foster social, health, and recreational services for approximately 3,500 residents every month. Further, the Big League Dreams Perris Valley Sports Park is in progress and provides much needed recreational facilities and encourages economic growth by bringing thousands of athletes to the City of Perris.
- Riverside County Regional Medical Center experienced $10.3 million in projects, such as the 1,092 additional parking spaces surrounding the existing facility for $6.6 million and $2.6 million for its Siemens Hospital Information System.
- Library projects include the 20,000 square feet Mead Valley Library for $6.8 million and the conversion of two existing business suites into the Idyllwild Library for $2.1 million.

New project costs include the following:

- Transportation and Land Management Agency experienced the addition of $23.5 million in infrastructure.
- The EDA implemented several new projects in the amount of $11.2 million, such as the Rubidoux Child Development Center. This facility will provide 168 licensed child care slots for children ages zero through five. Perris-Menifee Valley Aquatic Center, one of the last redevelopment projects, will consist of an Olympic sized swimming pool, a children's water playground, a lazy river, water slides and volleyball courts.

- Flood Control incurred new costs for the year in the amount of $8.1 million for storm drains and channel projects.
- Public Safety Enterprise Communication (PSEC) sustained approximately $2.7 million in costs. The PSEC team is finalizing plans for system implementation tasks such as Sheriff mobile vehicle radio installation, coverage testing, dispatch console implementation, and subscriber radio operational design. This system will be the first system in the nation that utilizes multiple frequencies and the latest in Motorola land mobile radio technology.

Construction in Progress Transfers:

Completed construction in progress projects of approximately $68.7 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2011-12. The major projects were as follows:

- $39.5 million was transferred to structures and improvements. Examples include, the Roy Wilson Fire Station in Thousand Palms, consisting of a three bay, heavy urban 7,800 square foot station with a four story training tower for $11.0 million. The completion of a 9,400 square foot state of the art Lake Mathews Fire Station and Community Room project, in the amount of $5.2 million, containing a two apparatus bay, and an eight person station that is fully expandable to accommodate three fire apparatus and up to 12 firefighters. Parks and Recreation incurred $5.1 million for improvements to Lake Skinner Park. The construction of the Highgrove Library cost $4.0 million. The installation of a 110 kilowatt solar shade system on the upper level of the Riverside County Administrative Center parking structure, incurred expenditures in the amount of $1.3 million. This system has the potential of reducing energy cost by $84,013 annually, reduce energy used, and lessen the amount of greenhouse gas emissions. The renovation project cost of $1.3 million for the conversion of the Indio County Administrative Center into a criminal justice law building housing offices for the District Attorney and Public Defender.
- $27.6 million was transferred to infrastructure. Transportation and Land Management Agency incurred a $13.1 million expense on the resurfacing and widening of road projects, which included the Ramona Expressway for $4.1 million. This project entailed rehabilitation and safety improvement of a 3.5 mile segment from 5th Street to Warren Road in the Lakeview and San Jacinto area. The Flood Control District transferred $6.5 million for storm drains, such as the Corona Drains East Ontario Avenue Storm Drain that involved the construction of about one mile of underground storm drain and channel reconstruction, as well as the East Cathedral Canyon Channel Levee Restoration project. A transfer from Aviation in the amount of $3.7 million, for runway and taxiway rehabilitation projects such as the pavement project at the Jacqueline Cochran Regional Airport.

Land and Easements

Additions of $26.7 million in land were processed this fiscal year. Flood Control had $13.6 million in land additions, in which $8.6 million was obtained through cooperative agreements between Flood Control, the Cities of Menifee and Perris, where the Riverside Flood Control & Water Conservation District will assume operation and maintenance at the completion of the Paloma Wash Channel and the Perris Valley Channel Stage 4 projects. Land was acquired for the Palm Springs Master Drainage Plan line 41 project in the amount of $1.4 million. Approximately $9.0 million was acquired by the EDA for projects such as the Myers Mental Health land purchase and $3.4 million by the Transportation Department for the relocation of the main Washington Yard. The County experienced $17.5 million in land retirements, which included an agreement with the City of Hemet for $10.4 million, for which the County assisted in the acquisition and conveyance of land to the Western Riverside County Regional Conservation Authority for the vernal pool habitat and $6.6 million for the incorporation of Jurupa Valley.

Depreciable Capital Assets

The following is a breakdown of the additions, retirements, and transfers which make up the balance of depreciable capital assets:

Additions to Depreciable Assets:

Total fiscal year 2011-12 depreciable capital asset current year additions of $124.6 million were comprised of the following:

- Infrastructure in the amount of $76.8 million consisting of donated roads in the amount of $45.0 million and $31.5 million in flood storm drains and channels.
- Equipment in the amount of $24.6 million distributed as follows:

Equipment leased	$ 13.1 million
Equipment field	3.9 million
Computer and office equipment	2.9 million
Miscellaneous equipment	2.7 million
Equipment vehicles	2.0 million

- Structures and improvements amounted to $23.2 million in assets, such as the purchase of two buildings and a parking lot on behalf of Mental Health located at 3075 and 3125 Myers Street to accommodate the increasing new client cases and additional staff implemented by the Mental Health Services Act.

Retirements of Depreciable Assets:

Retirement of depreciable assets totaled $125.6 million. Infrastructure in the amount of $97.0 million was retired from the Transportation and Land Management Agency for the transfer of roads and traffic signals to the newly incorporated City of Jurupa Valley. Equipment was retired ranging from the categories of computer and office equipment to vehicle and leased equipment in the amount of $28.2 million, which includes $11.0 million in vehicles sent to surplus for auction sales and $8.7 million in equipment from the Riverside County Regional Medical Center.

Depreciable Transfers:

Completed construction in progress transferred for approximately $61.5 million as noted above.

Depreciation Note:

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made. This fiscal year, depreciable capital assets for governmental and business-type activities combined incurred $137.4 million in depreciation.

Analysis of Capital Assets:

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

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2012	2011	2012	2011	2012	2011	%
Infrastructure	$1,436,036	$1,411,930	$ 47,366	$ 50,421	$1,483,402	$1,462,351	1.4%
Land and easements	449,978	433,594	21,351	21,325	471,329	454,919	3.6%
Land improvements	88	89	3,662	4,244	3,750	4,333	-13.5%
Structures and improvements	988,262	960,444	126,899	132,228	1,115,161	1,092,672	2.1%
Equipment	84,889	86,912	14,206	17,707	99,095	104,619	-5.3%
Construction in progress	745,536	601,825	56,189	44,368	801,725	646,193	24.1%
Total	$3,704,789	$3,494,794	$269,673	$270,293	$3,974,462	$3,765,087	5.6%

Additional information on the County's capital assets can be found in Note 8 of this report.

Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. As of fiscal year-end June 30, 2012, the County had numerous debt issues outstanding. (See Note 12)

Net bonded debt per capita equaled $356.0 million as of June 30, 2012. The calculated legal debt limit for the County is $2.5 billion.

The following are credit ratings maintained by the County:

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

The County issued tax-exempt Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected intra-period cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2011-12, the County issued $250.0 million in TRANs to satisfy short-term cash flow needs.

In December 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (the alternate method of property tax distribution). The plan required the "buy-out" of delinquent taxes and the annual advance of unpaid taxes to participating agencies. For fiscal year 2011-12, funding for the County's ongoing obligations under Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes. During fiscal year 2011-12, the County retired $100.2 million of the $206.8 million principal amount outstanding at June 30, 2011. The County then issued $64.7 million of Series B notes, leaving an outstanding balance of $171.3 million at June 30, 2012. This amount includes funding to advance $64.5 million fiscal year 2010-11 delinquencies and refunding of $106.5 million of prior years' property taxes that remain delinquent. The County's General Fund is pledged to the repayment of the Series B delinquent taxes.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2012.

County's Outstanding Debt Obligations
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease
	2012	2011	2012	2011	2012	2011	%
Loans payable	$ 4,925	$ 5,355	$ -	$ -	$ 4,925	$ 5,355	-8.0%
Bonds payable	750,492	1,551,323	121,061	134,983	871,553	1,686,306	-48.3%
Certificates of participation	309,511	367,272	-	-	309,511	367,272	-15.7%
Capital leases	100,995	111,128	12,055	15,830	113,050	126,958	-11.0%
Total Outstanding	$ 1,165,923	$2,035,078	$ 133,116	$150,813	$ 1,299,039	$ 2,185,891	-40.6%

<u>Outstanding Debt</u>: The County of Riverside's total debt decreased by 40.6%, or $886.9 million ($869.2 million in governmental funds and a decrease of $17.7 million in business-type), during the current fiscal year. The decrease in governmental activities was a result of RDA Tax Allocation Bonds, Loans Payable, and Bond Anticipation Notes being transferred to Successor Agency as of February 1, 2012. The decrease in business-type activities was a result of the annual principal payments.

Additional information on the County's long-term debt can be found in Note 12 of this report.

ECONOMIC FACTORS AND THE FISCAL YEAR 2012-13 BUDGET OUTLOOK

Economists' forecasts remain relatively unchanged for the upcoming fiscal year. There will be slow growth, if any, over the near future. Riverside County's budget plans for fiscal year 2012-13 eliminate the use of one-time reserves to fund ongoing operating costs. Reports of improving job and housing markets produce confirmation that economic recovery is under way and that the worst is in the past.

Fiscal year 2012-13 discretionary revenue is expected to decline by approximately 2.6% ($15.0 million) when compared to fiscal year 2011-12. The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2012-13.

Source	Final Budget Estimate (In Thousands)
Taxes	$ 212,114
Other Taxes	32,498
Licenses, Permits, Franchise Taxes	5,000
Fines, Forfeitures, Penalties	27,796
Use of Money and Property	3,098
State	190,355
Federal	2,050
Charges for Services	1,066
Miscellaneous	96,258
Total	$ 570,235

The County's employee retirement benefit contribution rate for fiscal year 2012-13 for miscellaneous members is 13.5% and the Safety contribution rate is 22.5%. The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment return and the County's growth rate, among other factors. Fiscal year 2013-14 rates are projected at 15.0% (Miscellaneous) and 23.4% (Safety). Additional information regarding the County's retirement plans are included in Notes 17, 18, and 19 of the financial statements and schedules of retirement funding progress are included in the required supplementary information section.

On June 2012, the County presented to the board the intention to adopt an amendment to the CalPERS contract set forth in the Resolution of Intention to Approve an Amendment to Contract to provide 2% @60 for Local Miscellaneous members, and 2% @50 for Local Safety members, each with Three-Year Final Compensation, for employees' first entering CalPERS membership with the County after the contract amendment effective date

The fiscal year 2012-13 assessment roll value declined by 0.15%, yielding a total property tax roll of $204.9 billion, compared to $205.2 billion in fiscal year 2011-12. The $300.0 million decrease in assessment roll value reflected the continuing decline of the commercial market, as well as a minor recovery in residential housing prices affecting the reassessment of property per Proposition 8; and the continuing lack of construction of the new residential, commercial, and industrial development.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2012
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
ASSETS:					
Cash and investments (Note 4)	$ 1,245,887	$ 137,819	$ 1,383,706	$ 42,212	$ -
Receivables, net (Notes 1 and 6)	520,549	131,706	652,255	5,201	390
Inventories	5,811	7,726	13,537	-	-
Internal balances (Note 7)	55,516	(55,516)	-	-	-
Prepaid items and deposits	4,769	6,234	11,003	19	-
Restricted cash and investments (Notes 4 and 5)	485,424	78,732	564,156	-	15,058
Other noncurrent receivables (Note 6)	39,135	-	39,135	-	63,100
Pension asset, net (Notes 17 and 18)	442,865	1,082	443,947	-	-
OPEB asset, net (Note 19)	23,596	-	23,596	-	-
Land held for resale	34,368	-	34,368	-	-
Unamortized bond issuance costs	10,047	821	10,868	-	1,040
Deferred outflows of resources (Note 12)	35,185	-	35,185	-	-
Capital assets (Note 8):					
Nondepreciable assets	1,195,514	77,540	1,273,054	-	-
Depreciable assets, net	2,509,275	192,133	2,701,408	-	-
Total assets	6,607,941	578,277	7,186,218	47,432	79,588
LIABILITIES:					
Current Liabilities:					
Accounts payable	136,185	17,918	154,103	1,799	9
Salaries and benefits payable	66,408	12,070	78,478	96	-
Due to other governments	56,413	66,792	123,205	342	-
Interest payable	8,996	416	9,412	-	709
Deposits payable	331	87	418	-	-
Notes payable (Note 11)	171,324	-	171,324	-	-
Other liabilities	394	2,992	3,386	-	-
Deferred revenue (Note 6)	313,260	-	313,260	-	-
Interest rate swap (Note 12)	35,185	-	35,185	-	-
Long-term liabilities (Note 12) :					
Due within one year	203,495	36,011	239,506	130	5,485
Due beyond one year	1,340,417	275,834	1,616,251	125	73,314
Total liabilities	2,332,408	412,120	2,744,528	2,492	79,517
NET ASSETS:					
Invested in capital assets, net of related debt	2,740,429	130,510	2,870,939	-	-
Restricted for:					
Children's programs	-	-	-	44,940	-
Community development	307,843	-	307,843	-	-
Debt service	119,661	23,697	143,358	-	-
Health and sanitation	19,876	14,188	34,064	-	-
Public protection	38,085	-	38,085	-	-
Public ways and facilities	156,088	-	156,088	-	-
Other programs	42,282	3,218	45,500	-	-
Unrestricted	851,269	(5,456)	845,813	-	71
Total net assets	$ 4,275,533	$ 166,157	$ 4,441,690	$ 44,940	$ 71

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

COUNTY OF RIVERSIDE

Statement of Activities

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 270,474	$ 147,510	$ 156,223	$ -
Public protection	1,047,202	316,778	233,652	281
Public ways and facilities	84,797	56,690	56,521	27,046
Health and sanitation	374,950	48,779	240,081	-
Public assistance	827,092	2,497	743,612	-
Education	10,376	143	17,091	-
Recreation and cultural services	15,806	8,400	514	582
Interest on long-term debt	39,098	-	-	-
Total governmental activities	2,669,795	580,797	1,447,694	27,909
Business-type activities:				
Regional Medical Center	417,074	371,827	-	335
Waste Management Department	57,272	45,332	-	-
Housing Authority	91,469	86,201	-	-
Flood Control	2,306	1,906	-	-
County Service Areas	456	399	-	-
Total business-type activities	568,577	505,665	-	335
Total primary government	$ 3,238,372	$ 1,086,462	$ 1,447,694	$ 28,244
Component units:				
Children and Families Commission	$ 23,793	$ -	$ 24,111	$ -
Palm Desert Financing Authority	8,658	10,088	-	-
Total Component Units	$ 32,451	$ 10,088	$ 24,111	$ -
General revenues:				
Taxes:				
Property taxes				
Sales and use taxes				
Other taxes				
Motor vehicle in-lieu of taxes				
Investment earnings				
Other				
Transfers				
Total general revenues and transfers				
Changes in net assets before extraordinary items				
Extraordinary items:				
Extraordinary Item -AB99 Reversal				
RDA dissolution				
Changes in net assets				
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 3)				
NET ASSETS, END OF YEAR				

Net (Expenses) Revenues and Changes in Net Assets					
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
FUNCTION/PROGRAM ACTIVITIES:					
Primary government:					
Governmental activities:					
General government	$ 33,259	$ -	$ 33,259		
Public protection	(496,491)	-	(496,491)		
Public ways and facilities	55,460	-	55,460		
Health and sanitation	(86,090)	-	(86,090)		
Public assistance	(80,983)	-	(80,983)		
Education	6,858	-	6,858		
Recreation and cultural services	(6,310)	-	(6,310)		
Interest on long-term debt	(39,098)	-	(39,098)		
Total governmental activities	(613,395)	-	(613,395)		
Business-type activities:					
Regional Medical Center	-	(44,912)	(44,912)		
Waste Management Department	-	(11,940)	(11,940)		
Housing Authority	-	(5,268)	(5,268)		
Flood Control	-	(400)	(400)		
County Service Areas	-	(57)	(57)		
Total business-type activities	-	(62,577)	(62,577)		
Total primary government	(613,395)	(62,577)	(675,972)		
Component units:					
Children and Families Commission				$ 318	$ -
Palm Desert Financing Authority				-	1,430
Total Component Units				318	1,430
General revenues:					
Taxes:					
Property taxes	322,337	-	322,337	-	-
Sales and use taxes	26,744	-	26,744	-	-
Other taxes	6,715	-	6,715	-	-
Motor vehicle in-lieu of taxes	226,384	-	226,384	-	-
Investment earnings	11,801	907	12,708	196	32
Other	169,399	-	169,399	37	-
Transfers	(11,702)	11,702	-	-	-
Total general revenues and transfers	751,678	12,609	764,287	233	32
Changes in net assets before extraordinary items	138,283	(49,968)	88,315	551	1,462
Extraordinary items:					
Extraordinary Item -AB99 Reversal	-	-	-	30,090	-
RDA dissolution	502,638	-	502,638	-	-
Changes in net assets	640,921	(49,968)	590,953	30,641	1,462
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 3)	3,634,612	216,125	3,850,737	14,299	(1,391)
NET ASSETS, END OF YEAR	$ 4,275,533	$ 166,157	$ 4,441,690	$ 44,940	$ 71

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BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS

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COUNTY OF RIVERSIDE

Balance Sheet
Governmental Funds
June 30, 2012
(Dollars in Thousands)

	General	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:							
Cash and investments (Note 4)	$ 151,845	$ 258,649	$ -	$ 247,348	$ -	$ 364,874	$ 1,022,716
Accounts receivable (Notes 1 and 6)	9,196	496	-	-	-	2,207	11,899
Interest receivable (Note 6)	643	129	23	114	-	240	1,149
Taxes receivable (Note 6)	14,046	2,141	100,397	-	-	2,003	118,587
Due from other governments (Note 6)	328,817	164	-	166	-	94,482	423,629
Inventories	1,187	-	-	-	-	1,002	2,189
Due from other funds (Note 7)	14,227	8	35	3	-	1,472	15,745
Prepaid items and deposits	298	809	-	-	-	3,215	4,322
Restricted cash and investments (Notes 4 and 5)	299,673	4,815	79,630	-	-	100,306	484,424
Advances to other funds (Note 7)	3,342	-	-	-	-	1,500	4,842
Notes receivable (Note 6)	-	-	-	-	-	-	-
Land held for resale	-	-	-	-	-	34,368	34,368
Total assets	$ 823,274	$ 267,211	$ 180,085	$ 247,631	$ -	$ 605,669	$ 2,123,870
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 75,996	$ 7,397	$ -	$ 4,390	$ -	$ 30,869	$ 118,652
Salaries and benefits payable	57,391	886	-	-	-	4,273	62,550
Due to other governments	40,804	565	-	-	-	14,986	56,355
Due to other funds (Note 7)	1,466	34	8,761	733	-	5,406	16,400
Deposits payable	16	-	-	-	-	315	331
Teeter notes payable (Note 11)	-	-	171,324	-	-	-	171,324
Advances from other funds (Note 7)	-	-	-	-	-	1,500	1,500
Deferred revenue (Note 6)	311,003	2,070	-	-	-	50,241	363,314
Total liabilities	486,676	10,952	180,085	5,123	-	107,590	790,426
Fund balances (Note 13):							
Nonspendable	1,834	1	-	-	-	2,255	4,090
Restricted	101,651	-	-	131,184	-	450,019	682,854
Committed	52,439	252,368	-	-	-	15,107	319,914
Assigned	8,764	3,890	-	111,324	-	30,698	154,676
Unassigned	171,910	-	-	-	-	-	171,910
Total fund balances	336,598	256,259	-	242,508	-	498,079	1,333,444
Total liabilities and fund balances	$ 823,274	$ 267,211	$ 180,085	$ 247,631	$ -	$ 605,669	$ 2,123,870

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

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2012
(Dollars in Thousands)

Fund balances - total governmental funds (page 31)		$ 1,333,444
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		3,669,129
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		10,047
Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.		466,461
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.		50,054
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds Payable	$ 750,492	
Capital lease obligations	85,895	
Certificates of participation	309,511	
Loans payable	4,925	
Accrued interest payable	8,996	
Accreted interest payable	78,823	
Accrued remediation cost	2,398	
Compensated absences	157,622	(1,398,662)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets.		145,060
Net assets of governmental activities (page 25)		$ 4,275,533

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	General	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	$ 216,746	$ 39,727	$ -	$ -	$ -	$ 99,323	$ 355,796
Licenses, permits, and franchise fees	17,648	-	-	-	-	1,865	19,513
Fines, forfeitures, and penalties	88,979	-	-	-	-	1,184	90,163
Use of money and property:							
Interest	4,740	1,141	183	1,490	344	2,929	10,827
Rents and concessions	3,798	222	-	331	220	15,017	19,588
Aid from other governmental agencies:							
Federal	475,221	-	-	-	-	102,433	577,654
State	931,652	627	-	-	-	54,379	986,658
Other	80,332	-	-	33,179	-	43,167	156,678
Charges for services	354,451	4,039	-	11,081	249	80,068	449,888
Other revenue	40,852	10,925	-	492	132	42,718	95,119
Total revenues	2,214,419	56,681	183	46,573	945	443,083	2,761,884
EXPENDITURES:							
Current:							
General government	127,195	-	613	30,235	59,060	74,124	291,227
Public protection	1,010,999	50,067	-	-	-	11,376	1,072,442
Public ways and facilities	-	-	-	1,066	-	166,949	168,015
Health and sanitation	369,165	-	-	-	-	6,503	375,668
Public assistance	719,670	-	-	-	-	82,434	802,104
Education	579	-	-	-	-	18,363	18,942
Recreation and culture	324	-	-	-	-	14,896	15,220
Debt service:					-		
Principal	16,142	-	-	-	-	48,860	65,002
Interest	5,284	-	767	-	-	42,990	49,041
Cost of issuance	-	-	-	-	-	15	15
Capital outlay	2,671	-	-	-	-	19,912	22,583
Total expenditures	2,252,029	50,067	1,380	31,301	59,060	486,422	2,880,259
Excess (deficiency) of revenues over (under) expenditures	(37,610)	6,614	(1,197)	15,272	(58,115)	(43,339)	(118,375)
OTHER FINANCING SOURCES (USES):							
Transfers in	123,587	-	1,253	9,344	8,019	180,849	323,052
Transfers out	(98,045)	(1,308)	(56)	(71,093)	(11,960)	(150,262)	(332,724)
Issuance of refunding bonds	-	-	-	-	-	33,360	33,360
Premium on long-term debt	-	-	-	-	-	2,840	2,840
Redemption of refunded debt	-	-	-	-	-	(32,797)	(32,797)
Capital leases	2,671	-	-	-	-	-	2,671
Total other financing sources (uses)	28,213	(1,308)	1,197	(61,749)	(3,941)	33,990	(3,598)
Net change in fund balances before extraordinary items	(9,397)	5,306	-	(46,477)	(62,056)	(9,349)	(121,973)
EXTRAORDINARY ITEMS							
RDA dissolution asset transfers	-	-	-	-	(216,781)	(97,795)	(314,576)
RDA dissolution liability transfers	-	-	-	-	10,725	3,359	14,084
Total extraordinary items	-	-	-	-	(206,056)	(94,436)	(300,492)
NET CHANGE IN FUND BALANCES	(9,397)	5,306	-	(46,477)	(268,112)	(103,785)	(422,465)
Fund balances, beginning of year, as previously reported	343,562	250,953	-	293,102	271,554	606,405	1,765,576
Adjustments to beginning fund balances (Note 3)	2,433	-	-	(4,117)	(3,442)	(4,541)	(9,667)
Fund balances, beginning of year, as restated	345,995	250,953	-	288,985	268,112	601,864	1,755,909
FUND BALANCES, END OF YEAR	$ 336,598	$ 256,259	$ -	$ 242,508	$ -	$ 498,079	$ 1,333,444

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

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

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COUNTY OF RIVERSIDE

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

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 35)		$ (422,465)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	$ 347,504	
Less loss on disposal of capital assets	(28,853)	
Less current year depreciation	(108,454)	210,197
Prepaid pension costs and OPEB costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		11,427
Bond issuance costs are expended in the governmental funds when paid but are capitalized and amortized in the statement of net assets. This is the net amount of capitalized bond issuance cost.		(17,270)
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds in excess of principal payments	66,017	
Bonds payable retirement - RDA Dissolution	803,131	
Current amortization of bond premiums	7,328	876,476
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		4,278
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	11,296	
Change in accreted interest	(16,860)	
Change in long-term compensated absences	(5,932)	(11,496)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities.		(10,226)
Change in net assets of governmental activities (page 27)		$ 640,921

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 214,878	$ 216,158	$ 216,746	$ 588
Licenses, permits, and fees	18,130	19,572	17,648	(1,924)
Fines, forfeitures, and penalties	91,733	91,733	88,979	(2,754)
Use of money and property:				
Interest	5,462	4,162	4,740	578
Rents and concessions	25,479	25,480	3,798	(21,682)
Aid from other governmental agencies:				
Federal	506,686	508,060	475,221	(32,839)
State	936,324	984,161	931,652	(52,509)
Other government	85,195	81,281	80,332	(949)
Charges for services	485,105	398,608	354,451	(44,157)
Other revenue	98,204	94,201	40,852	(53,349)
Total revenues	2,467,196	2,423,416	2,214,419	(208,997)
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	85,937	87,550	81,868	(5,682)
Services and supplies	65,064	66,287	61,592	(4,695)
Other charges	77,245	80,942	32,517	(48,425)
Capital assets	4,095	3,760	3,064	(696)
Intrafund transfers	(54,108)	(54,155)	(51,846)	2,309
Appropriation for contingencies	20,000	23,305	-	(23,305)
Total general government	198,233	207,689	127,195	(80,494)
Public protection:				
Salaries and employee benefits	707,045	710,995	677,293	(33,702)
Services and supplies	307,228	316,301	297,501	(18,800)
Other charges	48,966	47,343	39,080	(8,263)
Capital assets	2,330	7,848	4,426	(3,422)
Intrafund transfers	(5,524)	(6,230)	(7,301)	(1,071)
Total public protection	1,060,045	1,076,257	1,010,999	(65,258)
Health and sanitation:				
Salaries and employee benefits	207,678	206,542	184,394	(22,148)
Services and supplies	110,553	117,457	97,106	(20,351)
Other charges	190,202	191,665	161,700	(29,965)
Capital assets	712	7,606	7,186	(420)
Intrafund transfers	(97,212)	(98,614)	(81,221)	17,393
Total health and sanitation	$ 411,933	$ 424,656	$ 369,165	$ (55,491)

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund (Continued)
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
Public assistance:				
Salaries and employee benefits	$ 241,519	$ 237,743	$ 231,887	$ (5,856)
Services and supplies	78,391	78,012	67,350	(10,662)
Other charges	483,130	478,075	421,402	(56,673)
Capital assets	190	190	29	(161)
Intrafund transfers	(293)	(293)	(998)	(705)
Total public assistance	802,937	793,727	719,670	(74,057)
Education:				
Salaries and employee benefits	266	274	270	(4)
Services and supplies	321	309	305	(4)
Other charges	-	-	4	4
Total education	587	583	579	(4)
Recreation and culture:				
Salaries and employee benefits	105	109	103	(6)
Services and supplies	252	321	225	(96)
Other charges	28	2	1	(1)
Capital assets	1	1	-	(1)
Intrafund transfers	(1)	(6)	(5)	1
Total recreation and culture	385	427	324	(103)
Debt service:				
Principal	79,596	39,537	16,142	(23,395)
Interest	5,001	5,001	5,284	283
Total debt service	84,597	44,538	21,426	(23,112)
Capital outlay	-	-	2,671	2,671
Total expenditures	2,558,717	2,547,877	2,252,029	(295,848)
Excess (deficiency) of revenues over (under) expenditures	(91,521)	(124,461)	(37,610)	86,851
OTHER FINANCING SOURCES (USES):				
Transfers in	-	123,587	123,587	-
Transfers out	-	(98,045)	(98,045)	-
Capital leases	-	-	2,671	2,671
Total other financing sources (uses)	-	25,542	28,213	2,671
NET CHANGE IN FUND BALANCE	(91,521)	(98,919)	(9,397)	89,522
Fund balance, beginning of year	345,995	345,995	345,995	-
FUND BALANCE, END OF YEAR	$ 254,474	$ 247,076	$ 336,598	$ 89,522

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

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COUNTY OF RIVERSIDE
Budgetary Comparison Statement
Flood Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 42,321	$ 42,321	$ 39,727	$ (2,594)
Use of money and property:				
Interest	1,087	1,087	1,141	54
Rents and concessions	158	158	222	64
Aid from other governmental agencies:				
Federal	1	1	-	(1)
State	635	635	627	(8)
Charges for services	4,261	4,261	4,039	(222)
Other revenue	16,729	16,729	10,925	(5,804)
Total revenues	65,192	65,192	56,681	(8,511)
EXPENDITURES:				
Current:				
Public protection	145,320	144,432	50,067	(94,365)
Total expenditures	145,320	144,432	50,067	(94,365)
Excess (deficiency) of revenues over (under) expenditures	(80,128)	(79,240)	6,614	85,854
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(1,308)	(1,308)	-
Total other financing sources (uses)	-	(1,308)	(1,308)	-
NET CHANGE IN FUND BALANCE	(80,128)	(80,548)	5,306	85,854
Fund balance, beginning of year	250,953	250,953	250,953	-
FUND BALANCE, END OF YEAR	$ 170,825	$ 170,405	$ 256,259	$ 85,854

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

COUNTY OF RIVERSIDE
Statement of Net Assets
Proprietary Funds
June 30, 2012
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 4)	$ 21,373	$ 102,761	$ 13,685	$ 137,819	$ 223,171
Accounts receivable - net (Notes 1 and 6)	55,540	4,070	361	59,971	2,968
Interest receivable (Note 6)	-	80	4	84	103
Taxes receivable (Note 6)	-	-	14	14	-
Due from other governments (Note 6)	65,695	5,040	902	71,637	1,349
Inventories	7,451	274	-	7,725	3,622
Due from other funds (Note 7)	767	4	-	771	200
Restricted cash and investments (Notes 4 and 5)	23,890	51,957	2,885	78,732	1,000
Prepaid items and deposits	6,232	-	2	6,234	447
Total current assets	180,948	164,186	17,853	362,987	232,860
Noncurrent assets:					
Bond issuance costs	821	-	-	821	-
Pension asset, net (Note 17)	-	1,082	-	1,082	-
Capital assets (Note 8):					
Nondepreciable assets	62,331	10,885	4,324	77,540	896
Depreciable assets	125,264	56,359	10,510	192,133	34,764
Total noncurrent assets	188,416	68,326	14,834	271,576	35,660
Total assets	369,364	232,512	32,687	634,563	268,520
LIABILITIES:					
Current liabilities:					
Accounts payable	12,731	2,410	2,777	17,918	17,533
Salaries and benefits payable	11,339	693	38	12,070	3,858
Due to other funds (Note 7)	227	-	2	229	86
Due to other governments	66,759	5	28	66,792	58
Interest payable	409	-	7	416	-
Deposits payable	-	38	49	87	-
Other liabilities	93	567	2,332	2,992	392
Accrued closure and post-closure costs (Notes 9 and 2)	-	5,390	-	5,390	-
Accrued remediation costs (Note 20)	-	1,598	-	1,598	-
Compensated absences (Notes 1 and 12)	12,026	1,004	130	13,160	4,751
Capital lease obligations (Note 12)	5,189	-	-	5,189	7,293
Bonds payable (Note 12)	10,539	-	135	10,674	-
Estimated claims liabilities (Notes 12 and 14)	-	-	-	-	34,071
Total current liabilities	119,312	11,705	5,498	136,515	68,042
Noncurrent liabilities:					
Compensated absences (Note 2)	6,195	1,506	1,123	8,824	3,957
Advances from other funds (Note 7)	-	-	-	-	3,342
Accrued closure and post closure care costs (Note 9)	-	47,147	-	47,147	-
Accrued remediation costs (Note 9 & 20)	-	35,831	-	35,831	-
Capital lease obligations (Notes 1 and 2)	6,866	-	-	6,866	7,807
Bonds payable (Note 12)	109,774	-	613	110,387	-
Estimated claims liabilities (Notes 12 and 14)	-	-	-	-	96,367
Other long-term liabilities (Note 12)	59,984	-	6,795	66,779	-
Total noncurrent liabilities	182,819	84,484	8,531	275,834	111,473
Total liabilities	302,131	96,189	14,029	412,349	179,515
NET ASSETS:					
Invested in capital assets, net of related debt	55,227	67,244	8,039	130,510	20,560
Restricted for debt service	23,697	-	-	23,697	-
Restricted for health and sanitation	-	14,188	-	14,188	-
Restricted other	193	-	3,025	3,218	-
Unrestricted	(11,884)	54,891	7,594	50,601	68,445
Total net assets	$ 67,233	$ 136,323	$ 18,658	222,214	$ 89,005
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(56,057)	
Net assets of business-type activities				$ 166,157	

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

COUNTY OF RIVERSIDE
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	$ 330,624	$ -	$ -	$ 330,624	$ -
Charges for services	32,921	43,763	4,536	81,220	215,602
Other revenue	8,282	1,569	83,970	93,821	31,092
Total operating revenues	371,827	45,332	88,506	505,665	246,694
OPERATING EXPENSES:					
Cost of material used	-	183	-	183	1,731
Personnel services	235,202	16,017	10,513	261,732	78,704
Communications	2,500	292	-	2,792	3,351
Insurance	1,034	195	374	1,603	8,067
Maintenance of building and equipment	10,540	1,719	2,631	14,890	15,366
Insurance claims	-	-	-	-	102,005
Supplies	53,564	1,875	26	55,465	31,023
Purchased services	71,780	15,370	672	87,822	21,147
Depreciation and amortization	9,472	5,439	1,330	16,241	12,708
Rents and leases of equipment	3,780	21	3	3,804	50,519
Public assistance	-	2	75,735	75,737	-
Utilities	3,585	260	702	4,547	1,781
Other	8,160	16,049	1,360	25,569	5,083
Total operating expenses	399,617	57,422	93,346	550,385	331,485
Operating income (loss)	(27,790)	(12,090)	(4,840)	(44,720)	(84,791)
NONOPERATING REVENUES (EXPENSES):					
Investment income	127	711	69	907	917
Interest expense	(11,911)	-	(162)	(12,073)	(1,353)
Gain (loss) on disposal of capital assets	(49)	1,088	11	1,050	39
Total nonoperating revenues (expenses)	(11,833)	1,799	(82)	(10,116)	(397)
Income (loss) before capital contributions and transfers	(39,623)	(10,291)	(4,922)	(54,836)	(85,188)
Premium contributions	335	-	-	335	69,823
Transfers in	15,000	-	-	15,000	1,903
Transfers out	(2,968)	(195)	(135)	(3,298)	(3,933)
CHANGE IN NET ASSETS	(27,256)	(10,486)	(5,057)	(42,799)	(17,395)
Net assets, beginning of the year, as previously reported	94,489	146,809	23,715		101,833
Adjustments to beginning net assets (Note 3)	-	-	-		4,567
Net assets, beginning of the year	94,489	146,809	23,715		106,400
NET ASSETS, END OF YEAR	$ 67,233	$ 136,323	$ 18,658		$ 89,005
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(7,169)	
Change in net assets of business-type activities				$ (49,968)	

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2012
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers / other funds	$ 374,399	$ 40,601	$ 88,612	$ 503,612	$ 248,879
Cash paid to suppliers for goods and services	(126,111)	(19,502)	(81,554)	(227,167)	(235,794)
Cash paid to employees for services	(231,754)	(15,549)	(10,528)	(257,831)	(78,489)
Net cash provided by (used in) operating activities	16,534	5,550	(3,470)	18,614	(65,404)
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	-	3,342
Transfers received	15,000	-	-	15,000	1,903
Transfers paid	(2,968)	(195)	(135)	(3,298)	(3,933)
Net cash provided by (used in) noncapital financing activities	12,032	(195)	(135)	11,702	1,312
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	76	1,088	11	1,175	39
Acquisition and construction of capital assets	(13,807)	(1,125)	(814)	(15,746)	(11,926)
Principal paid on capital leases	(3,775)	-	-	(3,775)	(2,372)
Premium contributions	335	-	-	335	69,823
Principal paid on bonds payable	(13,866)	-	(56)	(13,922)	-
Interest paid on long-term debt	(12,086)	-	(162)	(12,248)	(1,353)
Net cash provided by (used in) capital and related financing activities	(43,123)	(37)	(1,021)	(44,181)	54,211
Cash flows from investing activities					
Interest received on investments	127	746	71	944	981
Net cash provided by investing activities	127	746	71	944	981
Net increase (decrease) in cash and cash equivalents	(14,430)	6,064	(4,555)	(12,921)	(8,900)
Cash and cash equivalents, beginning of year	59,693	148,654	21,125	229,472	233,071
Cash and cash equivalents, end of year	$ 45,263	$ 154,718	$ 16,570	$ 216,551	$ 224,171

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2012
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ (27,790)	$ (12,090)	$ (4,840)	$ (44,720)	$ (84,791)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	9,472	5,439	1,330	16,241	12,708
Decrease (Increase) accounts receivable	2,913	32	127	3,072	(326)
Decrease (Increase) taxes receivable	-	-	(2)	(2)	-
Decrease (Increase) bond issuance cost	125	-	-	125	-
Decrease (Increase) due from other funds	(452)	20	11	(421)	2,508
Decrease (Increase) due from other governments	(14)	(4,783)	(30)	(4,827)	3
Decrease (Increase) inventories	(663)	32	-	(631)	48
Decrease (Increase) prepaid items and deposits	(1,518)	-	31	(1,487)	(49)
Increase (Decrease) accounts payable	634	(252)	(196)	186	521
Increase (Decrease) due to other funds	5	-	(17)	(12)	(4,113)
Increase (Decrease) due to other governments	24,530	(46)	(8)	24,476	41
Increase (Decrease) accrued closure costs	-	9,069	-	9,069	-
Increase (Decrease) accrued remediation costs	-	7,652	-	7,652	-
Increase (Decrease) other liabilities	5,844	9	139	5,992	(4,890)
Increase (Decrease) estimated claims liability	-	-	-	-	12,721
Increase (Decrease) salaries and benefits payable	1,778	(37)	6	1,747	157
Increase (Decrease) compensated absences	1,670	71	(21)	1,720	58
Decrease (Increase) pension assets, net	-	434	-	434	-
Net cash provided (used) by operating activities	$ 16,534	$ 5,550	$ (3,470)	$ 18,614	$ (65,404)
Noncash investing, capital, and financing activities:					
Capital lease obligations	$ 2,382			$ 2,382	$ 9,955

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

COUNTY OF RIVERSIDE

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ -	$ -	$ 203,638	$ 242,968
Federal agency	20,455	2,299,151	-	-
Cash and equivalent	925	104,000	-	-
Commercial paper	723	81,264	-	-
Repos	414	46,481	-	-
Municipal bonds	395	44,384	-	-
Bond - U.S. Treasury	854	95,991		-
Local agency obligation	261	29,361	-	-
Accounts receivable	99	12,807	1,446	-
Interest receivable	-	1,483	25	43
Taxes receivable	-	14	-	45,202
Due from other governments	-	-	16,200	334
Land held for sale	-	-	50,386	-
Total assets	24,126	2,714,935	271,695	288,547
LIABILITIES:				
Accounts payable	-	-	17,072	135,480
Salaries and benefits payable	-	-	-	6
Due to other governments	-	-	-	153,061
Note payable	-	-	803,131	-
Total liabilities	-	-	820,203	$ 288,547
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 24,126	$ 2,714,935	$ (548,508)	

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

COUNTY OF RIVERSIDE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 559	$ -	$ -
Employee contributions	1,512	-	-
Contributions to pooled investments	-	18,752,365	-
Contributions to private-purpose trust	-	-	38,994
Investment income	1	-	1,128
Total additions	2,072	18,752,365	40,122
DEDUCTIONS:			
Distributions from pension trust	-	-	-
Distributions from pooled investments	-	18,847,032	-
Distributions from private-purpose trust	-	-	63,221
Administrative and other expenses	211	-	-
Total deductions	211	18,847,032	63,221
Change in net assets before extraordinary items	1,861	(94,667)	(23,099)
EXTRAORDINARY ITEMS:			
Assets of Redevelopment Agency	-	-	283,749
Liabilities of Redevelopment Agency	-	-	(817,176)
Total extraordinary items	-	-	(533,427)
Change in net assets			
Net assets held in trust, beginning of the year	22,265	2,809,602	8,018
Net assets held in trust, end of the year	24,126	2,714,935	(548,508)

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

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BASIC FINANCIAL STATEMENTS- NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The County of Riverside (the County) is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a five member Board of Supervisors (the Board), which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and culture.

Component Units are legally separate organizations for which the elected officials of the County are either financially accountable or for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the County's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

In conformity with generally accepted accounting principles, the financial statements of fourteen component units have been included and combined with financial data of the County. Eleven component units have an integral relationship with and serve as an extension of the County. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, management has determined that each entity is presented as a blended component unit due to the composition of each Governing Board and the control of the day-to-day activities through the budget process. Three component units are presented discretely. Each blended and discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units

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

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

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

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

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

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

County of Riverside District Court Financing Corporation (District Corporation) The Board is the governing body of the District Corporation. The District Corporation assists the County by providing for the acquisition, construction and renovation of U.S. District Court facilities. The District Corporation is reported as a governmental fund type.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Components (Continued)

In-home Support Services Public Authority (IHSS PA) The Board is the governing body of the IHSS PA. The IHSS PA acts as the employer of record for purposes of collective bargaining for Riverside In-home Supportive Services providers and performs other IHSS functions as required and retained by the County. The IHSS PA is reported as a governmental fund type.

Perris Valley Cemetery District (the District) The Board is the governing body of the District. The District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was created in July 1927 for the purpose of operating a public cemetery for the residents of Perris Valley. The District is reported as a governmental fund type.

Inland Empire Tobacco Securitization Authority (the Authority) The Board appoints two of the three members of the governing board of the Authority. The San Bernardino County Board of Supervisors appoints the third member. The Authority was created by a Joint Exercise of Powers Agreement (the Agreement) effective as of July 18, 2007 between Riverside County and San Bernardino County. The Authority was created for the purpose of securitizing the payments to be received by the County of Riverside from the nation-wide Tobacco Settlement Agreement (the Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the County. The Authority is a blended component unit of the County because the Authority is providing services solely to the County and the County's Board has the ability to impose its will by removing the Authority's governing Board at will. The Authority is reported as a governmental fund type.

Discretely Presented Component Units

Riverside County Children and Families Commission (the Commission) The Riverside County Board of Supervisors established First 5 Riverside, also known as Riverside County Children and Families Commission, in 1999 under the provisions of the California Children and Families Act of 1998. The Commission was formed to develop, adopt, promote, and implement early childhood development programs.

A governing Board of nine members, that administers the Commission, is appointed by the County Board of Supervisors. The Commission includes one member of the County Board of Supervisors. The Commission is a component unit of the County because the County's Board has the ability to remove some of the Commission's governing Board at will. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County.

Palm Desert Financing Authority The Palm Desert Financing Authority (the Authority) is a joint powers authority between the County of Riverside and Palm Desert Redevelopment Agency (PDRDA) established on January 1, 2002 under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the PDRDA agreed to create the Authority for the purpose of establishing a vehicle to reduce local borrowing costs, promote greater use of existing and new financial instruments and mechanisms, and assist local agencies in the financing of public capital improvements. Although the Authority is a legally separate entity, in substance under Governmental Accounting Standards Board Statement (GASB) No.14, the County is financially accountable for the Authority's issuance of both lease revenue bonds that are under the Authority's management (2003 Series A and 2008 Series A).

County of Riverside Redevelopment Successor Agency Housing (RDA Successor Agency Housing) Pursuant to the provisions of the Redevelopment Restructuring Act, the Riverside County Redevelopment Successor Agency (Successor Agency) and Redevelopment Housing Successor Agency were created and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012. For reporting purposes, the Successor Agencies were reported as if they were part of the County's operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Financial Information Related to County Fiduciary Responsibilities

The Authority's Commission is the governing body of the Authority, which consists of the County Executive Officer, one member of the County Board of Supervisors, the Executive Director of the PDRDA and a member of the PDRDA's Board. It is discretely presented because its governing body is not substantially the same as the County's governing body.

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

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

Basis of Presentation

Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 36.9% or $17.6 million, of the County's $47.7 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following major governmental funds:

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

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

Teeter Debt Service Fund accounts for revenue from collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the Teeter Plan.

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

Redevelopment Agency Capital Projects Fund accounts for tax increment revenue used to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency issued to finance construction of infrastructure and public facilities for various project areas. Pursuant to the provisions of the Redevelopment Restructuring Act, the Riverside County Redevelopment Successor Agency (Successor Agency) was created and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012.

The County reports the following major enterprise funds:

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

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

The County reports the following additional fund types:

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

Pension Trust Fund accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or California Public Employees' Retirement System (CalPERS) participation. The County's pension trust fund uses the economic resources measurement focus and accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Agency Funds account for assets held by the County in a custodial capacity. These funds only involve the receipt, temporary investment, and remittance to individuals, private organizations, or other governments and include property taxes and special assessments collected on behalf of cities, special districts, and other taxing agencies. The County's agency funds have an accrual basis of accounting but no measurement focus.

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

Governmental fund type financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues and other governmental fund type financial resources (e.g., bond issuance proceeds) are recognized when they become both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property and sales taxes are considered available for the year levied and are accrued when received within sixty days after fiscal year-end. Revenue received from expenditure driven (cost-reimbursement) grants, as defined by GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. All other revenue streams are considered available and accrued if they are expected to be received within ninety days after the fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

Reconciliations are presented to explain the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements. These reconciliations are presented because governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements for governmental activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Cash and Investments

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

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

Securities, including U.S. Treasury and Agency securities, are carried at fair value/cost based on current market prices on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within 90 days of June 30, 2012, which are carried at cost. Bond anticipation notes are carried at fair value/cost. Commercial paper is carried at amortized cost/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 cost based on the value of each participating dollar.

The fair value of a participants' position in the pool is not the same as the value of the pooled shares. The method used to determine the value of participants' equity withdrawn is based on the book value, amortized cost, and accrued interest of the participants' percentage participation at the date of such withdrawal.

State law requires that the County Treasurer hold all operating monies of the County, school districts, and certain special districts. Collectively, these mandatory deposits constituted approximately 67.8% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 32.2% of the total funds on deposit in the County Treasury represented discretionary deposits.

Receivables

The RMC accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractuals are $207.6 million and $1.3 billion, respectively. The RMC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RMC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RMC is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total fiscal year 2011-12 gross assessed valuation of the County was $205.8 billion.

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

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1.0%) of the full cash value of taxable property and distributed in accordance with statutory formulas.

Amounts needed to finance the annual requirements of voter-approved debt (approved by the electorate prior to June 30, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

Supplemental tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill.

Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining balance in the fall of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than one percent (1%) of the tax levy for participating entities may flow to the County General Fund. For fiscal year 2011-12, $37.1 million was transferred from the TLRF to the General Fund.

Prepaid Items and Inventories

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

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

Capital Assets

Capital assets (including infrastructure) are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. Capital assets include public domain (infrastructure) general capital assets consisting of certain improvements including roads, bridges, traffic signals, park trails and improvements, flood control channels, storm drains, dams, and basins. The capitalization threshold for equipment is $5.0 thousand; buildings, land and land improvements are $1.0 dollar; and, infrastructure and intangibles are $150.0 thousand. Betterments result in more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of $2.5 thousand or more.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Capital Assets (Continued)

Capital assets used in operations are depreciated or amortized (assets under capital leases) using the straight-line method over the lesser of the capital lease period or their estimated useful lives in the government-wide statements and proprietary funds.

The estimated useful lives are as follows:

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

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

Interest is capitalized on construction in progress in the proprietary funds. Interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The RMC capitalizes net interest expense as a cost of property constructed. The RMC capitalized $94.5 thousand for the year ending June 30, 2012.

Leases

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

Restricted Assets

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

Land Held for Resale

These assets, held by the County's Redevelopment Agency, are invested in various programs and are intended primarily for development and subsequent resale. These assets had a fair value of $84.5 million at January 31, 2012. Pursuant to the provisions of the Redevelopment Restructuring Act, the Riverside County RDA Housing Successor Agency (Successor Agency) was created and all of the assets, liabilities and obligations of the former RDA were transferred to the Successor Agency on February 1, 2012. Land held for resale of $50.1 was transferred to RDA Successor Agency and $34.4 million to RDA Housing Successor Agency.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2012, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was $188.3 million.

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

Deferred Revenue

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

Long-term Debt

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

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

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

Bond Issuance Costs

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

Landfill Closure and Post-Closure Care Costs

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

Interfund Transactions

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

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

Net Assets

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

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

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

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

Fund Equity

In the fund financial statements, fund equity may be categorized as nonspendable, restricted, committed, assigned, and unassigned. All of the County’s governmental fund balances will be comprised of the following categories:

- Nonspendable fund balance – amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – amounts that are committed can only be used for specific purposes determined by formal action from the County’s highest level of decision-making authority (the Board of Supervisors).
- Assigned fund balance – amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. The intent can be established within the General Fund by the County Executive Officer, or by an Executive Officer designee. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – funds that are not reported in any other category and are available for any purpose within the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

As the highest level of decision-making authority, the Board of Supervisors approval is required to establish, change, or remove a commitment. Commitments will only be used for specific purposes pursuant to a formal action by the Board of Supervisors.

No formal action is required to remove an assignment. Assignments within the General Fund must be established by the County Executive Officer or an Executive Officer designee.

The General Fund is the only fund that will have an unassigned fund balance.

Fund Balance Policy

On September 13, 2011, the Board of Supervisors approved Policy B-30, *Governmental Fund Balance and Reserve Policy* to ensure fund balance is accurately classified and reported on the annual financial statements per GASB Statement No. 54. This policy applies to governmental fund types which include the General Fund, special revenue funds, capital projects funds, debt service funds, and permanent funds.

The purpose of this policy is to establish the guidelines for:

- The use of reserves with a restricted purpose versus an unrestricted purpose when both are available for expenditures.
- The establishment of stabilization arrangements for governmental funds.
- The minimum fund balance allowable for governmental funds.

Spending Prioritization for Fund Categories

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policy for Governmental Funds

Establishing guidelines for minimum fund balance for governmental funds is essential to ensuring a prudent level of fund balance is maintained for unanticipated expenditures, delays in revenue receipt, or revenue shortfalls.

Unassigned Fund Balance - General Fund

The County shall maintain a minimum unassigned fund balance in its General Fund of at least 25 percent of the fiscal year's estimated discretionary revenue. A significant portion of the minimum unassigned fund balance may be used for one-time or short-term expenditures caused by an economic crisis and should be designated within an "Economic Uncertainty" account. Use of these funds should be as the last resort in balancing the County budget.

During the initial implementation of this policy, the Executive Office will develop a plan to ensure fund balance is at the minimum level within three years. The plan for accomplishing this will be included with the recommended budget submitted to the Board for approval each fiscal year. Following the initial implementation of the policy, if fund balance drops below the established minimum levels, the Executive Office will develop a plan to replenish the balance to established minimum levels within two years and submit the plan to the Board for approval.

Fund Balance - Special Revenue Funds

Special Revenue fund balances shall be kept at the higher of the minimum level dictated by the funding source or an amount that does not fall below zero. In the event that the fund balance drops below the established minimum levels, the department with primary responsibility for expending the special revenue will develop a plan to replenish the balance to established minimum levels within two years and submit the plan to the Board for approval.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Committed Fund Balance - Disaster Relief

The County shall commit a portion of the General Fund for Disaster Relief. The use of these funds will be restricted to one-time or short-term expenditures that are the result of a natural disaster or act of terrorism. The funds restricted for this purpose shall be at least two percent of discretionary revenue or $15 million, whichever is greater.

Use of Estimates

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

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 57

In December of 2009, GASB issued Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post employment benefit (OPEB) plans (that is, agent employers). This Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements. The provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011. This implementation has no financial impact to the County of Riverside.

Governmental Accounting Standards Board Statement No. 64

In June of 2011, GASB issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, *an amendment of GASB Statement No. 53*. Statement No. 64 provides guidance for accounting and reporting when interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. Many of those governments have replaced their swap counterparty, or swap counterparty's credit support providers, either by amending existing swap agreements or by entering into new swap agreements. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53. Those provisions require a government to cease hedge accounting upon the termination of the hedging derivative instrument, resulting in the immediate recognition of the deferred outflows of resources or deferred inflows of resources as a component of investment income. Statement No. 64 clarifies the accounting treatment when this occurs. In addition, GASB released a mid-year supplement to its *Comprehensive Implementation Guide*. Within this guide, a new question and answer has been included clarifying the disclosure of federal investments that have implicit and explicit subsidies.

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 60

In November of 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The provisions of

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 60 (Continued)

this Statement generally is required to be applied retroactively for all periods presented. The County has elected not to early implement GASB Statement No. 60 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* The objective of this Statement is to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The County has elected not to early implement GASB Statement No. 61 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No.62

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

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

Governmental Accounting Standards Board Statement No. 63

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

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 65 (Continued)

liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concept Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, it provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for periods beginning after December 15, 2012. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62.* The objective of Statement No. 66 is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provisions that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, it will create governments to base their decisions about fund type classification on the nature of the activity to be reported. Statement No. 66 also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. Statement No. 66 is effective for periods beginning after December 15, 2012. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25.* The objective of GASB Statement No. 67 is to improve financial reporting by state and local governmental pension plans. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 67 amends the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 67 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*. The objective of Statement No. 68 is to improve accounting and financial reporting by state and local governments for pensions. The Statement also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 68 is effective for periods beginning after June 15, 2014. The County has elected not to early implement this statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

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

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

Excess of expenditures over appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in capital outlay by $2.7 million in the General Fund. This excess of expenditures resulted from the acquisition of $2.7 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications. A summary of the restatements as of June 30, 2012 is as follows (in thousands):

Government-wide:

	Primary Government	
	Governmental Activities	Business-Type Activities
Government-wide net assets, as of June 30, 2011, as previously reported, Fund financial statements:	$ 3,639,132	$ 216,125
Adjustments to cash held in escrow by Palm Desert RDA	(4,117)	-
Adjustments for loan receivable	(7,983)	-
Government-wide finanical statements:		
Acquisition of Capital Assets, not previously reported	3,149	-
Accumulated deprecation was understated in prior years	(2,569)	-
Adjustment for estimated claim liabilities	7,000	-
Net assets as of June 30, 2011, as restated	$ 3,634,612	$ 216,125

Fund Financials:

	Governmental Funds				Proprietary Fund	
	Major Funds			Non Major Fund	Internal Service Fund	
Description	General Fund	Public Facilities Improvements Capital Projects Fund	RDA Capital Project Fund	RDA Special Revenue Fund	EDA Public Facilities Internal Service Fund	Risk Management
Fund balances as of June 30, 2011, as previously reported	$343,562	$ 293,102	$271,554	$189,179	$ 2,173	$ 37,713
Prior Period Adjustments:						
Capital Lease payments previously reported in General Fund	2,433	-	-	-	(2,433)	-
Adjustments to cash held in escrow by Palm Desert RDA	-	(4,117)	-	-	-	-
Adjustments for loan receivable	-	-	(3,442)	(4,541)	-	-
Adjustments for estimated claim liabilities	-	-	-	-	-	7,000
Fund balances, as of June 30, 2011, as restated	$345,995	$ 288,985	$268,112	$184,638	$ (260)	$ 44,713

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2012, cash and investments are classified in the accompanying financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	$ 1,245,887	$ 137,819	$ 42,212	$ 3,171,265	$4,597,183
Restricted cash and investments	485,424	78,732	15,058	-	579,214
Total cash and investments	$ 1,731,311	$ 216,551	$ 57,270	$ 3,171,265	$5,176,397

As of June 30, 2012, cash and investments consist of the following (in thousands):

Deposits	$ 206,038
Investments	4,970,359
Total Cash and Investments	$ 5,176,397

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

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's investment policy, whichever is more restrictive. The table also identifies certain provisions of the California Government Code or the County's investment policy, (where more restrictive that address interest rate, credit risk, and concentration of credit risk.) A copy of the County's investment policy can be found at www.treasurer-tax.co.riverside.ca.us.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Public Agency Bonds	3 Years	15%	5% **
U.S. Treasury	5 Years	100%	N/A
Local Agency Obligations	3 Years	2.5%	2.50%
Federal Agencies	5 Years	100%	N/A
Commercial Paper	270 Days	40%	4% *
Negotiable Certificates of Deposits	1 Year	25%	4% *
Time Deposits	1 Year	2%	N/A
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements ***	60 Days	10%	10%
Medium-Term Notes	3 Years	20%	4% *
CalTRUST Short-Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds	Daily Liquidity	20%	None
Local Agency Investment Fund	Daily Liquidity	Max $50M	N/A
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 4% per issuer in combined commercial paper, certificate & time deposits, and medium-term notes.

** For credit rated below AA-/Aa3 2% maximum in one issuer only for State of California debt.

*** Only for emergency liquidity purposes

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2012, the County and Component Units had the following investments (in thousands):

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating (1) June 30, 2012	% of Portfolio
County Treasurer Investments							
Federal Home Loan Bank	$ 1,912,816	.140 - 1.612%	07/12 - 05/17	0.95	N/A	AA+/Aaa	41.15%
Federal National Mortgage Association	851,326	.140 - 1.317%	07/12 - 03/17	2.13	N/A	AA+/Aaa	18.32%
Federal Home Loan Mortgage	624,927	.203 - 1.750%	07/12 - 3/17	1.83	N/A	AA+/Aaa	13.44%
US Treasury Bills and Bonds	165,215	.151 - .327%	09/12 - 05/13	0.66	N/A	AA+/Aaa	3.55%
Federal Farm Credit Bonds	522,542	.140 - 1.300%	07/12 - 04/16	0.89	N/A	AA+/Aaa	11.24%
Repurchase Agreements	80,000	0.110%	07/12	0.01	A1/P1	N/R	1.72%
Commercial Paper	139,867	.150 - .331%	7/12 - 11/12	0.19	A1/P1	AA+/Aa3	3.01%
Money Market Mutual Funds	125,000	.013 - .053%	07/12	0.00	AAA	AAA/Aaa	2.69%
Municipal Bonds	76,391	.284 - 1.240%	07/12 - 04/15	0.70	AA-/Aa3	AA/Aa2	1.64%
Farmer Mac	45,563	.210 -.760%	07/12 - 05/13	0.70	N/R	N/R	0.98%
CalTRUST	54,000	.444%	07/12	0.00	N/A	AAA/Aaa	1.16%
Local Agency Obligations	535	.957%	06/20	7.96	N/A	N/R	0.01%
Local Agency Investment Funds	50,000	.378%	07/12	0.00	N/A	N/R	1.08%
Total County Treasurer Investments	4,648,181						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds (2)	52,299	0.00 - 0.45%	07/12	0.00	AA-	AA-	17.03%
Commercial Paper	15,371	0.07 - 0.14%	07/12 - 08/12	0.12	AA+/A1	AA+/A1	5.00%
Investment Agreements	214,148	2.38 - 4.46%	12/14 - 11/36	8.47	AA-/Aa2	AA-/Aa2	69.73%
Money Market Mutual Funds (3)	20,084	0.00 - 0.09%	N/A	0.00	N/R	N/R	6.54%
Local Agency Investment Funds	5,218	0.00 - 0.36%	N/A	0.00	N/A	N/R	1.70%
Total Blended Component Units	307,120						100.00%
Discretely Presented Component Units							
Palm Desert Financing Authority							
Money Market Mutual Funds (2)	15,058	0.01 - 0.30%	N/A	0.59	AAA	AAA	100.00%
Total Discretely Presented Component Units	15,058						100.00%
Total Investments	$ 4,970,359						

(1) Investment ratings are from S&P and Moody's

(2) Government Code requires money market mutual funds to be rated

(3) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated

Investment in State Investment Pool

The County of Riverside is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio).

NOTE 4 – CASH AND INVESTMENTS (Continued)

Investment in State Investment Pool (Continued)

The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30, 2012, the Treasurer's Investment Pool has $50.0 million in LAIF, CORAL has $2.5 million, Housing Authority has $2.0 million and the Riverside Regional Medical Center has $0.7 million in LAIF.

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount of $161.2 million. Investment securities are registered and held in the name of Riverside County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table on page 66.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2012 is as follows (in thousands):

General Fund	
Restricted Program Money	$ 299,673
Total General Fund	299,673
Flood Control	
Restricted Program Money	4,815
Total Flood Control Special Revenue	4,815
Teeter Debt	
Teeter Commercial Paper Notes	79,630
Total Teeter Debt	79,630
Nonmajor Governmental Funds	
1985 Certificates	20,796
1990 Monterey Avenue	134
1997 Historic Court House	280
2000 Southwest Justice Center	543
2003 A Historic Courthouse	1,355
2003 B Capital Facilities	423
2005 A Capital Improvement Family Law	3,523
2005 B Historic Refunding	2,698
2006 A Capital Improvements	2,187
2007 A Public Safety & Refunding	26,931
2008A Southwest Justice Center	794
2009 Larson Justice Center	2,610
2009 Public Safety & Woodcrest Lib Refunding	4,756
2012 CAC Annex	5,574
Bankruptcy Court	6,713
District Court Financing Corporation	1,099
Inland Empire Tobacco Securitization Authority	19,890
Total Nonmajor Governmental Funds	100,306
Regional Medical Center	
1993 Hospital Bonds	23,890
Total Regional Medical Center	23,890
Waste Management Department	
Remediation costs	51,957
Closure and post-closure care costs	-
Total Waste Management Department	51,957
Nonmajor Enterprise Funds	
Housing Authority Bond	194
Restricted Program Money - Flood	2,691
Total Non major Enterprise Funds	2,885
Internal Service Funds	
Flood Control Equipment	1,000
Total Internal Service Funds	1,000
Discretely Presented Component Unit	
Palm Desert Financing Authority	15,058
Total Restricted Assets	$ 579,214

NOTE 6– RECEIVABLES AND DEFERRED REVENUE

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

Receivables Governmental Activities:	Accounts	Interest	Taxes	Due From Other Govts	Notes	Total Governmental Activities
General Fund	$ 9,196	$ 643	$ 14,046	$ 328,817	$ -	$ 352,702
Flood Control	496	129	2,141	164	-	2,930
Teeter Debt Service	-	23	100,397	-	-	100,420
Public Facilities Improvements	-	114	-	166	-	280
Nonmajor Governmental Funds	2,207	240	2,003	94,482	-	98,932
Internal Service Funds	2,968	103	-	1,349	-	4,420
Total receivables	$ 14,867	$1,252	$118,587	$ 424,978	$ -	$ 559,684

Receivables Business-type Activities:	Accounts	Interest	Taxes	Due From Other Govts	Allowance for uncollectibles	Total Business-type Activities
Regional Medical Center	$1,518,086	$ -	$ -	$ 65,695	$(1,462,546)	$ 121,235
Waste Management	4,074	80	-	5,040	(4)	9,190
Nonmajor Funds	361	4	14	902	-	1,281
Total receivables	$1,522,521	$ 84	$ 14	$ 71,637	$(1,462,550)	$ 131,706

Deferred Revenue

Of the total governmental receivable of $559.7 million, $39.1 million is SB90 (state mandated claims) long-term receivable, which has been deferred as of June 30, 2012. Governmental funds defer revenue when receivables are not available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue when resources received, but not yet earned. At June 30, 2012, the components of deferred revenue were as follows (in thousands):

Governmental Activities:	Deferred
General Fund:	
Due from other governments	$ 50,034
Resources received that do not yet meet the criteria for revenue recognition	260,969
Flood Control Special Revenue	
Resources received that do not yet meet the criteria for revenue recognition	2,070
Nonmajor funds:	
Due from other governments	20
Resources received that do not yet meet the criteria for revenue recognition	50,221
Total deferred revenue Governmental Activities	$ 363,314

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2012 is as follows (in thousands):

Due to/from other funds:

Payable Fund	Receivable Fund: General Fund	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Other Governmental Funds	Regional Medical Center	Waste Management	Other Enterprise Funds	Internal Service Funds	Total Payable
General Fund										
Delinquent property tax	$ -	$ -	$ 35	$ -	$ -	$ -	$ -	$ -	$ -	$ 35
Interfund activity	-	-	-	3	506	56	4	-	151	720
Medical services	-	-	-	-	-	711	-	-	-	711
Total General Fund										1,466
Flood Control										
Interfund activity	-	-	-	-	-	-	-	-	34	34
Total Flood Control										34
Teeter Debt Service										
Delinquent property tax	8,761	-	-	-	-	-	-	-	-	8,761
Total Teeter Debt Service										8,761
Public Facilities Improvements Capital Projects										
Capital projects	-	-	-	-	733	-	-	-	-	733
Total Public Facilities Imprv Cap Proj										733
Nonmajor Governmental Funds										
Fire	4,184	-	-	-	-	-	-	-	-	4,184
Interfund activity	977	-	-	-	232	-	-	-	13	1,222
Total Nonmajor Governmental Funds										5,406
Regional Medical Center										
Law Enforcement	227	-	-	-	-	-	-	-	-	227
Total Regional Medical Center										227
Other Enterprise Funds										
Interfund activity	-	2	-	-	-	-	-	-	-	2
Total Other Enterprise Funds										2
Internal Service Funds										
Interfund activity	78	6	-	-	-	-	-	-	2	86
Total Internal Service Funds										86
Total Receivable	$ 14,227	$ 8	$ 35	$ 3	$ 1,471	$ 767	$ 4	$ -	$ 200	$ 16,715

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

Advances to/from other funds:

The General Fund advanced $3.3 million to the Economic Development Agency for the internal service fund start up costs.

The Regional Park and Open-Space District Special Revenue Fund advanced $1.5 million to the Regional Park and Open-Space District Capital Projects Fund for the purpose of land improvements being constructed throughout the County Parks.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

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

Transfer Out	Transfer In: General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects
General Fund				
Capital Projects	$ -	$ -	$ 8,376	$ 120
Debt Service	-	1,253	-	-
Operating Contribution	-	-	-	-
Pension Obligation	-	-	-	-
Reimbursement	-	-	-	251
Total General Fund				
Flood Control				
Capital Projects	-	-	-	-
Reimbursement	-	-	-	-
Total Flood Control				
Teeter Debt Service				
Reimbursement	56	-	-	-
Total Teeter Debt Service				
Public Facilities Improvements Capital Projects				
Capital Projects	31,175	-	-	1,964
Debt Service	17,220	-	-	-
Reimbursement	3,378	-	-	-
Total Public Facilities Imprv Cap Proj				
Redevelopment Capital Projects				
Capital Projects	78	-	92	-
Debt Service	-	-	-	-
Reimbursement	3,016	-	-	-
Total Redevelopment Capital Projects				
Nonmajor Governmental Funds				
Capital Projects	312	-	876	5,213
Debt Service	411	-	-	-
Fire	55,065	-	-	-
Pension Obligation	164	-	-	-
Reimbursement	11,833	-	-	471
Total Nonmajor Governmental Funds				
Regional Medical Center				
Debt Service	-	-	-	-
Pension Obligation	-	-	-	-
Total Regional Medical Center	-	-	-	-
Waste Management				
Pension Obligation	-	-	-	-
Total Waste Management	-	-	-	-
Other Enterprise Funds				
Pension Obligation	-	-	-	-
Total Other Enterprise Funds	-	-	-	-
Internal Service Funds				
Business Services	-	-	-	-
Pension Obligation	-	-	-	-
Reimbursement	879	-	-	-
Total Internal Service Funds				
Total Transfers In	123,587	1,253	9,344	8,019

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

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

Transfer In: Other Governmental Funds	Regional Medical Center	Internal Service Funds	Total Transfers Out	
				General Fund
$ -	$ -	$ -	$ 8,496	Capital Projects
40,036	-	-	41,289	Debt Service
10,371	10,000	-	20,371	Operating Contribution
15,395	-	-	15,395	Pension Obligation
12,213	-	30	12,494	Reimbursement
			98,045	**Total General Fund**
				Flood Control
1,302	-	-	1,302	Capital Projects
-	-	6	6	Reimbursement
			1,308	**Total Flood Control**
				Teeter Debt Service
-	-	-	56	Reimbursement
			56	**Total Teeter Debt Service**
				Public Facilities Improvements Capital Projects
8,744	5,000	-	46,883	Capital Projects
-	-	-	17,220	Debt Service
3,570	-	42	6,990	Reimbursement
			71,093	**Total Public Facilities Imprv Cap Proj**
				Redevelopment Capital Projects
4,380	-	-	4,550	Capital Projects
3,424	-	-	3,424	Debt Service
970	-	-	3,986	Reimbursement
			11,960	**Total Redevelopment Capital Projects**
				Nonmajor Governmental Funds
-	-	-	6,401	Capital Projects
49,676	-	-	50,087	Debt Service
-	-	-	55,065	Fire
1,284	-	-	1,448	Pension Obligation
24,957	-	-	37,261	Reimbursement
			150,262	**Total Nonmajor Governmental Funds**
				Regional Medical Center
-	-	-	-	Debt Service
2,968	-	-	2,968	Pension Obligation
-	-	-	2,968	**Total Regional Medical Center**
				Waste Management
195	-	-	195	Pension Obligation
-	-	-	195	**Total Waste Management**
				Other Enterprise Funds
135	-	-	135	Pension Obligation
-	-	-	135	**Total Other Enterprise Funds**
				Internal Service Funds
-	-	1,825	1,825	Business Services
1,229	-	-	1,229	Pension Obligation
-	-	-	879	Reimbursement
			3,933	**Total Internal Service Funds**
180,849	15,000	1,903	339,955	**Total Transfers In**

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Balance July 1, 2011	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2012
Governmental activities:						
Capital assets, not being depreciated:						
Land & easements	$ 433,594	$ -	$ 26,702	$ (17,525)	$ 7,207	$ 449,978
Construction in progress	601,825	-	211,173	-	$ (67,462)	745,536
Total capital assets, not being depreciated	1,035,419	-	237,875	(17,525)	(60,255)	1,195,514
Capital assets, being depreciated:						
Infrastructure						
Flood channels	240,344	-	10,959	-	1,666	252,969
Flood storm drains	350,943	-	20,570	-	4,812	376,325
Flood dams and basins	31,215	-	-	-	-	31,215
Roads	1,636,544	-	45,014	(93,861)	15,067	1,602,764
Traffic signals	21,665	-	66	(3,115)	356	18,972
Bridges	104,723	-	260	-	-	104,983
Runways	18,463	-	-	-	3,685	22,148
Parks trails and improvements	9,964	-	-	-	1,290	11,254
Land improvements	110	-	-	-	-	110
Structures and improvements	1,270,657	2,090	23,135	(354)	32,575	1,328,103
Equipment	372,093	1,059	21,970	(13,875)	794	382,041
Total capital assets, being depreciated	4,056,721	3,149	121,974	(111,205)	60,245	4,130,884
Less accumulated depreciation for:						
Infrastructure	(1,001,931)	(11)	(68,946)	86,294	-	(984,594)
Land improvements	(21)	-	(1)	-	-	(22)
Structures and improvements	(310,213)	(2,481)	(27,260)	113	-	(339,841)
Equipment	(285,181)	(77)	(24,955)	13,051	10	(297,152)
Total accumulated depreciation	(1,597,346)	(2,569)	(121,162)	99,458	10	(1,621,609)
Total capital assets, being depreciated, net	2,459,375	580	812	(11,747)	60,255	2,509,275
Governmental activities capital assets, net	$ 3,494,794	$ 580	$ 238,687	$ (29,272)	$ -	$ 3,704,789

NOTE 8 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Balance July 1, 2011	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2012
Business-type activities:						
Capital assets, not being depreciated:						
Land & easements	$ 21,325	$ -	$ 26	$ -	$ -	$ 21,351
Construction in progress	44,368	-	13,076	-	(1,255)	56,189
Total capital assets, not being depreciated	65,693	-	13,102	-	(1,255)	77,540
Capital assets, being depreciated:						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	55,226	-	-	-	-	55,226
Infrastructure-other	22,551	-	-	-	772	23,323
Structures and improvements	219,336	-	83	-	483	219,902
Equipment	89,334	-	2,586	(14,366)	-	77,554
Total capital assets, being depreciated	398,109	-	2,669	(14,366)	1,255	387,667
Less accumulated depreciation for:						
Land improvements	(7,418)	-	(582)	-	-	(8,000)
Infrastructure-landfill liners	(21,222)	-	(2,721)	-	-	(23,943)
Infrastructure-other	(6,134)	-	(1,106)	-	-	(7,240)
Structures and improvements	(87,108)	-	(5,895)	-	-	(93,003)
Equipment	(71,627)	-	(5,937)	14,216	-	(63,348)
Total accumulated depreciation	(193,509)	-	(16,241)	14,216	-	(195,534)
Total capital assets, being depreciated, net	204,600	-	(13,572)	(150)	1,255	192,133
Business-type activities capital assets, net	$ 270,293	$ -	$ (470)	$ (150)	$ -	$ 269,673

Depreciation

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

General government	$ 25,048
Public protection	15,939
Health and sanitation	1,279
Public assistance	1,277
Public ways and facilities	61,660
Recreation and culture	1,272
Education	1,979
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	12,708
Total depreciation expense – governmental functions	$ 121,162

NOTE 8 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	$ 9,472
Waste Management	5,439
Housing Authority	1,316
County Service Areas	3
Flood Control	11
Total depreciation expense – business-type functions	$ 16,241

Capital Leases

Leased Property under capital leases by major class (in thousands):

	Governmental	Business-Type
Land	$ 2,223	$ -
Structures and Improvements	99,619	-
Equipment	141,574	15,981
Less: Accumulated amortization	(116,199)	(8,379)
Total leased property, net	$ 127,217	$ 7,602

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2012,

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets, being depreciated:				
Equipment	$ 77	$ -	$ -	$ 77
Total capital assets, being depreciated	77	-	-	77
Less accumulated depreciation for:				
Equipment	(77)		-	(77)
Total accumulated depreciation	(77)	-	-	(77)
Total capital assets, net	$ -	$ -	$ -	$ -

NOTE 9 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require Waste Management 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 Management will recognize the remaining estimated cost of $21.8 million as the remaining estimated capacity of 17.4 million tons is filled. Waste Management expects all currently permitted landfill capacities to be filled by 2087. The total estimate of $72.5 million is based on what it would cost to perform all closure and post-closure care costs at present value. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

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

Facility Name (City)	Cumulative Expense	Capacity Used as of June 30, 2012 %	Estimated Years Remaining
Anza (Anza)	$ 2,426	100.0	-
Badlands (Moreno Valley)	12,413	53.5	12
Blythe (Blythe)	8,027	34.5	35
Coachella (Coachella)	3,444	100.0	-
Desert Center (Desert Center)	1,508	69.5	75
Double Butte (Winchester)	3,158	100.0	-
Edom Hill (Cathedral City)	10,823	100.0	-
Highgrove (Riverside)	1,769	100.0	-
Lamb Canyon (Beaumont)	18,520	49.8	9
Mead Valley (Perris)	3,179	100.0	-
Mecca II (Mecca)	3,539	99.4	25
Oasis (Oasis)	3,657	72.7	9
	$ 72,463		

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

In accordance with sections 18283 and 18290 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Integrated Waste Management Board (CIWMB) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste Management has determined that the projected net revenues, after current operating costs, from tipping fees during the thirty-year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by the Waste Management and the CIWMB. Waste Management complies with these requirements and investments of $52.0 million are held for these purposes at June 30, 2012 and are classified as Restricted Assets in the Statement of Net Assets. Waste Management expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future landfill users.

NOTE 10 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 4.5% per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012 (in thousands):

Year Ending June 30	
2013	$ 36,529
2014	28,933
2015	23,670
2016	18,486
2017	16,038
2018-2022	16,044
2023-2027	1,095
2028-2032	1,025
2033-2037	1,047
2038-2042	679
Total Minimum Payments	$ 143,546

Total rental expenditure/expense for the year ended June 30, 2012 was $93.7 million, of which $3.8 million was recorded in the Enterprise Funds.

NOTE 11 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2011, the County issued $250.0 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid June 29, 2012. The Notes were issued with a yield rate of 0.26% for Series Bond A and 0.32% for Series Bond B. This was to provide needed cash to cover the projected intra-period cash-flow deficits of the County's General Fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter Plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During fiscal year 2011-12, the County retired $100.2 million of the $206.8 million principal amount outstanding at June 30, 2011. The County then issued $64.7 million of Series B notes, leaving an outstanding balance of $171.3 million at June 30, 2012.

Short-term debt activity for the year ended June 30, 2012, was as follows (in thousands):

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Fiscal year 2011-12				
TRANs	$ -	$ 250,000	$ (250,000)	$ -
Teeter Notes	206,805	64,739	(100,220)	171,324
Total	$ 206,805	$ 314,739	$ (350,220)	$ 171,324

NOTE 12 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities which are payable from the General, Debt Service, Enterprise, and Internal Service Funds. The calculated legal debt limit for the County is $2.5 billion.

Capital Leases

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

See Note 8 (Capital Assets) for Assets under Capital Leases and related disclosure information by major asset class.

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2012 (in thousands):

Year Ending June 30	Palm Desert Financing Authority	Other Governmental Activities	Total Governmental Activities	Business-type Activities
2013	$ 7,547	$ 15,685	$ 23,232	$ 5,755
2014	7,546	11,881	19,427	4,002
2015	7,551	7,087	14,638	2,118
2016	7,540	4,312	11,852	596
2017	7,541	1,648	9,189	207
2018-2022	37,706	1,151	38,857	-
2023-2027	6,900	619	7,519	-
2028-2032	4,973	122	5,095	-
2033-2037	997	-	997	-
Total minimum payments	88,301	42,505	130,806	12,678
Less amount representing interest	(25,201)	(4,610)	(29,811)	(623)
Present value of net minimum lease	$ 63,100	$ 37,895	$ 100,995	$ 12,055

The statement of net assets includes the Palm Desert Financing Authority capital lease of $63.1 million for the construction and acquisition of certain public facilities within the County, including the Palm Desert Sheriff's Station, community centers, the Blythe County Administrative Center, an animal shelter and a clinic facility.

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County of Riverside that are outstanding as of June 30, 2012 (in thousands):

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Certificates of Participation:					
CORAL					
1985 Serial Certificates	12/09 – 12/15	Variable	$7,600 - $14,800	$ 169,400	$ 50,400
				169,400	50,400

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Certificates of Participation (Continued):					
CORAL					
1990 Monterey Avenue:					
Serial Certificate	11/09 – 11/20	Variable	$300 - $800	$ 8,800	$ 5,200
				8,800	5,200
CORAL					
2001 CAC Annex:					
Serial Certificates	11/09 – 11/26	5.13%	$815 - $1,880	27,120	-
Term Certificate	11/27 – 11/30	5.13%	$1,980 - $2,295	8,540	-
Term Certificate	11/31	5.75%	$2,415	2,415	-
				38,075	-
CORAL					
2003 A - Historic Court Project:					
Serial Certificates	11/09 – 11/18	3.00% - 5.00%	$280 - $400	4,125	2,465
Term Certificate	11/19 – 11/23	5.00%	$420 - $510	2,320	2,320
Term Certificate	11/24 – 11/28	5.00%	$535 - $650	2,955	2,955
Term Certificate	11/29 – 11/33	5.13%	$685 - $835	3,790	3,790
				13,190	11,530
CORAL					
2003 B –Capital Facilities Refunding:					
Serial Certificates	12/03 – 11/18	2.00% - 4.20%	$300 - $900	8,685	2,470
				8,685	2,470
CORAL					
2005 A - Capital Improvement & Family Law Court Refunding:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$1,090 - $2,160	28,495	22,605
Term Certificate	11/26 –11/33	5.00%	$2,255 - $2,145	9,905	9,905
Term Certificate	11/34 – 11/36	5.00%	$2,040 - $2,490	13,265	13,265
				51,665	45,775
CORAL					
2005 B - Historic Courthouse Refunding Project:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$325 - $1,740	18,835	15,585
Term Certificate	11/26 – 11/27	5.00%	$1,860 - $1,915	3,775	3,775
				22,610	19,360
CORAL					
2006 Series A - Cap Imp Project:					
Serial Certificates	11/09 – 11/26	3.75% - 5.13%	$610 - $1,235	16,425	13,935
Term Certificate	11/27 – 11/31	4.75%	$1,295 - $1,560	7,130	7,130
Term Certificate	11/32 – 11/35	5.00%	$1,635 - $1,895	7,050	7,050
Term Certificate	11/36 – 11/37	4.63%	$1,990 - $2,080	4,070	4,070
				34,675	32,185
CORAL					
2007 A & B Public Safety Communication and Refunding Projects:					
Series A & B	11/10 – 11/17	3.85% - 5.00%	$1,525 - $10,850	111,125	58,385
				111,125	58,385
CORAL					
2009 Public Safety Communication and Woodcrest Library Refunding Projects:					
Series A	12/10 – 11/39	Variable	$70 - $4,200	45,685	45,530
				45,685	45,530

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Certificates of Participation (Continued):					
CORAL					
2009 Larson Justice Center Refunding:					
Serial Certificates	12/10 – 12/21	Variable	$1,050 - $4,860	$ 24,680	$ 22,080
				24,680	22,080
Court Financing Corporation					
Bankruptcy Courthouse:					
Acquisition Project Term Certificate	11/09 – 11/20	7.50%	$835 - $1,385	16,120	9,260
				16,120	9,260
District Court Financing Corporation					
U.S. District Court Project:					
Term /Series 1999	6/14/2017	7.59%	$902 - $1,263	2,165	2,165
Term /Series 1999	6/15/2015	1.93%	$1,187 - $1,658	17,635	4,661
Term /Series 2002	6/15/2020	3.00%	$50 - $75	925	510
				20,725	7,336
Total Certificates of Participation				$ 565,435	$ 309,511
Bonds Payable:					
CORAL					
2000 A Southwest Justice Center:					
Term Certificate	11/09 – 11/13	4.88% - 5.40%	$1,830 - $2,240	$ 17,945	$ 4,300
				17,945	4,300
CORAL					
2012 CAC Annex Refunding Project	11/12-11/31	2.00%-5.00%	$1,120-$2,435	33,360	33,360
CORAL					
2008 A Southwest Justice Center:					
Term Certificate	12/08 – 11/32	Variable	$2,480 - $6,410	78,895	78,895
				78,895	78,895
CORAL					
1997 B & C (Hospital):					
Term Bonds (Series C)	6/1/2019	5.81%	$1,733	1,733	1,733
				1,733	1,733
Taxable Pension Obligation Bond					
Pension Obligation Bonds (Series 2005-A)	8/09 – 8/35	4.91% - 5.04%	$3,425 - $5,530	400,000	357,540
				400,000	357,540
Inland Empire Tobacco Securitization Authority					
Series 2007 A	06/17 – 06/21	4.63% - 5.10%		87,650	68,230
Series 2007 B	06/20 – 06/26	5.75%		53,758	53,758
Series 2007 C-1	06/26 – 06/36	6.63%		53,542	53,542
Series 2007 C-2	06/33 – 06/45	6.75%		29,653	29,653
Series 2007 D	06/32 – 06/57	7.00%		23,457	23,457
Series 2007 E	06/35 – 06/57	7.63%		18,948	18,948
Series 2007 F	06/42 – 06/57	8.00%		27,076	27,076
				294,084	274,664
Total Bonds Payable				$ 826,017	$ 750,492

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Loans Payable:					
CORAL					
2011 Monroe Park Building Refunding	2/11 - 12/20	3.54%	$180 - $330	$ 5,535	$ 4,925
Total Loans Payable				$ 5,535	$ 4,925
Total Governmental Activities				$ 1,396,987	$ 1,064,928
Business-Type Activities					
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	12/09– 06/12	5.41%	$12,230 - $13,870	$ 81,135	$ -
Term Bonds (Series B)	12/09 – 06/14	5.41%	$7,050 - $7,475	14,525	14,525
				95,660	14,525
Regional Medical Center					
1997 A (Hospital): Serial Capital Cap Apprec. Bonds (net of future cap apprec $130,470)	06/13 – 06/26	5.70% - 6.01%	$1,081 - $4,981	41,170	41,170
				41,170	41,170
Regional Med Center 1997					
Serial Bonds (Series B)	06/10 – 06/13	4.38% - 5.15%	$395 - $455	4,785	1,734
Term Bonds (Series B)	06/14 – 06/19	5.00% - 5.70%	$475 - $13,007	63,935	62,656
Term Bonds (Series C)	6/19	6.25%	$3,265	3,265	3,265
Less: Sheriff's Part (Series C)				(1,733)	(1,733)
Bond Discount				-	(9)
Loss on Defeasance (net)				-	(1,295)
				70,252	64,618
Housing Authority					
1998 Series A:					
Term Bonds	12/09 – 12/18	6.85%	$110 - $200	2,405	1,165
Deferred Charges				-	(417)
				2,405	748
Total Bonds Payable				$ 209,487	$ 121,061
Total Business-Type Activities				$ 209,487	$ 121,061

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2012
Discretely Presented Component Unit					
Bonds Payable:					
Palm Desert Financing Authority					
2003 Lease Rev Bonds Series A:					
Serial Certificates	05/09 – 05/23	2.25% - 4.70%	$595 - $995	$ 13,270	$ 8,895
Term Certificate	05/24 – 05/27	4.75%	$1,035 - $715	3,975	3,975
Term Certificate	05/28 – 05/33	4.75% - 5.00%	$750 - $950	5,065	5,065
Bond Discount				-	(162)
				22,310	17,773
2008 Lease Rev Bonds Series A:					
Serial Certificates	05/10 – 05/18	4.00% - 5.50%	$1,935 - $6,200	43,845	32,880
Term Certificate	05/19 – 05/22	6.00%	$6,540 - $7,790	28,600	28,600
Bond Discount				-	(454)
				72,445	61,026
Total Bonds Payable				$ 94,755	$ 78,799
Total Discretely Presented Component Unit				$ 94,755	$ 78,799

As of June 30, 2012, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental	Loans Payable		Certificates of Participation	
Year ending June 30	Principal	Interest	Principal	Interest
2013	$ 505	$ 170	$ 27,416	$ 17,097
2014	530	152	28,772	15,642
2015	540	133	31,168	12,710
2016	560	114	33,133	10,747
2017	585	94	18,912	8,914
2018-2022	2,205	159	92,375	29,379
2023-2027	-	-	27,640	15,727
2028-2032	-	-	23,265	9,179
2033-2037	-	-	19,080	3,376
2038-2042	-	-	7,750	326
Total	$ 4,925	$ 822	$ 309,511	$ 123,097

Governmental	Bonds Payable	
Year ending June 30	Principal	Interest
2013	$ 34,985	$ 30,484
2014	27,460	28,611
2015	30,370	27,337
2016	19,775	20,958
2017	21,965	20,033
2018-2022	228,706	97,942
2023-2027	133,744	40,206
2028-2032	69,840	17,709
2033-2037	30,425	2,420
2038-2042	53,542	3,147
2043-2047	-	-
2048-2052	29,653	1,945
2053-2057	70,027	4,671
Total	$ 750,492	$ 295,463

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2012, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type	Bonds Payable		Other Long-term Liabilites	
Year ending June 30	Principal	Interest	Principal	Interest
2013	$ 10,674	$ 10,406	$ -	$ -
2014	10,930	9,920	-	-
2015	13,516	9,416	-	-
2016	14,119	8,848	6,795	-
2017	14,765	8,245	-	-
2018-2022	43,676	32,055	-	-
2023-2027	15,102	10,264	-	-
Total Requirements	122,782	89,154	$ 6,795	$ -
Bond Discount/Premium, net	(9)	-		
Deferred Charges (Housing)	(417)	-		
Loss on Defeasance (net)	(1,295)	-		
Total	$ 121,061	$ 89,154		

Discretely Presented Component Unit	Bonds Payable	
Year ending June 30	Principal	Interest
2013	$ 5,485	$ 4,254
2014	5,750	3,989
2015	6,035	3,709
2016	6,315	3,415
2017	6,640	3,093
2018-2022	39,155	7,967
2023-2027	4,970	1,930
2028-2032	4,115	858
2033-2037	950	47
Total Requirements	79,415	29,262
Bond Discount/Premium, net	(616)	-
Total	$ 78,799	$ 29,262

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2012 (in thousands):

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012
Governmental Activities:				
Certificates of Participation:				
Court Financing (U.S. District Court Project)	$ 3,179	$ 413	$ -	$ 3,592
Bonds:				
Inland Empire Tobacco Securitization Authority	58,784	16,447	-	75,231
Total governmental-type activities	$ 61,963	$ 16,860	$ -	$ 78,823
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 54,233	$ 5,751	$ -	$ 59,984
Total business-type activities	$ 54,233	$ 5,751	$ -	$ 59,984

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The accreted interest payable balances at June 30, 2012 represent accreted interest on the U.S. District Court Project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project, $294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $7.2 million for the U.S. District Court Project, $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds, and $3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

The increases of $16.9 million and $5.8 million represent current year's accretion for governmental activities and business-type activities respectively. The accumulated accretion for business-type activities is $60.0 million at June 30, 2012. The accumulated accretion for U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority in governmental activities is $78.8 million. The un-accreted balances at June 30, 2012 are $70.4 million for the 1997-A Hospital Riverside County Regional Medical Center (RCRMC) project, $3.6 million for the U.S. District Court, and $3.4 billion for the Inland Empire Tobacco Securitization Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation / Refunding

On February 1, 2012, the Redevelopment Agency was dissolved due to changes in legislation affecting California Redevelopment Agencies. The remaining Tax Allocation Bonds for financing projects and for financing low and moderate income housing projects of the County Redevelopment Agency were transferred to the Successor Agency.

On February 28, 2012, CORAL issued $33.4 million in lease revenue bonds to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex. The new bonds have an interest rate of 2.0% to 5.0% and the principal balance outstanding at June 30, 2012, was $33.4 million.

Defeasance of Debt

In April 2005, CORAL issued $22.6 million of Certificates of Participation, Series B (2005 Series B – Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund $21.1 million of the Historic Courthouse Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates have been included in the financial statements. The amount of the defeased debt outstanding at June 30, 2012, was $2.0 million.

On December 2009, CORAL issued $24.7 million certificates of participation (2009 Larson Justice Center Project Refunding COP) to provide funds to refund and prepay the certificates of participation relating to 1998 Larson Justice Center Project with an outstanding principal amount of $23.7 million; to fund the reserve fund; and to pay certain cost of issuance incurred in connection with this refunding. The requisition price exceeded the net carry amount of the old debt by $1.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.7 million and a reduction of $1.5 million in future debt service payments.

In December 2009, CORAL also issued $45.7 million certificates of participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding COP) to provide funds to refund and redeem the certificates of participation relating to 2007 Series B Public Safety Communication Project with an outstanding principal amount of $37.4 million; to provide funds to refund; and retire the series 2006 Certificates of Participation Anticipation Note relating to Woodcrest Library Project with an outstanding principal amount of $6.0 million; to fund capitalized interest on a portion of the certificates of participation through July 1, 2012; to fund a security deposit with respect to Base Rental payable under the Sublease; and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carry amount of the old debts by $2.3 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.3 million and an addition of $6.9 million in future debt service payments.

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

On February 28, 2011, CORAL issued $5.5 million in private placement bonds (2011 Monroe Building) to provide funds to refund and redeem the notes payable relating to the 2007 Monroe Park Building loan with an outstanding principal amount of $5.4 million and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by $140.0 thousand. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $527.0 thousand and a reduction of $339.0 thousand in future debt service payments.

On February 2012, CORAL issued $33.4 million in lease revenue bonds (2012 County Administrative Center Refunding Projects) to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex with an outstanding principal amount of $31.4 million; to fund the reserve fund, and to pay certain costs of issuance incurred in connection with this refunding and to acquire two office buildings located in Indio, California. The requisition price exceeded the net carry amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $5.0 million and a reduction of $3.6 million in future debt service payments.

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 $34.2 million of Mortgage Revenue Bonds have been issued and $30.8 million is outstanding as of June 30, 2012. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling $81.2 million at June 30, 2012, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds.

The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $2.4 million as of June 30, 2012, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood Control's liability to

Special Assessment Bonds (Continued)

advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County of Riverside issued $13.5 million of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the Lease.

Interest Rate Swap

Objective of the Interest Rate Swap: As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008A Leasehold Revenue Bonds in the notional amount of $76.3 million. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.2%.

Terms: The Bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million approximately matches a portion of $78.9 million variable-rate Bonds. The swap was effective at the same time the Bonds were issued on May 24, 2000 due to the consistent critical terms between the swap and the associated debt and was amended and restated as of December 10, 2008. None of the critical terms were changed pursuant to this agreement. The notional value of the swap and the principal amount of the associated debt, decline starting in fiscal year 2014-2015. Under the amended and restated swap agreement, CORAL paid Wells Fargo Bank, N.A. a fixed payment rate of 5.2%. CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the Bonds, expressed as a decimal, equal to 64% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the Bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedging. CORAL's net cash outflow or payment under the interest rate swap contract was $2.8 million for the year ended June 30, 2012. The swap is not subject to rollover risk because the maturity of the swap matches the maturity of the principal amount of the associated debt or market-access risk as no other embedded instrument is involved with the swap that would require accessing the credit markets.

Fair Value: As of June 30, 2012 and 2011, the swap had a negative fair value of $35.2 million and $24.7 million, respectively, a decrease in fair value of $10.5 million occurred during the fiscal year 2011-12. The fair value was recorded in the County's Statement of Net Assets as interest rate swap liability and deferred outflow in the assets section. Because the coupons on the Southwest Justice Center Series 2008A Leasehold Revenue Refunding Bonds adjust to changing interest rates, the Bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June, 30 2012.

Credit Risks: The swap counterparty was rated Aa3 by Moody's and AA- by Standard & Poor's as of August 29, 2012. The swap agreement specifies that if the long-term senior unsecured debt rating of Wells Fargo, N.A. is withdrawn, suspended or falls below BBB (Standard & Poor) or Baa2 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

Basis Risks: The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the Bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2012, CORAL's rate was 64.0% of LIBOR, or 0.2%, whereas Municipal Swap Index or the reset rate on bonds was 0.2%. The synthetic rate on the bonds at June 30, 2012 was 5.2%.

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Termination Risks: CORAL always has the right to terminate the swaps. Wells Fargo Bank, N.A. is limited in so far as both CORAL and the insurer are not performing. The swap may be terminated by CORAL if Wells Fargo Bank, N.A.'s credit quality rating falls below A- as issued by Standard & Poor's or A3 by Moody's. Additionally, the swaps may be terminated by Wells Fargo, N.A. if CORAL's credit quality rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's or if the Bonds credit quality ratings fall below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's. If the swaps are terminated, the variable rate Bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, CORAL, would be liable to Wells Fargo Bank, N.A. for a payment equal to the swaps' fair values.

Swap Payment and Associated Debt: Using rates as of June 30, 2012, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows (in thousands):

Fiscal Year Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total Interest
2013	-	1,099	2,835	3,934
2014	-	1,099	2,834	3,933
2015	-	1,099	2,834	3,933
2016	-	1,078	2,781	3,859
2017	5,160	1,040	2,685	3,725
2018-2022	16,130	4,549	11,735	16,284
2023-2027	21,095	3,206	8,271	11,477
2028-2032	27,505	1,460	3,767	5,227
2033	6,410	38	94	132
	$ 76,300	$ 14,668	$ 37,836	$ 52,504

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

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2012 (in thousands):

	Balance June 30, 2011	New Additions	Payments / Reclass	Balance June 30, 2012	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable (a)	$ 1,551,323	$ 33,360	$ (834,191)	$ 750,492	$ 34,985
Capital lease obligations	111,128	12,626	(22,759)	100,995	18,557
Certificates of participation	367,272	-	(57,761)	309,511	27,416
Loans payable	5,355	-	(430)	4,925	505
Total debt long-term liabilities	2,035,078	45,986	(915,141)	1,165,923	81,463
Other long-term liabilities:					
Accreted interest payable	61,963	16,860	-	78,823	-
Compensated absences (b)	160,344	6,568	(582)	166,330	87,661
Estimated claims liabilities (c)	124,717	40,783	(35,062)	130,438	34,071
Accrued remediation costs (d)	2,332	66	-	2,398	300
Total other long-term liabilities	349,356	64,277	(35,644)	377,989	122,032
Total governmental activities – long-term liabilities	$ 2,384,434	$ 110,263	$ (950,785)	$ 1,543,912	$ 203,495

(a) The reduction in bonds payable amount of $803.1 million in RDA Tax Allocation Bonds was transferred to the Successor Agency on February 1, 2012.
(b) General Fund, Special Revenue Fund, and Internal Service Fund are used to liquidate the compensated absences.
(c) Internal Service Funds are used to liquidate the estimated claims liabilities.
(d) General Fund is used to liquidate the remediation costs

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities (Continued)

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2012 (in thousands):

	Balance June 30, 2011	Additions	Payments / Reclass	Balance June 30, 2012	Amounts Due Within One Year
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses (a)	$ 134,983	$ -	$ (13,922)	$ 121,061	$ 10,674
Capital lease (RCRMC)	15,830	2,382	(6,157)	12,055	5,189
Total debt long-term liabilities	150,813	2,382	(20,079)	133,116	15,863
Other long-term liabilities:					
Accreted interest payable	54,233	5,751	-	59,984	-
Accrued closure and post-closure costs	43,468	9,069	-	52,537	5,390
Compensated absences	20,264	1,740	(20)	21,984	13,160
Accrued remediation costs	29,777	7,652	-	37,429	1,598
Other long-term liabilities (b)	6,795		-	6,795	-
Total other long-term liabilities	154,537	24,212	(20)	178,729	20,148
Total business-type activities – long-term liabilities	$ 305,350	$ 26,594	$ (20,099)	$ 311,845	$ 36,011
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 83,997	$ -	$ (5,198)	$ 78,799	$ 5,485
Other long-term liabilities:					
Compensated absences	271	66	(82)	255	130
Total discretely presented component unit – long-term liabilities	$ 84,268	$ 66	$ (5,280)	$ 79,054	$ 5,615

(a) The reduction in bonds payable amount of $13.9 million includes deferred charges of $417.0 thousand during fiscal year 2011-12.
(b) The Housing Authority (Business-type Activity) has two notes payable, totaling $6.8 million, under "Other long-term liabilities."

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued $294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County Tobacco Assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County after the first $10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County after the first $11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County Tobacco Assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 18.27% to the County and 81.73% to the Inland Empire Tobacco Securitization Authority for Calendar year 2012. During the fiscal year ended June 30, 2012, $19.5 million was received by the Inland Empire Tobacco Securitization Authority; $10.0 million, or 51.3%, was distributed to the County per the above agreement, leaving $9.5 million, or 48.7%, of the specific tobacco settlement revenues available to be pledged (see page 141). The County is under no obligation to make payments of the principal or accreted value of or redemption premiums, if any, or interest on the Series 2007 bonds in the event that revenues are insufficient for the payment thereof.

**** Tobacco settlement revenue required to be paid to the State of California under the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, California, and six other U.S. jurisdictions, in November 1998 in settlement of certain cigarette smoking-related litigation.*

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

The Housing Authority 1998 bonds are secured by an agreement with the City of Corona, which has pledged to pay $218.0 thousand to the Housing Authority each year until the bonds are redeemed in their entirety on December 1, 2018. The bond indenture requires the Housing Authority to remit the entire $218.0 thousand received each year to the bond trustee to pay for the bond's annual debt service payments, which in fiscal year 2012 was $125 thousand (principal) and $84.1 thousand (interest).

The Housing Authority reports the $218.0 thousand received each year as revenue. In fiscal year 2011-12, the $218.0 thousand represented about 0.3% of the total revenues of the Housing Authority. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2012, before applying the deferred charge, was $1.2 million.

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County, Flood Control and Park District was $38.4 million, $4.2 million and $386.7 thousand, respectively.

Authorized with the fiscal year 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The County participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

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NOTE 13 – FUND BALANCES

Fund balances that presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See note 1 for a description of each categories. A detailed schedule of fund balances as of June 30, 2012 is as follows (in thousands):

	Major Funds			
	General Fund	Flood Control Special Revenue Funds	Public Facilities Improvements	Redevelopment Capital Projects
Nonspendable:				
Imprest cash	$ 370	$ 1	$ -	$ -
Inventories	1,187	-	-	-
Permanent	-	-	-	-
Prepaids	277	-	-	-
Total nonspendable fund balances	1,834	1	-	-
Restricted for:				
Teeter tax losses	8,909	-	-	-
Public protection	67,311	-	-	-
Fire stations	-	-	24,031	-
Roads	-	-	50,031	-
Traffic signals	-	-	14,389	-
Emergency safety communication system	-	-	-	-
Public facilities	-	-	6,436	-
Public assistance programs	3,911	-	-	-
Health and sanitation services	16,799	-	-	-
Housing assistance programs	-	-	-	-
Parks and recreation	39	-	33,620	-
Education	-	-	-	-
Debt service	2,386	-	-	-
Other capital projects	-	-	2,543	-
Other purposes	1,801	-	134	-
Encumbrances	495	-	-	-
Total restricted fund balances	101,651	-	131,184	-
Committed to:				
Property tax system	11,454	-	-	-
Disaster relief	15,000	-	-	-
Public assistance	-	-	-	-
Public protection	17,141	252,368	-	-
Health and sanitation services	-	-	-	-
Parks and recreation	-	-	-	-
Other capital projects	1,000	-	-	-
Other purposes	7,844	-	-	-
Total committed fund balances	52,439	252,368	-	-
Assigned to:				
Public protection	1	-	-	-
Roads	-	-	18,985	-
Emergency safety communication system	-	-	-	-
Capital projects improvement program	-	-	40,562	-
Parks and recreation	-	-	-	-
Public facilities	-	-	-	-
Public assistance	-	-	-	-
Debt service	-	-	-	-
Other capital projects	-	-	50,567	-
Other purposes	-	3,890	-	-
Encumbrances	8,763	-	1,210	-
Total assigned fund balances	8,764	3,890	111,324	-
Unassigned fund balances	171,910	-	-	-
Total fund balances	**$ 336,598**	**$ 256,259**	**$ 242,508**	**$ -**

NOTE 13 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Nonmajor Governmental Funds	Total Governmental Funds	
						Nonspendable:
$ 118	$ -	$ -	$ -	$ 118	$ 489	Imprest cash
1,002	-	-	-	1,002	2,189	Inventories
-	-	-	455	455	455	Permanent
80	-	600	-	680	957	Prepaids
1,200	-	600	455	2,255	4,090	**Total nonspendable fund balances**
						Restricted for:
-	-	-	-	-	8,909	Teeter tax losses
13,726	-	98	-	13,824	81,135	Public protection
-	-	-	-	-	24,031	Fire stations
101,551	-	-	-	101,551	151,582	Roads
-	-	-	-	-	14,389	Traffic signals
-	-	36,611	-	36,611	36,611	Emergency safety communication system
1,197	-	-	-	1,197	7,633	Public facilities
23,081	-	-	-	23,081	26,992	Public assistance programs
4,208	-	-	-	4,208	21,007	Health and sanitation services
168,186	-	-	-	168,186	168,186	Housing assistance programs
2,117	-	-	-	2,117	35,776	Parks and recreation
18,923	-	-	-	18,923	18,923	Education
-	71,594	-	-	71,594	73,980	Debt service
-	-	-	-	-	2,543	Other capital projects
-	-	4,940	35	4,975	6,910	Other purposes
3,752	-	-	-	3,752	4,247	Encumbrances
336,741	71,594	41,649	35	450,019	682,854	**Total restricted fund balances**
						Committed to:
-	-	-	-	-	11,454	Property tax system
-	-	-	-	-	15,000	Disaster relief
7,292	-	-	-	7,292	7,292	Public assistance
-	-	323	-	323	269,832	Public protection
136	-	-	-	136	136	Health and sanitation services
6,714	-	-	-	6,714	6,714	Parks and recreation
-	-	-	-	-	1,000	Other capital projects
642	-	-	-	642	8,486	Other purposes
14,784	-	323	-	15,107	319,914	**Total committed fund balances**
						Assigned to:
534	-	-	-	534	535	Public protection
7,406	-	-	-	7,406	26,391	Roads
-	-	246	-	246	246	Emergency safety communication system
-	-	-	-	-	40,562	Capital projects improvement program
7,759	-	-	-	7,759	7,759	Parks and recreation
1,015	-	-	-	1,015	1,015	Public facilities
1,054	-	-	-	1,054	1,054	Public assistance
-	6,642	-	-	6,642	6,642	Debt service
-	-	3,423	-	3,423	53,990	Other capital projects
1,526	-	-	-	1,526	5,416	Other purposes
928	-	165	-	1,093	11,066	Encumbrances
20,222	6,642	3,834	-	30,698	154,676	**Total assigned fund balances**
-	-	-	-	-	171,910	**Unassigned fund balances**
$ 372,947	**$ 78,236**	**$ 46,406**	**$ 490**	**$ 498,079**	**$ 1,333,444**	**Total fund balances**

NOTE 14 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that incurred but are not reported (IBNR) at fiscal year end. The funding of these estimates is based on actuarial experience and projections. The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are $10.0 million, subject to a self-insured retention (SIR) of $1.0 million for each occurrence. A SIR is a form of a deductible. The County also purchases an additional $15.0 million per occurrence in excess of the $10.0 million for a total of $25.0 million in limits. Medical malpractice utilizes an excess policy providing coverage on a per occurrence basis. Limits under the malpractice policy are $20.0 million subject to a SIR of $1.1 million. The maximum limit under the excess workers' compensation, Section A, is statutory (unlimited); Section B, employer liability is $5.0 million per claim. Section A is subject to a $2.0 million SIR for each accident, employee injury, or disease. Settlements have not exceeded coverage for each of the past three fiscal years.

The County's property insurance program provides insurance coverage for all risks subject to a $50.0 thousand per occurrence deductible; flood coverage is subject to a 2.0% deductible per unit within a 100-year flood zone and $25.0 thousand per unit deductible outside a 100-year flood zone. (A 'unit' is defined as a separate building, contents in a separate building, property in the open (yard) or time element coverage in a separate building.) The County's property is categorized into four Towers and each Tower provides $610.0 million in limits. Earthquake (covering scheduled locations equal to or greater than $1.0 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of $82.5million with an additional $225.0 million excess rooftop limit available to any one Tower. The excess rooftop limit may be triggered during the policy year if a covered earthquake event somewhere in the state has depleted the initial underlying limits. Earthquake coverage is subject to a deductible equal to 5.0% of replacement cost value per unit subject to a $100.0 thousand minimum per unit. Boiler and Machinery provides up to $100.0 million in limits, with various deductibles. The limits in each Tower are shared with other counties on a per event basis. Should a catastrophic event occur and losses exceed the limits, the County would be responsible.

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2012 are reported in these funds. Where certain ISF funds have an accumulated deficit or insufficient reserves, the County provides funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70.0% confidence level an appropriate reduction in funding including a one-time holiday on department charges may be granted. For fiscal year 2011-2012 the Board of Supervisors approved a reduction in funding from the 70% confidence level to 55% confidence level for the Liability ISF and the Workers' Compensation ISF. Revenues for these Internal Service Funds are primarily provided by other County departments and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and other uninsured liabilities. Cash available in the Risk Management and Workers' Compensation Internal Service Funds at June 30, 2012 plus revenues to be collected during fiscal year 2012-2013 are expected to be sufficient to cover all fiscal year 2011-12 payments. The carrying amount of unpaid claim liabilities is $130.4 million. The liabilities are discounted at 3.0%.

	June 30, 2011	June 30, 2012
Unpaid claims, beginning of year	$ 117,263	$ 124,717
Increase (decrease) in provision for insured events of prior years	(2,428)	7,199
Incurred claims for current year	93,257	33,584
Claim payments	(83,375)	(35,062)
Unpaid claims, end of year	$ 124,717	$ 130,438

NOTE 15 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP). Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare and Medi-Cal cost reports through June 30, 2010. The Regional Medical Center has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2007 only while Medicare seeks to update their Medicare SSI percentages for those years. Medicare has re-opened the June 30, 2007 year to adjust the SSI percentage. For Medi-Cal, the Regional Medical Center has we have received NPR through June 30, 2008 only.

In September 2005, the State of California significantly modified its Medi-Cal program under a new waiver with the Centers for Medicare and Medicaid Services (CMS). In connection with the new waiver, the State legislature passed the Medi-Cal Hospital Uninsured Demonstration Project Act, or SB 1100, which replaced the SB 855 and SB 1255 programs. For the SB 1100 program, the State continues to provide supplemental payments to the hospital for uncompensated care. However, the use of intergovernmental transfers (IGTs) by the State, as the non-federal match, was modified to a methodology consisting of CPEs up to 50 percent of costs or Federal Medical Assistance Program (FMAP) rate. The Regional Medical Center has recorded net patient revenue of $107.2 million for SB 1100 for the year ended June 30, 2012, of which $37.0 million is from the Delivery System Reform Incentive Program (DSRIP), a waiver incentive based payment component of the Section 1115 Medicaid Waiver.

All CPEs reported by the hospital will be subject to State and Federal audit and final reconciliation process. If at the end of the final reconciliation process it is determined that the hospital's claimed CPEs resulted in an overpayment to the State, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The board of directors for each of these organizations is composed of one representative of each member organization. The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. The following jointly governed organizations were not included as either blended or discretely presented component units in these financial statements.

A representation of the jointly governed organizations on which the County served at June 30, 2012 follows:

The CSAC Excess Insurance Authority was formed in October 1979 and has a current membership of 52 California counties. The CSAC 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.

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Coachella Valley Association of Governments was formed in November 1973. Currently, the association includes the following members: the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage; the local tribes of Agua Caliente Band of Cahuilla Indians and the Cabazon Band of Mission Indians; and Riverside County. The purpose of the Association is to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis.

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

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

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

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

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

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

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

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

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

Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan were formed in January 2004 with the responsibility of issuing the permits required to implement the Multi-Species Habitat Conservation Plan, which will ultimately create a 500,000-acre reserve system in the County. The conservation plan's proposed reserve system protects habitat for 146 varieties of species.

Coachella Valley Conservation Commission (CVCC) was formed in October 2005. The CVCC is a Joint Powers Agreement Agency comprised of the cities of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Quinta, Palm Desert, Palm Springs, Rancho Mirage, Riverside, and the Coachella Valley Water District as well as the Imperial Irrigation District. The purpose of the CVCC was to implement the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP). The CVMSHCP goal is to enhance and maintain biological diversity and ecosystem processes while allowing future economic growth.

Southern California Regional Airport Authority (SCRAA) was originally founded in 1985 by the joint powers authority to begin the process of regionalizing aviation. It has been reactivated in an attempt to reduce projected future passenger loads at Los Angeles International Airport (LAX), by spreading the growth in commercial air traffic to other regional airports. The Southern California Association of Governments (SCAG) has also coordinated dispersal planning of the significant new MAP (million air passengers) that would have to be absorbed at other airports if LAX's future MAP is reduced.

Coachella Valley Enterprise Zone Authority (CVEZA) was formed in September 2010 by the Joint Powers Agreement comprised of the County of Riverside, the City of Indio, and the City of Coachella. The purpose of the authority is to manage, coordinate, market, and administer economic development programs and projects in the enterprise zone areas.

On January 10, 2011, as part of the statewide budget process, Governor Brown proposed the elimination of Redevelopment Agencies (RDA) throughout California starting Fiscal Year 2011-2012. On December 29, 2011, after a period of litigation, the State of California Assembly Bill ABX1 26 was upheld by the California Supreme Court, and RDAs were officially dissolved as of February 01, 2012. The Riverside County Board of Supervisors accepted the designation as Successor Agency for the Redevelopment Agency for the County of Riverside pursuant to CA Health and Safety Code section 34171(j), and transferred the responsibility of all housing functions previously performed by the Redevelopment Agency for the County of Riverside to the Housing Authority of the County of Riverside.

NOTE 17 – RETIREMENT PLAN

Plan Descriptions

The County of Riverside (County), Flood Control and Water Conservation District (Flood Control), Regional Park and Open-Space District (Park District) and Waste Management Department (Waste Management) contract with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits to its employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and plan beneficiaries. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance.

CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual valuation report which summarizes plan assets, liabilities and employer rates for its plans. Under GASB Statement No. 27, both the County (Miscellaneous and Safety) and Flood Control are considered single-employer defined benefit pension plans, while the Park District and Waste Management are considered multi-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS Annual Financial Report may be obtained from: CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS may be required to contribute up to 8.0% (Miscellaneous employees) and up to 9% (Safety employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statue.

The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used to establish the employer contribution rate are adopted by the CalPERS Board of Administration. The County, Flood Control, Park District and Waste Management are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

NOTE 17 – RETIREMENT PLAN (Continued)

Early Retirement Incentive

In fiscal year 2009-10, the County's Board of Supervisors authorized three early retirement incentives for all Miscellaneous and Safety members, excluding Elected Officials covered by the CalPERS Local Miscellaneous and Local Safety contracts (see table below for participation detail). In fiscal year 2008-09, the County's Board of Supervisors authorized an early retirement incentive for all Miscellaneous members only, excluding Elected Officials covered by the CalPERS Local Miscellaneous contract. The Early Retirement Incentives offered eligible employees who elected to retire within a designated time period specified by the County, two additional years of service. Eligibility provisions for the Early Retirement Incentive required employees to be in specified job classifications, attainment of at least age 50 and completion of five (5) or more years of service credit with the County.

The County has the option to pay for the cost of each early retirement incentive in a single payment or spread the cost over a 20-year period. The County has elected to pay the cost over a 20-year period. The additional cost will result in increased employer contribution rates and will be payable two years after the end of the fiscal year in which the early retirement incentive window closes.

The first estimated employer rate increase will occur in fiscal year 2011-12, for the early retirement incentive offered to Local Miscellaneous employees in fiscal year 2008-09. The County estimates the cost of the early retirement incentive to be an additional 0.35% in the employer contribution rate. For fiscal year 2012-13, the employer contribution rate is expected to increase an additional 0.43% for Local Safety and is estimated to increase by an additional 0.27% fiscal year 2013-14 for Local Miscellaneous, as a result of the three early retirement incentives authorized in fiscal 2010-11.

Early Retirement Incentive Table

Early Retirement Incentive	Window Periods	Total Eligible Employees	Employees Electing Early Retirement Incentive	Estimated Increase in Employer Contribution Rate	FY in Which Employer Contribution Rate will Increase
Local Miscellaneous	01/01 - 03/31/2009	3,400	678	0.35%	2011/2012
Local Safety	07/11 - 10/08/2009 (1) 07/15 - 10/13/2009 (2)	653	151	0.43%	2012/2013
Local Miscellaneous	02/11 - 08/09/2010	3,597	578	0.27%	2013/2014

(1) =District Attorney (2)=Sheriff

For fiscal year 2011-12, the Employer contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Contribution rates:					
County	13.112%	21.286%	16.789%	16.582%	18.120%
Plan Members	8.000%	9.000%	8.000%	8.000%	8.000%

NOTE 17 – RETIREMENT PLAN (Continued)

Annual Pension Cost

For fiscal year 2011-12, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (dollar amounts in thousands):

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Annual required contribution	$ 108,393	$ 58,673	$ 2,611	$ 793	$ 503
Interest on net pension obligation (asset)	(25,982)	(7,156)	(151)	-	
Adjustment to annual required contribution	19,394	5,342	250	-	434
Annual pension cost	101,805	56,859	2,710	793	937
Contributions made	(108,393)	(58,673)	(2,571)	(793)	(503)
Increase (decrease) in net pension obligation (asset)	(6,588)	(1,814)	139	-	434
Net pension obligation (asset) beginning of year	(335,240)	(92,346)	(1,945)	-	(1,516)
Net pension obligation (asset) end of year	$ (341,828)	$ (94,160)	$ (1,806)	$ -	$ (1,082)

Three-Year Trend Information
(dollar amounts in thousands)

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
County - Miscellaneous	June 30, 2010	$ 87,307	107.26 %	$ (328,780)
	June 30, 2011	94,039	106.87	(335,240)
	June 30, 2012	101,805	106.47	(341,828)
County - Safety	June 30, 2010	42,983	104.06	(90,567)
	June 30, 2011	49,297	103.61	(92,346)
	June 30, 2012	56,859	103.19	(94,160)
Flood Control	June 30, 2010	2,090	93.35	(2,084)
	June 30, 2011	2,255	93.80	(1,945)
	June 30, 2012	2,710	94.87	(1,806)
Park District	June 30, 2010	603	100.00	-
	June 30, 2011	585	100.00	-
	June 30, 2012	793	100.00	-
Waste Management	June 30, 2010	884	50.90	(1,950)
	June 30, 2011	865	49.83	(1,516)
	June 30, 2012	937	53.68	(1,082)

NOTE 17 – RETIREMENT PLAN (Continued)

Actuarial Methods and Assumptions

The following information is reflective as of the most recent actuarial valuation:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Actuarial valuation	6/30/2011	6/30/2011	6/30/2011	6/30/2011	6/30/2011
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining amortization period	32 years	32 years	19 years	19 years	19 years
Asset valuation method	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial assumptions:					
Investment rate of return	7.50%	7.50%	7.50%	7.50%	7.50%
Projected salary increases*	3.30%-14.20%	3.30%-14.20%	3.30%-14.20%	3.30%-14.20%	3.30%-14.20%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%
Payroll growth	3.00%	3.00%	3.00%	3.00%	3.00%

* Projected salary increases vary depending on Age, Service, and Type of Employment.

Funded Status and the Funding Progress

The following is funded status information for each plan as of June 30, 2012, which is the most recent actuarial valuation date (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (Excess of assets over AAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b-a)/c)
County - Miscellaneous	$ 3,923,499	$ 4,461,554	$ 538,055	87.94 %	$ 812,363	66.23 %
County - Safety	1,745,937	2,032,001	286,064	85.92	273,170	104.72
Flood Control	104,545	125,474	20,929	83.32	15,585	134.29
Park District**	825,991	1,023,127	197,136	80.73	160,900	122.52
Waste Management**	825,991	1,023,127	197,136	80.73	160,900	122.52

** The amounts disclosed reflect the entire Risk Pool fund in which Park District and Waste Management are included and does not represent their specific assets and liabilities. CalPERS Risk Pool valuation does not report specific assets and liabilities separately.

The Schedule of Funding progress presented as required supplementary information (RSI), following the notes to the financial statements, presents multi-year trend information on whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 18 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Contribution Information

Plan Description. The County provides an IRS Section 401(a) single-employer defined benefit employee pension plan for Part-Time and Temporary employees (the Plan) who are not eligible for Social Security or CalPERS retirement benefits through the County. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's Investment Consultant, Investment Manager and Trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value. Participants are immediately 100% vested in the Plan upon enrollment. No financial report has been issued separately for public view under Defined Benefit Pension Plan.

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the June 30, 2011 valuation, the County's current required contribution rate is 1.79%, however, the County elected to contribute 1.36 % of payroll in order to obtain a 90% target funded ratio within 5 years. The Plan's current funded ratio is 85.2%. The Plan actuary periodically calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Membership for the plan consisted of the following at July 1, 2011, the date of the latest actuarial valuation:

Number of Participants:	
Active plan members	1,758
Terminated and inactive members	6,613
Retirees	128
Total	8,499

Basis of Accounting. The pension plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Prior to the transition to U.S. Bank, investments of the pension trust were fully invested in the County pool and reported at fair value. On September 28, 2010 Plan Investments were transferred to the new Trustee and Investment Manager, U.S. Bank. U.S. Bank invests Plan funds according to the Plan's Investment Policy. As of June 30, 2012, assets were invested in cash equivalents (1.88%), equities (70.79%), fixed income (27.24%), and accrued income (0.09%).

Schedule of Annual Pension Cost and the Net Pension Obligation (NPO) for 2012 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to the ARC	Annual Pension Cost	Actual Contribution	NPO End of Year	Percentage Contributed
2010	$ 144	$ (145)	$ 227	$ 226	840	$ (3,515)	372 %
2011	156	(176)	275	255	425	(3,685)	167
2012	160	(240)	(747)	(827)	559	(5,071)	(68)

NOTE 18 – DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Annual Pension Cost and Net Pension Obligation (dollar amounts in thousands):

Annual required contribution	$	160
Interest on net pension obligation (asset)		(240)
Adjustment to annual required contribution		(747)
Annual pension cost		(827)
Contributions made		(559)
Increase (decrease) in net pension obligation (asset)		(1,386)
Net pension obligation (asset) beginning of year		(3,685)
Net pension obligation (asset) end of year	$	(5,071)

Schedule of Funding Progress

The funded status of the Plan as of July 1, 2011, the most recent actuarial valuation date and the two preceding years were as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2009	$ 19,384	$ 21,402	$ 2,018	90.57 %	$ 26,550	7.60 %
July 1, 2010	19,992	23,633	3,641	84.59	41,284	8.82
July 1, 2011	23,063	27,079	4,016	85.17	33,657	11.93

The schedules of funding progress, presented as required supplementary information (RSI), following the notes to the financial statement, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions

The following information is as of the date of the most recent actuarial valuation:

Valuation date	7/1/2011
Actuarial cost method	Projected Unit Credit
Amortization method	Level-Dollar Projected Payroll
Remaining amortization period	20 years - Open
Asset valuation method	Market Value plus Receivables
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	3.0%
Inflation rate	3.0%

NOTE 19 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County of Riverside (County) and its Special Districts: Flood Control and Water Conservation District (Flood Control); Regional Parks and Open-Space District (Park District); and Waste Management offer post employment benefits to eligible County retirees. Benefit provisions are established and amended through negotiations between the County and the various bargaining units.

The post employment benefits provide:

- The County provides retiree medical benefits for eligible retirees enrolled in County sponsored plans. The benefits are provided in the form of:
  - Monthly County contributions toward the retiree's medical premium, and
  - $25 per month to the Riverside Sheriffs' Association (RSA) Benefit Trust for RSA law enforcement retirees.
- Previously, the County allowed certain retirees to receive coverage prior to age 65 by paying premiums that were developed by blending active and retiree costs, which resulted in an implicit subsidy to retirees. The implicit subsidy has been discontinued.

A qualified Section 115 Trust has been established for the County and its Special Districts (except Waste Management), with the California Employers' Retiree Benefit Trust (CERBT). CERBT administers each plan's assets and issues a financial report available for public review, which includes financial statements and required supplementary information for the plans. The CERBT report may be obtained from: CalPERS Employer Services Division, P.O. Box 942703, Sacramento, CA 94229-2703.

Funding Policy and Annual OPEB Cost

It is the policy of the County of Riverside, along with the special districts (Park District and Flood Control) to fully contribute an amount at least equal to the Annual Required Contribution (ARC), as determined by the Post Retirement Benefits Actuarial Valuation Study for each trust. To facilitate funding for the ARC, the County has developed a rate structure. It is the policy of the Waste Management to fund the ARC on a pay-as-you-go basis.

Contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the respective unions. The County's annual Other Post Employment Benefit (OPEB) cost (expense) for each plan is calculated based on the *ARC of the employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (12 years for Waste Management).

The County's annual OPEB cost for the current year and the related information for each plan are as follows (dollar amounts in thousands, except for contribution rates):

	County	Flood Control	Park District	Waste Management
Contribution rates:				
County	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$403-$964	$403-$964	$403-$964	$403-$964
Annual required contribution	$ 2,499	$ 23	$ 2	$ 92
Interest on net OPEB obligation	(1,709)	(33)	(19)	(1)
Adjustment to annual required contribution	1,329	26	15	(117)
Annual OPEB cost	2,119	16	(2)	(26)
Contributions made	(3,837)	(70)	(4)	(23)
Increase in net OPEB obligation (asset)	(1,718)	(54)	(6)	(49)
Net OPEB obligation (asset) beginning of year	(21,118)	(429)	(271)	49
Net OPEB obligation (asset) end of year	$ (22,836)	$ (483)	$ (277)	$ -

NOTE 19 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/10	$ 4,238	197.3 %	$ (18,015)
	06/30/11	3,012	203.0	(21,118)
	06/30/12	2,119	181.1	(22,836)
Flood Control	06/30/10	45	397.8	(275)
	06/30/11	38	505.2	(429)
	06/30/12	16	437.5	(483)
Park District	06/30/10	4	550.0	(233)
	06/30/11	4	1,050.0	(271)
	06/30/12	(2)	200.0	(277)
Waste Management	06/30/10	99	159.6	(62)
	06/30/11	135	17.8	49
	06/30/12	(26)	88.4	-

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2012, which is the most recent actuarial valuation date (dollar amounts in thousands):

	County	Flood Control	Park District	Waste Management
Actuarial accrued liability (a)	$ 40,166	$ 482	$ 139	$ 1,089
Actuarial value of plan assets (b)	19,460	269	232	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 20,706	$ 213	$ (93)	$ 1,089
Funded ratio (b) / (a)	48.45%	55.81%	166.91%	0.00%
Covered payroll (c)	$ 1,012,698	$ 15,600	$ 4,871	$ 3,302
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	2.04%	1.37%	-1.91%	32.98%

Actuarial valuations are estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are projected about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information reflecting whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 19 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant costing methods and projected assumptions were as follows:

	County	Flood Control	Park District	Waste Management
Actuarial valuation date	7/1/2011	7/1/2011	7/1/2011	1/1/2009
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, open
Remaining amortization period	30 years	30 years	30 years	11 years
Actuarial assumptions:				
Investment rate of return*	7.61%	7.61%	7.61%	4.5%
Projected salary increases**	3.25%	3.25%	3.25%	3.25%
Healthcare inflation rate (initial)	5%	10%	10%	10%
Health inflation rate (ultimate)***	5%	5%	5%	5%

*The investment rate of return changed from 7.75% in prior valuation to 7.61%. This change was made based on CERBT's anticipated asset investment return for Asset Allocation Strategy 1.

**The estimated increase in salaries is 3.25%. This is the annual rate at which total payroll is expected to increase and is used in the funding method to calculate the ARC as a level percent of payroll.

***The health inflation rate is determined by the annual Public Employees' Medical and Hospital Care Act (PEMCHA) contributions which were assumed to be 5% for all years.

NOTE 20 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

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

On March 24, 2011, the Governor signed Assembly Bill 99 (AB 99) into law. AB 99 established the children and Families Health and Human Services Fund (Fund). As specified in the legislation, the Fund was to be used, upon appropriation, by the California State Legislature for health and human services. The bill required $1.0 billion of the combined state and local children and families funds to be deposited in the fund for the fiscal year 2011-12. The amount required from each First 5 commission (AB 99 payment) represents 50.0% of the fund balance as of June 30, 2010. For the Riverside County Children and Families Commission, this amount was $30.1 million. The AB 99 payment was due by June 30, 2012. In accordance with the legislation, no 2012-2013 commission revenues would be paid until the full AB 99 payment is made. Accordingly, the Commission accrued the AB 99 obligation as a liability at June 30, 2011. A lawsuit was filed by the Commission with other First 5 Commissions against the State challenging that the bill violated the intent of Proposition 10. In fiscal year 2011-12, the Superior Court of California ruled in favor of the First 5 Commissions; therefore, AB99 was no longer an obligation. The Commission accrued the expenditure as an extraordinary item in fiscal year 2010-11 and reversed this item in fiscal year 2011-2012.

NOTE 20 – COMMITMENTS AND CONTINGENCIES (Continued)

Property Tax Administration Fee

On July 7, 2010, the Court of Appeal of the State of California issued a decision in favor of the cities and against the County of Los Angeles in a case brought by 47 cities regarding the calculation of Property Tax Administration Fees (PTAF). The legal issue in dispute is whether counties can include “flip” and “swap” revenues in the calculation of administrative costs that counties recover from cities. At the trial court level, the court-appointed Referee had concluded that the County of Los Angeles’ calculation of the PTAF starting in fiscal year 2006-07 comported with Section 97.75 of California’s Revenue and Taxation Code. The Court of Appeal reversed the judgment and remanded for further proceedings, holding that the County of Los Angeles’ method of calculating its fee under Section 97.75 was unlawful. It is expected that the County of Los Angeles will petition the California Supreme Court for review. In the opinion of management, the decision to the case is significant for the County of Riverside because of similar claims against this County. The potential financial impact to the County related to the outcome of this case averages approximately $7.2 million in tax administration fees for fiscal year 2006-07 through fiscal year 2011-12.

County of Riverside Redevelopment Successor Agency

It is reasonably possible that the State Department of Finance could invalidate some but not all of the obligations reported on the Successor Agency’s Recognized Obligation Payment Schedule (ROPS). Sec. 34171 (d) (1) of the Health and Safety Code recognizes bonds as enforceable obligations, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service. The majority of the total outstanding obligations reported on the ROPS of the Successor Agency to the RDA (92%) consist of bond debt service payments. The range of potential loss of revenue is only between 0 to $126.6 million spread over the remaining life of the Successor Agency through 2045.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2011, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that could be disallowed by the granting agencies cannot be determined at this time; however, County management does not expect such amounts, if any, to be material to the basic financial statements. The fiscal year 2011-12 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 30, 2013.

Commitments

At June 30, 2012, the County had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts were financed through either the General Fund or Capital Projects Funds. $175.5 million will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Management Department entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste Management expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be $18.6 million. These additional costs will be capitalized as the costs are incurred.

Remediation Contingencies

Governmental Funds

Release of gasoline and diesel fuel has been reported at seven underground storage tanks. Orders have been issued by the California Regional Water Quality Control Board (CRWQCB) to assess and cleanup these sites by specific dates. It has determined the remediation plan and monitoring action are required. In addition to groundwater contamination, asbestos has been found in six facilities. As of June 30, 2012 the Governmental Activities reflect a $2.4 million accrued remediation liability (Note 12). The liability has been calculated using the expected cash flow

NOTE 20 – COMMITMENTS AND CONTINGENCIES (Continued)

Remediation Contingencies (Continued)

Governmental Funds (Continued)

technique. The liability is subject to change over time. Cost may vary due to price fluctuations, changes in technology, results of environmental studies, changes to statue or regulations and other factors that could result in revisions to these estimates.

Enterprise Funds

Waste Management is presently aware of groundwater contamination at nine of its landfills, six of which are closed. Waste Management is also aware of air/gas contamination at 17 landfills, 11 of which are closed. Based on engineering studies, Waste Management estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $29.8 million. At June 30, 2012, Waste Management has accrued $37.4 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2012 results from current estimates and current actual expenses.

Waste Management has established a remediation restricted cash fund and 17 remediation restricted cash escrow funds to set aside funds for future remediation costs as they are required to be performed. Investments of $52.0 million are held for these purposes at June 30, 2012 and are classified as Accrued Remediation in the Statements of Net Assets.

NOTE 21 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs) and CalPERS Pre-payment Note

On July 1, 2012, the County issued $250.0 million in Tax and Revenue Anticipation Notes in the form of Series A due March 29, 2013 and Series B due June 28, 2013. The stated interest rate for the A Bonds is set at 2.0% per annum with a yield of 0.18%. The interest rate for the B Bonds is set at 2.0% per annum with a yield of 0.20%. Portions of the Note proceeds were used to prepay CalPERS contributions for 2012 - 13 in the amount of $83.5 million. Between the prepayment discount of 3.6%, and earnings on cash flow the County expects to net $3.2 million in cost savings. In accordance with California law, the TRANs Bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2013 and legally available for payment thereof. Proceeds for the Bonds will be used for fiscal year 2013 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certificates of Participation

On September 2012, Fitch, one of the three major credit ratings, has assigned the County’s bonds and certificates of participation ratings as follows:

- Riverside County implied general obligation (GO) bond rating at 'AA-',
- Riverside County pension obligation bonds (POB-series 2005A) at ‘A+’.
- Riverside County certificates of participation (COPs- series 2003, 2003A, 2003B, 2005A, 2005B, 2007A, 2007B, 2009) at ‘A+’.
- Riverside County Asset Leasing Corporation certification of participation (CORAL- COPS/series 2006A and lease revenue bonds (LRBs), series 1993B, 1997A, 1997B, 1997C, 2000A) at ‘A+’.
- Riverside County Palm Desert Financing Authority lease revenue bonds (LRBs) (series 2003A) at ‘A+’.
- Southwest Communities Financing Authority lease revenue bonds (LRBs) (series 2008A) at 'A+'.

Fitch’s reasoning is summarized in the following paragraphs:

Riverside County was among the nation’s hardest hit regions during the recent recession, but its economy has shown steady improvement in recent months. The County has experienced 28 consecutive months of year-over-year employment gains, enabling it to recover more than half of jobs lost from March 2007 peak levels.

NOTE 21 – SUBSEQUENT EVENTS (Continued)

Riverside County Bonds and Certificates of Participation (Continued)

The County's housing market received national attention for the depth of home values declines during the recent recession, but modest price gains during the first two quarters of 2012 point to recovery in this sector as well. Continued recovery in the real estate market is supported by the same advantages that contributed to the region's out-sized growth prior to the recession: above-average population growth spurred by affordable housing and access to the large and vibrant southern California labor market.

The County has proactively balanced the fiscal 2013 budget without the use of reserves following four years of deficit operations and has taken steps to lower expenditures. Further, the Board has stated its intent to cut services for which the State reduces or eliminates related funding, which somewhat mitigates concerns over weak State funding. The State's efforts to re-align the provision of public services may result in future unfunded liabilities, though the State has signaled its intent to fund certain related costs in at least the first year, and the County has already incorporated known re-alignment costs into its recommended budget.

Teeter Obligation Notes, Series D

On October 2012, the County issued $142.8 million in 2012 Teeter Obligation Notes, Series D to refund a portion of the outstanding 2011 Teeter Obligation Notes, Series B, and fund in advance of unpaid property taxes for agencies participating in the County's Teeter Plan. The 2012 Notes bear an interest rate of 2% and a maturity date of October 16, 2013 when the existing Letter of Credit will expire.

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated the County's Miscellaneous and Safety contribution rates for fiscal year 2012-2013 will be 13.5% and 22.5%, respectively. Fiscal year 2013-14 contribution rates for Miscellaneous and Safety are estimated at 15.0% and 23.4%, respectively. They will be accounted for in fiscal year 2011-12 and future budget years.

On September 12, 2012, the legislature passed and the Governor signed into law the "California Public Employees' Pension Reform Act of 2013" ("PEPRA"), creating Assembly Bill 340 and amending certain sections of the 1937 Act.

The Bill requires a public retirement system to modify its plan to comply with the new law. The Bill establishes a new formula that cannot be exceeded by a public employer offering a defined benefit pension plan and sets a maximum benefit allowable for employees first hired on or after January 1, 2013.

On June 2012, the County presented to the board the intention to adopt an amendment to the CalPERS contract set forth in the Resolution of Intention to Approve an Amendment to Contract to provide 2% @60 for Local Miscellaneous members, and 2% @50 for Local Safety members, each with Three-Year Final Compensation, for employees' first entering CalPERS membership with the County after the contract amendment effective date.

Recent Changes in Legislation Affecting Housing Authority

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (Bill). The court ruling dissolved all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported a redevelopment agency blended component unit.

The Bill establishes that, upon dissolution of a redevelopment agency, the County or another unit of local government will commit to serve as the "successor agency" to hold the assets until they are distributed to other units of state and local government.

After enactment of the Bill, which occurred on June 28, 2011, redevelopment agencies in the State of California could not enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of

NOTE 21 – SUBSEQUENT EVENTS (Continued)

Recent Changes in Legislation Affecting Housing Authority (Continued)

dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, property tax revenue will be allocated to the Successor Agency in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill requires the State Controller to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

In pursuance with the timeline set forth in the Bill, all redevelopment agencies in the State of California were dissolved and ceased to operate as legal entities as of February 1, 2012.

On July 3, 2012 the Board of Commissioners of the Housing Authority adopted Resolution No. 2012-005 authorizing the Housing Authority to accept any and all assets, liabilities, duties, loans, leases, and obligations associated with the housing activities of the former Redevelopment Agency for the County of Riverside upon approval by the Oversight Board.

On July 17, 2012 the Board of Commissioners of the Housing Authority adopted Resolution No. 2012-009 to accept the release and transfer of fund assets from the Successor Agency to the Redevelopment Agency for the County of Riverside to the Housing Authority. The fund assets include the Low and Moderate Income Housing Funds identified in the July through December 2012 Recognized Obligation Schedule (ROPS) and the Housing Bond Proceeds, held by the Bank of New York Mellow as trustee, for draw downs and reimbursement of enforceable obligations, subject to approval by the Oversight Board.

The transfers of assets include 57 parcels of land with a total estimated value of $34.3 million; leases that would generate annual revenues of approximately $77 thousand; and deferred loan receivables with an estimated total of $55 million.

Palm Desert Financing Authority

On October 9, 2012, the Authority commenced refunding the Lease Revenue Bonds (County Facility Projects), 2003 Series A to the Lease Revenue Bonds (County Facility Projects), and Series 2012 for $18.0 million. Estimated close of the refunding is November 1, 2012.

County of Riverside Asset Leasing Corp (CORAL)

In July 2012, CORAL issued $90.5 million in lease revenue bonds (2012 Series A and Taxable Series B County of Riverside Capital Projects) to provide funds to refund and prepay the Corporation's Leasehold Revenue Bonds, 1997 Series B with an outstanding principal amount of $63.9 million; to provide funds ($30.0 million) for improvements to the Medical Center Campus; deposit funds into the Debt Service Reserve Fund, and to pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a redemption premium of $639.3 thousand for the 1997 Series B lease revenue bonds and a net premium of $6.9 million for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carry amount of the old debt by $26.6 million. The amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $8.0 million and a reduction of $7.1 million in future debt service payments.

NOTE 22 – SUCCESSOR AGENCY TRUST for ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill X1 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the County that previously had reported a redevelopment agency blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the county or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 10, 2012, the Riverside County Board of Supervisors met and created a Successor Agency in accordance with the Bill as part of County resolution number 2012-034.

After enactment of the law, which occurred on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated tax increment revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the County are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The County’s position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the County.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entities as of February 1, 2012.

Prior to that date, the final seven months of the activity of the RDA are reported in the governmental funds of the County. After the date of dissolution, as allowed under Section 34176(a) of the Bill, the County elected to retain the housing assets and functions previously performed by the former RDA. The assets and activities for the Successor Agency Housing fund continue to be reported in the County’s governmental fund financial statements. The remaining assets, liabilities, and activities of the dissolved RDA are reported in the Successor Agency fiduciary fund (private-purpose trust fund) in the financial statements of the County.

The movement of the assets and liabilities of the former redevelopment agency as of February 1, 2012, (effectively the same date as January 31, 2012) from governmental funds of the County to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012, was reported in the private-purpose trust fund as an extraordinary gain (or loss).

Because of the different measurement focus of the governmental funds (current financial resources measurement focus) and the measurement focus of the trust funds (economic resources measurement focus), the extraordinary loss (gain) recognized in the governmental funds will not be the same amount as the extraordinary gain (loss) that will be recognized in the fiduciary fund financial statements.

NOTE 22 – SUCCESSOR AGENCY TRUST for ASSETS OF FORMER REDEVELOPMENT AGENCY
(Continuation)

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary gain recognized in the fiduciary fund financial statements is reconciled as follows:

Total Extraordinary gain reported in the government-wide financial statements of the County	$ 502,638
Capital Projects transfer to private purpose trust fund	206,056
Debt Service transfer to private purpose trust fund	63,648
RDA Housing Successor Agency	30,788
Long-term debt reported in the government-wide financial Statements – increase to net assets of the Successor Agency Trust Fund	(803,131)
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers	$ (533,427)

Successor Agency: Long-term Debt In accordance with the provisions of the Bill and the court case, the obligations of the former Redevelopment Agency became vested with the funds established for the successor agency upon the date of dissolution, January 31, 2012. Tax increment revenue is pledged to fund the debts of the Successor Agency Trust subject to the reapportionment of such revenues as provided by the Bill.

The debt of the Successor Agency Trust as of June 30, 2012, is as follows:

	Successor Agency Trust	
Year ending June 30	**Principal**	**Interest**
2012	$ -	$ 20,286,323
2013	16,230,000	40,252,982
2014	16,870,000	39,576,849
2015	17,585,000	37,450,380
2016	18,385,000	36,691,025
2017	19,240,000	42,025,931
2018-2022	110,615,000	170,601,172
2023-2027	130,939,585	146,827,331
2028-2032	167,749,983	108,458,740
2033-2037	207,648,881	58,641,131
2038-2042	91,482,774	21,848,434
2043-2045	6,384,525	17,382,661
Total	**$ 803,130,748**	**$ 740,042,959**

Changes in Long-term Liabilities

The Successor Agency has an ending balance of $803.1 million for tax allocation bonds of which $16.2 million is due within one year.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2012

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS

The tables below show a three year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll (dollars in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ 3,401,037	$ 3,790,233	$ 389,196	89.73 %	$ 841,104	46.27 %
June 30, 2010	3,652,861	4,097,192	444,331	89.16	854,932	51.97
June 30, 2011	3,923,499	4,461,554	538,055	87.94	812,363	66.23

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ 1,511,048	$ 1,642,555	$ 131,507	91.99 %	$ 265,238	49.58 %
June 30, 2010	1,624,730	1,809,468	184,738	89.79	265,165	69.67
June 30, 2011	1,745,937	2,032,001	286,064	85.92	273,170	104.72

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ 93,681	$ 112,269	$ 18,588	83.44 %	$ 14,668	126.72 %
June 30, 2010	98,710	118,367	19,657	83.39	15,423	127.45
June 30, 2011	104,545	125,474	20,929	83.32	15,585	134.29

Regional Park and Open-Space District*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ 694,385	$ 883,394	$ 189,009	78.60 %	$ 161,973	116.69 %
June 30, 2010	754,859	945,221	190,362	79.86	159,157	119.61
June 30, 2011	825,991	1,023,127	197,136	80.73	160,900	122.52

*The amounts disclosed are for the entire Risk Pool fund in which Parks Department participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS (Continued)

(Dollars in thousands)

*Waste Management Department**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	$ 694,385	$ 883,394	$ 189,009	78.60 %	$ 161,973	116.69 %
June 30, 2010	754,859	945,221	190,362	79.86	159,157	119.61
June 30, 2011	825,991	1,023,127	197,136	80.73	160,900	122.52

*The amounts disclosed are for the entire Risk Pool fund in which Parks Department participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

Riverside County - Part-time and Temporary Help Retirement

Six - Year Trend Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2006	$ 10,520	$ 13,673	$ 3,153	76.94 %	$ 29,124	10.83 %
June 30, 2007	13,778	20,468	6,690	67.31	41,333	16.19
June 30, 2008	16,989	19,471	2,482	87.25	27,928	8.89
June 30, 2009	19,384	21,402	2,018	90.57	26,550	7.60
June 30, 2010	19,992	23,633	3,641	84.59	41,284	8.82
June 30, 2011	23,063	27,079	4,016	85.17	33,657	11.93

**All amounts provided prior to June 30, 2007 were based on information from reports from the prior actuary. The prior actuary's reports are based on the Entry Age Normal cost method. The Projected Unit Credit cost method is used as of June 30, 2007.

RETIREMENT PLANS – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County - Part-time and Temporary Help Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2007	$ 1,914	100 %	$ -
2008	745	267	(1,248)
2009	227	828	(2,901)
2010	226	372	(3,515)
2011	156	167	(3,685)
2012	160	568	(5,071)

OPEB - SCHEDULES OF FUNDING PROGRESS

(Dollars in thousands)

Riverside County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ 9,872	$ 55,288	$ 45,416	17.86 %	$ 1,011,963	4.49 %
July 1, 2010	14,272	43,158	28,886	33.07	1,030,030	2.80
July 1, 2011	19,460	40,166	20,706	48.45	1,012,698	2.04

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ 105	$ 660	$ 555	15.91 %	$ 14,396	3.86 %
January 1, 2010	113	588	475	19.22	15,086	3.15
July 1, 2011	269	482	213	55.81	15,600	1.37

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008*	$ 190	$ 193	$ 3	98.45 %	N/A	N/A
January 1, 2009	147	144	(3)	102.08	4,429	-0.07 %
July 1, 2011	232	139	(93)	166.91	4,871	-1.91

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008*	$ -	$ 658	$ 658	0.00 %	N/A	N/A
January 1, 2009**	-	1,089	1,089	0.00	3,302	32.98 %

*Estimate only.

** The most recent actuarial valuation.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 183	$ 183
Other revenue	4,683	4,683	-	(4,683)
Total revenues	4,683	4,683	183	(4,500)
EXPENDITURES:				
Current:				
General government	(358)	(414)	613	1,027
Debt service:				
Interest	6,294	6,294	767	(5,527)
Total expenditures	5,936	5,880	1,380	(4,500)
Excess (deficiency) of revenues over (under) expenditures	(1,253)	(1,197)	(1,197)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	1,253	1,253	1,253	-
Transfers out	-	(56)	(56)	-
Total other financing sources (uses)	1,253	1,197	1,197	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ -	$ -

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 5,527	$ 5,527	$ 1,490	$ (4,037)
Rents and concessions	337	337	331	(6)
Aid from other governmental agencies:				
Other	24,407	24,407	33,179	8,772
Charges for services	91,091	88,116	11,081	(77,035)
Other revenue	16,853	10,485	492	(9,993)
Total revenues	138,215	128,872	46,573	(82,299)
EXPENDITURES:				
Current:				
General government	204,443	172,245	30,235	(142,010)
Public ways and facilities	22,186	17,496	1,066	(16,430)
Total expenditures	226,629	189,741	31,301	(158,440)
Excess (deficiency) of revenues over (under) expenditures	(88,414)	(60,869)	15,272	76,141
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,344	9,344	-
Transfers out	-	(71,093)	(71,093)	-
Total other financing sources (uses)	-	(61,749)	(61,749)	-
NET CHANGE IN FUND BALANCE	(88,414)	(122,618)	(46,477)	76,141
Fund balance, beginning of year, as previously reported	293,102	293,102	293,102	-
Adjustments to beginning fund balance	-	-	(4,117)	(4,117)
Fund balance, beginning of year	293,102	293,102	288,985	(4,117)
FUND BALANCE, END OF YEAR	$ 204,688	$ 170,484	$ 242,508	$ 72,024

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 796	$ 796	$ 344	$ (452)
Rents and concessions	695	695	220	(475)
Aid from other governmental agencies:				
Charges for services	11,712	3,899	249	(3,650)
Other revenue	119,359	177,130	132	(176,998)
Total revenues	132,562	182,520	945	(181,575)
EXPENDITURES:				
Current:				
General government	132,562	163,578	59,060	(104,518)
Debt service:				
Principal	-	15,000	-	(15,000)
Total expenditures	132,562	178,578	59,060	(119,518)
Excess (deficiency) of revenues over (under) expenditures	-	3,942	(58,115)	(62,057)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	8,019	8,019	-
Transfers out	-	(11,960)	(11,960)	-
Total other financing sources (uses)	-	(3,941)	(3,941)	-
Net change in fund balance before extraordinary item	-	1	(62,056)	(62,057)
EXTRAORDINARY ITEM				
RDA dissolution transaction	-	-	(206,056)	(206,056)
NET CHANGE IN FUND BALANCES	-	1	(268,112)	(268,113)
Fund balance, beginning of year, as previously reported	271,554	271,554	271,554	-
Adjustments to beginning fund balance	-	-	(3,442)	(3,442)
Fund balance, beginning of year	271,554	271,554	268,112	(3,442)
FUND BALANCE, END OF YEAR	$ 271,554	$ 271,555	$ -	$ (271,555)

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NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
ASSETS:					
Cash and investments	$ 338,698	$ 5,876	$ 19,810	$ 490	$ 364,874
Accounts receivable	1,147	1,060	-	-	2,207
Interest receivable	117	118	5	-	240
Taxes receivable	2,003	-	-	-	2,003
Due from other governments	94,482	-	-	-	94,482
Inventories	1,002	-	-	-	1,002
Due from other funds	739	-	733	-	1,472
Prepaid items	2,616	-	599	-	3,215
Restricted cash and investments	-	71,509	28,797	-	100,306
Advances to other funds	1,300	-	200	-	1,500
Land held for resale	34,368	-	-	-	34,368
Total assets	$ 476,472	$ 78,563	$ 50,144	$ 490	$ 605,669
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 28,778	$ 327	$ 1,764	$ -	$ 30,869
Salaries and benefits payable	4,059	-	214	-	4,273
Due to other governments	14,986	-	-	-	14,986
Due to other funds	5,146	-	260	-	5,406
Deposits payable	315	-	-	-	315
Advance from other funds	-	-	1,500	-	1,500
Deferred revenue	50,241	-	-	-	50,241
Total liabilities	103,525	327	3,738	-	107,590
Fund balances:					
Nonspendable	1,200	-	600	455	2,255
Restricted	336,741	71,594	41,649	35	450,019
Committed	14,784	-	323	-	15,107
Assigned	20,222	6,642	3,834	-	30,698
Total fund balances	372,947	78,236	46,406	490	498,079
Total liabilities and fund balances	$ 476,472	$ 78,563	$ 50,144	$ 490	$ 605,669

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
REVENUES:					
Taxes	$ 63,275	$ 36,048	$ -	$ -	$ 99,323
Licenses, permits and franchise fees	1,865	-	-	-	1,865
Fines, forfeitures and penalties	1,184	-	-	-	1,184
Use of money and property:					
Interest	1,388	1,448	91	2	2,929
Rents and concessions	8,118	6,899	-	-	15,017
Aid from other governmental agencies:					
Federal	102,433	-	-	-	102,433
State	53,797	-	582	-	54,379
Other	43,167	-	-	-	43,167
Charges for services	76,019	1,898	2,127	24	80,068
Other revenue	33,241	9,476	1	-	42,718
Total revenues	384,487	55,769	2,801	26	443,083
EXPENDITURES:					
Current:					
General government	22,694	41,957	9,473	-	74,124
Public protection	11,376	-	-	-	11,376
Public ways and facilities	166,949	-	-	-	166,949
Health and sanitation	6,503	-	-	-	6,503
Public assistance	82,434	-	-	-	82,434
Education	18,363	-	-	-	18,363
Recreation and culture	14,244	-	652	-	14,896
Debt service:					
Principal	849	48,011	-	-	48,860
Interest	69	42,921	-	-	42,990
Cost of issuance	-	15	-	-	15
Capital outlay	-	1,459	18,453	-	19,912
Total expenditures	323,481	134,363	28,578	-	486,422
Excess (deficiency) of revenues 0ver (under) expenditures	61,006	(78,594)	(25,777)	26	(43,339)
OTHER FINANCING SOURCES (USES):					
Transfers in	50,335	114,883	15,631	-	180,849
Transfers out	(102,212)	(46,213)	(1,837)	-	(150,262)
Issuance of refunding bonds	-	30,360	3,000	-	33,360
Premium on long-term debt	-	2,840	-	-	2,840
Redemption of refunded debt	-	(32,797)	-	-	(32,797)
Total other financing sources (uses)	(51,877)	69,073	16,794	-	33,990
Net change in fund balances before extraordinary items	9,129	(9,521)	(8,983)	26	(9,349)
EXTRAORDINARY ITEMS					
RDA dissolution asset transfers	(30,827)	(66,968)	-	-	(97,795)
RDA dissolution liability transfers	39	3,320	-	-	3,359
Total extraordinary items	(30,788)	(63,648)	-	-	(94,436)
NET CHANGE IN FUND BALANCES	(21,659)	(73,169)	(8,983)	26	(103,785)
Fund balances, beginning of year, as previously reported	399,147	151,405	55,389	464	606,405
Adjustments to beginning fund balances	(4,541)	-	-	-	(4,541)
Fund balances, beginning of year, as restated	394,606	151,405	55,389	464	601,864
FUND BALANCES, END OF YEAR	$ 372,947	$ 78,236	$ 46,406	$ 490	$ 498,079

SPECIAL REVENUE FUNDS

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These funds were established for the purpose of accounting for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted in expenditures for the specified purposes.

TRANSPORTATION

This fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public. Revenues consist primarily of the County's share of highway user taxes and are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided.

COMMUNITY SERVICES

This fund provides financing for public services. Public services provided by this fund group are: HUD Community Services Grant, EDA Administration, Community Action Partnership, Job Training Partnership, Office on Aging, USEDA Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA US Department of Agriculture Rural Development, Workforce Development, Healthy Kids, and Bio-terrorism Preparedness. The primary source of revenue for this fund is from State/Federal Grants.

REDEVELOPMENT SUCCESSOR HOUSING AGENCY

This fund was established to account for administration and revenues/expenditures related to the low and moderate income housing set-aside program. 20% of the tax increments allocated to the former Redevelopment Agency are required to be placed in this fund.

COUNTY SERVICE AREAS

This county service areas fund was established to provide authorized services such as road, park, lighting maintenance, fire protection, or water to specified areas in the County. They are financed by ad valorem property taxes in the area benefited, or by special assessments levied on specific properties.

REGIONAL PARK AND OPEN-SPACE

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County to the District.

AIR QUALITY IMPROVEMENT

This fund accounts for Riverside County's portion of State of California motor vehicle fees restricted for the use of reducing air pollution.

IN-HOME SUPPORT SERVICES (IHSS)

The goal of the IHSS program is to enable elderly and/or disabled persons to remain safely in independent living as long as possible. This in-home assistance is designed to allow persons to remain in their homes rather than be placed in an institutional setting. IHSS receives revenue for the following services: meal preparation and clean-up, food shopping, bathing, dressing, personal care, domestic services (cleaning), and assistance with medications.

COUNTY OF RIVERSIDE

PERRIS VALLEY CEMETERY DISTRICT (the District)

The District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The District was created in July 1927 for the purpose operating a public cemetery for the residents of the Perris Valley.

OTHER SPECIAL REVENUE

This fund provides financing to make services available to the public and governmental agencies. At the current time, the other special revenue fund accounts for the following services: Rideshare, AD CFD Administration, Aviation, Ladera Irrigation, National Date Festival, Cal-ID, Special Aviation, Supervisorial Road Districts, Multi-Species Habitat Conservation Agency, Riverside U.S. Grazing Fees, Airport Land Use Commission, Prop 10, and DNA Identification.

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COUNTY OF RIVERSIDE

Combining Balance Sheet

Special Revenue Funds

June 30, 2012

(Dollars in Thousands)

	Transportation	Community Services	RDA - Housing Successor Agency	County Service Areas	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total
ASSETS:										
Cash and investments	$ 158,480	$ 47,163	$ 77,198	$ 20,240	$ 10,712	$ 572	$ 1,222	$ 739	$ 22,372	$ 338,698
Accounts receivable	797	92	-	-	196	-	-	-	62	1,147
Interest receivable	70	6	17	9	5	-	1	-	9	117
Taxes receivable	56	1,528	-	228	139	-	-	32	20	2,003
Due from other governments	14,747	11,593	66,041	312	197	121	947	-	524	94,482
Inventories	1,002	-	-	-	-	-	-	-	-	1,002
Due from other funds	328	396	-	-	-	-	-	15	-	739
Prepaid items	2,600	16	-	-	-	-	-	-	-	2,616
Advances to other funds	-	-	-	-	1,300	-	-	-	-	1,300
Land held for resale	-	-	34,368	-	-	-	-	-	-	34,368
Total assets	$ 178,080	$ 60,794	$ 177,624	$ 20,789	$ 12,549	$ 693	$ 2,170	$ 786	$ 22,987	$ 476,472
LIABILITIES AND FUND BALANCES:										
Liabilities:										
Accounts payable	$ 23,823	$ 3,170	$ 197	$ 132	$ 355	$ 5	$ -	$ 16	$ 1,080	$ 28,778
Salaries and benefits payable	1,944	1,220	-	171	421	-	80	-	223	4,059
Due to other governments	1,528	37	13,185	1	5	-	228	-	2	14,986
Due to other funds	-	5,118	-	15	-	-	-	-	13	5,146
Deposits payable	-	1	-	35	-	-	-	279	-	315
Deferred revenue	47,220	1,474	-	-	352	-	-	20	1,175	50,241
Total liabilities	74,515	11,020	13,382	354	1,133	5	308	315	2,493	103,525
Fund balances (Note 13):										
Nonspendable	1,014	149	-	1	5	-	5	-	26	1,200
Restricted	95,805	37,629	164,242	19,483	26	688	1,714	471	16,683	336,741
Committed	1,811	8,402	-	945	3,626	-	-	-	-	14,784
Assigned	4,935	3,594	-	6	7,759	-	143	-	3,785	20,222
Total fund balances	103,565	49,774	164,242	20,435	11,416	688	1,862	471	20,494	372,947
Total liabilities and fund balances	$ 178,080	$ 60,794	$ 177,624	$ 20,789	$ 12,549	$ 693	$ 2,170	$ 786	$ 22,987	$ 476,472

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Transportation	Community Services	Redevelopment Agency	RDA - Housing Successor Agency	County Service Areas
REVENUES:					
Taxes	$ 5,015	$ 43,490	$ 9,012	$ -	$ 710
Licenses, permits, and franchise fees	1,835	-	-	-	-
Fines, forfeitures, and penalties	-	361	-	-	-
Use of money and property:					
Interest	596	56	239	233	81
Rents and concessions	24	798	107	55	6
Aid from other governmental agencies:					
Federal	28,678	70,797	-	-	-
State	48,668	2,742	-	-	10
Other	4,338	26,100	547	11,183	57
Charges for services	47,705	2,689	5	1,087	9,292
Other revenue	6,960	24,950	334	39	173
Total revenues	143,819	171,983	10,244	12,597	10,329
EXPENDITURES:					
Current:					
General government	-	15,717	2,171	7	-
Public protection	5,632	-	-	-	-
Public ways and facilities	154,268	-	-	-	6,447
Health and sanitation	-	3,003	-	-	773
Public assistance	-	82,434	-	-	-
Education	-	18,363	-	-	-
Recreation and culture	-	597	-	-	870
Debt service:					
Principal	849	-	-	-	-
Interest	69	-	-	-	-
Total expenditures	160,818	120,114	2,171	7	8,090
Excess (deficiency) of revenues over (under) expenditures	(16,999)	51,869	8,073	12,590	2,239
OTHER FINANCING SOURCES (USES):					
Transfers in	25,546	19,671	38	-	1,189
Transfers out	(13,631)	(67,890)	(10,309)	-	(2,482)
Total other financing sources (uses)	11,915	(48,219)	(10,271)	-	(1,293)
Net change in fund balances before extraordinary items	(5,084)	3,650	(2,198)	12,590	946
EXTRAORDINARY ITEMS					
RDA dissolution asset transfers	-	-	(182,479)	151,652	-
RDA dissolution liability transfers	-	-	39	-	-
Total extraordinary items	-	-	(182,440)	151,652	-
NET CHANGE IN FUND BALANCES	(5,084)	3,650	(184,638)	164,242	946
Fund balances, beginning of year, as previously reported	108,649	46,124	189,179	-	19,489
Adjustments to beginning fund balances	-	-	(4,541)	-	-
Fund balances, beginning of year, as restated	108,649	46,124	184,638	-	19,489
FUND BALANCES, END OF YEAR	$ 103,565	$ 49,774	$ -	$ 164,242	$ 20,435

	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total
REVENUES:						
Taxes	$ 4,095	$ -	$ -	$ 189	$ 764	$ 63,275
Licenses, permits, and franchise fees	-	-	-	-	30	1,865
Fines, forfeitures, and penalties	-	-	-	-	823	1,184
Use of money and property:						
Interest	47	3	6	4	123	1,388
Rents and concessions	938	-	-	-	6,190	8,118
Aid from other governmental agencies:						
Federal	88	-	1,142	-	1,728	102,433
State	273	512	456	3	1,133	53,797
Other	129	-	-	13	800	43,167
Charges for services	6,171	-	-	219	8,851	76,019
Other revenue	206	-	-	5	574	33,241
Total revenues	11,947	515	1,604	433	21,016	384,487
EXPENDITURES:						
Current:						
General government	-	269	-	-	4,530	22,694
Public protection	270	-	-	479	4,995	11,376
Public ways and facilities	-	-	-	-	6,234	166,949
Health and sanitation	-	-	1,959	-	768	6,503
Public assistance	-	-	-	-	-	82,434
Education	-	-	-	-	-	18,363
Recreation and culture	12,777	-	-	-	-	14,244
Debt service:						
Principal	-	-	-	-	-	849
Interest	-	-	-	-	-	69
Total expenditures	13,047	269	1,959	479	16,527	323,481
Excess (deficiency) of revenues over (under) expenditures	(1,100)	246	(355)	(46)	4,489	61,006
OTHER FINANCING SOURCES (USES):						
Transfers in	1,597	-	675	-	1,619	50,335
Transfers out	(1,791)	(539)	(177)	(70)	(5,323)	(102,212)
Total other financing sources (uses)	(194)	(539)	498	(70)	(3,704)	(51,877)
Net change in fund balances before extraordinary items	(1,294)	(293)	143	(116)	785	9,129
EXTRAORDINARY ITEMS						
RDA dissolution asset transfers	-	-	-	-	-	(30,827)
RDA dissolution liability transfers	-	-	-	-	-	39
Total extraordinary items	-	-	-	-	-	(30,788)
NET CHANGE IN FUND BALANCES	(1,294)	(293)	143	(116)	785	(21,659)
Fund balances, beginning of year, as previously reported	12,710	981	1,719	587	19,709	399,147
Adjustments to beginning fund balances	-	-	-	-	-	(4,541)
Fund balances, beginning of year, as restated	12,710	981	1,719	587	19,709	394,606
FUND BALANCES, END OF YEAR	$ 11,416	$ 688	$ 1,862	$ 471	$ 20,494	$ 372,947

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 22,960	$ 22,960	$ 5,015	$ (17,945)
Licenses, permits, and franchise fees	1,348	1,348	1,835	487
Fines, forfeitures, and penalties	1	1	-	(1)
Use of money and property:				
Interest	886	886	596	(290)
Rents and concessions	24	24	24	-
Aid from other governmental agencies:				
Federal	24,767	24,767	28,678	3,911
State	27,469	27,469	48,668	21,199
Other	8,900	8,900	4,338	(4,562)
Charges for services	66,785	45,729	47,705	1,976
Other revenue	6,028	3,475	6,960	3,485
Total revenues	159,168	135,559	143,819	8,260
EXPENDITURES:				
Current:				
Public protection	7,834	6,328	5,632	(696)
Public ways and facilities	157,806	153,890	154,268	378
Debt service:				
Principal	999	999	849	(150)
Interest	119	119	69	(50)
Total expenditures	166,758	161,336	160,818	(518)
Excess (deficiency) of revenues over (under) expenditures	(7,590)	(25,777)	(16,999)	8,778
OTHER FINANCING SOURCES (USES):				
Transfers in	-	25,546	25,546	-
Transfers out	-	(13,631)	(13,631)	-
Total other financing sources (uses)	-	11,915	11,915	-
NET CHANGE IN FUND BALANCE	(7,590)	(13,862)	(5,084)	8,778
Fund balance, beginning of year	108,649	108,649	108,649	-
FUND BALANCE, END OF YEAR	$ 101,059	$ 94,787	$ 103,565	$ 8,778

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 47,582	$ 47,582	$ 43,490	$ (4,092)
Fines, forfeitures, and penalties	808	425	361	(64)
Use of money and property:				
Interest	7	7	56	49
Rents and concessions	1,707	1,710	798	(912)
Aid from other governmental agencies:				
Federal	85,704	92,875	70,797	(22,078)
State	4,233	4,274	2,742	(1,532)
Other	12,544	12,544	26,100	13,556
Charges for services	17,397	4,800	2,689	(2,111)
Other revenue	30,904	27,120	24,950	(2,170)
Total revenues	200,886	191,337	171,983	(19,354)
EXPENDITURES:				
Current:				
General government	33,190	20,769	15,717	(5,052)
Public protection	48,257	-	-	-
Health and sanitation	3,438	3,769	3,003	(766)
Public assistance	105,122	103,198	82,434	(20,764)
Education	23,988	23,014	18,363	(4,651)
Recreation and culture	-	604	597	(7)
Debt service:				
Principal	1,859	-	-	-
Total expenditures	215,854	151,354	120,114	(31,240)
Excess (deficiency) of revenues over (under) expenditures	(14,968)	39,983	51,869	11,886
OTHER FINANCING SOURCES (USES):				
Transfers in	-	19,671	19,671	-
Transfers out	-	(67,890)	(67,890)	-
Total other financing sources (uses)	-	(48,219)	(48,219)	-
NET CHANGE IN FUND BALANCE	(14,968)	(8,236)	3,650	11,886
Fund balance, beginning of year	46,124	46,124	46,124	-
FUND BALANCE, END OF YEAR	$ 31,156	$ 37,888	$ 49,774	$ 11,886

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Period Ended January 31, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 17,990	$ 17,990	$ 9,012	$ (8,978)
Use of money and property:				
Interest	773	773	239	(534)
Rents and concessions	144	144	107	(37)
Aid from other governmental agencies:				
Other	749	749	547	(202)
Charges for services	-	-	5	5
Other revenue	10,064	61,497	334	(61,163)
Total revenues	29,720	81,153	10,244	(70,909)
EXPENDITURES:				
Current:				
General government	29,721	70,845	2,171	(68,674)
Total expenditures	29,721	70,845	2,171	(68,674)
Excess (deficiency) of revenues over (under) expenditures	(1)	10,308	8,073	(2,235)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	38	38
Transfers out	-	(10,309)	(10,309)	-
Total other financing sources (uses)	-	(10,309)	(10,271)	38
Net change in fund balance before extraordinary item	(1)	(1)	(2,198)	(2,197)
EXTRAORDINARY ITEM				
RDA dissolution transaction	-	-	(182,440)	(182,440)
NET CHANGE IN FUND BALANCE	(1)	(1)	(184,638)	(184,637)
Fund balance, beginning of year, as previously reported	189,179	189,179	189,179	-
Adjustments to beginning fund balance	-	-	(4,541)	(4,541)
Fund balance, beginning of year	189,179	189,179	184,638	(4,541)
FUND BALANCE, END OF PERIOD	$ 189,178	$ 189,178	$ -	$ (189,178)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 817	$ 817	$ 710	$ (107)
Use of money and property:				
Interest	61	61	81	20
Rents and concessions	-	-	6	6
Aid from other governmental agencies:				
State	11	11	10	(1)
Other	2	2	57	55
Charges for services	9,527	9,682	9,292	(390)
Other revenue	6,394	6,898	173	(6,725)
Total revenues	16,812	17,471	10,329	(7,142)
EXPENDITURES:				
Current:				
Public protection	318	318	-	(318)
Public ways and facilities	14,257	13,889	6,447	(7,442)
Health and sanitation	800	800	773	(27)
Recreation and culture	1,435	1,500	870	(630)
Total expenditures	16,810	16,507	8,090	(8,417)
Excess (deficiency) of revenues over (under) expenditures	2	964	2,239	1,275
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,189	1,189	-
Transfers out	-	(2,482)	(2,482)	-
Total other financing sources (uses)	-	(1,293)	(1,293)	-
NET CHANGE IN FUND BALANCE	2	(329)	946	1,275
Fund balance, beginning of year	19,489	19,489	19,489	-
FUND BALANCE, END OF YEAR	$ 19,491	$ 19,160	$ 20,435	$ 1,275

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 3,725	$ 3,725	$ 4,095	$ 370
Use of money and property:				
Interest	42	42	47	5
Rents and concessions	1,001	1,001	938	(63)
Aid from other governmental agencies:				
Federal	67	67	88	21
State	210	210	273	63
Other	-	-	129	129
Charges for services	7,441	5,844	6,171	327
Other revenue	987	1,306	206	(1,100)
Total revenues	13,473	12,195	11,947	(248)
EXPENDITURES:				
Current:				
Public protection	272	279	270	(9)
Recreation and culture	16,114	15,085	12,777	(2,308)
Capital outlay	502	1,037	-	(1,037)
Total expenditures	16,888	16,401	13,047	(3,354)
Excess (deficiency) of revenues over (under) expenditures	(3,415)	(4,206)	(1,100)	3,106
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,597	1,597	-
Transfers out	-	(1,791)	(1,791)	-
Total other financing sources (uses)	-	(194)	(194)	-
NET CHANGE IN FUND BALANCE	(3,415)	(4,400)	(1,294)	3,106
Fund balance, beginning of year	12,710	12,710	12,710	-
FUND BALANCE, END OF YEAR	$ 9,295	$ 8,310	$ 11,416	$ 3,106

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Interest	$ 20	$ 20	$ 3	$ (17)
Aid from other governmental agencies:				
State	650	650	512	(138)
Total revenues	670	670	515	(155)
EXPENDITURES:				
Current:				
General government	1,225	686	269	(417)
Total expenditures	1,225	686	269	(417)
Excess (deficiency) of revenues over (under) expenditures	(555)	(16)	246	262
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(539)	(539)	-
Total other financing sources (uses)	-	(539)	(539)	-
NET CHANGE IN FUND BALANCE	(555)	(555)	(293)	262
Fund balance, beginning of year	981	981	981	-
FUND BALANCE, END OF YEAR	$ 426	$ 426	$ 688	$ 262

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 6	$ 6
Aid from other governmental agencies:				
Federal	1,158	1,157	1,142	(15)
State	576	576	456	(120)
Charges for services	162	-	-	-
Other revenue	512	-	-	-
Total revenues	2,408	1,733	1,604	(129)
EXPENDITURES:				
Current:				
Health and sanitation	2,527	2,350	1,959	(391)
Total expenditures	2,527	2,350	1,959	(391)
Excess (deficiency) of revenues over (under) expenditures	(119)	(617)	(355)	262
OTHER FINANCING SOURCES (USES):				
Transfers in	-	675	675	-
Transfers out	-	(177)	(177)	-
Total other financing sources (uses)	-	498	498	-
NET CHANGE IN FUND BALANCE	(119)	(119)	143	262
Fund balance, beginning of year	1,600	1,719	1,719	-
FUND BALANCE, END OF YEAR	$ 1,481	$ 1,600	$ 1,862	$ 262

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Perris Valley Cemetery District Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 219	$ 219	$ 189	$ (30)
Interest	3	3	4	1
Aid from other governmental agencies:				
State	3	3	3	-
Other	-	-	13	13
Charges for services	184	184	219	35
Other revenue	470	470	5	(465)
Total revenues	879	879	433	(446)
EXPENDITURES:				
Current:				
Public protection	629	559	479	(80)
Capital outlay	250	250	--	(250)
Total expenditures	879	809	479	(330)
Excess (deficiency) of revenues over (under) expenditures	-	70	(46)	(116)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(70)	(70)	-
Total other financing sources / (uses)	-	(70)	(70)	-
NET CHANGE IN FUND BALANCE	-	-	(116)	(116)
Fund balance, beginning of year	587	587	587	-
FUND BALANCE, END OF YEAR	$ 587	$ 587	$ 471	$ (116)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 768	$ 768	$ 764	$ (4)
License, permits, and franchise fees	32	32	30	(2)
Fines, forfeitures, and penalties	-	-	823	823
Use of money and property:				
Interest	94	94	123	29
Rents and concessions	5,981	6,158	6,190	32
Aid from other governmental agencies:				
Federal	1,961	2,487	1,728	(759)
State	1,916	1,107	1,133	26
Other	6	884	800	(84)
Charges for services	11,316	10,604	8,851	(1,753)
Other revenue	1,068	483	574	91
Total revenues	23,142	22,617	21,016	(1,601)
EXPENDITURES:				
Current:				
General government	4,401	4,933	4,530	(403)
Public protection	6,931	6,127	4,995	(1,132)
Public ways and facilities	10,728	9,069	6,234	(2,835)
Health and sanitation	1,813	823	768	(55)
Total expenditures	23,873	20,952	16,527	(4,425)
Excess (deficiency) of revenues over (under) expenditures	(731)	1,665	4,489	2,824
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,619	1,619	-
Transfers out	-	(5,323)	(5,323)	-
Total other financing sources (uses)	-	(3,704)	(3,704)	-
NET CHANGE IN FUND BALANCE	(731)	(2,039)	785	2,824
Fund balance, beginning of year	19,709	19,709	19,709	-
FUND BALANCE, END OF YEAR	$ 18,978	$ 17,670	$ 20,494	$ 2,824

DEBT SERVICE FUNDS

COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and payment of long-term debt principal and interest.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

REDEVELOPMENT AGENCY (RDA) DEBT SERVICE

This fund receives tax increment revenue to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency and were issued to finance construction of infrastructure and public facilities within various project areas. On February 1,2012, pursuant to the provisions of the Redevelopment Restructuring Act, these resources and obligations were transferred to the Riverside County Redevelopment Successor Agency fiduciary fund.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT FINANCING CORPORATION)

The District Court Financing Corporation is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction, and development of a United States District Courthouse, financed from the proceeds of the sale of certificates of participation.

COUNTY OF RIVERSIDE BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

The Bankruptcy Court is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction, and development of a United States Bankruptcy Court financed from the proceeds of the sale of certificates of participation.

TAXABLE PENSION OBLIGATION BONDS (PENSION OBLIGATION)

This fund is used to account for Series 2005 bonds that were issued to satisfy a portion of Riverside County's unfunded accrued actuarial liability for the California Public Employees' Retirement System (CalPERS).

INLAND EMPIRE TOBACCO SECURITIZATION AUTHORITY

The Inland Empire Tobacco Securitization Authority was established to assist the County of Riverside in the construction of certain capital projects, financed from the proceeds of the tobacco settlement revenues.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2012
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Total
ASSETS:							
Cash and investments	$ -	$ -	$ -	$ -	$ 5,876	$ -	$ 5,876
Accounts receivable	-	-	-	-	1,060	-	1,060
Interest receivable	118	-	-	-	-	-	118
Restricted cash and investments	43,807	-	1,099	6,713	-	19,890	71,509
Total assets	$ 43,925	$ -	$ 1,099	$ 6,713	$ 6,936	$ 19,890	$ 78,563
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 327	$ -	$ -	$ -	$ -	$ -	$ 327
Total liabilities	327	-	-	-	-	-	327
Fund balances (Note 13):							
Restricted	42,202	-	1,099	6,700	4,551	17,042	71,594
Committed	-	-	-	-	-	-	-
Assigned	1,396	-	-	13	2,385	2,848	6,642
Total fund balances	43,598	-	1,099	6,713	6,936	19,890	78,236
Total liabilities and fund balances	$ 43,925	$ -	$ 1,099	$ 6,713	$ 6,936	$ 19,890	$ 78,563

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Total
REVENUES:							
Taxes	$ -	$ 36,048	$ -	$ -	$ -	$ -	$ 36,048
Use of money and property:							
Interest	689	94	24	2	637	2	1,448
Rents and concessions	2,384	-	2,401	2,114	-	-	6,899
Charges for services	-	-	-	-	1,898	-	1,898
Other revenue	1	16	-	-	-	9,459	9,476
Total revenues	3,074	36,158	2,425	2,116	2,535	9,461	55,769
EXPENDITURES:							
Current:							
General government	2,515	11,431	4	4	27,896	107	41,957
Debt service:							
Principal	25,600	18,434	1,407	915	-	1,655	48,011
Interest	15,642	21,068	383	527	-	5,301	42,921
Cost of issuance	-	15	-	-	-	-	15
Capital outlay	-	-	802	657	-	-	1,459
Total expenditures	43,757	50,948	2,596	2,103	27,896	7,063	134,363
Excess (deficiency) of revenues over (under) expenditures	(40,683)	(14,790)	(171)	13	(25,361)	2,398	(78,594)
OTHER FINANCING SOURCES (USES):							
Transfers in	75,897	12,331	-	-	26,655	-	114,883
Transfers out	(35,281)	(5,482)	-	-	(5,450)	-	(46,213)
Issuance of refunding bonds	30,360	-	-	-	-	-	30,360
Premium on long-term debt	2,840	-	-	-	-	-	2,840
Redemption of refunded debt	(32,797)	-	-	-	-	-	(32,797)
Total other financing sources (uses)	41,019	6,849	-	-	21,205	-	69,073
Net change in fund balances before extraordinary items	336	(7,941)	(171)	13	(4,156)	2,398	(9,521)
EXTRAORDINARY ITEMS							
RDA dissolution asset transfers	-	(66,968)	-	-	-	-	(66,968)
RDA dissolution liability transfers	-	3,320	-	-	-	-	3,320
Total extraordinary items	-	(63,648)	-	-	-	-	(63,648)
NET CHANGE IN FUND BALANCES	336	(71,589)	(171)	13	(4,156)	2,398	(73,169)
Fund balances, beginning of year	43,262	71,589	1,270	6,700	11,092	17,492	151,405
FUND BALANCES, END OF YEAR	$ 43,598	$ -	$ 1,099	$ 6,713	$ 6,936	$ 19,890	$ 78,236

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Debt Service Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 71,958	$ 71,958	$ 36,048	$ (35,910)
Use of money and property:				
Interest	560	560	94	(466)
Aid from other governmental agencies:				
Other	7,536	7,536	-	(7,536)
Other revenue	5,719	4,486	16	(4,470)
Total revenues	85,773	84,540	36,158	(48,382)
EXPENDITURES:				
Current:				
General government	85,772	51,887	11,431	(40,456)
Debt service:				
Principal	-	18,434	18,434	-
Interest	-	21,068	21,068	-
Cost of issuance	-	-	15	15
Total expenditures	85,772	91,389	50,948	(40,441)
Excess (deficiency) of revenues over (under) expenditures	1	(6,849)	(14,790)	(7,941)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	12,331	12,331	-
Transfers out	-	(5,482)	(5,482)	-
Total other financing sources (uses)	-	6,849	6,849	-
Net change in fund balance before extraordinary item	1	-	(7,941)	(7,941)
EXTRAORDINARY ITEM				
RDA dissolution transaction	-	-	(63,648)	(63,648)
NET CHANGE IN FUND BALANCES	1	-	(71,589)	(71,589)
Fund balance, beginning of year	71,589	71,589	71,589	-
FUND BALANCE, END OF YEAR	$ 71,590	$ 71,589	$ -	$ (71,589)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 637	$ 637
Charges for services	9,521	9,521	1,898	(7,623)
Total revenues	9,521	9,521	2,535	(6,986)
EXPENDITURES:				
Current:				
General government	36,177	30,726	27,896	(2,830)
Total expenditures	36,177	30,726	27,896	(2,830)
Excess (deficiency) of revenues over (under) expenditures	(26,656)	(21,205)	(25,361)	(4,156)
OTHER FINANCING SOURCES (USES):				
Transfers in	26,655	26,655	26,655	-
Transfers out	-	(5,450)	(5,450)	-
Total other financing sources (uses)	26,655	21,205	21,205	-
NET CHANGE IN FUND BALANCE	(1)	-	(4,156)	(4,156)
Fund balance, beginning of year	11,092	11,092	11,092	-
FUND BALANCE, END OF YEAR	$ 11,091	$ 11,092	$ 6,936	$ (4,156)

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CAPITAL PROJECT FUNDS

COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

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

PUBLIC SAFETY ENTERPRISE COMMUNICATION (PSEC)

The Public Safety Enterprise Communication fund is a multi-agency undertaking to address the County of Riverside 800 MHz public safety radio coverage and operational problems. The multi-year project will result in either a massive upgrade or a complete replacement of the existing radio system.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund is used to finance the construction of flood control channels and projects. Revenues are obtained from property taxes, special assessments, and proceeds of tax allocation bonds.

REGIONAL PARK AND OPEN-SPACE

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management. The District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE ENTERPRISE SOLUTIONS FOR PROPERTY TAXATION (CREST)

The Assessor, Auditor-Controller, and Tax Collector teamed up to collectively develop a new integrated property tax management system. The project begins with a business process re-engineering phase that documents the integrated roles of the three departments. This phase identifies the current system's capabilities, strengths, and weaknesses. A second phase of the project builds on this re-engineering initiative to implement a replacement property tax system based on new technology.

COUNTY OF RIVERSIDE

Combining Balance Sheet
Capital Projects Funds
June 30, 2012
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total
ASSETS:						
Cash and investments	$ 1,239	$ -	$ 44	$ 8,951	$ 9,576	$ 19,810
Interest receivable	-	-	-	4	1	5
Due from other funds	-	-	-	733	-	733
Prepaid items	599	-	-	-	-	599
Restricted cash and investments	-	28,797	-	-	-	28,797
Advances to other funds	-	-	-	200	-	200
Total assets	$ 1,838	$ 28,797	$ 44	$ 9,888	$ 9,577	$ 50,144
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	$ 101	$ 1,545	$ -	$ 9	$ 109	$ 1,764
Salaries and benefits payable	139	-	-	-	75	214
Due to other funds	-	-	-	-	260	260
Advances from other funds	-	-	-	1,500	-	1,500
Total liabilities	240	1,545	-	1,509	444	3,738
Fund balances (Note 13):						
Nonspendable	600	-	-	-	-	600
Restricted	-	26,942	44	8,379	6,284	41,649
Committed	-	310	-	-	13	323
Assigned	998	-	-	-	2,836	3,834
Total fund balances	1,598	27,252	44	8,379	9,133	46,406
Total liabilities and fund balances	$ 1,838	$ 28,797	$ 44	$ 9,888	$ 9,577	$ 50,144

COUNTY OF RIVERSIDE

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

Capital Projects Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total
REVENUES:						
Use of money and property:						
Interest	$ 2	$ 28	$ 1	$ 41	$ 19	$ 91
Aid from other governmental agencies:						
State	-	-	-	582	-	582
Charges for services	-	-	-	-	2,127	2,127
Other revenue	-	1	-	-	-	1
Total revenues	2	29	1	623	2,146	2,801
EXPENDITURES:						
Current:						
General government	4,316	-	-	-	5,157	9,473
Recreation and culture	-	-	-	652	-	652
Capital outlay	-	16,773	1,680	-	-	18,453
Total expenditures	4,316	16,773	1,680	652	5,157	28,578
Excess (deficiency) of revenues over (under) expenditures	(4,314)	(16,744)	(1,679)	(29)	(3,011)	(25,777)
OTHER FINANCING SOURCES (USES):						
Transfers in	5,565	-	1,302	-	8,764	15,631
Transfers out	(664)	(581)	-	(550)	(42)	(1,837)
Issuance of refunding bonds	-	3,000	-	-	-	3,000
Total other financing sources (uses)	4,901	2,419	1,302	(550)	8,722	16,794
NET CHANGE IN FUND BALANCES	587	(14,325)	(377)	(579)	5,711	(8,983)
Fund balances, beginning of year	1,011	41,577	421	8,958	3,422	55,389
FUND BALANCES, END OF YEAR	$ 1,598	$ 27,252	$ 44	$ 8,379	$ 9,133	$ 46,406

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 2	$ 2
Aid from other governmental agencies:				
Other revenue	5,565	-	-	-
Total revenues	5,565	-	2	2
EXPENDITURES:				
Current:				
General government	5,655	4,991	4,316	(675)
Total expenditures	5,655	4,991	4,316	(675)
Excess (deficiency) of revenues over (under) expenditures	(90)	(4,991)	(4,314)	677
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,565	5,565	-
Transfers out	-	(664)	(664)	-
Total other financing sources (uses)	-	4,901	4,901	-
NET CHANGE IN FUND BALANCE	(90)	(90)	587	677
Fund balance, beginning of year	1,011	1,011	1,011	-
FUND BALANCE, END OF YEAR	$ 921	$ 921	$ 1,598	$ 677

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 1	$ 1	$ 1	$ -
Other revenue	4,635	3,333	-	(3,333)
Total revenues	4,636	3,334	1	(3,333)
EXPENDITURES:				
Capital outlay	4,635	4,635	1,680	(2,955)
Total expenditures	4,635	4,635	1,680	(2,955)
Excess (deficiency) of revenues over (under) expenditures	1	(1,301)	(1,679)	(378)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,302	1,302	-
Total other financing sources (uses)	-	1,302	1,302	-
NET CHANGE IN FUND BALANCE	1	1	(377)	(378)
Fund balance, beginning of year	421	421	421	-
FUND BALANCE, END OF YEAR	$ 422	$ 422	$ 44	$ (378)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 14	$ 14	$ 41	$ 27
Aid from other governmental agencies:				
State	1,110	2,810	582	(2,228)
Other revenue	3,868	5,616	-	(5,616)
Total revenues	4,992	8,440	623	(7,817)
EXPENDITURES:				
Current:				
Recreation and culture	4,067	7,661	652	(7,009)
Capital outlay	1,085	2,065	-	(2,065)
Total expenditures	5,152	9,726	652	(9,074)
Excess (deficiency) of revenues over (under) expenditures	(160)	(1,286)	(29)	1,257
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(550)	(550)	-
Total other financing sources (uses)	-	(550)	(550)	-
NET CHANGE IN FUND BALANCE	(160)	(1,836)	(579)	1,257
Fund balance, beginning of year	8,958	8,958	8,958	-
FUND BALANCE, END OF YEAR	$ 8,798	$ 7,122	$ 8,379	$ 1,257

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 12	$ 12	$ 19	$ 7
Charges for services	2,293	2,293	2,127	(166)
Other revenue	8,764	-	-	-
Total revenues	11,069	2,305	2,146	(159)
EXPENDITURES:				
Current:				
General government	11,068	11,096	5,157	(5,939)
Total expenditures	11,068	11,096	5,157	(5,939)
Excess (deficiency) of revenues over (under) expenditures	1	(8,791)	(3,011)	5,780
OTHER FINANCING SOURCES (USES):				
Transfers in	-	8,764	8,764	-
Transfers out	-	(42)	(42)	-
Total other financing sources (uses)	-	8,722	8,722	-
NET CHANGE IN FUND BALANCE	1	(69)	5,711	5,780
Fund balance, beginning of year	3,422	3,422	3,422	-
FUND BALANCE, END OF YEAR	$ 3,423	$ 3,353	$ 9,133	$ 5,780

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PERMANENT FUNDS

COUNTY OF RIVERSIDE

PERMANENT FUND

PERRIS VALLEY CEMETERY ENDOWMENT FUND

This fund is used to account for financial resources to be used for future maintenance of the Cemetery. The resources are derived from an endowment care fee assessed on each sale of a burial right and earnings on these resources. Only income earned on these resources may be used for services, supplies or capital asset acquisition. The principal must be preserved intact.

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COUNTY OF RIVERSIDE

Balance Sheet
Permanent Fund
June 30, 2012
(Dollars in Thousands)

		Perris Valley Cemetery Endowment Fund
ASSETS:		
Cash and investments	$	490
Total assets	$	490
LIABILITIES AND FUND BALANCES:		
Liabilities:	$	-
Total liabilities		-
Fund balances (Note 13):		
Nonspendable		455
Restricted		35
Total fund balances		490
Total liabilities and fund balances	$	490

COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Permanent Fund
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
REVENUES:	
Use of money and property:	
Interest	$ 2
Charges for services	24
Total revenues	26
EXPENDITURES:	
Current:	
Public protection	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	26
Fund balance, beginning of year	464
FUND BALANCE, END OF YEAR	$ 490

NONMAJOR ENTERPRISE FUNDS

COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds are used to account for operations providing goods or services to the general public. The accounting for these funds is similar to private enterprise accounting (accrual). The intent of the County's governing board is that all costs associated with providing these goods or services be financed or recovered primarily through user charges.

COUNTY SERVICE AREAS

These three funds were established to account for revenues, expenses, and the allocation of net income for County Service Areas 62 (sewer), 62 (water), and 122.

HOUSING AUTHORITY

The Housing Authority was established to provide affordable, decent, safe housing opportunities to low and moderate income families including elderly and handicapped persons, while supporting programs to foster economic self-sufficiency.

FLOOD CONTROL

These three funds were established to account for transactions resulting from topographical map sales, subdivision operations, and issuance of encroachment permits.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2012
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 193	$ 10,885	$ 2,607	$ 13,685
Accounts receivable-net	-	104	257	361
Interest receivable	-	-	4	4
Taxes receivable	14	-	-	14
Due from other governments	-	855	47	902
Restricted cash and investments	-	194	2,691	2,885
Prepaid items and deposits	-	2	-	2
Total current assets	207	12,040	5,606	17,853
Noncurrent assets:				
Capital assets:				
Nondepreciable assets	-	4,324	-	4,324
Depreciable assets	24	10,470	16	10,510
Total noncurrent assets	24	14,794	16	14,834
Total assets	231	26,834	5,622	32,687
LIABILITIES:				
Current liabilities:				
Accounts payable	4	-	2,773	2,777
Salaries and benefits payable	-	-	38	38
Due to other funds	-	-	2	2
Due to other governments	-	18	10	28
Interest payable	-	7	-	7
Deposits payable	49	-	-	49
Other liabilities	-	2,116	216	2,332
Compensated absences	-	116	14	130
Bonds payable	-	135	-	135
Total current liabilities	53	2,392	3,053	5,498
Noncurrent liabilities:				
Compensated absences	-	1,045	78	1,123
Bonds payable	-	613	-	613
Notes payable	-	6,795	-	6,795
Total noncurrent liabilities	-	8,453	78	8,531
Total liabilities	53	10,845	3,131	14,029
NET ASSETS:				
Invested in capital assets, net of related debt	24	7,999	16	8,039
Restricted	41	2,984	-	3,025
Unrestricted	113	5,006	2,475	7,594
Total net assets	$ 178	$ 15,989	$ 2,491	$ 18,658

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 381	$ 2,445	$ 1,710	$ 4,536
Other	18	83,756	196	83,970
Total operating revenues	399	86,201	1,906	88,506
OPERATING EXPENSES:				
Personnel services	269	9,323	921	10,513
Insurance	-	374	-	374
Maintenance of building and equipment	72	2,557	2	2,631
Supplies	6	-	20	26
Purchased services	2	-	670	672
Depreciation and amortization	3	1,316	11	1,330
Rents and leases of equipment	-	-	3	3
Public assistance	-	75,735	-	75,735
Utilities	84	618	-	702
Other	11	1,404	(55)	1,360
Total operating expenses	447	91,327	1,572	93,346
Operating income (loss)	(48)	(5,126)	334	(4,840)
NONOPERATING REVENUES (EXPENSES):				
Investment income	1	34	34	69
Interest expense	(9)	(153)	-	(162)
Gain (loss) on disposal of capital assets	-	11	-	11
Total nonoperating revenues (expenses)	(8)	(108)	34	(82)
Income (loss) before transfers	(56)	(5,234)	368	(4,922)
Transfers out	-	(135)	-	(135)
CHANGE IN NET ASSETS	(56)	(5,369)	368	(5,057)
Net assets, beginning of year	234	21,358	2,123	23,715
NET ASSETS, END OF YEAR	$ 178	$ 15,989	$ 2,491	$ 18,658

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2012
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 397	$ 86,216	$ 1,999	$ 88,612
Cash paid to suppliers for goods and services	(174)	(80,503)	(877)	(81,554)
Cash paid to employees for services	(269)	(9,340)	(919)	(10,528)
Net cash provided by (used in) operating activities	(46)	(3,627)	203	(3,470)
Cash flows from noncapital financing activities				
Transfers paid	-	(135)	-	(135)
Net cash provided by (used in) noncapital financing activities	-	(135)	-	(135)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	11	-	11
Acquisition and construction of capital assets	-	(810)	(4)	(814)
Principal paid on bonds payable	-	(56)	-	(56)
Interest paid on long-term debt	(9)	(153)	-	(162)
Net cash used in capital and related financing activities	(9)	(1,008)	(4)	(1,021)
Cash flows from investing activities				
Interest received on investments	1	34	36	71
Net cash provided by investing activities	1	34	36	71
Net increase (decrease) in cash and cash equivalents	(54)	(4,736)	235	(4,555)
Cash and cash equivalents, beginning of year	247	15,815	5,063	21,125
Cash and cash equivalents, end of year	$ 193	$ 11,079	$ 5,298	$ 16,570

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

	County Service Areas	Housing Authority	Flood Control	Total
Operating income (loss)	$ (48)	$ (5,126)	$ 334	$ (4,840)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation and amortization	3	1,316	11	1,330
Decrease (Increase) accounts receivable	-	57	70	127
Decrease (Increase) taxes receivable	(2)	-	-	(2)
Decrease (Increase) due from other funds	-	-	11	11
Decrease (Increase) due from other governments	-	(42)	12	(30)
Decrease (Increase) prepaid items and deposits	-	31	-	31
Increase (Decrease) accounts payable	1	(14)	(183)	(196)
Increase (Decrease) due to other funds	-	-	(17)	(17)
Increase (Decrease) due to other governments	-	(8)	-	(8)
Increase (Decrease) other liabilities	-	176	(37)	139
Increase (Decrease) salaries and benefits payable	-	-	6	6
Increase (Decrease) compensated absences	-	(17)	(4)	(21)
Net cash provided by (used in) operating activities	$ (46)	$ (3,627)	$ 203	$ (3,470)

There were no significant noncash investing, financing, or capital activities.

INTERNAL SERVICE FUNDS

COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established to account for the goods and services provided by a County department to other County departments, or to other internal governments, on a cost-reimbursement basis.

RECORDS MANAGEMENT AND ARCHIVES

This fund was established to account for the operations of the Records Management and Archives Program, which is responsible for providing consistent standards and support services that promote responsible record keeping countywide. Sources of revenue include records storage, reformatting, preservation, and consulting services.

FLEET SERVICES

This fund finances the operation and maintenance of County vehicles, including the Sheriff's Department. Revenue is obtained on a cost-reimbursement basis.

INFORMATION SERVICES

These funds are supported by the revenues generated for services including software systems support, computer networks, data structure design, and organization of the County's computer systems.

PRINTING SERVICES

These funds account for the financing of printing and central mail services provided to County departments on a cost-reimbursement basis. This fund also provides services such as the paper reclamation program, which collects and sells County department waste paper for recycling.

SUPPLY SERVICES

This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

OASIS PROJECT

These funds were established to support the implementation, operation, and maintenance of the County's central administrative and financial information system. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT

These funds account for the financing of employee insurance benefits and County self-insurance programs. These funds include medical, dental, disability, and unemployment insurance as well as general liability, medical malpractice, and worker's compensation.

TEMPORARY ASSISTANCE POOL (TAP)

The purpose of this fund is to provide a ready source of temporary workers to County departments, with lower overhead costs than are typically charged by outside temporary employment agencies.

ECONOMIC DEVELOPMENT AGENCY (Facilities Management)

The purpose of this fund was to account for custodial, maintenance, and real estate services provided to other County departments on a cost-reimbursement basis.

FLOOD CONTROL EQUIPMENT

These funds were established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2012
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
ASSETS:											
Current assets:											
Cash and investments	$ 1,365	$ 10,621	$ 10,277	$ 2,533	$ 3,795	$ 5,833	$ 172,035	$ 2,905	$ 7,421	$ 6,386	$ 223,171
Accounts receivable-net	-	18	131	39	10	-	2,762	-	-	8	2,968
Interest receivable	1	3	4	1	1	3	85	-	2	3	103
Due from other government	-	171	49	100	-	-	3	16	1,006	4	1,349
Inventories	-	599	2,044	140	439	-	-	-	167	233	3,622
Due from other funds	-	154	3	-	2	-	-	-	5	36	200
Restricted cash and investments	-	-	-	-	-	-	-	-	-	1,000	1,000
Prepaid items and deposits	-	-	-	-	-	-	380	-	67	-	447
Total current assets	1,366	11,566	12,508	2,813	4,247	5,836	175,265	2,921	8,668	7,670	232,860
Noncurrent assets:											
Capital assets:											
Nondepreciable assets	-	661	235	-	-	-	-	-	-	-	896
Depreciable assets	251	25,620	3,718	1,065	223	1,216	131	-	98	2,442	34,764
Total noncurrent assets	251	26,281	3,953	1,065	223	1,216	131	-	98	2,442	35,660
Total assets	1,617	37,847	16,461	3,878	4,470	7,052	175,396	2,921	8,766	10,112	268,520
LIABILITIES:											
Current liabilities:											
Accounts payable	2	794	902	52	589	367	13,369	35	1,328	95	17,533
Salaries and benefits payable	47	156	958	86	31	285	958	131	1,116	90	3,858
Due to other funds	78	-	-	-	-	-	-	-	-	8	86
Due to other governments	-	-	-	-	7	-	-	-	-	51	58
Other liabilities	-	357	-	-	-	-	-	-	35	-	392
Compensated absences	47	229	1,343	112	44	319	1,225	169	1,227	36	4,751
Capital lease obligation	-	5,407	935	102	-	849	-	-	-	-	7,293
Estimated claims liability	-	-	-	-	-	-	34,071	-	-	-	34,071
Total current liabilities	174	6,943	4,138	352	671	1,820	49,623	335	3,706	280	68,042
Noncurrent liabilities:											
Compensated absences	49	316	973	49	29	360	924	21	1,045	191	3,957
Advance from other funds	-	-	-	-	-	-	-	-	3,342	-	3,342
Capital lease obligation	-	6,309	1,335	-	-	163	-	-	-	-	7,807
Estimated claims liabilities	-	-	-	-	-	-	96,367	-	-	-	96,367
Total noncurrent liabilities	49	6,625	2,308	49	29	523	97,291	21	4,387	191	111,473
Total liabilities	223	13,568	6,446	401	700	2,343	146,914	356	8,093	471	179,515
NET ASSETS:											
Invested in capital assets, net of related debt	251	14,565	1,683	963	223	204	131	-	98	2,442	20,560
Unrestricted	1,143	9,714	8,332	2,514	3,547	4,505	28,351	2,565	575	7,199	68,445
Total net assets	$ 1,394	$ 24,279	$ 10,015	$ 3,477	$ 3,770	$ 4,709	$ 28,482	$ 2,565	$ 673	$ 9,641	$ 89,005

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 1,804	$ 29,565	$ 29,210	$ 4,750	$ 8,615
Other revenue	1	1,259	42	2,315	2,542
Total operating revenues	1,805	30,824	29,252	7,065	11,157
OPERATING EXPENSES:					
Cost of materials used	-	1,680	-	-	-
Personnel services	1,095	3,782	19,029	1,870	770
Communications	40	102	2,170	21	16
Insurance	35	105	142	13	22
Maintenance of building and equipment	68	2,439	3,829	451	85
Insurance claims	-	-	-	-	-
Supplies	29	10,022	303	3,062	9,573
Purchased services	53	1,268	2,042	999	388
Depreciation and amortization	25	8,530	1,509	286	24
Rents and leases of equipment	289	407	1,165	6	-
Utilities	38	120	258	83	48
Other	19	219	405	139	70
Total operating expenses	1,691	28,674	30,852	6,930	10,996
Operating income (loss)	114	2,150	(1,600)	135	161
NONOPERATING REVENUES (EXPENSES):					
Investment income	6	31	37	10	11
Interest expense	-	(1,201)	(113)	(4)	-
Gain (loss) on disposal of capital assets	-	34	-	3	-
Total nonoperating revenues (expenses)	6	(1,136)	(76)	9	11
Income (loss) before capital contributions and transfers	120	1,014	(1,676)	144	172
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(17)	(60)	(312)	(30)	(11)
CHANGE IN NET ASSETS	103	954	(1,988)	114	161
Net assets, beginning of year	1,291	23,325	12,003	3,363	3,609
Adjustments to beginning net assets	-	-	-	-	-
Net assets, beginning of year, restated	1,291	23,325	12,003	3,363	3,609
NET ASSETS, END OF YEAR	$ 1,394	$ 24,279	$ 10,015	$ 3,477	$ 3,770

	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
OPERATING REVENUES:						
Charges for services	$ 10,475	$ 39,615	$ 4,723	$ 85,295	$ 1,550	$ 215,602
Other revenue	1	10,753	18	8,811	5,350	31,092
Total operating revenues	10,476	50,368	4,741	94,106	6,900	246,694
OPERATING EXPENSES:						
Cost of materials used	-	-	-	-	51	1,731
Personnel services	6,413	15,572	3,391	24,531	2,251	78,704
Communications	234	260	63	335	110	3,351
Insurance	20	7,474	11	245	-	8,067
Maintenance of building and equipment	1,670	164	28	6,177	455	15,366
Insurance claims	-	102,005	-	-	-	102,005
Supplies	108	4,238	137	2,376	1,175	31,023
Purchased services	126	3,775	1,307	9,945	1,244	21,147
Depreciation and amortization	1,097	299	2	42	894	12,708
Rents and leases of equipment	619	1,226	247	46,555	5	50,519
Utilities	50	82	18	1,084	-	1,781
Other	64	1,833	150	1,572	612	5,083
Total operating expenses	10,401	136,928	5,354	92,862	6,797	331,485
Operating income (loss)	75	(86,560)	(613)	1,244	103	(84,791)
NONOPERATING REVENUES (EXPENSES):						
Investment income	24	744	(1)	23	32	917
Interest expense	(35)	-	-	-	-	(1,353)
Gain (loss) on disposal of capital assets	-	-	-	5	(3)	39
Total nonoperating revenues (expenses)	(11)	744	(1)	28	29	(397)
Income (loss) before capital contributions and transfers	64	(85,816)	(614)	1,272	132	(85,188)
Capital contributions	-	69,823	-	-	-	69,823
Transfers in	-	1,855	-	42	6	1,903
Transfers out	(109)	(2,093)	(920)	(381)	-	(3,933)
CHANGE IN NET ASSETS	(45)	(16,231)	(1,534)	933	138	(17,395)
Net assets, beginning of year	4,754	37,713	4,099	2,173	9,503	101,833
Adjustments to beginning net assets	-	7,000	-	(2,433)	-	4,567
Net assets, beginning of year, restated	4,754	44,713	4,099	(260)	9,503	106,400
NET ASSETS, END OF YEAR	$ 4,709	$ 28,482	$ 2,565	$ 673	$ 9,641	$ 89,005

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Records Management and Archives	Fleet Service	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
Cash flows from operating activities											
Cash receipts from internal services provided	$ 1,816	$ 30,785	29,217	$ 7,008	$ 11,146	$ 10,477	$ 50,457	$ 4,725	$ 96,115	$ 7,133	$ 248,879
Cash paid to suppliers for goods and services	(492)	(17,972)	(14,053)	(4,690)	(10,680)	(2,882)	(107,743)	(1,986)	(71,563)	(3,733)	(235,794)
Cash paid to employees for services	(1,117)	(3,777)	(19,103)	(1,846)	(767)	(6,490)	(15,546)	(3,350)	(24,267)	(2,226)	(78,489)
Net cash provided (used) by operating activities	207	9,036	(3,939)	472	(301)	1,105	(72,832)	(611)	285	1,174	(65,404)
Cash flows from noncapital financing activities											
Advances from other funds	-	-	-	-	-	-	-	-	3,342	-	3,342
Transfers received	-	-	-	-	-	-	1,855	-	42	6	1,903
Transfers paid	(17)	(60)	(312)	(30)	(11)	(109)	(2,093)	(920)	(381)	-	(3,933)
Net cash provided (used) by noncapital financing activities	(17)	(60)	(312)	(30)	(11)	(109)	(238)	(920)	3,003	6	1,312
Cash flows from capital and related financing activities											
Proceeds from sale of capital assets	-	34	-	3	-	-	-	-	5	(3)	39
Acquisition and construction of capital assets	-	(9,838)	(390)	(264)	(49)	(269)	(150)	1	(4)	(963)	(11,926)
Principal paid on capital leases	-	1,497	(716)	(134)	-	(586)	-	-	(2,433)	-	(2,372)
Capital contributions	-	-	-	-	-	-	69,823	-	-	-	69,823
Interest paid on long-term debt	-	(1,201)	(113)	(4)	-	(35)	-	-	-	-	(1,353)
Net cash provided (used) by capital and related financing activities	-	(9,508)	(1,219)	(399)	(49)	(890)	69,673	1	(2,432)	(966)	54,211
Cash flows from investing activities											
Interest received on investments	6	33	44	11	12	25	793	(1)	24	34	981
Net cash provided by investing activities	6	33	44	11	12	25	793	(1)	24	34	981
Net increase (decrease) in cash and cash equivalents	196	(499)	(5,426)	54	(349)	131	(2,604)	(1,531)	880	248	(8,900)
Cash and cash equivalents, beginning of year	1,169	11,120	15,703	2,479	4,144	5,702	174,639	4,436	6,541	7,138	233,071
Cash and cash equivalents, end of year	$ 1,365	$ 10,621	10,277	$ 2,533	$ 3,795	$ 5,833	$ 172,035	$ 2,905	$ 7,421	$ 7,386	$ 224,171
Reconciliation of operating income (loss) to net cash provided (used) by operating activities											
Operating income (loss)	$ 114	$ 2,150	$ (1,600)	$ 135	$ 161	$ 75	$ (86,560)	$ (613)	$ 1,244	$ 103	$ (84,791)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities											
Depreciation and amortization	25	8,530	1,509	286	24	1,097	299	2	42	894	12,708
Decrease (Increase) accounts receivable	8	4	4	(16)	(9)	-	(319)	-	-	2	(326)
Decrease (Increase) due from other funds	3	(154)	(3)	-	(2)	1	-	-	2,428	235	2,508
Decrease (Increase) due from other governments	-	111	(36)	(41)	-	-	408	(16)	(419)	(4)	3
Decrease (Increase) inventories	-	(56)	(82)	96	21	-	-	-	(19)	88	48
Decrease (Increase) prepaid items and deposits	-	-	-	-	-	-	(47)	-	(2)	-	(49)
Increase (Decrease) accounts payable	1	(680)	343	(12)	(500)	9	999	(25)	404	(18)	521
Increase (Decrease) due to other funds	78	-	(3,989)	-	-	-	-	-	-	(202)	(4,113)
Increase (Decrease) due to other governments	-	-	(11)	-	1	-	-	-	-	51	41
Increase (Decrease) other liabilities	-	(874)	-	-	-	-	(359)	-	(3,657)	-	(4,890)
Increase (Decrease) estimated claims liability	-	-	-	-	-	-	12,721	-	-	-	12,721
Increase (Decrease) salaries and benefits payable	3	3	(95)	13	1	(8)	73	4	137	26	157
Increase (Decrease) compensated absences	(25)	2	21	11	2	(69)	(47)	37	127	(1)	58
Net cash provided (used) by operating activities	$ 207	$ 9,036	$ (3,939)	$ 472	$ (301)	$ 1,105	$ (72,832)	$ (611)	$ 285	$ 1,174	$ (65,404)
Noncash investing, capital, and financing activities:											
Capital lease obligations		$ 383	$ 9,369			$ 203					$ 9,955

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FIDUCIARY FUNDS

COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These funds were established for the purpose of accounting for assets held in trustee or agency capacity for others and therefore cannot be used to support the government's own programs and are excluded from the government-wide financial statements.

OTHER

This fund was established to account for a wide array of fiduciary responsibilities. Some of these responsibilities include tax payments clearing, asset forfeiture, State Controller clearing, child support collections, undistributed bond proceeds, and family support clearing.

PAYROLL DEDUCTIONS

The purpose of this fund is to collect deductions from employee wages. The deductions are owed to a variety of third parties for health insurance, union dues, unemployment insurance, withholding tax, flexible spending accounts, and dental insurance.

PROPERTY TAX ASSESSMENTS

The Property Tax Assessment Agency Fund was set up to help Riverside County account for apportioned taxes clearing, delinquent mobile home fees, property tax refunds, special assessments, and Teeter Plan collections.

WARRANTS

This fund was established as a clearing fund for various categories of warrants issued by Riverside County.

COUNTY OF RIVERSIDE
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 92,521	$ 11,189	$ 89,377	$ 49,881	$ 242,968
Interest receivable	4	-	39	-	43
Taxes receivable	70	-	45,132	-	45,202
Due from other governments	330	4	-	-	334
Total assets	$ 92,925	$ 11,193	$ 134,548	$ 49,881	$ 288,547
LIABILITIES:					
Accounts payable	$ 73,816	$ 11,193	$ 590	$ 49,881	$ 135,480
Salaries and benefits payable	6	-	-	-	6
Due to other governments	19,103	-	133,958	-	153,061
Total liabilities	$ 92,925	$ 11,193	$ 134,548	$ 49,881	$ 288,547

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(Dollars in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Other				
Assets				
Cash and investments	$ 82,668	$ 4,303,139	$ 4,293,286	$ 92,521
Accounts receivable	-	13	13	-
Interest receivable	224	18	238	4
Taxes receivable	80	70	80	70
Due from other governments	2,387	330	2,387	330
Total assets	85,359	4,303,570	4,296,004	92,925
Liabilities				
Accounts payable	77,491	619,089	622,764	73,816
Salaries and benefits payable	5	6	5	6
Due to other governments	7,863	3,679,296	3,668,056	19,103
Total liabilities	$ 85,359	$ 4,298,391	$ 4,290,825	$ 92,925
Payroll Deductions				
Assets				
Cash and investments	$ 10,753	$ 1,686,993	$ 1,686,557	$ 11,189
Due from other governments	-	4	-	4
Total assets	10,753	1,686,997	1,686,557	11,193
Liabilities				
Accounts payable	10,753	1,199,073	1,198,633	11,193
Total liabilities	$ 10,753	$ 1,199,073	$ 1,198,633	$ 11,193
Property Tax Assessments				
Assets				
Cash and investments	$ 96,934	$ 3,894,449	$ 3,902,006	$ 89,377
Interest receivable	8	39	8	39
Taxes receivable	55,347	45,132	55,347	45,132
Total assets	152,289	3,939,620	3,957,361	134,548
Liabilities				
Accounts payable	583	286,086	286,079	590
Due to other governments	151,706	3,726,300	3,744,048	133,958
Total liabilities	$ 152,289	$ 4,012,386	$ 4,030,127	$ 134,548

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2012

(Dollars in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Warrants				
Assets				
Cash and investments	$ 59,175	$ 9,293,427	$ 9,302,721	$ 49,881
Interest receivable	1	-	1	-
Total assets	59,176	9,293,427	9,302,722	49,881
Liabilities				
Accounts payable	59,176	5,187,850	5,197,145	49,881
Total liabilities	$ 59,176	$ 5,187,850	$ 5,197,145	$ 49,881
Total Agency Funds				
Assets				
Cash and investments	$ 249,530	$ 19,178,008	$ 19,184,570	$ 242,968
Accounts receivable	-	13	13	-
Interest receivable	233	57	247	43
Taxes receivable	55,427	45,202	55,427	45,202
Due from other governments	2,387	334	2,387	334
Total assets	307,577	19,223,613	19,242,644	288,547
Liabilities				
Accounts payable	148,003	7,292,098	7,304,621	135,480
Salaries and benefits payable	5	6	5	6
Due to other governments	159,569	7,405,596	7,412,104	153,061
Total liabilities	$ 307,577	$ 14,697,700	$ 14,716,730	$ 288,547

STATISTICAL SECTION

Statistical Section

This section of the Riverside County Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

Net Assets by Component
Changes in Net Assets
Governmental Activities Tax Revenues by Source
Fund Balances of Governmental Funds
Changes in Fund Balances of Governmental Funds

These tables contain information to assist readers in understanding and assessing the factors affecting the County's local revenue sources, property tax, sales tax, and other taxes.

General Government Tax Revenues by Source
Assessed Value and Estimated Actual Value of Taxable Property
Property Tax Rates, Direct and Overlapping Governments
Principal Property Tax Payers
Property Tax Levies and Collections

These tables contain information to assist readers in understanding and assessing the County's current level of outstanding debt, and the County's ability to issue additional debt.

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt Outstanding
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
Pledged-Revenue Coverage

These tables provide economic and demographic information to assist readers in understanding the socioeconomic environment within which the County operates, and to facilitate the comparisons of financial information over time.

Demographic and Economic Statistics
Principal Employers

These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

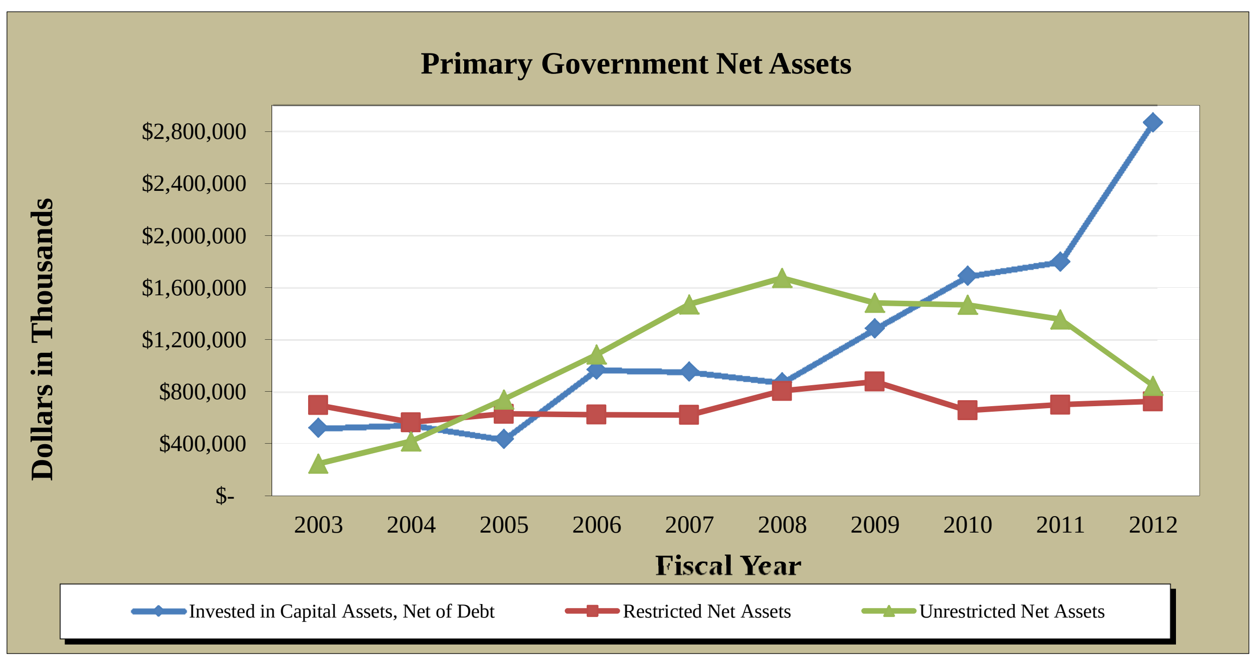
Full-time Equivalent County Government Employees by Function/Program
Operating Indicators by Function
Capital Asset Statistics by Function

Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years. The County implemented GASB Statement No. 34 in FY 2001-2002. Statistical Tables present information for the last eight years beginning with the first year after GASB Statement No. 34 implementation.

Table 1

COUNTY OF RIVERSIDE
Net Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Governmental Activities										
Invested in capital assets, net of related debt	$ 2,740,429	$ 1,687,128	$ 1,594,275	$ 1,204,971	$ 802,981	$ 903,076	$ 930,800	$ 407,762	$ 524,624	$ 503,294
Restricted	683,835	656,347	604,942	824,139	769,368	569,477	582,037	584,441	521,143	662,446
Unrestricted	851,269	1,295,657	1,395,141	1,402,813	1,572,150	1,370,350	999,992	671,917	387,007	205,952
Governmental activities, total net assets	$ 4,275,533	$ 3,639,132	$ 3,594,358	$ 3,431,923	$ 3,144,499	$ 2,842,903	$ 2,512,829	$ 1,664,120	$ 1,432,774	$ 1,371,692
Business-type Activities										
Invested in capital assets, net of related debt	$ 130,510	$ 113,489	$ 96,901	$ 81,512	$ 69,441	$ 53,321	$ 40,986	$ 29,583	$ 25,102	$ 19,972
Restricted	41,103	43,086	50,386	52,502	36,074	50,629	41,287	45,362	43,232	33,740
Unrestricted	(5,456)	59,550	72,397	80,238	101,683	100,567	85,971	67,502	31,602	40,096
Business-type activities, total net assets	$ 166,157	$ 216,125	$ 219,684	$ 214,252	$ 207,198	$ 204,517	$ 168,244	$ 142,447	$ 99,936	$ 93,808
Primary Government										
Invested in capital assets, net of related debt	$ 2,870,939	$ 1,800,617	$ 1,691,176	$ 1,286,483	$ 872,422	$ 956,397	$ 971,786	$ 437,345	$ 549,726	$ 523,266
Restricted	724,938	699,433	655,328	876,641	805,442	620,106	623,324	629,803	564,375	696,186
Unrestricted	845,813	1,355,207	1,467,538	1,483,051	1,673,833	1,470,917	1,085,963	739,419	418,609	246,048
Primary government, total net assets	$ 4,441,690	$ 3,855,257	$ 3,814,042	$ 3,646,175	$ 3,351,697	$ 3,047,420	$ 2,681,073	$ 1,806,567	$ 1,532,710	$ 1,465,500



Source: Auditor-Controller, County of Riverside

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Program Revenues										
Governmental Activities:										
Charges for services:										
General Government	$ 147,510	$ 159,570	$ 140,723	$ 143,644	$ 171,403	$ 171,070	$ 174,781	$ 125,937	$ 105,248	$ 118,494
Public Protection	316,778	326,237	331,162	311,565	316,719	307,288	286,877	235,873	237,681	192,179
Other Activities	116,509	105,931	95,438	100,819	123,483	130,837	113,413	97,182	93,100	82,809
Operating grants and contributions	1,447,694	1,393,016	1,384,791	1,344,611	1,315,716	1,210,941	1,100,674	983,290	1,086,456	1,050,230
Capital grants and contributions	27,909	32,114	31,112	29,771	25,333	48,186	31,001	64,252	33,041	32,537
Governmental activities program revenues	2,056,400	2,016,868	1,983,226	1,930,410	1,952,654	1,868,322	1,706,746	1,506,534	1,555,526	1,476,249
Business-type Activities:										
Charges for services:										
Regional Medical Center	371,827	386,533	367,273	360,584	333,414	337,905	330,125	354,510	266,484	189,141
Other Activities	133,838	140,327	134,257	139,206	146,065	137,706	135,266	125,945	118,544	110,278
Capital grants and contributions	335	-	1,165	310	306	261	227	-	125	9,712
Business-type activities program revenues	506,000	526,860	502,695	500,100	479,785	475,872	465,618	480,455	385,153	309,131
Primary government program revenues	2,562,400	2,543,728	2,485,921	2,430,510	2,432,439	2,344,194	2,172,364	1,986,989	1,940,679	1,785,380
Expenses										
Governmental Activities:										
General government	270,474	298,032	323,949	285,393	331,741	296,917	259,993	187,911	232,322	183,132
Public protection	1,047,202	1,021,288	1,062,213	1,095,587	1,122,370	935,550	801,044	792,287	710,053	620,663
Public ways and facilities	84,797	87,424	31,024	31,283	20,558	57,578	61,443	79,649	93,529	87,092
Health and sanitation	374,950	369,984	347,634	392,945	330,206	350,082	350,451	290,001	376,338	330,830
Public assistance	827,092	907,202	820,637	770,484	752,779	688,213	634,522	552,298	590,719	588,502
Education	10,376	15,816	19,866	15,954	17,977	14,847	11,168	10,112	10,280	8,609
Recreation and cultural services	15,806	9,364	12,206	6,039	12,457	11,941	7,188	8,617	9,666	8,842
Interest on long-term debt	39,098	88,998	80,754	89,741	96,173	81,197	75,721	48,717	29,890	33,666
Governmental activities expenses	2,669,795	2,798,108	2,698,283	2,687,426	2,684,261	2,436,325	2,201,530	1,969,592	2,052,797	1,861,336
Business-type Activities:										
Regional Medical Center	417,074	401,120	389,991	379,278	353,481	329,128	290,962	356,255	296,227	228,339
Waste Management Department	57,272	56,688	49,956	61,116	64,538	60,772	66,453	55,563	40,056	36,579
Housing Authority	91,469	86,027	81,426	81,139	74,252	70,218	62,909	62,206	61,599	57,977
Flood Control	2,306	3,711	3,233	3,816	5,201	6,242	5,705	4,928	4,318	2,054
County Service Areas	456	383	454	457	343	329	285	320	329	294
Business-type activities expenses	568,577	547,929	525,060	525,806	497,815	466,689	426,314	479,272	402,529	325,243
Primary government expenses	3,238,372	3,346,037	3,223,343	3,213,232	3,182,076	2,903,014	2,627,844	2,448,864	2,455,326	2,186,579
Net (expense)/revenue										
Governmental activities	(613,395)	(781,240)	(715,057)	(757,016)	(731,607)	(568,003)	(494,784)	(463,058)	(497,271)	(385,087)
Business-type activities	(62,577)	(21,069)	(22,365)	(25,706)	(18,030)	9,183	39,304	1,183	(17,376)	(16,112)
Primary government, net (expense) / revenue	$ (675,972)	$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)

Source: Auditor-Controller, County of Riverside

Continued

Table 2

Table 2

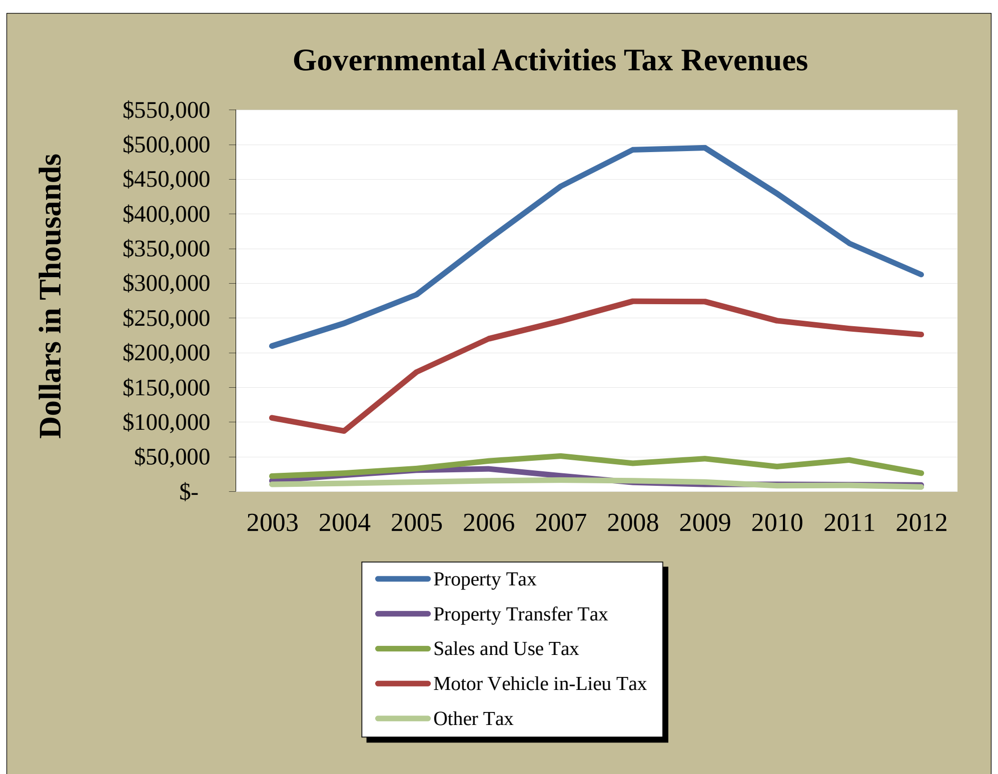
COUNTY OF RIVERSIDE
Changes in Net Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Continued:										
Primary government, net (expense) / revenue	$ (675,972)	$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)
General Revenues and										
Other Changes in Net Assets										
Governmental Activities:										
Taxes:										
Property taxes	322,337	367,867	440,282	506,222	506,327	462,817	396,167	314,666	266,391	225,775
Sales tax and use tax	26,744	45,489	36,289	47,683	40,985	51,093	44,286	33,091	26,633	22,444
Other taxes	6,715	9,004	8,610	13,771	15,898	16,865	15,603	13,885	12,108	10,377
Intergovernmental revenue -										
not restricted to programs:										
Motor vehicle in-lieu taxes	226,384	235,153	246,493	273,825	274,282	245,723	220,190	172,265	87,435	106,466
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	70,578	43,344	37,914
Investment earnings	11,801	19,494	29,026	87,041	138,071	122,517	78,288	39,907	16,835	24,909
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-	1,491	504
Other	169,398	142,966	91,044	121,880	85,924	13,191	96,265	99,330	146,392	117,706
Transfers	(11,702)	(10,355)	(17,436)	(25,713)	(10,322)	(16,892)	19,888	(31,000)	(16,791)	(13,287)
Governmental activities	751,677	809,618	834,308	1,024,709	1,051,165	895,314	870,687	712,722	583,838	532,808
Business-type Activities:										
Investment earnings	907	538	1,442	6,142	10,389	10,198	6,381	4,234	2,505	3,235
Gain on sale of capital assets	-	-	-	-	-	-	-	346	4,208	754
Other	-	6,617	-	-	-	-	-	-	-	-
Transfers	11,702	10,355	17,436	25,713	10,322	16,892	(19,888)	31,000	16,791	13,287
Business-type activities	12,609	17,510	18,878	31,855	20,711	27,090	(13,507)	35,580	23,504	17,276
Total primary government	764,286	827,128	853,186	1,056,564	1,071,876	922,404	857,180	748,302	607,342	550,084
Change in net assets										
Governmental activities	138,282	28,378	119,251	267,693	319,558	327,311	375,903	249,664	86,567	147,721
Business-type activities	(49,968)	(3,559)	(3,487)	6,149	2,681	36,273	25,797	36,763	6,128	1,164
Primary government change in net assets	$ 88,314	$ 24,819	$ 115,764	$ 273,842	$ 322,239	$ 363,584	$ 401,700	$ 286,427	$ 92,695	$ 148,885

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

Fiscal Year	Property Tax	Property Transfer Tax	Sales and Use Tax	Motor Vehicle In-Lieu Tax	Other Tax	Total
2012	$ 312,972	$ 9,365	$ 26,744	$ 226,384	$ 6,715	$ 582,180
2011	357,908	9,959	45,489	235,153	9,004	657,513
2010	429,604	10,678	36,289	246,493	8,610	731,674
2009	495,598	10,624	47,683	273,825	13,771	841,501
2008	492,849	13,478	40,985	274,282	15,898	837,492
2007	439,981	22,836	51,093	245,723	16,865	776,498
2006	363,407	32,760	44,286	220,190	15,603	676,246
2005	283,660	31,006	33,091	172,265	13,885	533,907
2004	242,647	23,744	26,633	87,435	12,108	392,567
2003	209,979	15,796	22,444	106,466	10,377	365,062



Source: Auditor-Controller, County of Riverside

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Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year		
	2012	2011	2010
General Fund			
Nonspendable	$ 1,834	$ 2,214	$ 3,201
Restricted	101,651	98,552	93,653
Committed	52,439	50,097	250,444
Assigned	8,764	3,463	2,998
Unassigned	171,910	189,236	36,190
Total General Fund	336,598	343,562	386,486
Flood Control			
Nonspendable	1	1	1
Committed	252,368	237,211	222,944
Assigned	3,890	13,741	18,979
Total Flood Control	256,259	250,953	241,924
Public Facilities Improvements			
Restricted	131,184	158,628	200,501
Committed	-	6,451	10,850
Assigned	111,324	128,023	127,302
Total Public Facilities Improvements	242,508	293,102	338,653
Redevelopment Capital Projects			
Nonspendable	-	72,055	79,257
Committed	-	115,617	93,028
Assigned	-	83,881	96,062
Total Redevelopment Capital Projects	-	271,553	268,347
Nonmajor Governmental Funds			
Nonspendable	2,255	84,769	84,744
Restricted	450,019	410,787	434,900
Committed reported in:			
Special revenue funds	14,784	21,381	6,196
Debt Service Funds	-	1,206	1,206
Capital projects funds	323	1,690	355
Assigned	30,698	86,572	30,314
Total Nonmajor Governmental Funds	498,079	606,405	557,715
Total All Governmental Funds	$ 1,333,444	$ 1,765,575	$ 1,793,125

Note: In fiscal year 2010-11 the County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. Fiscal year 2009-10 fund balances have been recharacterized to comply with GASB Statement No. 54 in order to facilitate year-to-year comparisons. In fiscal year 2011-12 Redevlopment Capital Projects are reported under the Successor Agency.

Source: Auditor-Controller, County of Riverside

Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Continued)
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year						
	2009	2008	2007	2006	2005	2004	2003
General Fund							
Reserved	$ 91,196	$ 84,466	$ 88,233	$ 100,436	$ 121,249	$ 100,940	$ 103,489
Unreserved, designated	203,821	335,630	339,773	277,833	185,014	70,361	89,011
Unreserved, undesignated	77,104	58,672	142,958	68,649	46,191	77,752	26,078
Total General Fund	372,121	478,768	570,964	446,918	352,454	249,053	218,578
Flood Control							
Reserved	1,794	4,500	-	940	3,914	19,051	7,097
Unreserved, designated	30,149	1,755	134,396	133,906	-	-	-
Unreserved - undesignated	196,973	193,170	32,724	3,044	120,052	107,482	116,173
Total Flood Control	228,916	199,425	167,120	137,890	123,966	126,533	123,270
Public Facilities Improvements							
Reserved	538,431	590,915	256,338	222,983	175,699	152,842	146,588
Unreserved, undesignated	-	-	-	-	-	184	-
Total Public Facilities Improvements	538,431	590,915	256,338	222,983	175,699	153,026	146,588
Redevelopment Capital Projects							
Reserved	189,627	122,036	269,263	88,391	61,460	-	-
Unreserved, designated	116,076	234,582	118,186	120,313	75,702	-	-
Total Redevelopment Capital Projects	305,703	356,618	387,449	208,704	137,162	-	-
Nonmajor Governmental Funds							
Reserved	371,076	331,147	192,566	196,938	149,222	159,413	159,357
Unreserved, designated reported in:							
Special revenue funds	27,666	37,121	53,268	78,501	86,593	13,041	11,929
Capital projects funds	6,933	6,935	9,671	2,056	1,805	20,353	5,128
Unreserved, undesignated reported in:							
Special revenue funds	151,939	139,367	115,637	106,564	197,438	189,570	186,964
Capital projects funds	-	-	-	-	-	(8,241)	981
Total Nonmajor Governmental Funds	557,614	514,570	371,142	384,059	435,058	374,136	364,359
Total All Governmental Funds	$ 2,002,785	$ 2,140,296	$ 1,753,013	$ 1,400,554	$ 1,224,339	$ 902,748	$ 852,795

Table 5

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

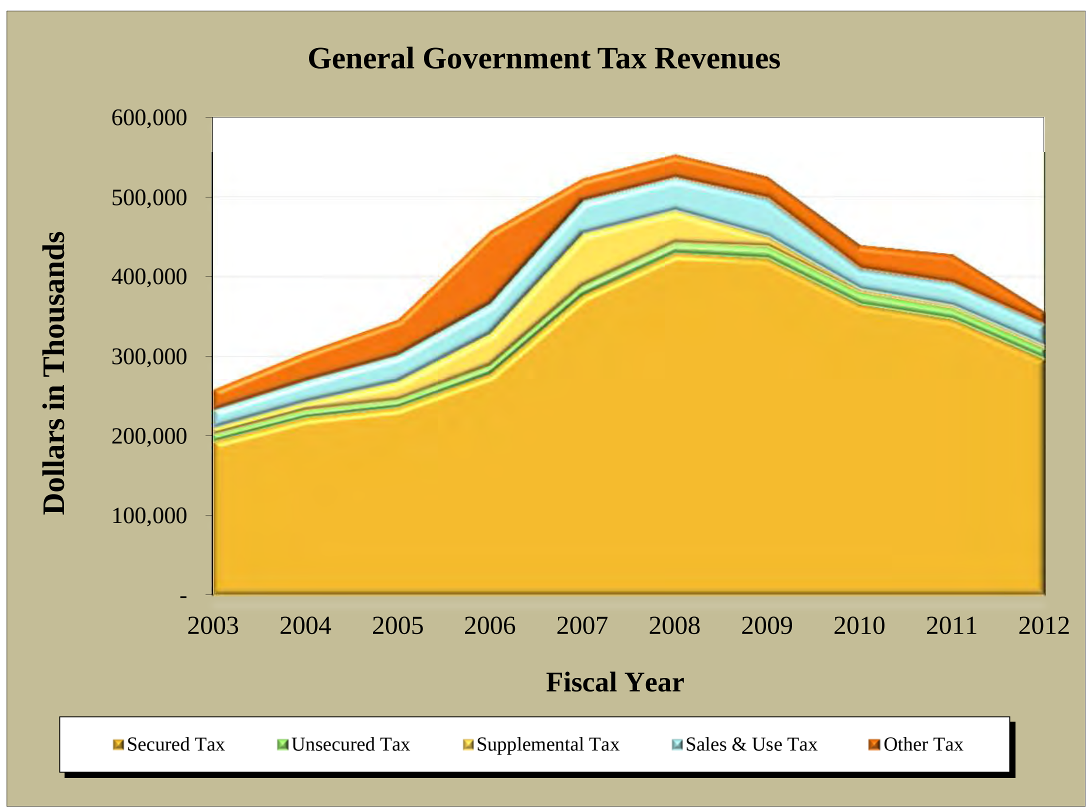
	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Revenues										
Taxes	$ 355,796	$ 427,892	$ 439,435	$ 525,238	$ 553,158	$ 523,028	$ 457,117	$ 346,248	$ 305,132	$ 258,596
Licenses, permits, and franchise fees	19,513	20,294	19,197	22,546	24,652	25,981	21,733	22,343	26,418	25,677
Fines, forfeitures, and penalties	90,163	95,290	114,320	108,572	92,029	82,946	62,984	70,578	43,297	37,241
Use of money and property:										
Interest	10,827	18,305	26,929	81,040	128,307	113,789	73,838	37,624	16,145	23,331
Rents and concessions	19,588	17,659	17,393	17,151	15,486	43,171	41,798	39,831	31,952	39,833
Aid from other governmental agencies:										
Federal	577,654	609,531	636,167	546,030	544,587	496,685	451,036	446,628	430,970	428,433
State	986,658	921,329	857,191	955,389	971,299	937,630	830,634	705,289	713,146	696,466
Other	156,678	130,362	172,598	140,757	103,858	89,111	69,042	55,661	46,750	46,099
Charges for services	449,888	458,744	469,340	460,439	447,889	431,676	439,594	383,497	368,497	327,918
Other revenue	95,119	95,279	65,711	84,348	102,132	115,863	110,870	146,800	100,404	132,900
Total revenues	2,761,884	2,794,685	2,818,281	2,941,510	2,983,397	2,859,880	2,558,646	2,254,499	2,082,711	2,016,494
Expenditures										
General government	291,227	311,025	554,315	430,712	409,336	320,254	270,340	250,568	217,416	204,861
Public protection	1,072,442	1,081,489	1,068,051	1,126,662	1,083,719	972,006	855,133	1,039,822	677,798	613,781
Public ways and facilities	168,015	176,184	130,310	148,544	152,603	157,055	141,017	111,088	133,973	120,490
Health and sanitation	375,668	353,904	341,244	390,668	375,259	348,921	346,738	339,444	365,727	339,123
Public assistance	802,104	824,471	812,848	766,407	747,576	686,295	629,553	652,069	576,267	570,458
Education	18,942	19,282	18,910	15,731	17,907	14,830	11,108	9,889	10,241	9,261
Recreation and culture	15,220	18,755	12,620	12,801	11,647	11,707	12,727	20,058	9,242	10,722
Debt service:										
Principal	65,002	80,928	73,378	54,587	46,483	44,222	45,516	34,452	32,118	37,643
Interest	49,041	83,902	78,689	86,768	91,126	78,204	73,707	46,439	24,523	31,220
Cost of issuance	15	5,212	1,819	2,436	3,868	5,565	4,925	9,283	504	-
Capital outlay	22,583	30,439	39,844	48,899	36,691	58,525	25,639	9,680	1,604	22,489
Total expenditures	2,880,259	2,985,591	3,132,028	3,084,215	2,976,215	2,697,584	2,416,403	2,522,792	2,049,413	1,960,048
Revenues over (under) expenditures	(118,375)	(190,906)	(313,747)	(142,705)	7,182	162,296	142,243	(268,293)	33,298	56,446
Other financing sources (uses)										
Transfers in	323,052	267,985	463,296	538,029	805,400	313,044	294,835	203,411	163,383	58,661
Transfers out	(332,724)	(277,943)	(479,143)	(562,345)	(814,607)	(328,624)	(277,680)	(229,835)	(179,701)	(71,879)
Issuance of debt	-	170,481	81,745	-	294,084	34,173	178,750	596,330	21,645	-
Issuance of refunding bonds	33,360	-	70,365	78,895	111,125	259,600	-	74,200	-	-
Discount on long-term debt	-	-	(626)	-	(2,898)	-	-	-	-	-
Premium on long-term debt	2,840	-	937	-	3,272	2,876	857	4,827	-	-
Redemption of refunded debt	(32,797)	-	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	(65,713)	(76,300)	(24,290)	(103,396)	(35,684)	(53,338)	-	-
Proceeds from the sale of capital assets	-	6	-	-	1,159	916	2,064	35	494	-
Capital leases	2,671	8,321	31,018	22,746	8,670	8,811	7,929	6,616	1,008	8,435
Total other financing sources (uses)	(3,598)	168,850	101,879	1,025	381,915	187,400	171,071	602,246	6,829	(4,783)
Net change in fund balances	$ (121,973)	$ (22,056)	$ (211,868)	$ (141,680)	$ 389,097	$ 349,696	$ 313,314	$ 333,953	$ 40,127	$ 51,663
Debt service as a % of non-capital expenditures	4.50%	6.17%	5.85%	5.54%	5.28%	5.07%	5.47%	3.35%	2.86%	3.68%

Source: Auditor-Controller, County of Riverside

Table 6

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

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
2012	$ 295,974	$ 13,499	$ 3,498	$ 26,626	$ 16,199	$ 355,796
2011	346,356	13,404	3,681	28,393	36,058	427,892
2010	364,810	15,270	3,778	25,762	29,815	439,435
2009	422,329	15,071	12,981	47,683	27,174	525,238
2008	428,790	13,193	40,815	40,985	29,375	553,158
2007	375,924	12,301	65,537	40,607	28,659	523,028
2006	277,266	11,405	39,661	37,532	91,253	457,117
2005	235,636	9,501	23,129	33,091	44,891	346,248
2004	222,635	9,600	10,411	26,633	35,853	305,132
2003	192,684	9,112	8,182	22,444	26,174	258,596



Source: Auditor-Controller, County of Riverside

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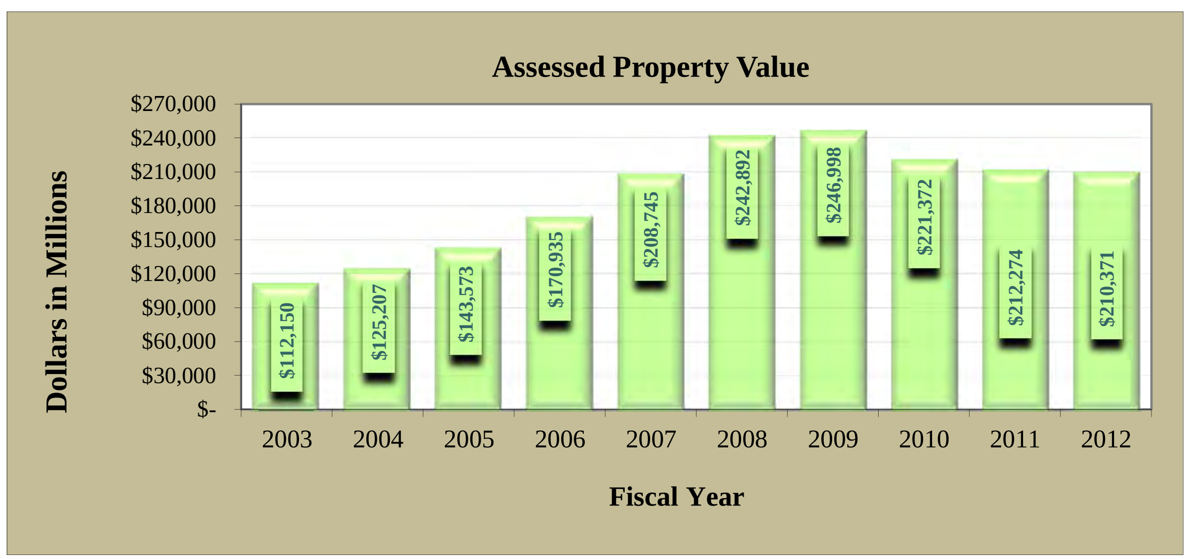
COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)

Table 7

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Real Property										
Secured property	$ 202,313,851	$ 204,153,163	$ 213,144,336	$ 238,312,506	$ 235,351,116	$ 202,009,520	$ 164,618,837	$ 137,784,611	$ 119,840,527	$ 107,159,352
Unsecured property	8,057,242	8,121,065	8,227,172	8,685,393	7,540,803	6,735,421	6,316,569	5,787,971	5,365,993	4,990,478
Total Gross Assessed Value	210,371,093	212,274,228	221,371,508	246,997,899	242,891,919	208,744,941	170,935,406	143,572,582	125,206,520	112,149,830
Less:										
Tax-exempt real property	6,818,361	6,673,229	6,424,030	6,111,231	5,574,813	5,125,567	5,014,256	4,730,573	4,301,937	3,878,514
Total Taxable Assessed Value	$ 203,552,732	$ 205,600,999	$ 214,947,478	$ 240,886,668	$ 237,317,106	$ 203,619,374	$ 165,921,150	$ 138,842,009	$ 120,904,583	$ 108,271,316
Total Direct Tax Rate	1.1254	1.1254	1.1222	1.1095	1.0919	1.0772	1.0805	1.0866	1.0771	1.0787
Estimated Actual Taxable Value	$ 271,403,643	$ 274,134,665	$ 286,596,637	$ 321,182,224	$ 316,422,808	$ 271,492,499	$ 221,228,200	$ 185,122,679	$ 161,206,111	$ 144,361,755
Assessed Value as a % of Actual Value	77.51%	77.43%	77.24%	76.90%	76.76%	76.89%	77.27%	77.56%	77.67%	77.69%



Source: Auditor-Controller, County of Riverside

Table 8

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

	County Direct Rates	Range of Overlapping Rates			
Fiscal Year	Riverside County General Purpose	Total City Rate	Total School District Rate	Total Special District Rate	Total Direct & Overlapping Rates
2012	1.00000%	0% to .00571%	.01700% to .14030%	0% to .53864%	1.12540% to 1.53864%
2011	1.00000%	0% to .00575%	.01499% to .13224%	0% to .50000%	1.12540% to 1.50000%
2010	1.00000%	.00064% to .00577%	.01242% to .12628%	0% to .50000%	1.12220% to 1.50000%
2009	1.00000%	.00119% to .00747%	.01254% to .10963%	0% to .50000%	1.10950% to 1.50000%
2008	1.00000%	.00178% to .00627%	.00549% to .08521%	0% to .50000%	1.09190% to 1.50000%
2007	1.00000%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1.07720% to 1.54324%
2006	1.00000%	.00426% to .00861%	.01435% to .10210%	0% to .50997%	1.08050% to 1.50997%
2005	1.00000%	.00529% to .01092%	.01192% to .09581%	0% to .50000%	1.08660% to 1.50000%
2004	1.00000%	0% to .00608%	0% to .09819%	0% to .72543%	1.07710% to 1.72543%
2003	1.00000%	0% to .00792%	0% to .72543%	0% to .71888%	1.07870% to 1.71888%

Note: Total direct tax rate encompasses general levy, special assements, and fixed charges.

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

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

Source: Auditor-Controller, County of Riverside

Table 9

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

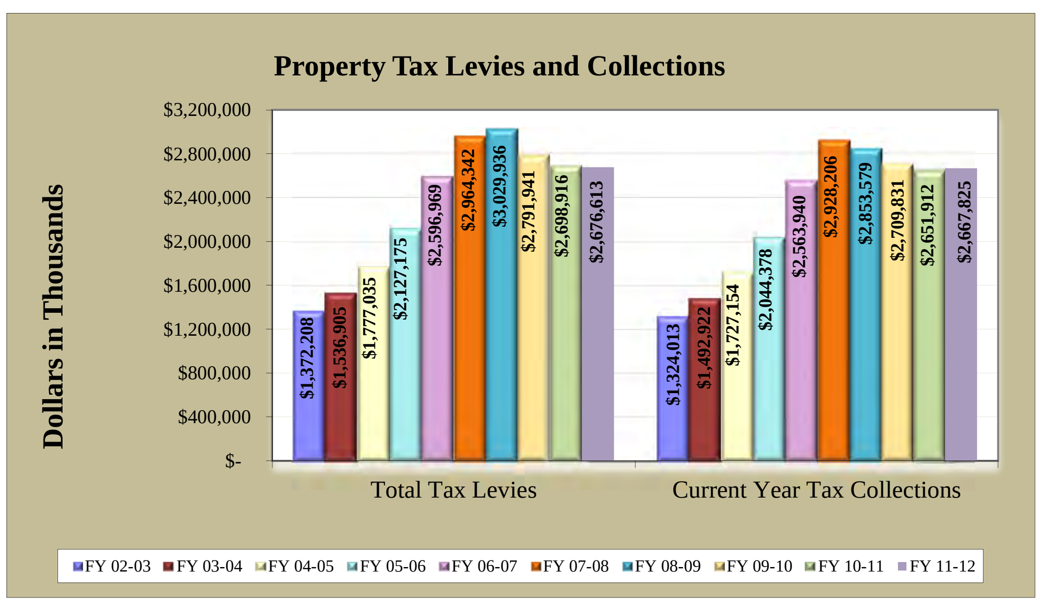
	Fiscal Year			
	2012		2003	
Tax Payer	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 23,447	0.83%	$ 5,253	0.38%
Verizon California Inc.	10,214	0.36%	7,486	0.55%
Inland Empire Energy Center LLC	8,423	0.30%		
Federal Natl Mortgage Assn	6,612	0.23%		
So. California Gas Co.	6,554	0.23%	3,144	0.23%
Wells Fargo Bank	3,105	0.11%		
Abbott Vascular Inc.	3,096	0.11%		
Walgreen Co	3,015	0.11%		
Tyler Mall LTD Partnership	2,881	0.10%		
Standard Pacific Corp	2,873	0.10%		
Desert Springs Marriott LTD Partnership			2,694	0.20%
KSL Desert Resort			2,555	0.19%
Pacific Bell			2,545	0.19%
OTR			2,294	0.17%
Woodside Glenoaks Inc			1,936	0.14%
Blythe Energy LLC			1,894	0.14%
Overland Moreno Valley			1,582	0.12%
Total	$ 70,220	2.48%	$ 31,383	2.31%

Source: Treasurer-Tax Collector, County of Riverside

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars in Thousands)

Fiscal Year	Total Secured Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections as of 6/30: Amount	Total Collections as of 6/30: Percentage of Levy
2012	$ 2,676,613	$ 2,667,825	99.67%	$ 141,584	$ 2,809,409	104.96%
2011	2,698,916	2,651,912	98.26%	174,424	2,826,336	104.72%
2010	2,791,941	2,709,831	97.06%	247,241	2,957,072	105.91%
2009	3,029,936	2,853,579	94.18%	275,009	3,128,588	103.26%
2008	2,964,342	2,928,206	98.78%	159,726	3,087,932	104.17%
2007	2,596,969	2,563,940	98.73%	86,437	2,650,377	102.06%
2006	2,127,175	2,044,378	96.11%	66,977	2,111,356	99.26%
2005	1,777,035	1,727,154	97.19%	61,220	1,788,374	100.64%
2004	1,536,905	1,492,922	97.14%	67,284	1,560,206	101.52%
2003	1,372,208	1,324,013	96.49%	53,120	1,377,133	100.36%



Source: Auditor-Controller, County of Riverside

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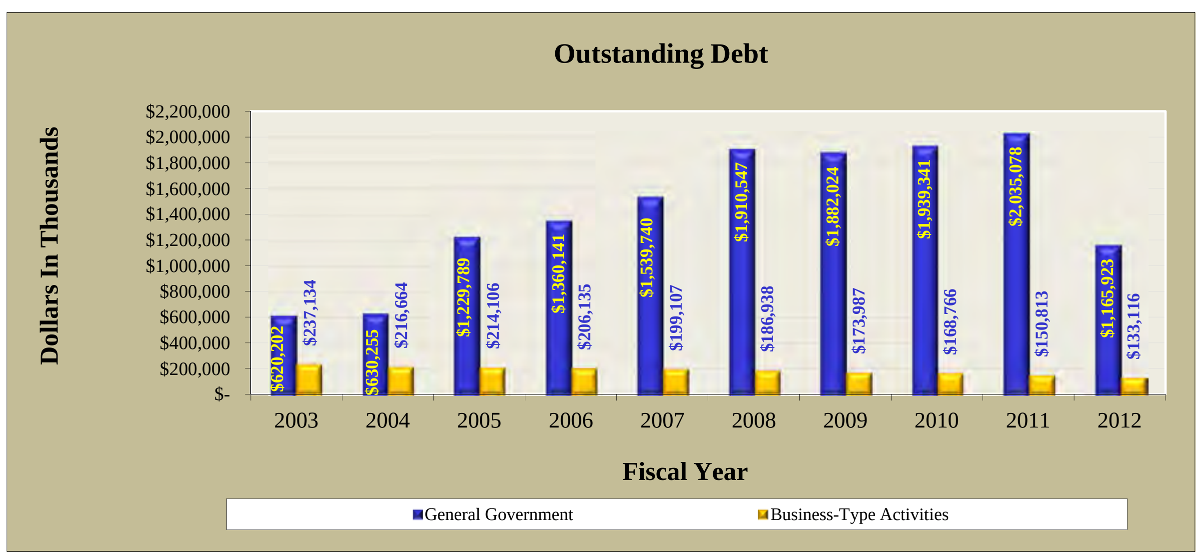
Table 11

Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
General Government										
Bonds	$ 750,492	$ 1,551,323	$ 1,408,017	$ 1,359,277	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Certificates of participation	309,511	367,272	385,447	391,914	408,024	335,866	348,486	325,572	387,869	357,855
Note and loans	4,925	5,355	21,987	13,222	310,809	310,139	113,383	150,344	67,010	68,060
Capital leases	100,995	111,128	123,890	117,611	105,317	87,337	83,829	75,845	83,618	102,529
Business-Type Activities										
Bonds	121,061	134,983	147,924	159,959	170,814	181,263	191,142	200,555	210,558	228,392
Certificates of participation			-	-	-	-	-	1,040	2,040	3,000
Capital leases	12,055	15,830	20,842	14,028	16,124	17,844	14,993	12,511	4,066	5,742
Total Primary Government	$ 1,299,039	$ 2,185,891	$ 2,108,107	$ 2,056,011	$ 2,097,485	$ 1,738,847	$ 1,566,276	$ 1,443,895	$ 846,919	$ 857,336
Percentage of Personal Income	1.79%	3.08%	3.37%	3.28%	3.25%	2.90%	2.81%	2.92%	1.88%	2.01%
Per Capita	$ 583	$ 986	$ 985	$ 975	$ 1,004	$ 856	$ 807	$ 769	$ 477	$ 499



Note: Per Capita is an estimate for fiscal years 2011 and 2012

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

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Bonds	$ 871,553	$ 1,686,306	$ 1,555,941	$ 1,519,236	$ 1,257,211	$ 987,661	$ 1,005,585	$ 878,583	$ 302,316	$ 320,150
Less:										
Amounts available in debt service fund	78,236	151,405	127,206	147,568	119,597	73,308	79,935	61,941	72,798	133,049
Total Net Obligation Bonds Outstanding	$ 793,317	$ 1,534,901	$ 1,428,735	$ 1,371,668	$ 1,137,614	$ 914,353	$ 925,650	$ 816,642	$ 229,518	$ 187,101
Percentage of Estimated										
Actual Taxable Value of Property	0.29%	0.56%	0.51%	0.43%	0.36%	0.34%	0.43%	0.32%	0.46%	0.44%
Per Capita	$ 356	$ 692	$ 668	$ 651	$ 545	$ 450	$ 477	$ 435	$ 129	$ 109

Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements

Source: California State Department of Finance

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 8,010,776	87.36%	$ 6,998,194
Subtotal, overlapping debt			6,998,194
County of Riverside direct debt			1,012,582
Total direct and overlapping debt			$ 8,010,776

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County of Riverside. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

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Table 14

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in Thousands)

	Fiscal Year									
	2012	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
Debt limit	$ 2,544,409	$ 2,570,012	$ 2,686,843	$ 3,011,083	$ 2,966,464	2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307	$ 1,353,391
Total net debt applicable to limit	(793,317)	(1,534,901)	(1,428,735)	(1,211,709)	(966,800)	(733,090)	(603,194)	(616,087)	(635,290)	(620,202)
Legal debt margin	$ 1,751,092	$ 1,035,111	$ 1,258,108	$ 1,799,374	$ 1,999,664	1,865,279	$ 1,522,638	$ 1,119,438	$ 876,017	$ 733,189
Total net debt applicable to the limit as a percentage of debt limit	31.2%	59.7%	53.2%	40.2%	32.6%	28.2%	28.4%	35.5%	42.0%	45.8%

Legal Debt Margin Calculated for Fiscal Year 2012

Assessed value	$ 205,754,734
Less: Homeowners exemptions	2,202,002
Total assessed value	203,552,732
Debt limit (1.25% of total assessed value)	2,544,409
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	871,553
Less: Amount set aside for repayment of general obligation debt	78,236
Total net debt applicable to limit	793,317
Legal debt margin	$ 1,751,092

Definitions: Debt limit - the maximum amount of outstanding gross or net debt legally permitted.
Debt margin - the difference between debt limit and existing debt.
Legal debt margin - the excess of the amount of debt legally authorized over the amount of debt outstanding.

Source: Auditor-Controller, County of Riverside

Table 15

Table 15

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

	Lease Revenue Bonds					
Fiscal Year	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2012	$ 22,779	$ 2,805	$ 19,974	$ 16,325	$ 15,583	62.60%
2011	16,067	2,072	13,995	15,355	16,039	44.58%
2010	30,318	3,336	26,982	14,455	16,642	86.77%
2009	39,334	10,682	28,652	13,160	16,865	95.43%
2008	60,656	43,790	16,866	12,545	17,116	56.86%
2007	31,046	5,939	25,107	12,115	16,976	86.31%
2006	25,371	785	24,586	11,600	17,355	84.91%
2005	21,601	676	20,925	11,175	17,551	72.84%
2004	20,715	5,586	15,129	9,490	9,418	80.01%
2003	17,008	1,273	15,735	8,300	11,474	79.57%

Inland Empire Tobacco Securitization Bonds						
Revenue from Tobacco Settlement	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Fiscal Year
$ 9,462	$ 107	$ 9,355	$ 1,655	$ 5,301	134.49%	2012
9,290	123	9,167	6,135	3,615	94.02%	2011
6,496	155	6,341	3,610	3,794	85.64%	2010
9,500	134	9,366	4,235	3,995	113.80%	2009
7,798	2,448	5,350	3,785	3,306	75.45%	2008
-	-	-	-	-	0.00%	2007
-	-	-	-	-	0.00%	2006
-	-	-	-	-	0.00%	2005
-	-	-	-	-	0.00%	2004
-	-	-	-	-	0.00%	2003

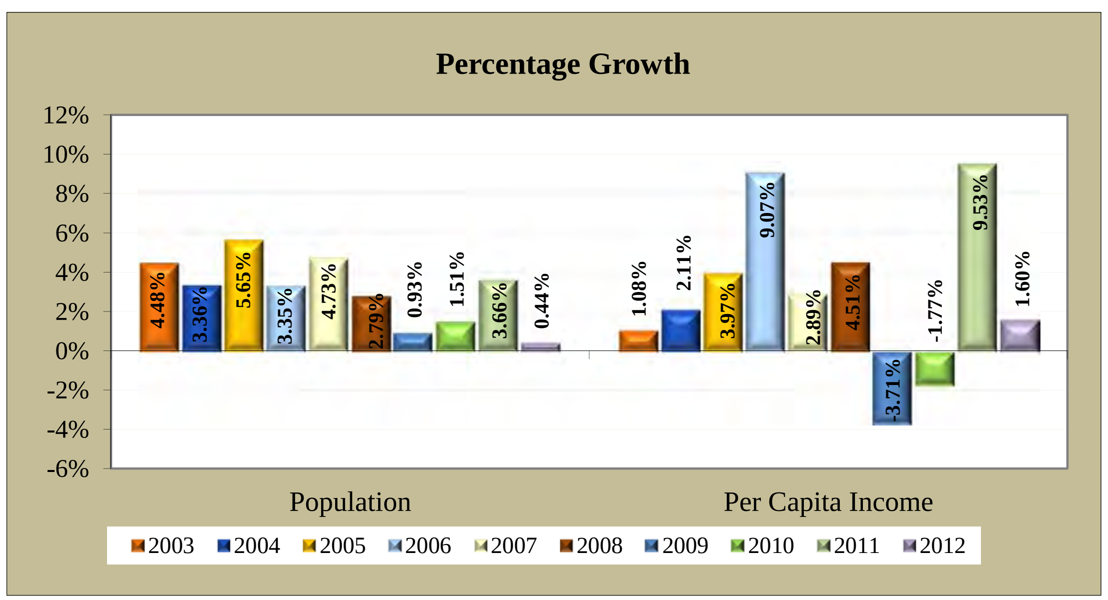
Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2012	2,227,577	$ 72,027,200 [1]	$ 32,520 [1]	425,707	12.60%
2011	2,217,778	69,438,900 [1]	32,008 [1]	424,086	14.40%
2010	2,139,535	64,376,498	29,222	423,986	14.50%
2009	2,107,653	63,228,086	29,748	419,643	14.00%
2008	2,088,322	64,504,000	30,894	420,450	8.40%
2007	2,031,625	61,024,000	29,560	404,331	5.70%
2006	1,939,814	53,246,505	28,730	394,687	5.10%
2005	1,877,000	49,443,185	26,342	380,267	5.20%
2004	1,776,700	45,016,790	25,337	364,857	5.80%
2003	1,719,000	42,655,266	24,814	349,607	6.20%



Notes 1: Projection based on 10 years' running average (2001 - 2010)

Source: Bureau of Economic Analysis
Riverside County Superintendent of Schools
State of California, Employment Development Department
California State Department of Finance

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago

	Fiscal Year			
	2012		2003	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	19,150	2.33%	-	-
March Air Reserve Base	9,000	1.09%	-	-
Stater Brothers Market	6,900	0.84%	5,600	0.77%
U. C. Riverside	5,790	0.70%	-	-
Walmart	5,360	0.65%		
Corona-Norco Unified School District	4,686	0.57%	-	-
Kaiser Permanente Riverside Medical Center	4,000	0.49%	2,893	0.40%
Pechanga Resort & Casino	4,000	0.49%	-	-
Riverside Unified School District	3,796	0.46%		-
Moreno Valley Unified School District	3,500	0.43%	-	-
Abbott Vascular		-	-	-
Fleetwood Enterprises, Inc.		-	2,125	0.29%
Eisenhower Medical Center		-	1,972	0.27%
Valley Health System		-	1,756	0.24%
Riverside Community Hospital		-	1,641	0.23%
KSL Desert Resorts Inc.		-	1,600	0.22%
Desert Regional Medical Center		-	1,500	0.21%
Vons		-	1,500	0.21%
SBC		-	1,100	0.15%
Total	66,182	8.60%	21,687	2.98%

Source: Economic Development Agency

Table 18

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General government										
Legislative and administrative	81	87	98	92	96	92	93	87	92	93
Finance	405	411	438	456	522	477	445	424	445	449
Counsel	65	64	70	69	69	69	58	52	50	50
Personnel	159	172	167	182	216	191	179	160	153	144
Elections	34	39	42	41	40	39	31	34	36	39
Communication	11	11	12	11	10	-	-	-	11	10
Property management	507	531	500	494	468	387	323	305	312	306
Promotion	117	139	180	186	177	168	142	126	121	110
Other general	31	32	36	36	39	-	-	1	1	1
Public protection										
Judicial	1,294	1,345	1,444	1,485	1,506	1,371	1,204	1,150	1,213	1,260
Police protection	2,304	2,408	2,449	2,586	2,474	2,354	2,113	1,926	1,914	1,902
Detention and correction	2,085	2,067	2,076	2,220	2,174	1,972	1,811	1,748	1,803	1,832
Fire protection	200	198	188	190	199	165	145	126	135	122
Protection/inspection	86	87	100	98	114	274	254	233	216	206
Other protection	600	615	669	737	778	541	523	441	446	419
Administration	75	62	65	58	60	50	39	36	37	35
Public ways and facilities										
Public ways	411	413	465	506	532	517	497	488	491	476
Parking Facilities	18	18	20	-	-	-	-	-	-	-
Health and sanitation										
Health	2,118	2,063	2,024	2,075	2,214	2,023	1,939	1,862	1,901	1,929
Hospital care	34	31	31	30	30	31	28	30	32	31
California children's services	140	138	143	148	168	159	152	143	127	119
Public assistance										
Aid programs	3,334	3,089	3,132	3,159	3,297	2,948	2,841	2,796	2,744	2,720
Veterans' services	12	12	12	12	13	12	11	10	10	11
Other assistance	289	355	348	285	305	302	283	309	338	452
Education, recreation and culture										
Library services	10	1	-	1	1	1	1	1	1	1
Agricultural extension	5	5	5	5	6	5	5	4	4	5
Cultural services	3	3	3	3	2	2	2	2	2	-
County business-type functions										
Hospital care	2,351	2,295	2,246	2,186	2,097	1,889	1,680	1,589	1,526	1,538
Sanitation	160	174	198	211	206	170	158	149	130	94
Internal service	2,775	2,315	2,418	1,723	2,202	2,934	2,538	2,147	2,305	2,058
Special districts/Component units	660	591	547	533	534	526	540	528	528	514
Total	20,374	19,771	20,126	19,818	20,549	19,669	18,035	16,907	17,124	16,926

Note: Temporary employees, 1,663, filled as of 5/24/12, are included in the total number employees.
Source: County of Riverside, FY2012-13 Recommended Budget

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years

Table 19

Function/Program	Fiscal year 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Agricultural Commissioner											
Export phytosanitary certificates	19,875	20,406	25,745	36,772	29,288	22,266	21,746	20,037	14,692	15,623	d
Pesticide use inspections	793	764	682	831	903	840	1,199	1,105	1,366	1,257	e
Weights and measures regulated	137,727	134,290	131,175	129,528	129,726	121,986	120,211	114,529	102,780	95,334	
Agriculture quality inspections	553	693	643	668	643	1,061	541	1,067	1,251	1,202	
Plant pest inspections	11,931	9,584	9,667	48,944	25,987	14,532	4,975	5,933	6,296	5,421	
Nursery acreage inspected	6,920	6,338	6,923	7,627	7,851	9,226	7,382	7,431	5,355	6,501	
Weights and measures inspected	51,074	56,751	77,278	80,862	83,269	97,039	150,308	101,223	31,794	27,990	
Assessor-Clerk-Recorder											
Assessments	904,706	904,040	941,928	942,174	938,462	920,555	896,998	859,413	831,610	791,348	
Official records recorded	592,531	612,804	673,674	682,708	773,308	957,123	1,082,688	1,039,166	1,019,271	794,257	
Vital records copies issued	78,768	80,391	87,194	97,422	97,427	88,640	82,015	73,379	68,892	70,071	
Official records copies issued	26,153	28,990	26,348	33,135	34,711	35,319	35,691	36,480	36,231	33,506	
Auditor-Controller											
Invoices paid	389,798	412,374	488,192	522,097	504,866	449,367	457,439	472,942	492,675	563,252	
Vendor warrants (checks) issued	255,463	265,979	300,428	320,613	255,767	237,645	235,044	242,763	220,649	235,121	
Active vendors	78,887	65,090	64,761	59,685	75,575	68,358	62,699	56,686	49,970	42,937	
Payroll warrants (checks) issued	509,468	506,870	532,904	532,202	522,215	496,386	469,692	449,011	448,845	448,571	
Average payroll warrants (checks) per pay period	19,595	19,495	19,737	20,469	20,085	19,092	18,065	17,270	17,263	17,253	
Audits per fiscal year	26	26	30	30	31	34	37	20	13	12	
Tax Bills Levied	972,577	999,241	977,115	974,041	1,004,076	1,069,352	1,039,358	988,487	896,814	856,951	
Tax Refunds/Roll Changes Processed	79,606	123,476	115,904	152,672	89,527	98,769	124,973	93,718	155,115	61,164	
Community Action Partnership											
Utility assistance (households)	21,912	22,207	27,956	12,869	9,902	13,337	10,944	11,783	12,846	14,706	
Weatherization (households)	842	1,375	2,083	1,033	853	465	801	795	711	857	
Energy education attendees	14,950	13,807	11,725	10,775	19,396	14,590	10,389	11,508	1,953	37,445	a
Disaster relief (residents)	13,968	12,058	17,989	15,336	16,366	13,551	8,605	1,514	-	-	b
Income tax returns prepared	2,711	3,006	2,257	2,011	1,828	1,384	2,651	-	-	-	b
After school programs (students)	20,700	18,400	13,800	11,000	10,905	10,905	537	51	271	51	
Homeless program (bed nights)	-	-	-	-	12,822	13,198	31,328	40,245	30,316	63,703	c
Homeless program (meals)	-	-	-	-	25,644	26,396	142,578	372,048	170,937	453,238	c
Leadership program enrollment	166	593	182	-	209	-	113	11	-	-	b
Mediation (cases)	2,181	2,178	2,237	1,821	2,144	2,133	2,099	2,002	2,042	1,869	
Community Health Agency											
Facilities inspections	36,201	31,801	31,213	34,273	33,009	31,760	32,000	40,642	38,105	36,546	
Patient visits	109,870	106,532	142,617	125,767	149,223	139,885	123,843	135,539	125,936	123,230	
Patient services	392,621	390,607	313,409	466,800	601,889	438,639	369,041	339,095	376,534	336,909	
Animal impounds	36,518	49,408	62,770	71,834	30,305	27,362	29,206	20,467	21,307	21,661	
Spays and neuters	9,771	8,305	7,225	8,480	7,208	5,645	5,806	2,401	3,080	2,372	

Note:
a - Number of pamphlets mailed
b - Program not yet started / not tracked
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008
d - Phytosanitary = Plant pest cleanliness
e - Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Continued

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program		Fiscal Year 2012	2011	2010	2009	2008
County Library						
Total circulation - books		3,387,218	3,724,657	3,718,343	3,464,547	3,280,929
Reference questions answered		441,269	404,913	370,619	382,795	426,533
Patron door count		4,080,738	731,699	3,599,064	3,170,424	2,744,576
Programs offered		8,382	7,624	7,214	5,618	5,570
Program attendance		163,692	163,416	148,612	127,717	103,393
County Regional Medical Center						
Emergency room treatments		101,952	99,706	96,993	88,459	82,584
Emergency room services - MH		16,750	15,376	14,288	9,702	7,867
Clinic visits		127,546	129,041	131,624	129,171	124,318
Admissions		23,949	23,638	23,536	23,253	23,433
Patient days		121,949	123,250	121,915	118,452	115,811
Discharges		23,694	23,668	23,559	23,238	23,440
Fire						
Medical assistance		96,843	97,066	94,193	91,707	89,404
Fires extinguished		12,990	4,271	4,449	4,406	5,659
Other services		11,856	16,522	17,076	18,486	19,472
Communities served		78	78	78	78	78
Mental Health						
Mental health clients (crisis/long-term care)		35,696	33,260	30,657	30,065	29,814
Substance abuse clients		17,849	16,987	16,736	18,712	17,746
Detention clients		10,544	8,874	10,831	12,781	9,441
Probate conservatorship clients		351	424	474	256	206
Mental health conservatorship clients		879	832	675	240	279
Probation						
Adults on probation	a	14,992	16,271	17,790	17,469	17,022
Juveniles in secure detention	b	193	225	248	241	293
Juveniles in treatment facilities	b	107	128	125	112	113
Juveniles in detention facilities	a	9,148	10,741	11,385	10,783	12,463
Public Social Services						
CalWORKs clients		33,682	33,412	31,022	26,905	22,310
Food stamp clients		107,076	91,606	74,484	52,877	36,339
Medi-Cal clients		130,562	124,061	116,758	107,904	101,542
In-home support services		19,070	18,201	16,852	16,307	14,845
Foster care placements		3,113	3,130	3,085	3,486	5,057
Child welfare services		9,664	9,916	9,591	10,217	11,912
Homeless program (bed nights)	c	8,331	10,746	12,900	10,854	-
Homeless program (meals)	c	16,660	21,494	25,800	21,707	-

Note: a - Average monthly
b - Average daily
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008

Source: Various County Departments

2007	2006	2005	2004	2003	Function/Program
					County Library
2,352,624	2,051,276	2,324,539	2,222,575	2,293,424	Total circulation - books
383,428	454,590	430,226	423,925	461,598	Reference questions answered
2,352,403	2,433,646	2,226,360	1,447,505	1,621,147	Patron door count
4,546	2,353	2,274	3,759	3,588	Programs offered
80,100	84,994	45,605	68,437	61,921	Program attendance
					County Regional Medical Center
76,666	73,448	68,105	66,411	66,136	Emergency room treatments
7,624	7,536	8,076	8,276	8,126	Emergency room services - MH
123,479	106,943	109,568	113,171	118,477	Clinic visits
24,393	22,262	21,723	20,587	19,690	Admissions
112,138	105,203	96,820	92,643	91,114	Patient days
24,430	22,244	21,741	20,554	19,705	Discharges
					Fire
89,329	86,129	80,484	76,601	70,851	Medical assistance
6,372	5,060	14,696	14,816	14,714	Fires extinguished
16,310	19,035	10,870	10,786	10,689	Other services
78	78	78	78	78	Communities served
					Mental Health
28,476	26,435	26,578	28,411	30,181	Mental health clients (crisis/long-term care)
18,597	18,120	18,188	18,432	18,613	Substance abuse clients
5,522	6,351	6,041	6,402	4,629	Detention clients
232	266	281	282	284	Probate conservatorship clients
279	294	275	239	212	Mental health conservatorship clients
					Probation
15,974	16,051	13,937	13,282	11,618	Adults on probation
343	322	310	367	355	Juveniles in secure detention
126	113	98	107	98	Juveniles in treatment facilities
14,283	13,218	12,405	14,435	13,708	Juveniles in detention facilities
					Public Social Services
20,336	19,880	20,846	20,296	19,908	CalWORKs clients
30,781	28,749	27,992	24,796	23,026	Food stamp clients
105,578	108,887	110,994	105,598	99,332	Medi-Cal clients
13,934	12,590	12,171	11,314	10,201	In-home support services
4,306	5,175	5,088	4,418	4,215	Foster care placements
12,333	11,639	11,153	9,411	10,467	Child welfare services
-	-	-	-	-	Homeless program (bed nights)
-	-	-	-	-	Homeless program (meals)

Continued

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program		Fiscal Year 2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	
Registrar of Voters												
Voting precincts		853	1,649	2,370	2,387	3,474	1,472	1,872	1,160	2,389	2,087	
Polling places		522	746	1,158	1,205	2,017	610	1,060	613	1,299	1,136	
Voters	a	852,217	1,009,933	1,815,892	1,747,556	1,705,406	931,821	1,658,509	870,300	1,919,561	1,335,785	
Poll workers		2,300	3,281	4,186	6,287	8,355	2,622	3,992	2,692	4,911	4,668	
Sheriff												
Number of bookings		53,691	53,974	55,306	62,007	59,054	61,697	56,926	55,375	52,497	49,617	
Coroner case load		10,947	10,555	10,027	9,582	9,394	9,212	8,943	8,558	7,826	7,772	
Calls for services	b	176,062	232,821	255,601	302,400	280,000	279,415	250,000	240,182	219,145	206,122	
TLMA - Building & Safety												
Building permits issued		566	605	1,248	986	1,800	5,786	10,232	9,980	10,452	10,106	
Building plans checked		558	595	1,241	918	1,507	5,151	8,759	8,251	9,128	8,776	
Building structures inspected		447	890	1,321	1,780	3,158	8,580	9,593	8,182	8,887	8,533	
Veterans' Services												
Phone inquiries answered		36,707	43,617	41,569	39,393	29,553	23,287	21,917	25,276	-	-	c
Client interviews		14,990	15,630	25,209	13,955	10,571	8,199	7,467	7,559	-	-	c
Claims filed		6,030	5,485	5,581	5,812	5,194	3,786	3,372	3,503	-	-	c
Waste Management												
Landfill tonnage		1,071,309	1,071,394	1,032,942	1,024,267	1,220,124	1,325,284	1,423,469	1,328,935	1,231,767	1,148,312	
Recycling tonnage		2,206	2,499	1,803	2,356	3,385	3,048	3,758	2,619	2,850	2,066	

Notes:
a - Number of voters that were mailed voting materials for all elections in the fiscal year
b - Unincorporated areas
c - Program not yet started / not tracked

Table 19

Table 20

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

	Fiscal Year									
Function/Program	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**
County Libraries										
Branch libraries	33	33	33	33	33	29	29	29	28	27
Book mobiles	2	2	2	2	2	2	2	2	2	2
Books in collection	1,570,834	1,668,434	1,612,925	1,564,186	1,552,108	1,784,149	1,221,744	1,477,670	1,098,082	1,029,424
County Regional Medical Center										
Major clinics	4	4	4	4	4	4	4	4	4	4
Routine and specialty clinics	32	30	30	30	30	30	30	30	30	30
Beds licensed	439	439	439	439	439	439	439	439	439	439
Fire										
Stations	42	46	49	49	49	49	48	48	48	48
Trucks	145	156	154	149	143	141	135	125	126	117
Parks and Recreation										
Regional parks	11	12	12	13	13	13	13	13	13	13
Historic sites	5	4	4	6	6	6	6	6	6	6
Nature centers	4	4	4	5	5	5	5	5	5	5
Archaeological sites	6	6	6	7	7	7	7	7	7	7
Wildlife reserves	9	9	9	16	16	16	16	16	16	16
RV and Mobile Home Parks	3	3	3	-	-	-	-	-	-	-
Managed Areas	5	5	5	-	-	-	-	-	-	-
Recreational Facilities	2	2	-	-	-	-	-	-	-	-
Sheriff										
Patrol stations	10	10	10	10	10	10	10	10	10	10
Patrol vehicles	915	896	883	923	974	702	598	583	576	550
Waste Management										
Landfills	6	6	6	6	6	6	7	7	8	8
Capacity in tons	54,189,339	54,177,558	51,794,663	51,794,663	51,609,663	51,609,663	52,392,284	50,948,302	50,872,281	42,712,387

Source: Various County Departments

Table 20

APPENDIX C

FORM OF BOND COUNSEL OPINION

County of Riverside Asset Leasing Corporation
Riverside, California

Re: $66,015,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects)

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the County of Riverside Asset Leasing Corporation (the "Corporation") in connection with the issuance by the Corporation of its $66,015,000 Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "2013 Bonds"). The 2013 Bonds are being issued under that certain Indenture of Trust dated as of July 1, 2013 (the "Indenture"), by and between Wells Fargo Bank, National Association, as trustee, and the Corporation, and are secured by certain lease payments to be made by the County of Riverside (the "County") in accordance with the terms of the Lease Agreement dated as of July 1, 2013 (the "Lease Agreement"), by and between the Corporation and the County.

In rendering our opinion, we have relied upon certain representations of fact and certifications made by the Corporation, the County, the original purchasers of the 2013 Bonds and others, and such other information and documents as we consider necessary to render this opinion. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2013 Bonds have been issued pursuant to an authorizing resolution adopted by the Corporation on May 1, 2013 (the "Resolution") approving the Indenture. The 2013 Bonds are dated as of their date of delivery and mature on the dates and in the amounts set forth in the Indenture. Interest on the 2013 Bonds is payable on the dates and at the rates per annum set forth in the Indenture. The 2013 Bonds are registered 2013 Bonds in the form set forth in the Indenture and are redeemable in the amounts, at the times and in the manner set forth in the Indenture.

All terms not defined herein have the meaning ascribed to those terms in the Indenture.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1. The 2013 Bonds have been duly and validly authorized by the Corporation and are legal, valid and binding limited obligations of the Corporation. The 2013 Bonds are secured and payable solely from Revenues (as defined in Indenture), as and to the extent provided for in the Indenture. The Bond are enforceable in accordance with their terms and the terms of the Indenture, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

2. The Indenture and the Lease Agreement have been duly authorized by the Corporation, are valid and binding obligations of the Corporation and are enforceable on the Corporation in accordance with their respective terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases; provided, however, that we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein.

3. The Indenture creates a valid pledge of that which the Indenture purports to pledge, subject to the provisions of the Indenture, except to the extent that the enforceability of the Indenture may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases.

4. The Lease Agreement has been duly authorized by the County, is a valid and binding obligation of the County and enforceable on the County in accordance with its terms, except to the extent that enforceability may be limited by moratorium, bankruptcy, reorganization, fraudulent conveyance or transfer, insolvency or other laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases; provided, however, that we express no opinion with respect to any indemnification, contribution, choice of law or waiver provisions contained therein.

5. Under existing statutes, regulations, rulings and judicial decisions, interest on the 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest will not be included as an adjustment in the calculation of alternative minimum taxable income.

6. Interest on the 2013 Bonds is exempt from State of California personal income tax.

The opinions expressed in paragraph (5) above as to the exclusion from gross income for federal income tax purposes of interest on the 2013 Bonds are subject to the condition that the Corporation and the County comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2013 Bonds to assure that such interest will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest on the 2013 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2013 Bonds. The Corporation and the County each have covenanted to comply with all such requirements. Except as set forth in paragraph (5) above, we express no opinion as to any federal tax consequences related to the 2013 Bonds.

Certain requirements and procedures contained or referred to in the Indenture and the Lease Agreement and the Tax Certificate may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth therein, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to effect on the exclusion of interest on the 2013 Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Best Best & Krieger LLP.

We are admitted to the practice of law only in the State of California and our opinions are limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Our engagement as Bond Counsel with respect to the 2013 Bonds terminates upon the issuance of the 2013 Bonds and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken (or not taken) or do occur (or do not occur).

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover matters not directly addressed by such authorities.

Respectfully submitted,

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

THE INDENTURE

DEFINITIONS; RULES OF INTERPRETATION

Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in the Indenture shall have the respective meanings given such terms in the Lease Agreement.

"2013 Projects" means the acquisition, construction, improvement, furnishing and equipping of the Riverside County Technology Solutions Center, the Office of the Public Defender of the County and such other capital improvements as the County may determine.

"Authorized Representative" means: (a) with respect to the Corporation, its President, Vice President, Secretary and Assistant Secretary, or any other person designated as an Authorized Representative of the Corporation by a Written Certificate of the Corporation signed by its President, Vice President, Secretary and Assistant Secretary and filed with the County and the Trustee; and (b) with respect to the County, its Chairman of the Board of Supervisors, Vice Chairman, County Executive Officer, Deputy County Executive Officer or any other person designated as an Authorized Representative of the County by a Written Certificate of the County signed by its Chairman of the Board of Supervisors, Vice Chairman, County Executive Officer, Deputy County Executive Officer and filed with the Corporation and the Trustee.

"Bond Counsel" means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Corporation of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

"Bond Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Bond Year" means each twelve-month period extending from November 2 in one calendar year to November 1 of the succeeding calendar year, both dates inclusive; except that the first Bond Year shall commence on the Closing Date and extend to and include November 1, 2014.

"Bonds" means the $66,015,000 aggregate principal amount of County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects), authorized by and at any time Outstanding pursuant to the Indenture.

"Book-Entry Depository" means DTC or any successor as Book-Entry Depository for the Bonds, appointed pursuant to the Indenture.

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

"Closing Date" means July 17, 2013, being the date of delivery of the Bonds to the Underwriter.

"Continuing Disclosure Certificate" means, as applicable, that certain Certificate of the Corporation or the County, as applicable, by that name and dated as of the Closing Date.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Corporation, initial fees and expenses of the Trustee and its counsel, title insurance premiums, appraisal fees, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"County" means the County of Riverside.

"Debt Service" means, during any period of computation, the amount obtained for such period by totaling the following amounts: (a) the principal amount of all Outstanding Serial Bonds coming due and payable by their terms in such period; (b) the minimum principal amount of all Outstanding Term Bonds scheduled to be redeemed by operation of mandatory sinking fund deposits in such period; and (c) the interest which would be due during such period on the aggregate principal amount of Bonds which would be Outstanding in such period if the Bonds are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Bonds no longer Outstanding.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Events of Default" means any of the events specified in Section 7.01.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code; (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code; or (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

"Federal Securities" means:

(a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of

America), the payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America;

(b) any obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(c) pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice, and (i) which are rated, based on the escrow, in the highest rating category of S&P or Moody's or any successors thereto; or (ii)(A) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraphs (a) or (b) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (B) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Corporation as its official fiscal year period.

"Indenture" means the Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Corporation or the County, and who, or each of whom (a) is in fact independent and not under domination of the Corporation or the County; (b) does not have any substantial interest, direct or indirect, in the Corporation or the County; and (c) is not connected with the Corporation or the County as an officer or employee of the Corporation or the County but who may be regularly retained to make annual or other audits of the books of or reports to the Corporation or the County.

"Information Services" means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at http://emma.msrb.org), or such service or services as the Corporation may designate in a certificate delivered to the Trustee.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant the Indenture.

"Interest Account" means the account by that name established in the Bond Fund pursuant to the Indenture.

"Interest Payment Date" means each May 1 and November 1 commencing November 1, 2013.

"Lease Agreement" means that certain Lease Agreement, dated as of July 1, 2013, by and between the Corporation, as lessor, and the County, as lessee.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Net Proceeds" means all amounts derived from any policy of casualty insurance or title insurance with respect to the Leased Premises, or the proceeds of any taking of the Leased Premises or any portion thereof in eminent domain proceedings (including sale under threat of such proceedings), to the extent remaining after payment therefrom of all expenses incurred in the collection and administration thereof.

"Office" means with respect to the Trustee, the corporate trust office of the Trustee or at such other or additional offices as may be specified in writing to the Corporation and the County, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee in Minneapolis, Minnesota.

"Outstanding" when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Corporation shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) described in Section 10.01; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Owner" whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

1. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

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

a. Farmers Home Administration (FmHA)
Certificates of beneficial ownership

b. Federal Housing Administration Debentures (FHA)

c. General Services Administration
Participation certificates

d. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA - guaranteed mortgage-backed bonds
GHMA - guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues.)

e. U.S. Maritime Administration
Guaranteed Title XI financing

f. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

a. Federal Home Loan Bank System
Senior debt obligations (Consolidated debt obligations)

b. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mae")
Participation Certificates (Mortgage-backed securities)
Senior debt obligations

c. Federal National Mortgage Association (FNMA or "Fannie Mae") Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal).

d. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations

e. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

f. Farm Credit System
Consolidated systemwide bonds and notes

4. Money market funds registered under the Federal Investment Company of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm, or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2 including funds for which the Trustee or an affiliate advises or services.

5. Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks (which may include the Trustee and its affiliates) whose term obligations are rated "A-1" or better by S&P and "Prime-1" by Moody's.

The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits (which may include the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

7. Investment agreements with a domestic or foreign bank or corporation, the long-term debt or financial strength of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guarantee insurance company, financial strength, of the guarantor is rated in at least the "double A" category by Moody's and S&P; provided, that, by the terms of the investment agreement:

a. interest payments are to be made to the Trustee at all times and in the amounts as necessary to pay debt service, or for the Reserve Account, applied as directed in Section 5.06 hereof (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

b. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Issuer and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c. the investment agreement shall state that it is the unconditional and general obligation of; and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d. the Issuer or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Issuer and Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in a form and substance acceptable by the Issuer;

e. the investment agreement shall provide that if during its term

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (a) collateralize the investment agreement by delivering or transferring in accordance with the applicable state and federal laws (other than by means of entries on the provider's books) to the Issuer, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (b) repay the principal of and accrued but unpaid interest on the investment (including such other amounts as are required to permit the Trustee to receive the initially contemplated yield through the term of the Agreement), or (c) assign its obligations thereunder to a financial counter-party, acceptable to the Issuer, and rated in the double A category by both Moody's and S&P; and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Issuer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee; and

f. the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g. the investment agreement must provide that if during its term

(i) the provider shall default in its payment obligations, the provider's obligation under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Issuer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate; and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and the amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate; or

8. Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in the highest long-term rating categories assigned by such agencies unless such obligations are issued by the State, in which case such obligations are rated in one of the two highest long-term rating categories of S&P and Moody's.

10. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" or better by S&P.

11. Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria:

a. Repos must be between the municipal entity and a dealer bank or securities firm.

(i) <u>Primary dealers</u> on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody', or

(ii) <u>Banks</u> rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services.

b. The written repo contract must include the following:

(i) Securities which are acceptable for transfer are:

(A) Direct U.S. governments.

(B) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC).

(ii) The term of the repo maybe up to 30 years.

(iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

(iv) The trustee has perfected first priority security interest in the collateral.

(v) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repo or reverse repo.

(vi) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral.

(vii) <u>Valuation of Collateral</u>

(A) The securities must be valued weekly, marked-to-market at a current market price plus interest.

(B) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

c. Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

12. Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

13. County of Riverside Investment Pool.

14. State of California Local Agency Investment Fund (LAIF).

"<u>Principal Account</u>" means the account by that name established in the Bond Fund pursuant to the Indenture.

"<u>Project Fund</u>" means the Project Fund established pursuant to the Indenture.

"<u>Record Date</u>" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date whether or not such day is a Business Day.

"<u>Redemption Fund</u>" means the fund by that name established pursuant to the Indenture.

"<u>Registration Books</u>" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Representation Letter" means the letter of representations from the Corporation to, or other instrument or agreement of the Corporation with, a Book-Entry Depository in which the Corporation, among other things, makes certain representations to such Depository with respect to the Bonds, the payment thereof and delivery of notices with respect thereto.

"Reserve Account" means the account by that name in the Bond Fund established pursuant to the Indenture.

"Reserve Requirement" means, as of the date of calculation, an amount equal to **[**50% of**]** the lesser of (a) the maximum amount of annual Debt Service coming due and payable in the current or any future Bond Year; (b) 125% of average annual Debt Service on the Bonds; or (c) ten percent (10%) of initial outstanding principal amount of the Bonds.

"Revenues" means: (a) all amounts received by the Corporation or the Trustee pursuant to or with respect to the Lease Agreement, including, without limiting the generality of the foregoing, all of the Lease Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), but excluding any amounts payable under the Lease Agreement; (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Indenture (other than the Rebate Fund); and (c) the proceeds of rental interruption insurance policies carried with respect to Leased Premises pursuant to the Lease Agreement in accordance with the Indenture.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc., its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Atn. Call Notification Department, Fax (212) 855-7232 in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation may designate in a Written Certificate of the Corporation delivered to the Trustee.

"Serial Bonds" means the Bonds maturing on November 1 in each of the years 2014 through 2028, inclusive.

"Sinking Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"State" means the State of California.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Corporation and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Code" means the Internal Revenue Code of 1986, as amended.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to Sections 103 and 141 through 150, inclusive, of the Tax Code.

"Term Bonds" means the Bonds maturing on November 1, 2033, November 1, 2038, and November 1, 2043.

"Trustee" means Wells Fargo Bank, N.A., a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in the Indenture.

"Underwriter" means E. J. De La Rosa & Co., Inc. as the original purchasers of the Bonds upon their delivery by the Trustee on the Closing Date.

"Written Certificate," "Written Request" and "Written Requisition" of the Corporation or the County mean, respectively, a written certificate, request or requisition signed in the name of the Corporation or the County by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Authorization of Bonds. The Corporation hereby authorizes the issuance hereunder of the Bonds, which shall constitute special obligations of the Corporation, for the purpose of providing funds to the Corporation to finance the lease by the Corporation of the Leased Premises and the construction and acquisition of the Facilities. The Bonds are hereby designated the "County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013 (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects)" in the aggregate principal amount of $66,015,000 to be initially issued and Outstanding under the Indenture. The Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the County or the Corporation in a form acceptable to the Trustee stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each such Written Requisition of the County or Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On January 1, 2014, or upon the earlier Written Request of the Corporation, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund.

Project Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Project Fund." The Trustee shall disburse moneys in the Project Fund from time to time upon receipt by the Trustee of a Written Requisition of the County, as agent of the Corporation, which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the respective account of the Project Fund and has not previously been disbursed by the Trustee from amounts in the Project Fund, (v) that all conditions precedent set forth in the Lease Agreement with respect to such disbursement have been satisfied, and (vi) that the amount of such disbursement is to purchase additional property or to improve the 2013 Projects; and (b) specifies in reasonable detail the nature of the obligation. Each such Written Requisition of the County or Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the filing with the Trustee of a Written Certificate of the Corporation stating that the construction of any Facilities or the acquisition of any additional property has been completed or that all Written Requisitions intended to be filed by the Corporation have been filed, the Trustee shall withdraw all amounts then on deposit in the Project Fund and transfer such amounts to the Bond Fund. Any funds deposited into the Bond Fund shall cause a corresponding proportionate credit to Lease Payments due from the County.

Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Corporation or the Trustee with respect to or in connection with the Lease Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Pledge and Assignment; Bond Fund.

(a) Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (excluding the following: 1) proceeds of the sale of the Bonds; 2) any amounts in the Costs of Issuance Fund; 3) any Additional Rent paid by the County to the Corporation pursuant to the Lease Agreement; and 4) excess earnings amounts to be rebated from Corporation to United States of America and any such amounts paid to Corporation by County for rebate to United States of America pursuant to the Indenture and the Lease Agreement) held in any fund or account established pursuant to the Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act. The Bonds constitute a special limited obligation of the Corporation, secured solely by the Revenues and the funds and accounts established under the Indenture and specifically available to pay debt service on the Bonds.

(b) The Corporation hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Corporation in the Lease Agreement (other than the rights of the Corporation under the Indenture). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as the agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee which shall deposit such Revenues into the Bond Fund. The Trustee also shall be entitled to and shall, subject to the provisions of the Indenture, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the

Corporation or separately, all of the rights of the Corporation and all of the obligations of the County under the Lease Agreement.

Allocation of Revenues. On or before each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to the Indenture.

(d) The Trustee shall deposit in the Reserve Account an amount, if any, required to cause the amount on deposit in the Reserve Account to be equal to the Reserve Requirement.

Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to the Indenture.

Application of Reserve Account.

(a) Generally. All amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying principal of or interest on the Bonds, including the principal amount of any Term Bonds subject to mandatory Sinking Account redemption pursuant to the Indenture, when due and payable to the extent that moneys deposited in the Interest Account, Principal Account or Sinking Account are not sufficient for such purpose, and (ii) making the final payments of principal of and interest on the Bonds. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to Article X, all moneys then on deposit in the Reserve Account shall be withdrawn by the Trustee and paid to the County as a refund of overpaid Additional Lease Payments.

If, on any date, moneys on deposit in the Reserve Account, together with amounts then on deposit in the Bond Fund, are sufficient to pay all Outstanding Bonds, including all principal thereof and interest thereon, at the Written Request of the Corporation the Trustee shall transfer all amounts then on deposit in the Reserve Account, together with such amounts in the Bond Fund, to the Redemption Fund to be applied to the redemption of the Bonds in accordance with the provisions of the Indenture. Any amounts remaining in the Reserve Account upon payment in full of all Outstanding Bonds, shall be withdrawn by the Trustee and paid to the County as a refund of overpaid Lease Payments. Any amounts on deposit in the Reserve Account on or before each Interest Payment Date in excess of the Reserve Requirement shall be transferred to the Rebate Fund. Nothing in this paragraph is intended or shall be construed to authorize or require the Trustee to draw amounts under the Reserve Account Credit Facility for the uses described in this paragraph.

(b) Reserve Account Credit Facility. The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys and/or a Reserve Account Credit Facility which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of a Reserve Account Credit Facility, the Trustee shall transfer moneys then on hand in the Reserve Account in excess of the Reserve Requirement (after giving effect to the Reserve Account Credit Facility) to the Corporation to be applied for any lawful purpose. In the event any such Reserve Account Credit Facility is so acquired, the Trustee shall draw on it in accordance with its terms when and if moneys are needed pursuant to the provisions of subsection (a);

The Corporation shall notify the Rating Agencies upon the deposit with the Trustee of a Reserve Account Credit Facility. Such Reserve Account Credit Facility shall have a term commensurate with the final maturity of the Bonds. Upon a down-grade of the Reserve Account Facility Provider or other termination of the Reserve Account Credit Facility, the Corporation shall substitute the Reserve Account Credit Facility with cash in the amount of the Reserve Requirement or a Substitute Reserve Account Credit Facility meeting the criteria established hereunder.

Notwithstanding any other provisions of the Indenture, any amounts invested in Permitted Investments in the Reserve Account shall (a) be valued at Fair Market Value and marked to market on each Lease Payment Date and (b) not have a maturity beyond five years unless such investment is redeemable at par at any time for payment of debt service on the Bonds.

Application of Redemption Fund. When required the Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to the Indenture; provided, however, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Corporation received prior to the selection of Bonds for redemption, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Insurance and Condemnation Fund.

(a) Establishment of Fund. Upon the receipt of any proceeds of insurance or eminent domain with respect to any portion of the Leased Premises, the Trustee shall establish and maintain a separate Insurance and Condemnation Fund, to be held and applied as hereinafter set forth in the Indenture.

(b) Application of Insurance Proceeds. Any proceeds of insurance against accident to or destruction of the Facilities collected by the County in the event of any such accident or destruction shall be applied in accordance with the Lease Agreement. The County shall cause any such proceeds to be paid to the Trustee for deposit in the Insurance and Condemnation Fund. If the County fails to determine and notify the Trustee in writing of its determination, within forty-five (45) days following the date of such deposit, to replace, repair, restore, modify or improve the Facilities, then such proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied to the redemption of Bonds pursuant to the Indenture; provided, however, that such redemption will occur only if the fair rental value of the remaining portion of the Leased Premises is sufficient to allow the County to continue to make Lease Payments in amounts sufficient to pay debt service on the Bonds that remain Outstanding after such redemption. Notwithstanding the foregoing sentence, however, in the event of damage or destruction of the Facilities in full, the proceeds of such insurance shall be used by the County to rebuild or replace the Facilities if such proceeds are not sufficient, together with other available funds then held by the Trustee, to redeem all of the Outstanding Bonds. All proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Facilities by the County, upon receipt of Written Requisitions of the County as agent for the Corporation (i) stating with respect to each payment to be made (A) the requisition number, (B) the name and address of the person to whom payment is due, (C) the amount to be paid and (D) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal; (ii) specifying in reasonable detail the nature of the obligation; and (iii) accompanied by a bill or a statement of account for such obligation. Each such Written Requisition of the County or Corporation shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any balance of the proceeds remaining after such work has been completed as certified by the County as agent for the Corporation shall be paid to the County.

(c) Application of Eminent Domain Proceeds. If all or any part of the Leased Premises shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the proceeds therefrom shall be applied in accordance with the Lease Agreement. The County shall cause any such proceeds to be paid to the Trustee for deposit in the Insurance and Condemnation Fund, to be applied and disbursed by the Trustee as follows:

(i) If the County has not given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for the replacement of the Leased Premises or such portion thereof, the Trustee shall transfer such proceeds to the Redemption Fund to be applied towards the redemption of the Bonds pursuant to the Indenture.

(ii) If the County has given written notice to the Trustee, within forty-five (45) days following the date on which such proceeds are deposited with the Trustee, of its determination that such proceeds are needed for replacement of the Leased Premises or such portion thereof, the Trustee shall pay to the County, or to its order, from said proceeds such amounts as the County may expend for such replacement, upon the filing of Written Requisitions of the County as agent for the Corporation in the form and containing the provisions set forth in subsection (b) of the Indenture and upon which the Trustee may conclusively rely.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Corporation pursuant to a Written Request of the Corporation filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which Written Request shall certify that the investments constitute Permitted Investments). In the absence of any such directions from the Corporation, the Trustee shall invest any such moneys in Permitted Investments described in clause (g) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Bond Fund, except that interest or gain derived from the investment of the amount in the Reserve Account shall be retained therein to the extent required to maintain the Reserve Requirement. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee, or an affiliate, may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.09. Permitted Investments that are registered securities shall be registered in the name of the Trustee.

The Corporation covenants that all investments of amounts deposited in any fund or account created-by or pursuant to the Indenture, or otherwise containing proceeds of the Bonds, shall be acquired and disposed of at the Fair Market Value thereof.

The Corporation and the County acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the County, the right to receive brokerage confirmations of security transactions as they occur, the Corporation and the County specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation and the County periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account, all Permitted Investments credited to such fund or account shall be valued at the Fair Market Value thereof; provided, however, that investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at their present value (within the meaning of Section 148 of the Tax Code), consisting generally of the cost thereof. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Corporation.

Rebate Fund.

(a) The Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated as the "Rebate Fund" (herein called the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts as it is instructed by the Corporation as shall be necessary in order to comply with the terms and requirements of the Tax Certificate. Subject to the transfer provisions provided in paragraph (e) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Certificate), for payment to the federal government of the United States of America, and no other person shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the Indenture and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the directions of the Corporation, including supplying all necessary information in the manner provided in the Tax Certificate, shall not be required to take any actions thereunder in the absence of written directions by the Corporation, and shall have no liability or responsibility to enforce compliance by the Corporation or the County with the terms of the Tax Certificate.

(b) Upon the Corporation's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the Corporation if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the amount of rebate to be paid to the United States of America. Computations of such rebate amount shall be prepared by the Corporation at the expense of the Corporation in accordance with the Tax Certificate.

(c) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to the Indenture other than from moneys held in the funds and accounts created under the Indenture or from other moneys provided to it by or on behalf of the Corporation.

(d) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as instructed in writing by the Corporation, which instructions shall comply with the restrictions set forth in the Tax Certificate and the Indenture. Money shall not be transferred from the Rebate Fund except as provided in paragraph (e) below.

(e) The Trustee shall remit part or all of the balances in the Rebate Fund to the United States of America, as directed in writing by the Corporation. In addition, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds as directed by written directions from the Corporation. Any funds remaining in the Rebate Fund after redemption or payment of all of the Bonds and payment and satisfaction of any amount of rebate to be paid, or provision made therefor satisfactory to the Trustee shall be withdrawn and remitted to the Corporation upon the Corporation's written request after having first paid any unreimbursed amounts owing to the Trustee of any amounts due under the Lease Agreement or the Indenture.

(f) Notwithstanding any other provision of the Indenture, the obligation to remit the rebate amounts to the United States of America and to comply with all other requirements of the Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

PARTICULAR COVENANTS

Punctual Payment. The Corporation shall punctually pay or cause to be paid the principal of and interest and premium (if any) on all the Bonds in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in the Indenture shall be deemed to limit the right of the Corporation to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Corporation shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Corporation expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Corporation is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Corporation in accordance with their terms, and the Corporation and the Trustee shall at all times, subject to the provisions of the Indenture and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whosoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Lease Agreement and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Corporation, and the County, during business hours, upon reasonable notice, and under reasonable circumstances. The Trustee shall deliver a monthly account of the funds and accounts hereunder to the Corporation, provided that the Trustee shall not be obligated to deliver any accounting of any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Additional Obligations. The Corporation may issue additional bonds, notes or other indebtedness which are payable out of the Revenues in whole or in part pursuant to the Indenture, to finance the construction of land, facilities or other capital improvements which are authorized by the laws of the State, so long as no Event of Default hereunder has occurred and is continuing and provided that the conditions of the Lease Agreement have been satisfied.

Tax Covenants.

(a) The Corporation shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(b) The Corporation covenants and agrees that it will not make or permit any use of the proceeds of the Bonds or other funds of the Corporation which would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code, and further covenants that it will observe and not violate the requirements of Sections 145 and 148 of the Code. The Trustee shall be entitled to receive and to rely upon a Counsel’s Opinion as to the conformity of any use or proposed use of the proceeds of the Bonds with the requirements of said Sections 145 and 148 of the Code.

(c) The Corporation shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(d) The Corporation shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(e) Notwithstanding any provision of this Section, if the Corporation shall provide to the Trustee, an opinion of Bond Counsel that any action required under Section 5.12 or this Section 6.07 is no longer required, or that some further action is required to maintain the Tax-exempt status of interest on the Bonds, the Trustee and the Corporation may rely conclusively on such opinion in complying with the requirements of this Section, and the covenants contained herein shall be deemed to be modified to that extent.

Lease Agreement. The Trustee shall promptly collect all amounts due from the County pursuant to the Lease Agreement. Subject to the provisions of the Indenture, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Corporation and for the enforcement of all of the obligations of the County under the Lease Agreement.

Payment. Notwithstanding any dispute between the Corporation and the Trustee, the Corporation will make all payments on the Bonds when due and will not withhold any payments on the Bonds pending the final resolution of such dispute or for any other reason whatsoever. The Corporation's obligation to make payments on the Bonds in the amount and on the terms and conditions specified hereunder will be absolute and unconditional without any right of set off or counterclaim, subject only to the provisions relating to abatement pursuant to the Lease Agreement.

Further Assurances. The Corporation will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming the rights and benefits provided in the Indenture to the Bond Owners.

Leased Premises. If an event of abatement occurs pursuant to the Lease Agreement, the Corporation shall use its best efforts to the extent permissible under the laws of the State of California to cause the County to make all Lease Payments in excess of the amount of rental interruption insurance, if necessary, in order to ensure the reconstruction, repair, restoration, modification or improvement of the Leased Premises; provided, however, that the County shall not be required to repair or replace any such portion of the Leased Premises pursuant to the Indenture if Net Proceeds or other legally available funds sufficient to prepay the Bonds shall be applied to the redemption of either (i) all of the Bonds Outstanding, or (ii) any portion thereof relating to the Leased Premises so damaged or destroyed, and (iii) the remaining Lease Payments allocable to the portion of the Leased Premises not damaged or destroyed equals the pro-rata portion of Lease Payments allocable to the Bonds Outstanding after such redemption.

EVENTS OF DEFAULT AND REMEDIES

Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Corporation in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee; provided, however, that if in the reasonable opinion of the Corporation the default stated in the notice can be corrected, but not within such sixty (60) day period, such default shall not constitute an Event of Default hereunder if the Corporation shall commence to cure such default within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Lease Agreement.

No Acceleration Upon Event of Default. If any Event of Default shall occur there shall be no right on the part of the Trustee, or the Bondholders to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately.

Application of Revenues and Other Funds After Default. Notwithstanding anything to the contrary contained herein, if an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, as follows:

First. To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second. To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, with the prior written consent of the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, the Trustee shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, the Indenture or any other law. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Lease Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Lease Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Absolute Obligation of Corporation. Nothing in the Indenture or in any other provision of the Indenture or in the Bonds contained shall affect or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal of and interest and premium (if any) on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Corporation, the Trustee, and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Corporation, the Trustee, and the Bond Owners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee, or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by the Indenture to the Trustee, or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

THE TRUSTEE

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture and no implied duties or covenants shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in its exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Corporation may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and the Corporation shall remove the Trustee if at any time requested to do so by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and the County and thereupon shall appoint a successor Trustee by an instrument in writing. In addition, the Trustee may be removed at any time for any breach of the trust herein set forth. Any such removal shall be made upon at least thirty (30) days' prior written notice to the Trustee. Upon giving such written notice of removal, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Corporation, and to the County and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee; provided, however, that no removal resignation or termination of the Trustee shall take effect until a successor shall be appointed. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the Corporation shall, and the

Trustee may, petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture, shall signify its acceptance of such appointment by executing and delivering to the Corporation and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Corporation or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Corporation shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Corporation shall mail or cause the successor Trustee to mail a notice of the succession of such Trustee to the trusts hereunder to the Bond Owners at the addresses shown on the Registration Books. If the Corporation fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Corporation.

(e) Any Trustee appointed under the Indenture shall be a corporation or association organized and doing business under the laws of any state or the United States of America or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation or association included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least Seventy-Five Million Dollars ($75,000,000), and subject to supervision or examination by federal or State agency, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining agency above referred to then for the purpose of this subsection (e), the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

(f) The Corporation covenants that it will maintain a Trustee qualified under the provisions of the foregoing subsection (e), so long as any Bonds are Outstanding.

Merger or Consolidation. Any bank, association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank, association or trust company shall be eligible under the Indenture shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall not be taken as statements of the Corporation, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Bonds or the Lease Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder, or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof, at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Corporation or the County of any of the terms, conditions, covenants or agreements herein, under the Lease Agreement or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain or inquire as to the performance or observance by the County and the Corporation of the terms, conditions, covenants or agreements set forth in the Lease Agreement, other than the covenants of the County to make Additional Lease Payments to the Trustee when due and to file with the Trustee, when due, such reports and certifications as the County is required to file with the Trustee thereunder.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it is not assured to its satisfaction that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(g) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(h) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(i) Whether or not therein expressly so provided, every provision of the Indenture and the Lease Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of the Indenture.

(j) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(k) The Trustee makes no representation or warranty, expressed or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Corporation or the County of the Leased Premises. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Lease Agreement or the Indenture for the existence, furnishing or use of the Leased Premises.

(l) The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations hereunder.

(m) The Trustee agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Corporation or County elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Corporation and the County agree to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(n) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(o) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, request, requisition, consent, order, certificate, report, opinion, bonds or other paper or document believed by them to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Corporation, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

Whenever in the administration of the trusts imposed upon it by the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate, Written Request or Written Requisition of the Corporation or the County, and such Written Certificate, Written Request or Written Requisition shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of the Indenture in reliance upon such Written Certificate, Written Request or Written Requisition, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of the Corporation, the County and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Compensation and Indemnification. The Corporation shall pay to the Trustee (solely from Additional Rent) from time to time the compensation for all services rendered under the Indenture and also all reasonable expenses and disbursements, incurred in and about the performance of its powers and duties under the Indenture.

To the extent permitted by law, the Corporation shall indemnify, defend and hold harmless the Trustee and its officers, directors, agents and employees, against any loss, liability or expense (including legal fees and expenses) incurred without negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Corporation under the Indenture shall survive the discharge of the Bonds and the Indenture and the resignation or removal of the Trustee.

MODIFICATION OR AMENDMENT OF INDENTURE

Amendments Permitted.

(a) The Indenture and the rights and obligations of the Corporation and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Corporation and the Trustee may enter into when the written consents of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) The Indenture and the rights and obligations of the Corporation, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Corporation and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Corporation;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Corporation may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners, in the opinion of Bond Counsel filed with the Trustee;

(iii) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Tax Code; or

(v) to facilitate the issuance of additional bonds of the Corporation secured by Lease Payments of the County pursuant to the Lease Agreement.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by the Indenture which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been executed and delivered in compliance with the requirements of the Indenture and that the execution and delivery of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to the Indenture, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Corporation, the Trustee, and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Corporation and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Corporation and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Amendment of Particular Bonds. The provisions of the Indenture shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

DEFEASANCE

Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Corporation in any of the following ways, provided that the Corporation also pays or causes to be paid any other sums payable hereunder by the Corporation:

(a) by paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided the Indenture) to pay or redeem such Bonds; or

(c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the Corporation shall also pay or cause to be paid all other sums payable hereunder by the Corporation, then and in that case, at the election of the Corporation (evidenced by a Written Certificate of the Corporation, filed with the Trustee, signifying the intention of the Corporation to discharge all such indebtedness and the Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Corporation under the Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Corporation, the

Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the County all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of any of such Bonds not theretofore surrendered for such payment or redemption.

Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Corporation in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture.

The Corporation may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Corporation may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest thereon to the redemption date; or

(b) non-callable Federal Securities, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the County, the Corporation and the Trustee, provide money sufficient to pay the principal of and interest and premium (if any) on the Bonds to be paid or redeemed, as such principal, interest and premium become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the Corporation) to apply such money to the payment of such principal, interest and premium (if any) with respect to such Bonds, and (ii) the Corporation shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

Unclaimed Funds. Notwithstanding any provisions of the Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for two (2) years after the principal of such Bonds has become due and payable (whether at maturity or upon call for redemption as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when such Bonds became due and payable, shall be repaid to the Corporation free from the trusts created by the Indenture upon receipt of a Written Request of the Corporation, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided/ however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee shall (at the cost of the County) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment thereof.

MISCELLANEOUS

Liability of Corporation Limited to Revenues. Notwithstanding anything in the Indenture or in the Bonds contained, the Corporation shall not be required to advance any moneys derived from any source other than the Revenues under the Indenture for any of the purposes in the Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Corporation may, but shall not be required to, advance for any of the purposes hereof any legally available funds of the Corporation which may be made available to it for such purposes.

Limitation of Rights to Parties and Bond Owners. Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Corporation, the Trustee, the County, and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the Trustee, the County, and the Owners of the Bonds.

Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of the Indenture and for the protection of the security of the Bonds and the rights of every Owner thereof.

Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Destruction of Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the Corporation of any Bonds, the Trustee may, in lieu of such cancellation and delivery, destroy such Bonds as may be allowed by law, and deliver a certificate of such destruction to the Corporation upon its request.

Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Corporation hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Corporation if made in the manner provided in the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Corporation in accordance therewith or reliance thereon.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Corporation or the County, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or the County or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Corporation or the County or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Corporation and the County shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture but without any liability for interest thereon.

<u>Waiver of Personal Liability</u>. No member, officer, agent or employee of the Corporation shall be individually or personally liable for the payment of the principal of or interest or premium (if any) on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

<u>Benefit of Parties</u>. Nothing in the Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Corporation, the County, the Trustee, and the registered Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the County, the Trustee, and the registered Owners of the Bonds.

<u>Successor Is Deemed Included in All References to Predecessor</u>. Whenever in the Indenture either the Corporation or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the Corporation or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

<u>Execution in Several Counterparts</u>. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Corporation and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

<u>Governing Law</u>. The Indenture shall be governed by and construed in accordance with the laws of the State.

<u>LEASE AGREEMENT</u>

Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in the Lease Agreement shall have the respective meanings specified in the Indenture. In addition, the following terms heretofore defined in the Lease Agreement and the following terms defined in the Indenture shall, for all purposes of the Lease Agreement, have the respective meanings herein specified.

"<u>Additional Rent</u>" means the amounts of additional rent which are payable by the County pursuant to the Lease Agreement.

"<u>Corporation</u>" means the County of Riverside Asset Leasing Corporation.

"<u>County</u>" means the County of Riverside.

"<u>Event of Default</u>" means any of the events of default defined as such in the Lease Agreement.

"<u>Facilities"</u> means all of the buildings, improvements and related infrastructure necessary for the Information and Technology Department Building, and the Interim Site and Facilities, and described in any amendment to the Lease Agreement hereto and by this reference incorporated herein.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period established by the County as its fiscal year pursuant to written notice filed with the Corporation and the Trustee.

"Ground Lease" means the Ground Lease Agreement, dated as of the date hereof, by and between the County, as lessor, and the Corporation, as lessee.

"Hazardous Substance" means any substance, pollutant or contamination included in such (or any similar) term under any federal, state or local statute, law, ordinance, code or regulation now in effect or hereafter enacted or amended.

"Indenture" means the Indenture of Trust dated as of July 1, 2013, by and between the Corporation and the Trustee, together with any duly authorized and executed amendments thereto.

"Interim Site and Facilities" means the Northwest Animal Shelter, 4200 Orange Street, and the First American Title building, as described in the Lease Agreement.

"Lease Payment Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

"Lease Payments" means the amounts payable by the County pursuant to the Lease Agreement, including any prepayment thereof pursuant hereto and including any amounts payable upon a delinquency in the payment thereof.

"Leased Premises" means the Sites and Facilities described herein.

"Offices of the Public Defender" means the office building to be improved, located at 4075 Main Street, Riverside, California 92501 and as described in the Lease Agreement.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may permit to remain unpaid pursuant to Article V; (b) the Ground Lease; (c) the Lease Agreement, the Indenture and any other agreement or other document contemplated hereunder to be recorded against the Site; (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; and (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the County certifies in writing will not materially impair the use of the Site for their intended purposes.

"Riverside County Technology Solutions Center" means the buildings located at 3450 Fourteenth Street and 3478 Fourteenth Street, Riverside, California 92501, and described in the Lease Agreement.

"Sites" means the real property described in the Lease Agreement.

"Sublease" means the existing tenant leases with respect to the Leased Premises.

"Term" means the time during which the Lease Agreement and the Ground Lease are in effect, as provided in the Lease Agreement.

"Trustee" means Wells Fargo Bank, N.A. or any successor thereto acting as Trustee pursuant to the Indenture.

REPRESENTATIONS, COVENANTS AND WARRANTIES

Representations, Covenants and Warranties of the County. The County makes the following covenants, representations and warranties to the Corporation as of the date of the execution and delivery of the Lease Agreement:

(a) Due Organization and Existence. The County is a division of the State duly organized and validly existing under the laws of the State, has full legal right, power and authority under the laws of the State to enter into the Lease Agreement and to carry out and consummate all transactions contemplated hereby and thereby, and by proper action the County has duly authorized the execution and delivery of the Lease Agreement.

(b) Due Execution. The representatives of the County executing the Lease Agreement have been fully authorized to execute the same pursuant to a resolution duly adopted by the Board of Supervisors of the County.

(c) Valid, Binding and Enforceable Obligations; Defense of Rights. The Lease Agreement has been duly authorized, executed and delivered by the County, and if properly executed by the parties to it, constitutes the legal, valid and binding agreement of the County enforceable against the County in accordance with the terms hereof subject to bankruptcy, insolvency, reorganization or other similar laws, affecting the enforcement of creditors' right in general and by general equity principles. The County hereby covenants to defend all of its rights under the Lease and the Ground Lease.

(d) No Conflicts. The execution and delivery of the Lease Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the County is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the County, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lease Agreement or the financial condition, assets, properties or operations of the County.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the County or of the voters of the County, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Lease Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the County after reasonable investigation, threatened against or affecting the County or the assets, properties or operations of the County which, if determined adversely to the County or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement, or upon the financial condition, assets, properties or operations of the County, and the County is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lease Agreement or the financial conditions, assets, properties or operations of the County.

(g) Use of Leased Premises; Essentiality. The Leased Premises shall be used solely for the purpose of providing offices for the Public Defender's Offices and Information and Technology Services for the County. The Leased Premises and the Interim Site and Facilities constitute property that is essential to carrying out the governmental functions of the County.

Representations, Covenants and Warranties of Corporation. The Corporation makes the following covenants, representations and warranties to the County as of the date of the execution and delivery of the Lease Agreement:

(a) Due Organization and Existence. The Corporation is a non-profit public benefit corporation duly organized and existing under and by virtue of the laws of the State; has power to enter into the Lease Agreement, the Ground Lease and the Indenture; is possessed of full power to own and hold, improve and equip real and personal property, and to lease the same; and has duly authorized the execution and delivery of each of the aforesaid agreements and such agreements constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms.

(b) Due Execution. The representatives of the Corporation executing the Lease Agreement and the Indenture are fully authorized to execute the same pursuant to official action taken by the governing body of the Corporation.

(c) Valid Binding and Enforceable Obligations; Defense of Rights. The Lease Agreement and the Indenture have been duly authorized, executed and delivered by the Corporation and constitute the legal, valid and binding agreements of the Corporation, enforceable against the Corporation in accordance with their respective terms subject to bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' right in general and by general equity principles. The Corporation hereby covenants to defend all of its rights under the Lease Agreement and the Ground Lease.

(d) No Conflicts. The execution and delivery of the Lease Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Corporation is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Corporation, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lease Agreement and the Indenture or the financial condition, assets, properties or operations of the Corporation.

(e) Consents and Approvals. No consent or approval of any trustee or holder of any indebtedness of the Corporation, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Lease Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) No Litigation. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Lease Agreement or the Indenture, or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Lease Agreement or the Indenture or the financial conditions, assets, properties or operations of the Corporation.

Financing of 2013 Projects; Leasing of Leased Premises. The Corporation and the County shall execute all documents and take all action as may be required to accomplish the acquisition, construction, improvement, equipping and furnishing of the 2013 Projects. The County shall provide lawfully available funds to complete the construction of the portions of the 2013 Projects not financed with the proceeds of the Bonds. The County shall take possession of the Leased Premises hereunder and such Lease Payments shall finance the 2013 Projects.

Payment of Costs of Issuance. Payment of all Costs of Issuance shall be made from the moneys deposited with the Trustee in the Costs of Issuance Fund, which moneys shall be disbursed for such purpose in accordance with the Indenture. Any Costs of Issuance for the payment of which insufficient funds shall be available on deposit in the Costs of Issuance Fund, shall be paid by the County.

LEASE; TERM OF THE LEASE AGREEMENT; RENTAL PAYMENTS

Lease by Corporation and Lease to County.

(a) For consideration described therein, the County has leased to the Corporation, pursuant to the Ground Lease, the Sites and any facilities therein for the Term stated therein, plus one week following the end of the Term of the Ground Lease.

(b) The Corporation hereby leases the Leased Premises to the County, and the County hereby leases the Leased Premises from the Corporation, upon the terms and conditions set forth in the Lease Agreement.

(c) The County hereby takes possession of the Leased Premises on the Closing Date.

(d) Following the Closing Date the Corporation and the County shall commence acquisition, construction and improvement of the 2013 Projects pursuant to the terms of the Agency Agreement.

Term of Lease Agreement. The Term of the Lease Agreement shall commence on July 17, 2013 and shall end on November 1, 2043, unless such term is extended as hereinafter provided or unless Lease Payments have been paid or prepaid in full or provision shall have been made for such payment pursuant to the Lease Agreement. If on November 1, 2043, the Indenture shall not be discharged by its terms or if the Lease Payments payable hereunder shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended until the earlier of November 1, 2053, or the date the Indenture shall be discharged by its terms. If prior to November 1, 2043, the Indenture shall be discharged by its terms and any amounts then owed to the Trustee have been paid in full, the Term of the Lease Agreement shall thereupon end.

Lease Payments; Security Deposit.

(a) Obligation to Pay. In consideration of the lease by the Corporation of the Site and in consideration of the issuance of the Bonds by the Corporation for the purpose of constructing and acquiring the Facilities, and subject to the provisions of Sections 6.01 and 6.03, the County agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Leased Premises during each Fiscal Year, the Lease Payments (denominated into components of principal and interest) for the Leased Premises in the respective amounts specified in Exhibit B hereto, to be due and payable on the fifteenth day prior to each respective Interest Payment Date specified in Exhibit B hereto. Any amount held in the Bond Fund (but not including any amounts on deposit in the Reserve Fund), the Interest Account, the Sinking Account or the Principal Account (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole pursuant to the Lease Agreement) on any Lease Payment Date shall be credited towards the Lease Payment then due and payable as permitted under the Indenture. The Lease Payments coming due and payable in any Fiscal Year shall be for the use of the Leased Premises for such Fiscal Year.

(b) Effect of Prepayment. In the event that the County prepays all Lease Payments in full pursuant to the Lease Agreement, the County's obligations under the Lease Agreement shall thereupon cease and terminate, including but not limited to the County's obligation to pay Lease Payments under the Lease Agreement. In the event that the County prepays the Lease Payments in part but not in whole pursuant to Section 4.05, the Corporation shall provide, or cause to be provided, to the Trustee and the County a revised schedule of Lease Payments due after such partial prepayment, which revised schedule of Lease Payments shall be sufficient to provide for the scheduled payment of remaining principal of and interest on the Bonds, and which schedule shall represent an adjustment to the schedule of Lease Payments set forth in Exhibit B hereto after taking into account said partial prepayment.

(c) Rate on Overdue Payments. In the event the County should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid, and the County agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum equal to the average interest rate on the Bonds. Such interest, if received, shall be deposited in the Bond Fund.

(d) Fair Rental Value. The Lease Payments and Additional Rent coming due and payable hereunder in each Fiscal Year shall constitute the total rent for the Leased Premises for each Fiscal Year and shall be paid by the County in each Fiscal Year for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Leased Premises during each Fiscal Year. The parties hereto have agreed and determined that the total amount of such Lease Payments and Additional Rent for the Leased Premises do not exceed the fair rental value of the Leased Premises. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Leased Premises and the benefits therefrom which will accrue to the County and the general public.

(e) Source of Payments; Budget and Appropriation. The Lease Payments shall be payable from any source of available funds of the County, subject to the provisions of the Lease Agreement. The County covenants to take such action as may be necessary to include all Lease Payments and Additional Rent due hereunder in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Additional Rent. The covenants on the part of the County herein contained shall be deemed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the County.

The County and the Corporation understand and intend that the obligation of the County to pay Lease Payments and other payments hereunder constitutes a current expense of the County and shall not in any way be construed to be a debt of the County in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the County, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or moneys of the County. Lease Payments due hereunder shall be payable only from current funds which are budgeted and appropriated, or otherwise legally available, for the purpose of paying Lease Payments or other payments due hereunder as consideration for use of the Leased Premises during the Fiscal Year for which such funds were budgeted and appropriated or otherwise made legally available for such purpose. The Lease Agreement shall not create an immediate indebtedness for any aggregate payments which may become due hereunder. The County has not pledged the full faith and credit of the County, the State or any agency or department thereof to the payment of the Lease Payments or any other payments due hereunder, the Bonds or the interest thereon.

(f) Assignment. The County understands and agrees that all Lease Payments have been assigned by the Corporation to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the County hereby assents to such assignment. The Corporation hereby directs the County, and the County hereby agrees, to pay all of the Lease Payments to the Trustee at its Office.

(g) Security Deposit. Notwithstanding any other provision of the Lease Agreement, the County may on any date secure the payment of the Lease Payments in whole or in part by depositing with the Trustee an amount of cash which, together with other available amounts, is either (i) sufficient to pay such Lease Payments, including the principal and interest components thereof, in accordance with the related Lease Payment schedule set forth in Exhibit B, or (ii) invested in whole or in part in non-callable Federal Securities in such amount as will, in the opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay such Lease Payments when due hereunder or on any optional prepayment date pursuant to the Lease Agreement, as the County shall instruct at the time of said deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Lease Payments in accordance with the provisions of the Lease Agreement. In connection with the making of any such security deposit, the Corporation shall take, and shall cause the Trustee to take, any actions necessary to remove the appropriate portions of the Leased Premises from the lien of the Lease Agreement.

(h) Delinquent Lease Payments. Any delinquent Lease Payment shall be made to the Trustee for application as set forth in the Indenture.

Optional Right to Purchase. The County will have the exclusive right and option, which will be irrevocable during the Term of the Lease, to purchase all or any designated portion of the Corporation's interest in the Facilities on any Business Day, upon payment of the Option Price (as hereinafter defined) and all other amounts of Additional Rent then due and payable by the County to the Corporation and Trustee under the Lease Agreement and under the Indenture but only if the County is not in default under the Lease or the Indenture.

The option price in any Lease Year shall be determined by reference to Exhibit C to the Lease (the "Option Price"). The County will exercise its option to purchase by giving notice thereof to the Corporation and the Trustee not later than 35 days prior to the Business Day on which it desires to purchase the Facilities, unless the Business Day on which the County intends to exercise its option is, in accordance with the terms of the Indenture, a date on which Bonds are subject to optional redemption, in which case the County will give notice to the Corporation and the Trustee of its intention to exercise its option no later than 35 days prior to the Business Day on which it desires to purchase the Facilities.

If the Business Date on which the County intends to exercise its option is, in accordance with the terms of the Indenture, a date on which Bonds are subject to optional redemption, then the County will deposit with the Trustee on such purchase date an amount equal to the Option Price which amount will be in addition to the Lease Payments due on such date.

If the Business Day on which the County intends to exercise its option is not a date on which Bonds are subject to optional redemption pursuant to the terms of the Indenture, then the Option Price will be payable in installments. Each such installment, all as determined by reference to Exhibit B to the Lease Agreement, (i) will be payable at each time at which a payment of Lease Payments would have been payable and such option not been exercised until the due date of the final installment and (ii) will equal the principal amount of each Lease Payments referred to in clause (i) above; provided however, that the final installment will be payable on the first date on which Bonds are subject to optional redemption pursuant to the terms of the Indenture and will be in an amount equal to the Option Price on such date. Each such Lease installment will bear interest until paid at the rate equal to the rate which would have been payable with respect to the payments of Lease Payments referred to in clause (i) above.

In order to secure its obligations to pay the installments referred to in the immediately preceding paragraph, the County concurrently with the exercise of its option, will deposit or cause to be deposited with the Trustee, in trust, cash or investments of the type described in the Indenture in such amount as will, together with the interest to accrue thereon without the need for further investment, be fully sufficient to pay the installments (including all principal and interest) referred to in the immediately preceding paragraph at the times at which such installments are required to be paid. Such deposit will be in addition to the Lease Payment, if any, due on such date. The excess, if any, of the amount so deposited over the installments actually required to be paid by the County will be remitted to the County.

Quiet Enjoyment. During the Term of the Lease Agreement, the Corporation shall provide the County with quiet use and enjoyment of the Leased Premises, and the County shall, during such Term, peaceably and quietly have and hold and enjoy the Leased Premises without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Lease Agreement. The Corporation will, at the request of the County and at the County's cost, join in any legal action in which the County asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Leased Premises as provided in the Lease Agreement.

Title. During the Term of the Lease Agreement, the Corporation shall hold a leasehold in the Leased Premises, and in any and all additions which comprise fixtures, repairs, replacements or modifications to the Leased Premises, except for those fixtures, repairs, replacements or modifications which are added to the Leased Premises by the County at its own expense and which may be removed without damaging the Leased Premises and except for any items added to the Leased Premises by the County pursuant to the Lease Agreement.

Additional Rent. In addition to the Lease Payments, the County shall pay when due the following items of Additional Rent:

(a) all fees and expenses incurred by the Corporation in connection with or by reason of its leasehold estate in the Leased Premises as and when the same become due and payable;

(b) all reasonable compensation and indemnification to the Trustee pursuant to the Indenture for all services rendered under the Indenture and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Indenture;

(c) the reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Indenture; and

(d) the reasonable out-of-pocket expenses of the Corporation in connection with the execution and delivery of the Lease Agreement or the Indenture, or in connection with the issuance of the Bonds, including but not limited to amounts payable pursuant to the Lease Agreement, any and all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Bonds, the Indenture or any of the other documents contemplated hereby or thereby, or otherwise incurred in connection with the administration of the Lease Agreement.

Substitution or Release of Leased Premises. The County shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement, to substitute other land, facilities or improvements (the "Substitute Leased Premises") for the Leased Premises or any portion thereof (the "Former Leased Premises") or to release a portion of the Leased Premises (the "Released Premises") from the lien of the Lease Agreement, provided that the County shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such substitution or release:

(a) The County shall provide written notification of such substitution or release to the Trustee and Rating Agencies, which notice shall contain the certification that all conditions set forth in the Lease Agreement are met with respect to such substitution or release.

(b) The County shall take all actions and shall execute all documents required to subject the Substitute Leased Premises to the terms and provisions of the Lease Agreement, including the filing with the Corporation and the Trustee an amended Exhibit A which adds thereto a description of the Substitute Leased Premises and deletes therefrom the description of the Former Leased Premises or the Released Premises, as applicable.

(c) (i) In the case of a substitution, the County shall determine and certify in writing to the Corporation and the Trustee that the fair rental value of the Substitute Leased Premises is at least equal to the fair rental value of the Former Leased Premises and that the Substitute Leased Premises is essential to the governmental functions of the County.

(a) (ii) In the case of a release, the County shall determine and certify to the Corporation and the Trustee that the fair rental value of the remaining Leased Premises after removal of the Released Premises is at least equal to the then remaining Lease Payments.

(d) In the case of a substitution, the County shall certify in writing to the Corporation and the Trustee that the Substitute Leased Premises serve the public purposes of the County and constitute property which the County is permitted to lease under the laws of the State.

(e) In the case of a substitution, the County shall certify in writing to the Corporation and the Trustee that the estimated useful life of the Substitute Leased Premises at least extends to the date on which the final Lease Payment becomes due and payable hereunder.

(f) In the case of a substitution, the County shall obtain a ALTA policy of title insurance meeting the requirements of the Lease Agreement with respect to any real property portion of the Substitute Leased Premises.

(g) In the case of a substitution, the substitution of the Substitute Leased Premises shall not cause the County to violate any of its covenants, representations and warranties made herein.

(h) The County shall obtain and cause to be filed with the Trustee and the Corporation an opinion of Bond Counsel stating that such substitution or release is permitted hereunder and does not cause interest on the Bonds to become includable in the gross income of the Bond Owners for federal income tax purposes.

(i) Notwithstanding the foregoing, the County may substitute the Offices of the Public Defender for the Interim Site and Facilities without undertaking any actions above in the Lease Agreement, including obtaining consent of the Trustee, excepting only (a) the delivery of a policy of title insurance described in (f) subject only to Permitted Encumbrances in an amount which, together with the amount of title insurance applicable to the unreleased portion of the Leased Premises equals at least the aggregate principal amount of the 2013 Bonds then outstanding, and (b) an opinion of bond counsel described in (h) above.

From and after the date on which all of the foregoing conditions precedent to such substitution or release are satisfied, the lien of the Lease Agreement shall cease with respect to the Former Leased Premises or Released Premises, as applicable, and shall be continued with respect to the Substitute Leased Premises and the remaining Leased Premises and all references herein to the Former Leased Premises shall apply with full force and effect to the Substitute Leased Premises. The County shall not be entitled to any reduction, diminution, extension or other modification of the Lease Payments whatsoever as a result of such substitution or release.

MAINTENANCE; TAXES; INSURANCE; USE LIMITATIONS; AND OTHER MATTERS

Maintenance, Utilities, Taxes and Assessments. Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Leased Premises, all improvement, repair and maintenance of the Leased Premises shall be the responsibility of the County and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Leased Premises which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Leased Premises resulting from ordinary wear and tear or want of care on the part of the County or any assignee or sublessee thereof. In exchange for the Lease Payments herein provided, the Corporation agrees to provide only the Leased Premises, as hereinbefore more specifically set forth. The County waives the benefits of subsections 1 and 2 of Section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the County under the terms of the Lease Agreement.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the County affecting the Leased Premises or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Corporation in the Leased Premises will be materially endangered or the Leased Premises or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

Modification of Leased Premises. The County shall, at its own expense, have the right to make additions, modifications and improvements to the Facilities subject to the reasonable review and approval by the Corporation. All additions, modifications and improvements to the Facilities shall thereafter comprise part of the Facilities and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall be consistent with the use of the Facilities and shall not in any way damage the Facilities or cause the Facilities to be used for purposes other than those authorized under the provisions of State and federal law; and the County shall file with the Trustee and the Corporation a Certificate stating that, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, the Leased Premises shall be of a value which is not substantially less than the value of the Leased Premises immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against the Leased Premises for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the County pursuant to the Lease Agreement; provided that if any such lien is established and the County shall first notify or cause to be notified the Corporation of the County's intention to do so, the County may in good faith contest any lien filed or established against the Leased Premises, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

Public Liability and Property Damage Insurance. The County shall maintain or cause to be maintained throughout the Term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the County, a standard comprehensive general insurance policy or policies in protection of the Corporation, County, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $25,000) of damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy or policies in the amount of $3,000,000 covering all such risks. Such policy or policies shall provide coverage in such liability limits and be subject to such deductibles as the County shall deem adequate and prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of self-insurance by the County, subject to the provisions of the Lease Agreement, or in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. In the case of the County's self-insurance of public liability and workers' compensation, the County may maintain a self-insured retention, and pay up to $500,000 of each liability claim and up to $300,000 of each worker's compensation claim, so long as the provisions of the Lease Agreement have been met. The proceeds of such liability insurance shall be applied by the County toward extinguishment or satisfaction of the liability with respect to which paid.

Casualty Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, insurance against loss or damage to any Facilities by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance, shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, and shall include earthquake coverage if such coverage is available at reasonable cost from reputable insurers in the judgment of the County's risk manager. Such insurance shall be in an amount at least equal to the lesser of (a) one hundred percent (100%) of the replacement cost of the Facilities; or (b) the aggregate unpaid principal components of the Lease Payments allocable to the Facilities. Such insurance may be subject to such deductibles as the County shall deem prudent. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement.

Each policy of insurance to be maintained by the County pursuant to this Section 5.04 shall (a) provide for the full payment of insurance proceeds up to the applicable dollar limit in connection with damage to the Leased Premises and Facilities and shall, under no circumstances, be contingent upon the degree of damage sustained at other facilities owned or leased by the County; and (b) explicitly waive any co-insurance penalty.

Rental Interruption Insurance. The County shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any Facilities on the Leased Premises, as a result of any of the hazards covered by the insurance required by the Lease Agreement, in an amount at least equal to the maximum Lease Payments allocable to the Facilities coming due and payable during any future twenty-four (24) month period. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the County, and may be maintained in whole or in part in the form of the participation by the County in a joint powers agency or other program providing pooled insurance. The proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Bond Fund, and shall be applied for the uses and purposes set forth in the Indenture.

Recordation Hereof; Title Insurance. On or before the Closing Date the County shall, at its expense, (a) cause the Lease Agreement, or a memorandum hereof in form and substance approved by Bond Counsel, to be recorded in the office of the Riverside County Recorder; and (b) obtain a ALTA policy of title insurance insuring the County's leasehold estate hereunder, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Bonds. All Net Proceeds received under said policy shall be deposited with the Trustee in the Redemption Fund and shall be applied to the redemption of the Bonds pursuant to the Indenture.

Net Proceeds of Insurance; Form of Policies.

(a) Each policy of insurance maintained pursuant to the Lease Agreement shall name the Trustee as loss payee so as to provide that all proceeds thereunder shall be payable to the Trustee and shall name the Corporation, the County and the Trustee as insureds. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency or amount of any insurance or self-insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The County shall cause to be delivered to the Trustee annually, no later than

December 1 in each year, a certificate stating that all of the insurance policies required by the Lease Agreement are in full force and effect and identifying whether any such insurance is then maintained in the form of self-insurance.

(b) In the event that any insurance maintained pursuant to the Lease Agreement shall be provided in the form of self-insurance, the County shall file with the Trustee annually, no later than December 1 of each year, a statement of the risk manager of the County or an independent insurance adviser engaged by the County identifying the extent of such self-insurance and stating the determination that the County maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the County, the County shall not be obligated to make any payment with respect to any insured event except from such reserves. The Trustee shall not be responsible for the sufficiency or adequacy of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

(c) If the County shall fail to perform any of its obligations under the Lease Agreement, the Corporation or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the County shall be obligated to repay all such advances as soon as possible, with interest at the rate payable by the Corporation on the Bonds from the date of the advance to the date of repayment.

Installation of Personal Property. The County may, at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon any portion of the Leased Premises. All such items shall remain the sole property of the County, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the County at any time provided that the County shall repair and restore any and all damage to the Leased Premises and Facilities resulting from the installation, modification or removal of any such items. Nothing in the Lease Agreement shall prevent the County from purchasing or leasing items to be installed pursuant to the Lease Agreement under a lease or conditional sale agreement, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Leased Premises and Facilities.

Liens. Neither the County nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to any portion of the Leased Premises, other than the respective rights of the Corporation and the County as provided herein and other than Permitted Encumbrances. Except as expressly provided in the Lease Agreement, the County and the Corporation shall promptly, at their own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Tax Covenants.

The County shall use the portion of the Facilities financed with the Bonds in furtherance of its governmental activities and further covenants for the benefit of the Corporation and the Owners of the Bonds that:

(a) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of the initial issuance and delivery of the Bonds, would have caused any of the Bonds to be "arbitrage bonds" within the meaning of Section 103(b) and Section 148 of the Code;

(b) It will not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Bonds, would result in loss of exclusion from gross income for purposes of federal income taxation under Section 103(a) of the Code of interest to the Bonds;

(c) In order to maintain the exclusion from gross income for purposes of federal income taxation of interest paid with respect to the Bonds, it will comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code.

The covenants of the County contained in the Lease Agreement shall survive the payment, redemption or defeasance of the Bonds.

Payment of Rebatable Amounts. The County agrees to furnish all information to, and cooperate fully with, the Corporation and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of the Indenture. In the event that the Corporation shall determine, pursuant to the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Corporation nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest or redemption premium, if any, on the Bonds) to make such payment, the Corporation shall promptly notify the County of such fact. Upon receipt of any such notice, the County shall promptly pay the amounts determined by the Corporation to be due and payable to the United States of America under the Lease Agreement, such payments to be made in accordance with the applicable provisions of the Tax Code.

Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate with respect to the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Notwithstanding any other provision of the Lease Agreement, failure of the County to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Bondholder may take such actions, as provided in such Continuing Disclosure Certificate, as may be necessary and appropriate to cause the County to comply with its obligations under such Continuing Disclosure Certificate.

DAMAGE, DESTRUCTION AND EMINENT DOMAIN; USE OF NET PROCEEDS

(a) Eminent Domain. If all of the Leased Premises shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Leased Premises shall be taken permanently, or if all of the Leased Premises or any part thereof shall be taken temporarily under the power of eminent domain, (a) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary; and (b) there shall be a partial abatement of Lease Payments in an amount to be agreed upon by the County and the Corporation such that the resulting Lease Payments for the Leased Premises, represent fair consideration for the use and occupancy of the remaining usable portion of the Leased Premises.

(b) Damage or Destruction. The Net Proceeds of any insurance award resulting from any damage to or destruction of any structure on the Leased Premises by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trustee promptly upon receipt thereof and, if the County and Corporation determine that the replacement, repair, restoration, modification or improvement of such Leased Premises is not economically feasible or in the best interest of the County and Corporation, the County shall certify to the Trustee and then such Net Proceeds shall be promptly transferred by the Trustee to the Redemption Fund and applied as provided in the Lease Agreement, and the Lease Agreement shall be terminated; provided, however, that in the event of damage or destruction of the Leased Premises in full, such Net Proceeds may be transferred to the Redemption Fund only if sufficient, together with other money available therefor, to cause the redemption of all Outstanding Bonds. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Redemption Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed Lease Premises by the County, and the Lease Agreement shall remain in effect, subject to the provisions of the Lease Agreement upon receipt of a requisition signed by the Authorized Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Corporation.

Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Leased Premises by fire or other casualty shall be deposited in its Insurance and Condemnation Fund or the Redemption fund, as applicable, by the Trustee and applied in accordance with the Indenture.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award resulting from any event described in the Lease Agreement shall be deposited in the Insurance and Condemnation Fund or the Redemption Fund, as applicable, by the Trustee and applied in accordance with the Indenture.

Abatement of Lease Payments in the Event of Damage or Destruction. The Lease Payments allocable to the Leased Premises shall be abated during any period in which by reason of damage or destruction (other than by eminent domain which is hereinbefore provided for) there is substantial interference with the use and occupancy by the County of the Facilities or any portion thereof. The amounts of the Lease Payments under such circumstances may not be less than the amounts of the unpaid Lease Payments, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Facilities not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the County waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there may be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance, are available to pay Lease Payments; or (b) amounts in the Bond Fund are available to pay Debt Service payable from Lease Payments which would otherwise be abated.

DISCLAIMER OF WARRANTIES; ACCESS

Disclaimer of Warranties. Neither the Corporation nor the Trustee makes any warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Premises and Facilities, or any other representation or warranty with respect to the Leased Premises and Facilities. In no event shall the Corporation, the Trustee, and their respective assigns be liable for incidental, indirect, special or consequential damages in connection with or arising out of the Lease Agreement or the Indenture for the existence, furnishing, functioning or the County's use of the Leased Premises and Facilities.

Rights of Access. The County agrees that the Corporation and any Authorized Representative of the Corporation, and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Leased Premises and Facilities. The County further agrees that the Corporation, any Authorized Representative of the Corporation, and the Corporation's successors or assigns shall have such rights of access to the Leased Premises and Facilities as may be reasonably necessary to cause the proper maintenance of the Leased Premises and Facilities in the event of failure by the County to perform its obligations hereunder.

Release and Indemnification Covenants. To the extent permitted by law, the County shall and hereby agrees to indemnify and save the Corporation and the Trustee and their respective officers, agents, successors and assigns, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Leased Premises and Facilities by the County; (b) any breach or default on the part of the County in the performance of any of its obligations under the Lease Agreement; (c) any act or negligence of the County or of any of its agents, contractors, servants, employees or licensees with respect to the Leased Premises and Facilities; (d) the use, presence, storage, disposal of any Hazardous Substances on or about the Leased Premises and Facilities; or (e) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the Bonds to which it is a party; (f) any act or negligence of any sublessee of the County with respect to the Leased Premises and Facilities. No indemnification is made the Lease Agreement for willful misconduct or negligence under the Lease Agreement by the Corporation, the Trustee or any of their respective officers, agents, employees, successors or assigns.

ASSIGNMENT, SUBLEASING AND AMENDMENT

Assignment by the Corporation. The Corporation's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the County under the Lease Agreement, have been pledged and assigned to the Trustee for the benefit of the Owners of the Bonds pursuant to the Indenture, to which pledge and assignment the County hereby consents. The assignment of the Lease Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article VIII thereof.

Assignment and Subleasing by the County. The Lease Agreement may not be assigned by the County. In addition to the existing Subleases, the County may sublease the Leased Premises or any portion thereof, subject to all of the following conditions:

(a) the Lease Agreement and the obligation of the County to make Lease Payments hereunder shall remain obligations of the County;

(b) the County shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the County shall cause the Leased Premises to be used for a purpose other than as may be authorized under the provisions of the laws of the State; and

(d) the County shall furnish the Corporation and the Trustee with a written opinion of Bond Counsel, stating that such sublease is permitted by the Lease Agreement and the Indenture, and will not cause the interest on the Bonds to become included in gross income for federal income tax purposes.

Amendment. The Corporation and the County may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of a majority in aggregate principal amount of the Bonds Outstanding, or (b) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the County;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the County may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners of the Bonds;

(iii) to amend any provision thereof relating to the Tax Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on the Bonds under the Tax Code, in the opinion of Bond Counsel;

(iv) to amend the description of the Leased Premises set forth in the Lease Agreement to add property acquired by the County and the Corporation from proceeds on deposit in the Project Fund or to reflect accurately the property originally intended to be included therein, or in connection with any substitution or release pursuant the Lease Agreement; or

(v) to obligate the County to pay additional amounts of rental hereunder for the use and occupancy of the Leased Premises and Facilities, provided that (A) no Event of Default has occurred and is continuing under the Lease, (B) such additional amounts of rental do not cause the total rental payments made by the County hereunder to exceed the fair rental value of the Leased Premises and Facilities, as set forth in a certificate of a County Representative filed with the Trustee and the Corporation, (C) the County shall have obtained and filed with the Trustee and the Corporation a Written Certificate of an Authorized Representative of the County showing that the fair rental value of the Leased Premises and Facilities is not less than the sum of the aggregate unpaid principal components of the Lease Payments and the aggregate principal components of such additional amounts of rental, and (D) such additional amounts of rental are pledged or assigned for the payment of any bonds, notes, leases or other obligations the proceeds of which shall be applied to finance the construction or acquisition of land, facilities or other capital improvements which are authorized pursuant to the laws of the State.

EVENTS OF DEFAULT; REMEDIES

Events of Default Defined. The following shall be "Events of Default" under the Lease Agreement:

(a) Failure by the County to pay any Lease Payment required to be paid hereunder at the time specified herein.

(b) Failure by the County to make any Additional Rent payment required hereunder and the continuation of such failure for a period of thirty (30) days.

(c) Failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; provided, however, that if in the reasonable opinion of the County the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if the County shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith shall cure such failure in a reasonable period of time.

(d) The filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of applicable federal bankruptcy law, or under any similar acts which may hereafter be enacted.

Remedies on Default. Whenever any Event of Default referred to in the Lease Agreement shall have happened and be continuing, it shall be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything to the contrary herein or in the Indenture, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable or to terminate the Lease Agreement or to cause the leasehold interest of the Corporation or the subleasehold interest of the County in the Leased Premises to be sold, assigned or otherwise alienated. Each and every covenant hereof to be kept and performed by the County is expressly made a condition and upon the breach thereof the Corporation may exercise any and all rights of entry and re-entry upon the Leased Premises. In the event of such default and notwithstanding any re-entry by the Corporation, the County shall, as herein expressly provided, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions herein contained, and in any event such rent and damages shall be payable to the Corporation at the time and in the manner as herein provided, to wit:

(a) The County agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions herein contained and shall reimburse the Corporation for any deficiency arising out of the re-leasing of the Leased Premises, or, in the event the Corporation is unable to relet the Leased Premises, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments hereunder, notwithstanding such entry or re-entry by the Corporation or any suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises or the exercise of any other remedy by the Corporation.

(b) The County hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to enter upon and re-lease the Leased Premises in the event of default by the County in the performance of any covenants herein contained to be performed by the County and to remove all personal property whatsoever situated upon the Leased Premises to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the County, and the County hereby exempts and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Leased Premises and the removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained.

(c) The County hereby waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Leased Premises as herein provided and all claims for damages that may result from the destruction of or injury to the Leased Premises and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Premises.

(d) The County agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Corporation to re-lease the Leased Premises in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Corporation in effecting such releasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise.

(e) The County further waives the right to any rental obtained by the Corporation in excess of the Lease Payments and hereby conveys and releases such excess to the Corporation as compensation to the Corporation for its services in re-leasing the Leased Premises.

No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall, except as herein expressly provided to the contrary, be in addition to every other remedy given under the Lease Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in the Lease Agreement it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Agreement to Pay Attorneys' Fees and Expenses. In the event either party to the Lease Agreement should default under any of the provisions hereof and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

No Additional Waiver Implied by One Waiver. In the event any agreement contained in the Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Trustee and Bondholder to Exercise Rights. Such rights and remedies as are given to the Corporation under the Lease Agreement have been assigned by the Corporation to the Trustee under the Indenture, to which assignment the County hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Bonds as provided in the Indenture to the extent that the Lease Agreement confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of the Lease Agreement, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

MISCELLANEOUS

Binding Effect. The Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the County and their respective successors and assigns.

Severability. In the event any provision of the Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Absolute Obligation; Net-net-net Lease. The Obligation of the County to make Lease Payments and Additional Payments and payment of all other amounts provided for in the Lease Agreement, and to perform its obligations hereunder shall be absolute and unconditional. The Lease Agreement shall be deemed and construed to be a "net-net-net lease" and the County hereby agrees that the Lease Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges, set-offs, counter-claims or recoupment whatsoever, subject only to abatements as set forth herein and in the Indenture.

Further Assurances and Corrective Instruments. The Corporation and the County agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Premises hereby leased or intended so to be or for carrying out the expressed intention of the Lease Agreement.

Execution in Counterparts. The Lease Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Applicable Law. The Lease Agreement shall be governed by and construed in accordance with the laws of the State.

Authorized Representatives. Whenever under the provisions of the Lease Agreement the approval of the Corporation or the County is required, or the Corporation or the County is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Authorized Representative of the Corporation and for the County by an authorized Representative of the County, and any party hereto shall be authorized to rely upon any such approval or request.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County"), in connection with the issuance, execution and delivery of $66,015,000 County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "Bonds"). The 2013 Bonds are being delivered pursuant to an Indenture of Trust, dated as of July 1, 2013, by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The County of Riverside (the "County") is executing this Disclosure Certificate as the "Obligated Person" in connection with the 2013 Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County, as the "Obligated Person" under the Rule (as hereinafter defined) for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. Definitions. The definitions set forth in the Indenture apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean the County or, any successor Dissemination Agent designated in writing by the County, and which has filed with the County a written acceptance of such designation.

"*Holder*" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*MSRB*" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"*Official Statement*" shall mean the official statement relating to the Bonds, dated July 9, 2013.

"*Participating Underwriter*" shall mean any of the original underwriter of the 2013 Bonds required to comply with the Rule in connection with the offerings of the 2013 Bonds.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the audited financial statements for the 2012-13 Fiscal Year to be filed in the 2013-2014 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided**.**

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the 2013 Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County's beneficial use and possession of the Leased Premises and other occurrence which may provide the County with the opportunity to abate in whole or in part any Lease Payments; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the 2013 Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Certain 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 2013 Bonds:

(i) principal or interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to the rights of the Holders of the 2013 Bonds, if material;

(iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2013 Bonds or other material events affecting the tax status of the 2013 Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the 2013 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the Corporation or the sale of all or substantially all of the assets of the Corporation or the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(b) An event described in item (xii) above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the 2013 Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2013 Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the 2013 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees 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 attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not acting in any fiduciary capacity for the Holders, Beneficial Owners or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2013 Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Bonds that is not in default, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

Date: July 17, 2013

COUNTY OF RIVERSIDE, CALIFORNIA

By: [Form only]
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	COUNTY OF RIVERSIDE, CALIFORNIA
Name of Bond Issue:	County of Riverside Asset Leasing Corporation Lease Revenue Bonds, Series 2013A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) (the "Bonds")
Date of Delivery:	July 17, 2013

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by _____________.

Dated: ____________________

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed]____________________
Authorized Officer

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APPENDIX F

BOOK-ENTRY SYSTEM

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

DTC will act as securities depository for the 2013 Bonds. The 2013 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2013 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 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2013 Bonds, except in the event that use of the book-entry system for the 2013 Bonds is discontinued.

To facilitate subsequent transfers, all 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2013 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the 2013 Bonds. Beneficial Owners of the 2013 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2013 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2013 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2013 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2013 Bond certificates are required to be printed and delivered.

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

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the 2013 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriter is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2013 Bonds or any error or delay related thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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