

\$94,245,000

**COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASEHOLD REVENUE BONDS**

\$17,945,000

FIXED RATE

SERIES 2000A BONDS

(SOUTHWEST JUSTICE CENTER PROJECT)

\$76,300,000

ADJUSTABLE RATE

SERIES 2000B BONDS

(SOUTHWEST JUSTICE CENTER PROJECT)

Dated: Date of delivery**Due: As Shown on the Inside Front Cover**

The County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Series 2000A (Southwest Justice Center Project) (the "Series 2000A Bonds") and the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Series 2000B (Southwest Justice Center Project) (the "Series 2000B Bonds" and, collectively with the Series 2000A Bonds, the "Bonds") are issued to provide funds to (i) finance the acquisition and construction of a jail facility expansion, new court facility and juvenile detention center collectively to be known as the Southwest Justice Center (the "Project"), (ii) fund capitalized interest on the Bonds, (iii) purchase a reserve fund surety policy for the Bonds, and (iv) pay for the costs of issuance of the Bonds.

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

The Series 2000A Bonds will be fixed rate bonds in denominations of \$5,000 and any integral multiple thereof. Interest thereon is payable on May 1 and November 1 of each year, commencing on November 1, 2000.

The Series 2000B Bonds will be issued initially in denominations of \$100,000 and any integral multiple thereof. The Series 2000B Bonds will bear interest initially at a Weekly Interest Rate. The Series 2000B Bonds are subject to mandatory tender upon, among other events, conversion from one interest rate mode to another. While bearing interest at a variable rate, the Series 2000B Bonds may be tendered for purchase on any Business Day at a purchase price of 100% of the principal amount plus accrued interest upon not less than seven days written notice and upon compliance with certain other requirements of the Indenture. If the Series 2000B Bonds cannot be remarketed, the Series 2000B Bonds are to be purchased, subject to the satisfaction of certain conditions precedent, with funds advanced by Dexia Cr dit Local de France (the "Bank"), under a standby bond purchase agreement (the "Liquidity Facility") with the Corporation, the County and the Trustee. The initial term of the Liquidity Facility expires on May 24, 2010. **The Liquidity Facility may be immediately terminated or suspended without notice or purchase of Series 2000B Bonds by the Bank upon the occurrence of certain events of default under the Standby Bond Purchase Agreement.** See "THE BONDS — The Series 2000B Bonds — Liquidity Facility."

The Series A Bonds will be subject to extraordinary redemption as described herein. The Series B Bonds will be subject to optional, extraordinary and mandatory sinking fund redemption as described herein.

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

The payment of the principal of and interest (but not any redemption premium or accelerated principal or amounts due on early redemption (other than mandatory sinking fund redemption)) on the Bonds will be insured by a financial guaranty insurance policy to be issued simultaneously with the issuance of the Bonds by MBIA Insurance Corporation. See "THE INSURANCE POLICY" herein.



The Bonds will be payable from revenues which consist primarily of Base Rental payments to be made to the Corporation by the County for the Project pursuant to a Facilities Lease, dated as of May 1, 2000 (the "Lease"), by and between the County and the County of Riverside Asset Leasing Corporation (the "Corporation"). The Base Rental Payments to be made by the County are for the use and possession by the County of the Project, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Project caused by late completion of construction, damage, destruction or taking by eminent domain or condemnation with respect to the Project. See "RISK FACTORS" herein. The County has covenanted in the Lease to take such action as may be necessary to include Base Rental and Additional Rental payments due under the Lease in its annual budget and to make necessary annual appropriations therefor.

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

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by O'Melveny & Myers LLP, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by County Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is expected that delivery of the Bonds will be made through the facilities of DTC on or about May 24, 2000 in New York, New York against payment therefor.

UNDERWRITERS OF THE SERIES 2000A BONDS

Salomon Smith Barney

Bear, Stearns & Co. Inc.

Lehman Brothers

**UNDERWRITER AND REMARKETING AGENT OF THE
SERIES 2000B BONDS**

Salomon Smith Barney

MATURITY SCHEDULE
\$17,945,000 Series 2000A Bonds

<u>Maturity (November 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity (November 1)</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2004	\$1,445,000	5.000%	4.850%	768903DA1	2009	\$1,830,000	5.125%	5.125%	768903DF0
2005	1,510,000	5.000	4.900	768903DB9	2010	1,920,000	5.200	5.240	768903DG8
2006	1,585,000	4.875	4.950	768903DC7	2011	2,020,000	5.250	5.340	768903DH6
2007	1,585,000	5.000	5.030	768903DD5	2012	2,060,000	5.375	5.430	768903DJ2
2008	1,750,000	5.000	5.073	768903DE3	2013	2,240,000	5.400	5.480	768903DK9

\$76,300,000 Adjustable Rate Series 2000B Bonds Due: November 1, 2032 Price: 100% CUSIP: 768903CZ7

COUNTY OF RIVERSIDE, CALIFORNIA

BOARD OF SUPERVISORS

Tom Mullen, Chairperson
Fifth District

Robert Buster
First District

James A. Venable
Third District

John F. Tavaglione
Second District

Roy Wilson
Fourth District

COUNTY OFFICIALS

Larry Parrish
County Executive Officer

Paul C. McDonnell, Jr.
Treasurer-Tax Collector

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

William C. Katzenstein
County Counsel

Edward Corser
County Finance Director

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Wanda Hird, President

Paul Gill

Wayne Keith

David Kolk

Bernard Simon

Dain Rauscher, Inc.
Financial Advisor

O'Melveny & Myers LLP
Bond Counsel

U.S. Bank Trust National Association
Trustee

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

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

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

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

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

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OFFICIAL STATEMENT

\$94,245,000

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASEHOLD REVENUE BONDS

\$17,945,000

FIXED RATE

SERIES 2000A BONDS

(SOUTHWEST JUSTICE CENTER PROJECT)

\$76,300,000

ADJUSTABLE RATE

SERIES 2000 B BONDS

(SOUTHWEST JUSTICE CENTER PROJECT)

INTRODUCTION

The purpose of this Official Statement, including the cover and the Appendices attached hereto, is to provide information in connection with the offering of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, consisting of \$17,945,000 aggregate principal amount of Fixed Rate Series 2000A Bonds (Southwest Justice Center Project) (the "Series 2000A Bonds") and \$76,300,000 aggregate principal amount of Adjustable Rate Series 2000B Bonds (Southwest Justice Center Project) (the "Series 2000B Bonds" and, collectively with the Series 2000A Bonds, the "Bonds"). The Bonds will be issued pursuant to an Indenture, dated as of May 1, 2000 (the "Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and U.S. Bank Trust National Association, as trustee (the "Trustee").

This Official Statement supersedes the Official Statement dated April 26, 2000 of the County of Riverside Asset Leasing Corporation which was delivered in connection with an expected delivery of the Bonds on May 9, 2000. Such delivery did not occur due to a petition for writ of mandate (the "Petition") entitled Pechanga Band of Luiseno Indians v. Riverside County Board of Supervisors, Riverside County Superior Court Case No. 342503, filed on May 5, 2000. In the Petition, the Pechanga Bank of Luiseno Indians (the "Petitioner") challenged the County's actions in adopting and certifying the EIR for the Project and sought to set aside as null and void the certification and all decisions subsequent to the certification. Following successful settlement discussions between the County and the Petitioner, the Petitioner filed a request for dismissal of the entire action, with prejudice, and the County will deliver on the date of delivery of the Bonds its no-litigation certificate as described under "NO LITIGATION" herein.

Pursuant to a Site Lease, dated as of May 1, 2000 (the "Site Lease"), by and between the County and the Corporation, the County will lease certain real property and existing improvements thereon (the "Property") to the Corporation. Pursuant to a Facilities Lease, dated as of May 1, 2000 (the "Lease"), by and between the Corporation and the County (the "Lease"), the Property and certain buildings and improvements to be constructed thereon (the "Project") will be leased by the Corporation to the County. See "THE PROJECT."

The Bonds are being issued to provide funds to acquire and construct on the Property a jail facility expansion, a new court facility and a juvenile detention center, as described below under "THE PROJECT." A portion of the proceeds of the Bonds will also be used to (i) fund capitalized interest on the Bonds, (ii) purchase a debt service reserve fund surety policy for the Bonds and (iii) pay costs of issuance of the Bonds.

The Bonds are special, limited obligations of the Corporation, payable from Revenues and certain funds and accounts established by the Indenture. Revenues consist primarily of base rental payments (the "Base Rental") to be made to the Corporation by the County as rental for the Project pursuant to the Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS." The County is also required under the Lease to pay as Additional Rental certain other costs and expenses relating to the Project and the Trustee. See "APPENDIX D – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS." The Base Rental Payments to be made by the County are for the use and possession by the County of the Project, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Project caused by late completion of construction, material damage, destruction or taking by eminent domain or

condemnation or defect in title with respect to the Project. See "RISK FACTORS" herein. The County has covenanted in the Lease to take such action as may be necessary to include all rental payments for the Project in its annual budget and to make the necessary annual appropriations therefor.

Payment of the principal and interest (but not any redemption premium) on the Bonds will be insured by a financial guaranty insurance policy to be issued simultaneously with the issuance of the Bonds by MBIA Insurance Corporation. See "THE INSURANCE POLICY" herein.

The 2000B Bonds are subject to mandatory tender upon, among other events, conversion from one interest rate mode to another. While bearing interest at a variable rate, the Series 2000B Bonds may be tendered for purchase on any Business Day at a purchase price of 100% of the principal amount plus accrued interest upon not less than seven days written notice and upon compliance with certain other requirements of the Indenture. If the Series 2000B Bonds cannot be remarketed, subject to certain conditions precedent, Dexia Crédit Local de France, will purchase the Series 2000B Bonds pursuant to a standby bond purchase agreement with the Corporation, the County and U.S. Bank Trust National Association, as Trustee and Tender Agent. The standby bond purchase agreement has an initial term ending May 24, 2010, unless extended or earlier terminated in accordance with its terms. See "THE BONDS - The Series 2000B Bonds - Liquidity Facility."

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

THE PROJECT

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

The Project consists of three components: a jail facility expansion, a new court facility and a new juvenile detention facility. The Project will provide much needed services for the fastest growing areas in the County. Nearby cities include Temecula, Murietta, Canyon Lake, Lake Elsinore, Perris and Hemet, which collectively have a population of over 300,000 residents.

As more fully described below under "— Construction Process," the County has entered into a Development Agreement (the "Construction Contract") with the Nello Group, Inc. of Santa Ana, California (the "Program Manager") pursuant to which the Program Manager provided a separate Guaranteed Maximum Price (the "GMP") for each component of the Project. The County has certified Environmental Impact Reports (the "EIR's") in connection with each component of the Project and all appeal periods for the EIR's expired on April 19, 2000.

Jail Facility

The jail facility expansion will add approximately 92,000 square feet to the current jail facility. The expansion will provide an additional 283 cells and 535 jail beds, including 27 for violent offenders. The County on January 5, 1999 entered into a GMP contract with the Program Manager for a GMP of \$24.2 million. The total project cost for the jail facility expansion, which includes certain pre-construction costs of the County in addition to the GMP, is approximately \$26.7 million. Construction commenced on the jail facility expansion in February 1999, and the estimated completion date is July 2000. In order to provide a portion of the construction funding for the jail facility, the Corporation issued \$27,000,000 aggregate principal amount of Bond Anticipation Notes (the "Construction Notes"). A portion of the proceeds of the Bonds

will be used to repay the Construction Notes plus a certain portion of accrued interest. The jail facility component is currently on schedule and within budget.

Court Facility

The new court facility will provide 12 courtrooms (each capable of accommodating criminal cases), court support functions and administrative support functions, such as offices for the District Attorney, Public Defender, Office of Probation, etc. The facility will contain approximately 188,000 square feet. The County on March 14, 2000 entered into a GMP contract with the Program Manager for a GMP of \$46.5 million. The total project cost for the court facility, which includes certain pre-construction costs of the County in addition to the GMP, is approximately \$50.2 million. A notice to proceed is expected to be delivered in May 2000 and the estimated completion date is June 2002.

Juvenile Detention Facility

The new juvenile detention facility, containing approximately 63,000 square feet, will provide approximately 100 beds, classroom modules, medical and school staff, and a fully functional kitchen/dining service. The juvenile detention facility is phase one of a master-planned 200 bed facility. The County on March 14, 2000 entered into a GMP contract with the Program Manager for a GMP of \$18.8 million. The total project cost for the juvenile detention facility, which includes certain pre-construction costs of the County in addition to the GMP, is approximately \$20.6 million. A notice to proceed is expected to be delivered in May 2000 and the estimated completion date is July 2001.

Funding Sources of Project

The Project will be financed with proceeds of the Bonds, development mitigation fees, State grants and Proposition 172 sales tax moneys. The following table sets forth the expected sources of funding of each component of the Project.

**PROJECT FUNDING SOURCES
(In Millions)**

<u>Project Component</u>	<u>Bond Proceeds⁽¹⁾</u>	<u>Development Mitigation Fees</u>	<u>State Grants</u>	<u>Proposition 172 Sales Tax Moneys</u>	<u>Total</u>
Jail Facility	\$21.2	\$4.5	\$1		\$26.7
Court Facility	50.2				50.2
Juvenile Detention Facility	10.1	4.5	5	1	20.6
TOTAL	<u>\$81.5</u>	<u>\$9</u>	<u>\$6</u>	<u>\$1</u>	<u>\$97.5</u>

⁽¹⁾ Includes interest earned thereon

Construction Process

The County is utilizing a “modified design-build” process to construct the Project. The Nello Group, Inc. of Santa Ana, California, as Program Manager, is providing architectural, engineering and construction services for the Project. The Project is being delivered by the Program Manager with single source contractual responsibility and a guaranteed maximum price for each of the components. Each component of the Project is delivered in two phases: (1) pre-construction phase advisory and architectural engineering services through design development (“Phase I”) and (2) construction phase services consisting of construction drawings through construction completion (“Phase II”). Phase I is complete for all three

components of the Project. At the completion of Phase I for each component of the Project, the Construction Contract was amended to include a GMP for the component of the Project, completed design development documents and a project component schedule. During Phase II, the Program Manager assumes the liability and responsibilities of a general contractor.

Construction Contract

Under the terms of the Construction Contract, the Program Manager will, among other things, provide all construction, supervision, labor, materials, tools, construction equipment and subcontracted items necessary for the execution and completion of the Project; publicize bids for work on the Project in accordance with the California Public Contracts Code; take all necessary steps for the safety of Program Manager's employees and agents; and keep full and detailed books and accounts relating to the Project, which the County will have the right to examine and audit at all reasonable times. The County will provide all inspection services, including quality control and code compliance, required for the completion of the Project.

In accordance with the Construction Contract, the Program Manager has provided a performance bond and a payment bond, each in an amount equal to 100% of the direct cost components of the GMP as security for the faithful performance of the Construction Contract and the payment of all persons performing labor and furnishing materials in connection with any work on the Project, respectively. All bonds required under the Construction Contract have been executed in favor of the County and the Program Manager in a form acceptable to the County.

The County has covenanted in the Construction Contract to maintain "course of construction" insurance during construction of the Project, which shall provide coverage to the County and the Program Manager as their respective interests may appear. The Program Manager will also maintain worker's compensation and automobile/general liability insurance. The County has the right to terminate the Construction Contract if the Program Manager substantially fails to perform, in which case the Project Manager's agreements with the Architect, Engineer and the Construction Manager will be assigned to the County, subject to the prior rights of any surety providing the payment or performance bonds required under the Construction Contract.

Program Manager

The Nello Group, is a California corporation that provides program management services to public and private clients in the planning, design, and construction of their facilities. Roger Nello Torriero, founder and 75% owner, is a licensed contractor (CA) and was formerly a licensed architect in the State of New York. On moving to California he decided to focus on development and his first major project for his company Griffin Realty Corporation was the \$125 million Griffin Towers in Santa Ana, CA, where Nello's corporate offices are located. Ms. Bette L. Davis, President and Principal (25%), joined Nello in late 1995, having known Mr. Torriero since 1987. Ms. Davis owned her own company from 1977 to 1995 specializing first in the planning and prearchitectural programming and subsequently in program management for government clients throughout the United States.

Since its inception in 1991, clients for which Nello Group, Inc., has provided program management services include the following: County of Riverside (Family Law Court in downtown Riverside); City of Santa Ana (Development Services Center and currently Del-Hi Community Center); Petersen Publishing (International Headquarters in Los Angeles); Parkview Hospital in Riverside; and the City of West Hollywood (City Hall). Nello also served as the Owner's Representative for the City of Burbank throughout design and construction of their new \$30 million Police and Fire Facility.

SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the Bonds are expected to be as follows:

Sources of Funds	
Principal Amount of 2000A Bonds	\$17,945,000
Principal Amount of 2000B Bonds	76,300,000
Original Issue Discount	<u>(51,625)</u>
Total Sources of Funds	\$94,193,375
Uses of Funds	
Construction Account ⁽¹⁾	\$80,376,581
Capitalized Interest and Fees ⁽²⁾	11,443,789
Costs of Issuance Account ⁽³⁾	<u>2,373,005</u>
Total Uses of Funds	\$94,193,375

⁽¹⁾ Approximately \$21,009,560 will be applied to reimburse the Construction Notes issued by the Corporation.

⁽²⁾ Represents interest on the Bonds for a period of approximately 12 months following the estimated completion date of each major component of the Project and approximately \$643,682 for certain capitalized fees.

⁽³⁾ To pay cost of issuance, including, among other things, legal fees, financial advisor fees, rating agency fees, trustee fees, financial guaranty insurance premium, reserve fund surety premium, liquidity provider fee, underwriters' discount and administrative expense fees.

THE BONDS

General

The Bonds will be issued in two series in the aggregate principal amounts, will be dated and bear interest at the rates and mature (subject to prior redemption) on the dates, as shown on the cover page of this Official Statement. The Bonds will be issued in fully-registered form, registered in the name of a nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases and sales may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds purchased. References herein to the bondholders or registered owners shall mean DTC and shall not mean the beneficial owners of the Bonds. Principal of and interest on the Bonds are payable by wire transfer by the Trustee to DTC, which is expected, in turn, to remit such amounts to the DTC Participants for subsequent disbursement to the beneficial owners. See "APPENDIX C – BOOK-ENTRY SYSTEM".

The Series 2000A Bonds

The Series 2000A Bonds will be issuable in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2000A Bonds is payable semiannually on May 1 and November 1 of each year commencing November 1, 2000. The record date will be the 15th day of each month preceding an interest payment date. The Series 2000A Bonds will bear interest at the rates set forth on the front cover hereof and interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Series 2000A Bonds are subject to extraordinary redemption prior to their respective stated maturities as described under "Redemption" below.

The Series 2000B Bonds

General

The Series 2000B Bonds will initially bear interest at a Weekly Interest Rate for a Weekly Interest Rate Period. The Series 2000B Bonds may bear interest from time to time at (i) a Daily Interest Rate during a Daily Interest Rate Period, (ii) a Weekly Interest Rate during a Weekly Interest Rate Period, (iii) Bond Interest Term Rates during a Short-Term Interest Rate

Period, or (iv) a Long-Term Interest Rate during a Long-Term Interest Rate Period, as more fully described below. All of the Series 2000B Bonds must be in the same interest rate mode. Interest shall be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of a Daily Interest Rate Period, a Weekly Interest Rate Period or a Short-Term Interest Rate Period, on the basis of a 365 or 366-day year, as appropriate, for the actual number of days elapsed. When the Series 2000B Bonds bear interest at a Daily Interest Rate, Weekly Interest Rate or Bond Interest Term Rates, the authorized denominations will be \$100,000 and any integral multiple thereof, and when the Series 2000B Bonds bear interest at a Long-Term Interest Rate, the authorized denominations will be \$5,000 and any integral multiple of \$5,000 (the "Authorized Denominations").

"Long-Term Interest Rate Period" means each period during which a Long-Term Interest Rate is in effect; and "Long-Term Interest Rate" means a term, non-variable interest rate on the Series 2000B Bonds established in accordance with the Indenture which will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2000B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase the 2000B Bonds on such effective date for resale at a price (without regarding accrued interest) equal to the principal amount thereof. "Daily Interest Rate Period" means each period during which a Daily Interest Rate is in effect; and "Daily Interest Rate" means a variable interest rate on the Series 2000B Bonds established in accordance with the Indenture which will be the rate of interest per annum determined by such Remarketing Agent (based on an examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2000B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2000B Bonds, would enable such Remarketing Agent to sell all such 2000B Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof. "Weekly Interest Rate Period" means each period during which Weekly Interest Rates are in effect; and "Weekly Interest Rate" means a variable interest rate on the Series 2000B Bonds established in accordance with the Indenture which will initially be determined by the Remarketing Agent at that interest rate which would enable the Remarketing Agent to sell all the 2000B Bonds on such date of determination at a price (without regard to accrued interest) equal to the principal amount thereof, and thereafter by the Remarketing Agent by no later than 5:00p.m. (New York City time) on Tuesday of each week during such Weekly Interest Rate Period, or if such day shall not be a Business Day, then on the next succeeding Business Day. "Short-Term Interest Rate Period" shall mean each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect; "Bond Interest Term" or "BIT" shall mean each period established in accordance with the Indenture during which the Series 2000B Bonds shall bear interest at a Bond Interest Term Rate; and "Bond Interest Term Rate" or "BIT Rate" means a term, non-variable interest rate on the Series 2000B Bonds established periodically in accordance with the Indenture will be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable in the judgment of the Remarketing Agent to the 2000B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by such 2000B Bonds, would enable the Remarketing Agent to sell all such 2000B Bonds on the date and at the time of such determination at a price (without regarding accrued interest) equal to the principal amount thereof. Interest on the Series 2000B Bonds or the principal portion thereof called for redemption will cease to accrue on the date fixed for redemption of such Series 2000B Bonds. At no time shall any Series 2000B Bond (other than Series 2000B Bonds held by the Liquidity Provider) bear interest at a rate in excess of 12% per annum (the "Maximum Rate").

Interest on the Series 2000B Bonds will be payable by the Trustee (i) during any Daily Interest Rate Period, on the fifth Business Day of each calendar month; (ii) during any Weekly Interest Rate Period, on the first Wednesday of each May and November, or if any such first Wednesday shall not be a Business Day, on the next succeeding Business Day; (iii) during any Long-Term Interest Rate Period, on each May 1 and November 1, or, if any such May 1 or November 1 is not a Business Day, on the next succeeding Business Day; and (iv) during any BIT, on the day next succeeding the last day thereof (each, an "Interest Payment Date"). "Business Day" shall mean any day other than a Saturday, a Sunday or any other day on which banking institutions located in the State of California and New York are authorized or required to be closed. "Interest Rate Period" shall mean any Daily Interest Rate Period, Weekly Interest Rate Period, Short-Term Interest Rate Period or Long-Term Interest Rate Period.

The term of the Series 2000B Bonds shall be divided into consecutive Interest Rate Periods selected by the Corporation. At any time, all Series 2000B Bonds (other than Series 2000B Bonds held by the Liquidity Provider) shall bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Long-Term Interest Rate or BIT Rates. During a Short-Term Interest Rate Period, Series 2000B Bonds may bear interest at different BIT Rates or have BITs of different durations. For

any Daily Interest Rate Period, interest shall accrue from the first day thereof and thereafter from the first day of each calendar month during such Daily Interest Rate Period. For any Weekly Interest Rate Period, interest shall accrue at the Weekly Interest Rate from the first Wednesday of each May or November, to and including the succeeding Tuesday preceding the first Wednesday of the next May or November. For any BIT within a Short-Term Interest Rate Period, interest shall accrue from the first day thereof to and including the last day thereof. For any Long-Term Interest Rate Period, interest shall accrue from the first day thereof and thereafter from each Interest Payment Date in respect thereof (other than the last such Interest Payment Date), to and including the day immediately preceding the next succeeding Interest Payment Date.

Within each Interest Rate Period, the applicable interest rate shall be the rate of interest per annum determined by the Remarketing Agent (based on the examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2000B Bonds and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the Series 2000B Bonds, would enable the Remarketing Agent to sell such Series 2000B Bonds on such Business Day at a price (without regard to accrued interest) equal to the principal amount thereof.

Interest Rate Provisions

Daily Interest Rate. The Daily Interest Rate with respect to any Series 2000B Bonds bearing interest for a Daily Interest Rate Period shall be determined by the Remarketing Agent on each Business Day for such Business Day during a Daily Interest Rate Period.

The Daily Interest Rate for any day during a Daily Interest Rate Period which is not a Business Day shall be the same as the Daily Interest Rate for the immediately preceding Business Day. If the Remarketing Agent shall not have determined a Daily Interest Rate for any Business Day, the Daily Interest Rate for such Business Day shall be the same as the Daily Interest Rate for the immediately preceding day and such rate shall continue until the earlier of the day the Remarketing Agent determines a new Daily Interest Rate or the 7th day succeeding the first day on which the Daily Interest Rate was not determined by the Remarketing Agent.

If the Remarketing Agent does not determine a Daily Interest Rate by the 7th day succeeding the first day on which the Remarketing Agent has not determined the Daily Interest Rate, or if for any reason a Daily Interest Rate determined by the Remarketing Agent for any day shall be held to be invalid or unenforceable by a court of law, the interest rate applicable to the Series 2000B Bonds shall be the interest rate per annum equal to 68% of the rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal for each Business Day and for the next preceding Business Day for each day which is not a Business Day until the Daily Interest Rate is again validly determined by the Remarketing Agent.

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

If the Remarketing Agent fails to establish a Weekly Interest Rate for any week during a Weekly Interest Rate Period, the interest rate for such week shall be deemed to be the same as the Weekly Interest Rate for the immediately preceding week, if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. If for any reason the Remarketing Agent did not determine the Weekly Interest Rate for the immediately preceding week, or if a Weekly Interest Rate determined by the Remarketing Agent for any week shall be held to be invalid or unenforceable by a court of law, the interest rate for such week shall be equal to 100% of the Bond Market Association Municipal Swap Index of Municipal Market Data, a Thomson Financial Services Company, or its successors or assigns, made available for the week preceding the date of determination, or if such index is no longer available, or no such index was so made available, for the

week preceding the date of determination, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day the Weekly Interest Rate would otherwise be determined by the Remarketing Agent.

Bond Interest Term Rate. During each Short-Term Interest Rate Period, each Series 2000B Bond shall bear interest at the BIT Rate determined for the BIT applicable to such Series 2000B Bond by the Remarketing Agent no later than the first day of each BIT. Each BIT shall be a period ranging from 1 to 180 days as determined by the Remarketing Agent. In determining the duration of each BIT, the Remarketing Agent shall take into account the following factors: (i) existing short-term tax-exempt market rates and indices of such short-term rates, (ii) the existing market supply and demand for short-term tax-exempt securities, (iii) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 2000B Bonds, (iv) general economic conditions, (v) economic and financial conditions that may affect or be relevant to the Series 2000B Bonds, (vi) the BITs of other Series 2000B Bonds and (vii) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant.

The Remarketing Agent shall announce, by no later than 9:00 a.m., New York City time, on the first day of each BIT, a list of ranges of possible BITs and related BIT Rates. The BIT and the BIT Rate for the Series 2000B Bonds need not be the same for any two of the Series 2000B Bonds, even if determined on the same date.

If for any reason the Remarketing Agent cannot, or does not, determine the required BIT and associated BIT Rate, or if a BIT or associated BIT Rate shall be held by a court of law to be invalid or unenforceable, such BIT shall be deemed to be 30 days, provided that if the last day so determined shall not be a day immediately preceding a Business Day, such BIT shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, such BIT shall end on the day immediately preceding the Maturity Date, and the applicable BIT Rate shall be deemed to be a rate per annum equal to 70% of the interest rate on high grade unsecured commercial paper notes sold through dealers by major corporations as reported by The Wall Street Journal on the first day of such BIT with a maturity that most nearly equals the BIT for which a BIT Rate is being so calculated.

Long-Term Interest Rate. The duration of a Long-Term Interest Rate Period shall be determined by the Remarketing Agent at the direction of the Corporation, which duration shall be at least 181 days. The Long-Term Interest Rate during a Long-Term Interest Rate Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Interest Rate Period. If for any reason the Remarketing Agent does not determine a Long-Term Interest Rate on or prior to the first day of such Long-Term Interest Rate Period, then the Series 2000B Bonds shall bear interest at a Weekly Interest Rate, and shall continue to bear interest at a Weekly Interest Rate until properly adjusted otherwise.

Adjustment to an Alternate Interest Rate Period. The Corporation may elect at any time to adjust the Interest Rate Period on the Series 2000B Bonds to an alternate Interest Rate Period, subject to certain conditions specified in the Indenture, including delivery of an opinion of bond counsel specializing and nationally recognized in the field of municipal finance law to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of California and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2000B Bonds (a "Favorable Opinion of Bond Counsel").

If the Corporation elects to adjust the Series 2000B Bonds to an alternate Interest Rate Period, all of the Series 2000B Bonds will be subject to such alternate Interest Rate Period. The written direction by which the Corporation makes such election shall specify (i) in the case of an adjustment to a Long-Term Interest Rate Period, the duration of such Long-Term Interest Rate Period; and (ii) the effective date of the adjustment to any alternate Interest Rate Period, which effective date shall be a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction from the Corporation. A change to an alternate Interest Rate Period may not take place unless a Favorable Opinion of Bond Counsel is delivered to the Trustee on the effective date of such change.

The Trustee is required to give notice to DTC of any adjustment to a new Interest Rate Period not less than 30 days prior to the effective date of such new Interest Rate Period. DTC is expected to in turn give such notice to the DTC Participants for distribution to the beneficial owners. Such notice will state (i) that the interest rate on the Series 2000B

Bonds will be adjusted to a Daily Interest Rate, a Long-Term Interest Rate, BIT Rates, or a Weekly Interest Rate, as appropriate, unless (a) Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date of such adjustment, or (b) in the case of an adjustment to a, or establishment of another, Long-Term Interest Rate Period, the Corporation shall elect, on or prior to the date of determination of such Long-Term Interest Rate, to rescind its election to cause such adjustment, in which case the Series 2000B Bonds, if being adjusted from a Daily Interest Rate Period, a Weekly Interest Rate Period or a Short-Term Interest Rate Period, shall continue to bear interest at a Daily Interest Rate, a Weekly Interest Rate or BIT Rates as in effect prior to such proposed adjustment in the Interest Rate Period, or, if being adjusted from a Long-Term Interest Rate Period, shall bear interest at a Weekly Interest Rate; (ii) the effective date of such alternate Interest Rate Period, and in the case of an adjustment to a Long-Term Interest Rate Period, the day on which such Long-Term Interest Rate Period shall end or in the case of an adjustment to a Short-Term Interest Rate Period, that a BIT and a BIT Rate for each such Series 2000B Bond will be determined not later than the first day of each BIT; (iii) that the Series 2000B Bonds are subject to mandatory tender for purchase on the effective date of the new Interest Rate Period; (iv) the applicable purchase price on such date; and (v) if such adjustment is to a Long-Term Interest Rate Period of one year or more, that the Liquidity Facility will be terminated immediately following the effective date of that Long-Term Interest Rate Period.

Upon the failure of an adjustment to an alternate Interest Rate Period, the Series 2000B Bonds will bear interest as provided in clause (i) of the notice described above. If notice of such adjustment has been mailed as provided in the Indenture and Bond Counsel fails to deliver a Favorable Opinion of Bond Counsel on the effective date as therein described, the Series 2000B Bonds shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of such adjustment. If the Corporation has not made a timely election prior to the end of any Long-Term Interest Rate Period that, during the next succeeding Interest Rate Period, the Series 2000B Bonds shall bear interest at a specified interest rate, the next succeeding Interest Rate Period for the Series 2000B Bonds shall be a Weekly Interest Rate Period until properly adjusted otherwise.

In connection with an adjustment to any Interest Rate Period that would require the mandatory tender for purchase of the Series 2000B Bonds at a purchase price greater than the principal amount thereof under the circumstances described under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period,” the Corporation must deliver to the Trustee, prior to the Trustee’s mailing of notice to DTC of such adjustment, Available Moneys (as hereinafter defined) to pay the portion of such purchase price corresponding to the premium, unless the Liquidity Facility then in effect provides for payment of the premium.

Rescinding Election to Adjust to Long-Term Interest Rate. If the Corporation elects to rescind its election to adjust the interest rate on the Series 2000B Bonds to a Long-Term Interest Rate, then the Series 2000B Bonds shall bear interest at a Daily Interest Rate, a Weekly Interest Rate or BIT Rates as in effect prior to such election, or if the Series 2000B Bonds were to be adjusted from another Long-Term Interest Rate, then the Series 2000B Bonds shall bear interest at a Weekly Interest Rate for the period commencing on the date which would have been the effective date of such Long-Term Interest Rate Period. In either such case, the Series 2000B Bonds shall continue to be subject to mandatory tender for purchase on the day that would have been the effective date of such Long-Term Interest Rate Period.

Optional and Mandatory Purchase

Optional Tender for Purchase During Daily Interest Rate Period. During any Daily Interest Rate Period, any Series 2000B Bond shall be purchased (in whole) at the option of the holder on any Business Day at a purchase price equal to the principal amount thereof, plus accrued interest, if any, upon delivery of an irrevocable written or telephonic notice. Any notice received by the Tender Agent after 9:00 a.m., New York City time, shall be deemed to have been received by the Trustee on the next succeeding Business Day.

Optional Tender for Purchase During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2000B Bond shall be purchased (in whole) from the holder thereof at the option of such holder on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest upon delivery to the Trustee of an irrevocable written notice that states the principal amount of the Series 2000B Bond and the Business Day (at least seven days after the date of delivery of such notice) on which the Series 2000B Bond is to be purchased. Any notice delivered to the Tender Agent after 4:00 p.m., New York City time, shall be deemed to have been received by the Tender Agent on the next succeeding Business Day.

Notice of Election Deemed to be Irrevocable Tender. The giving of notice by a owner of its election to have its Series 2000B Bond purchased during a Weekly Interest Rate Period or Daily Interest Rate Period shall constitute an irrevocable tender for purchase of such Series 2000B Bond. From and after the relevant purchase date, no interest shall accrue on the Series 2000B Bonds and the holder shall have no right except to receive the purchase price of such Series 2000B Bonds.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each BIT. On the day next succeeding the last day of each BIT (unless such day is the maturity date or the first day of a new Interest Rate Period, in which case the Series 2000B Bonds will be subject to mandatory tender for purchase as provided in the next paragraph), the holder of a Series 2000B Bond will be required to tender for purchase such Series 2000B Bond, and such Series 2000B Bond shall be purchased at a purchase price equal to the principal amount thereof.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2000B Bonds shall be subject to mandatory tender for purchase on the first day of each Interest Rate Period (or on the day which would have been the first day of an Interest Rate Period had there been no occurrence of an event that resulted in the interest rate on the Series 2000B Bonds not being adjusted), at a purchase price equal to the principal amount of the Series 2000B Bonds or, in the case of a purchase on the first day of an Interest Rate Period which shall be preceded by a Long-Term Interest Rate Period and which shall commence prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, at a purchase price equal to the principal amount thereof, plus accrued interest, if any.

Mandatory Tender for Purchase Upon Occurrence of Certain Events Under the Liquidity Facility. If the Trustee gives holders of the Series 2000B Bonds notice that on the date specified in such notice such Series 2000B Bonds shall cease to be subject to purchase from the Liquidity Facility as a result of (i) the termination or expiration of the term of such Liquidity Facility, or (ii) such Liquidity Facility being reduced, suspended, replaced or modified with the effect that the purchase price of the Series 2000B Bonds is no longer payable from such Liquidity Facility, or (iii) the Liquidity Facility Provider notifying the Trustee that certain events of default have occurred under the Liquidity Facility and that the Liquidity Facility Provider is suspending or terminating the Liquidity Facility in accordance with its terms, then on the second Business Day preceding any such termination, expiration, reduction, suspension, replacement or modification of such Liquidity Facility, the Series 2000B Bonds shall be purchased or deemed purchased as provided in the Indenture and in the Liquidity Facility. See "THE LIQUIDITY FACILITY."

Notwithstanding anything in the preceding paragraph to the contrary, if amounts payable under a Liquidity Facility are reduced, or if any modification, suspension or replacement of such Liquidity Facility occurs, and if the Corporation shall deliver to the Trustee, the Tender Agent and the Remarketing Agent, prior to the date that notice of the reduction, modification, suspension or replacement is given by the Trustee (which notice is required to be given by the Trustee at least 20 days preceding the date of expiration, reduction, replacement or modification of the terms of the Liquidity Facility), written evidence from each rating agency then rating the Series 2000B Bonds, to the effect that the reduction, modification, suspension or replacement, in and of itself, will not result in the withdrawal or reduction of the rating(s) then applicable to the Series 2000B Bonds, then the Series 2000B Bonds shall not be subject to mandatory tender for purchase as provided above, solely as a result of the reduction, modification, suspension or replacement. The Trustee shall, nonetheless, give notice to Bondholders, within five days of its receipt of such written notice from each rating agency, that (i) the Liquidity Facility has been reduced, modified, suspended or replaced, as applicable, (ii) such reduction, modification, suspension or replacement will not result in a withdrawal or reduction of the rating(s) then applicable on the 2000B Bonds, and (iii) the 2000B Bonds are not subject to mandatory tender. In the event of a replacement of the Liquidity Facility, such notice will be given to owners prior to the effectiveness of the Alternate Liquidity Facility.

Delivery of Tender Notices

Notices in respect of tenders for purchase at the election of owners during a Daily Interest Rate Period or Weekly Interest Rate Period and Series 2000B Bonds subject to mandatory tender for purchase as described above must be delivered to the Tender Agent.

Liquidity Facility

The 2000B Bonds are subject to mandatory tender upon, among other things, conversion from one interest rate mode to another. While bearing interest at a variable rate, the Series 2000B Bonds are to be remarketed or purchased upon the demand of the owner thereof at a price of 100% of the principal amount plus accrued interest. The initial "Liquidity Facility" with respect to the Series 2000B Bonds is a standby bond purchase agreement among the Corporation, U.S. Bank Trust National Association, as Trustee and Tender Agent, and Dexia Cr dit Local de France (the "Liquidity Facility Provider") to provide for the purchase of tendered Series 2000B Bonds which are not remarketed. The initial term of the Liquidity Facility terminates May 24, 2010, subject to earlier termination in accordance with its terms. The Liquidity Facility may be extended by the Liquidity Facility Provider in its discretion upon request of the Corporation. The Liquidity Facility does not secure any payments on any of the Series 2000A Bonds and is only available to pay the purchase price of the Series 2000B Bonds. The Liquidity Facility is not a guaranty to pay the purchase price of any Series 2000B Bonds tendered for purchase. For details regarding the Liquidity Provider and the Liquidity Facility, including events of termination, see "THE LIQUIDITY FACILITY."

Limitations of Liquidity Facility

The ability to obtain funds under any Liquidity Facility in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a Liquidity Facility may prevent or restrict payment under any Liquidity Facility. To the extent the ratings on the Series 2000B Bonds depends in any manner on the rating of the Liquidity Facility Provider, the ratings on the Series 2000B Bonds could be downgraded or withdrawn if the Liquidity Facility Provider were to encounter financial difficulties or were to refuse to perform under the Liquidity Facility.

The obligation of the Liquidity Facility Provider under the Liquidity Facility to purchase unremarketed Series 2000B Bonds is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Liquidity Facility is not a guaranty to pay the purchase price of Series 2000B Bonds tendered for purchase. The Liquidity Facility is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Series 2000B Bonds should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The following is included as a summary of selected differences and does not purport to be complete or definitive.

In general, a letter of credit is an independent, special contract by a bank to pay a third party such as a bond trustee holding the letter of credit for the benefit of owners of bonds. Banks are required by law to honor their letters of credit except in specified circumstances. If a dispute were to develop between a bank and its borrower, except in limited circumstances, the dispute should not jeopardize payment under the letter of credit because (a) the letter of credit would be independent of the disputed contract between the borrower and the bank and (b) the beneficiary of the letter of credit (typically, the bond trustee) would have direct rights under the letter of credit. Further, and although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, the Liquidity Facility is a general contract only. No law expressly requires performance of the contract, although the nonbreaching party would be entitled to allowable damages if there were a breach of contract. Although the Trustee is authorized to draw funds in accordance with the Liquidity Facility, the Liquidity Facility Provider has no independent obligation to the Trustee. If a dispute were to develop, the Liquidity Facility Provider will have all defenses allowed by law or in equity to its payment under or other performance of the Liquidity Facility, including but not limited to disputes (whether valid or not) regarding the authority of either party to enter into or perform the Liquidity Facility. More of such defenses are allowed by laws regarding contracts than by laws regarding letters of credit.

The Liquidity Facility Provider or the Corporation may seek to have any future dispute resolved in court and appealed to final judgment before it performs under the Liquidity Facility. Further, even if the Corporation were to prevail against the Liquidity Facility Provider, a court would not necessarily order the Liquidity Facility Provider to perform the agreement; it could instead award damages for breach of contract to the Corporation. Any such award would not necessarily be in an amount sufficient to pay the purchase price of the Series 2000B Bonds.

Redemption

Extraordinary Redemption of Bonds

The Bonds are subject to extraordinary redemption prior to maturity, in whole or in part on any date, upon written notice from the Corporation stating the principal amount of Bonds to be redeemed and the date of redemption, at a redemption price equal to the principal amount thereof plus accrued but unpaid interest without premium from the net proceeds of property insurance, condemnation awards or title insurance relating to the Project deposited into the Prepayment Account pursuant to the terms of the Indenture.

Optional Redemption of Series 2000B Bonds

On any Interest Payment Date during a Weekly Interest Rate Period or a Daily Interest Rate Period, the Series 2000B Bonds will be subject to optional redemption by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof. On the day succeeding the last day of any BIT with respect to any Series 2000B Bond, such Series 2000B Bond shall be subject to optional redemption by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof.

During any Long-Term Interest Rate Period, the Series 2000B Bonds shall be subject to optional redemption by the Corporation on the dates and at the redemption prices set forth in the Indenture.

Mandatory Sinking Fund Redemption of Series 2000B Bonds

The Series 2000B Bonds will be subject to mandatory sinking fund redemption, on the first Wednesday of November in the years and principal amounts shown below, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption (the final amount to be paid rather than redeemed):

<u>November</u>	<u>Principal Amount to be Redeemed</u>
2014	
2015	\$2,400,000
2016	2,500,000
2017	2,600,000
2018	2,800,000
2019	2,900,000
2020	3,100,000
2021	3,300,000
2022	3,500,000
2023	3,700,000
2024	3,900,000
2025	4,000,000
2026	4,300,000
2027	4,500,000
2028	4,800,000
2029	5,000,000
2030	5,300,000
2031	5,600,000
2032*	5,900,000
	6,200,000

*Maturity date is November 1, 2032

The principal amount of the Series 2000B Bonds required to be redeemed on each mandatory sinking fund redemption date may be reduced by the principal amount of the Series 2000B Bonds theretofore redeemed (otherwise than by mandatory sinking fund redemption) or delivered to the Trustee for cancellation, and not theretofore applied as a credit

against any mandatory sinking fund redemption obligation. Any such reduction shall be applied as a credit against the mandatory sinking fund obligation for the year or years selected by the Corporation.

Selection of Bonds for Redemption

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

Notice of Redemption

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

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Special Obligation of Corporation

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

Source of Payment

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

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

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

Except to the extent of (i) amounts held by the Trustee in the Bond Fund or the Debt Service Reserve Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments on the Bonds, Base Rental and Additional Rental payments will be abated during any period in which, by reason of delay in construction or material damage, destruction, condemnation or defects in title to the Project, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Project as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere with the use and right of possession by the County. See "APPENDIX D – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – The Lease" herein.

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

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

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

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

Debt Service Reserve Fund

Upon issuance of the Bonds, a debt service reserve fund surety bond will be issued by MBIA Insurance Corporation in a face amount equal to the Debt Service Reserve Requirement. See " – Debt Service Reserve Fund Surety Bond" below. Debt Service Reserve Requirement is defined in the Indenture as the lesser of (i) the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds, (ii) ten percent (10%) of the principal amount of the Bonds, less original issue discount, if any and (iii) 125% of the average annual Debt Service due in any Fiscal Year on the Bonds Outstanding. For purposes of this definition, interest payable on the Series 2000B Bonds shall be calculated at the fixed rate which the Corporation pays to the Qualified Swap Provider pursuant to the Qualified Swap.

At the option of the Corporation as directed by the County, a Credit Facility in the amount of the Debt Service Reserve Requirement may be substituted for the funds held by the Trustee in the Debt Service Reserve Fund provided that:

- (i) the Credit Facility is issued by a bank or other financial institution and the issuer of the Credit Facility has long-term obligations rated "A" or higher by Fitch, S&P and Moody's or, if issued by an insurance company, such company is rated at least A+ by Alfred M. Best in Best's Insurance Reports and its claims paying rating or obligations insured by such insurance company at the time of issuance of the Credit Facility are rated within the two highest rating categories by S&P and Moody's;
- (ii) such Credit Facility is renewable or extendable on an annual basis and such Credit Facility unconditionally permits the Trustee to draw funds thereunder in an amount equal to not less than the Debt Service Reserve Requirement not less than ten days prior to the expiration of the Credit Facility in the event the term of the Credit Facility (not including any optional renewals thereof) is less than the final maturity date of the Outstanding Bonds;
- (iii) such Credit Facility is issued for at least an initial five year term; and
- (iv) such Credit Facility provides for a reimbursement term of not less than three years from the date of any draw thereunder.

Debt Service Reserve Fund Surety Bond

Application has been made to the MBIA Insurance Corporation (the "Insurer") for a commitment to issue a surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment to the Trustee, of amounts which are then due to the Trustee (as specified in the Demand for Payment) subject to the Surety Bond Coverage.

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by the Insurer with the Trustee which have not been reimbursed by the Corporation. The Corporation and the Insurer have entered into a Financial Guaranty Agreement (the "Agreement"). Pursuant to the Agreement, the Corporation is required to reimburse the Insurer, within one year of any deposit, the amount of such deposit made by the Insurer with the Trustee under the Debt Service Reserve Fund Surety Bond. Such reimbursement shall be made only after all required deposits to the Debt Service Fund have been made.

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated before any deposit is made to the Administrative Expense Fund. No optional redemption of Bonds may be made until the Insurer's Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond will be held by the Trustee in the Debt Service Reserve Fund and is provided as an alternative to the Corporation depositing funds equal to the Debt Service Reserve Requirement for outstanding Bonds. The Debt Service Reserve Fund Surety Bond will be issued in the face amount equal to Debt Service Reserve Requirement for the Bonds and the premium therefor will be fully paid by the Corporation at the time of delivery of the Bonds.

Insurance

The Lease requires the County to maintain rental interruption insurance to cover loss, total or partial, of the use of the Project as a result of any of the hazards covered by the "all risk" insurance described below in an amount sufficient at all times to pay the total rent payable under the Lease for a period adequate to cover the period of repair or reconstruction. Such

policy will provide that the amount payable thereunder shall not be less than an amount equal to two years' maximum Base Rental and Additional Rental.

The Lease also requires the County to maintain insurance on the Project against loss or damage to the Project known as "all risk" insurance, including earthquake and flood. Such insurance is required to be maintained with respect to the Project at all times, and in an amount not less than the lesser of the full replacement value of the Project or the aggregate principal amount of Bonds at such time Outstanding. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) \$50,000, in the case of all risk insurance, (ii) \$200,000 in the case of flood insurance, and (iii) 5% of the loss per unit and per occurrence subject to a \$500,000 maximum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Project in accordance with the provisions of the Lease. See "APPENDIX D – SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS -- The Lease".

Additional Bonds

The Corporation may at any time, by Supplemental Indenture, provide for the issuance of Additional Bonds subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from Base Rental Payments and other Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds therefore issued under the Indenture, subject to the terms and conditions of the Indenture. See "APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS - INDENTURE"

SWAP AGREEMENT

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

The Corporation will enter into an interest rate swap agreement (the "Swap Agreement") with Salomon Brothers Holding Company Inc (the "SBHC"), in order to hedge the Corporation's obligations with respect to the payment of interest on the Series 2000B Bonds. Under the Swap Agreement, the Corporation will be obligated to make payments to SBHC calculated on the basis of a fixed rate (5.2% per annum) and, subject to certain conditions specified in the Swap Agreement, SBHC will be obligated to make payments to the Corporation (which payments have been assigned by the Corporation to the County) calculated on the basis of a floating rate expected to equal the interest rate on the Series 2000B Bonds on a notional amount equal to the principal amount of the Series 2000B Bonds .

SBHC is a "Qualified Swap Provider" which is defined in the Indenture as a financial institution (i) whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time the subject Qualified Swap is entered into) at least as high as A3 by Moody's and A- by S&P, or the equivalent thereof by any successor thereto and (ii) who is approved by the Insurer.

Arrangements made in respect of the Swap Agreement will not alter the Corporation's obligation to pay principal of and interest on the Series 2000B Bonds. The Corporation's obligation under the Swap Agreement to make periodic fixed rate payments to SBHC will be on a parity with the Corporation's obligation to pay principal of and interest on the Bonds. **Payments from SBHC under the Swap Agreement have been assigned by the Corporation to the County and are not pledged to the payment of the Bonds.**

THE INSURANCE POLICY

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

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated

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

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

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

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

As of December 31, 1999, the Insurer had admitted assets of \$7.0 billion (audited), total liabilities of \$4.6 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2000, the Insurer had admitted assets of \$7.1 billion (unaudited), total liabilities of \$4.7 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

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

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

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

Fitch IBCA, Inc. rates the financial strength of the Insurer "AAA".

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

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

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

THE LIQUIDITY FACILITY

Pursuant to the Standby Bond Purchase Agreement (the "Standby Agreement") dated May 24, 2000, among County of Riverside, California, County of Riverside Asset Leasing Corporation, and Dexia Crédit Local de France (the "Bank"), the Bank agrees, subject to the terms and conditions therein, to purchase Bonds which are tendered by the owners thereof to the Tender Agent and which are not successfully remarketed. **THE STANDBY AGREEMENT IS SUBJECT TO SUSPENSION OR TERMINATION WITHOUT NOTICE OR PURCHASE OF SERIES 2000B BONDS BY THE BANK IN CERTAIN CIRCUMSTANCES, INCLUDING THE INSOLVENCY OF OR PAYMENT DEFAULT BY THE BOND INSURER, CONTEST TO THE VALIDITY OF THE BOND INSURANCE OR FEE SURETY BOND, OR SUBSTITUTION OF THE BOND INSURANCE WITHOUT THE CONSENT OF THE BANK (ALL AS FURTHER DESCRIBED HEREIN). IN SUCH EVENT SUFFICIENT FUNDS MAY NOT BE AVAILABLE TO PURCHASE SERIES 2000B BONDS TENDERED BY THE OWNERS OR SUBJECT TO TENDER.**

The Bank

Dexia Crédit Local de France ("Dexia CLF"), known as Crédit Local de France until January 10, 2000, is a specialized French financial institution, primarily dedicated to regional and municipal development financing. Its principal office is located in Paris, France. Dexia CLF conducts operations through branch offices and subsidiaries primarily in France. In issuing the Standby Bond Purchase Agreement, Dexia CLF will act through its New York Agency, which is licensed by the State of New York as an unincorporated agency of Dexia CLF, Paris, and is licensed by the Banking Department of the State of New York.

Dexia CLF is the leading local authority lender in France, funding its lending activities in 1998 primarily through the issuance of euro, Belgian franc and French franc denominated bonds. Dexia CLF was one of the largest bond issuers on the international markets in 1998.

In 1996, Dexia CLF and Credit Communal de Belgique ("CCB"), which were almost of equivalent size both with businesses based principally around the financing of public authorities, pooled their activities and formed a single group called Dexia. On October 23, 1996, Dexia CLF and CCB signed agreements formalizing their alliance. This strategic alliance led to the creation of the 22nd largest bank in the European Union, specialized in local authority financing and financing of local infrastructure projects.

On March 14, 2000 Dexia and Financial Security Assurance Holdings Ltd. (FSA Holdings), holding company for U.S. based bond insurer Financial Security Assurance Inc. announced that Dexia and FSA Holdings have signed a definitive agreement providing for the acquisition of FSA Holdings by Dexia, for \$76.00 per share in cash, or approximately \$2.6 billion. The transaction has been approved by the boards of both companies and is subject to FSA Holdings shareholder approval and regulatory approval. The companies expect to close the transaction in the second quarter of 2000.

As of December 31, 1998, Dexia CLF had total consolidated assets of \$115.1 billion, loans to customers of approximately \$58.9 billion and shareholders' equity of nearly \$3.5 billion (Tier I plus Tier II), and for the year then ended had consolidated net income of \$354.1 million (assuming an exchange rate of 5.6221 French francs to one United States dollar, prevailing on December 31, 1998). These figures were determined in accordance with generally accepted accounting principles in France. Dexia CLF maintains its records and prepares its financial statements in euros and French francs. Amounts in U.S. dollars are included solely for the convenience of readers outside France. The inclusion of U.S. dollar amounts is not intended to imply that euros or French francs have been or could readily be converted, realized or settled in U.S. dollars at that rate or any other rate.

Dexia CLF is rated Aa1 long-term and P-1 short-term by Moody's Investors Service, Inc., AA+ long-term (Creditwatch negative) and A-1+ short-term by Standard & Poor's Ratings Group, and AA+ long-term and F1+ short-term by Fitch IBCA S.A.

Dexia CLF will provide without charge a copy of its most recent publicly available annual report. Written request should be directed to Dexia Crédit Local de France, New York Agency, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager.

The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

Definitions

Under the Standby Agreement, the following terms have the meanings specified below:

"Alternate Liquidity Facility" means any Liquidity Facility which replaces the Standby Agreement.

"Available Commitment" as of any day means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

"Available Interest Commitment" initially means \$4,665,797 which initial amount equals 186 days' interest on the initial amount of the Available Principal Commitment based on an assumed rate of interest of 12 percent per annum and a 365/366 day year, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such initial amount as the amount of any reduction in the Available Principal Commitment in accordance with clause (a) or (b) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment and (b) upward by an amount that bears the same proportion to such initial amount as the amount of any increase in the Available Principal Commitment in accordance with clause (c) of the definition of "Available Principal Commitment" bears to the initial Available Principal Commitment.

"Available Principal Commitment" initially means \$76,300,000, and thereafter means such initial amount adjusted from time to time as follows: (a) downward by the amount of any mandatory reduction of the Available Principal Commitment pursuant to the Standby Agreement; (b) downward by the principal amount of any Bonds purchased by the Bank pursuant to the Standby Agreement; and (c) upward by the principal amount of any Bonds theretofore purchased by the Bank which are sold by a Bank Bondholder to certain purchasers pursuant to the Standby Agreement in a manner that causes said Bonds to cease being Bank Bonds (regardless of the Purchase Price received for such Bonds).

"Bank Bondholder" means the Bank (but only in its capacity as owner, which term as used in the description under this caption means beneficial owner if at the relevant time Bank Bonds are Book Entry Bonds) and any other person or its permitted assignee which has purchased Bank Bonds.

"Bank Bonds" means each Bond purchased with funds provided by the Bank under the Standby Agreement, until remarketed in accordance with the Standby Agreement.

"Bank Rate" means (i) from the Purchase Date to and including the last day of the Commitment Period, the Prime Rate and (ii) after the last day of the Commitment Period, the Prime Rate plus one percent (1%) per annum.

“*Bond Insurance Policy*” means the Financial Guaranty Insurance Policy issued by MBIA Insurance Corporation to insure the Bonds.

“*Bond Insurer*” means MBIA Insurance Corporation, a New York stock insurance corporation, as the insurer of the Bonds.

“*Bond Insurer Event of Insolvency*” means the occurrence and continuance of one or more of the following events: (a) the issuance, under the laws of the Governmental Authority having primary regulatory jurisdiction over the Bond Insurer, of an order of rehabilitation, liquidation or dissolution of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Bond Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Bond Insurer of an assignment for the benefit of creditors; (e) the failure of the Bond Insurer to generally pay its debts as they become due; provided, however, that the Bond Insurer’s failure to make payments on any financial guaranty insurance policies or surety bonds because of a legitimate dispute between the Bond Insurer and the beneficiary of such policies or surety bonds shall not in and of itself constitute a failure of the Bond Insurer to generally pay its Debts as they become due; or (f) the initiation by the Bond Insurer of any actions to authorize any of the foregoing.

“*Bonds*,” as used in this section “THE LIQUIDITY FACILITY,” means the Series 2000B Bonds.

“*Book Entry Bonds*” means the Bonds so long as the book entry system with The Depository Trust Company is used for determining beneficial ownership of the Bonds.

“*Differential Interest Amount*” means the excess of (a) interest which has accrued and could actually be paid on Bank Bonds at the Bank Rate, as defined and determined in accordance with the Standby Agreement, up to but excluding the Business Day on which such Bank Bonds are purchased from the Bank Bondholders pursuant to the Standby Agreement, less (b) the interest accrued on such Bank Bonds received by the Bank Bondholders as part of the Sale Price.

“*Dollars*” means the lawful currency of the United States of America.

“*Eligible Bonds*” means any Bonds bearing interest at the Daily Interest Rate, the Weekly Interest Rate or the Bond Interest Term Rate, other than any Bonds owned by, for the account of, or on behalf of, the Issuer or any Affiliate thereof, and excludes, in any event, Bank Bonds and Bonds bearing interest at a Long-Term Interest Rate.

“*Fee Surety Bond*” means the Fee Surety Bond issued by the Bond Insurer to the Bank on the effective date of the Standby Agreement guaranteeing the payment of the commitment fees payable to the Bank pursuant to the Standby Agreement.

“*Governmental Authority*” means (a) any national, state or local government (whether domestic or foreign), any political subdivision thereof; (b) any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity having governmental, regulatory, judicial or similar power or authority (including the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority); or (c) any arbitrator with authority to bind a party at law.

“*Indenture*” means the Indenture of Trust related to the Bonds.

“*Interest Accrual Date*” has the meaning assigned to such term in the Indenture.

“*Interest Accrual Period*” means, as to Bonds at a specified date, the period commencing on the last occurring Interest Payment Date and ending on the date immediately prior to the next Interest Payment Date.

“*Interest Component*” means the portion of the Purchase Price representing accrued and unpaid interest on the Bonds as of the Purchase Date.

“*Interest Payment Date*” has the meaning assigned to such term in the Indenture, and shall also mean any day on which interest on Bank Bonds is due pursuant to the Standby Agreement.

“*Issuer*” means the County of Riverside Asset Leasing Corporation.

“*Notice of Termination*” means a written notice from the Bank to the Trustee, the Issuer and the Remarketing Agent stating that an event of default has occurred that gives the Bank the right to request a Termination Tender and that the Bank has decided to exercise said right.

“*Outstanding*” has the meaning set forth in the Indenture.

“*Prime Rate*” means the fluctuating rate per annum equal to the “Prime Rate” listed daily in the “Money Rate” section of The Wall Street Journal, or if The Wall Street Journal is not published on a particular Business Day, then, the “prime rate” published in any other national financial journal or newspaper selected by the Bank, and if more than one rate is listed in the applicable publication, the average rate shall be used; any change in the Prime Rate shall take effect on the date specified in the announcement of such change.

“*Purchase Date*” means any Business Day on which the Bank must purchase Bonds which are tendered or deemed tendered for purchase pursuant to the Indenture.

“*Purchase Price*” means, (a) with respect to any Eligible Bond or any portion thereof, the unpaid principal amount thereof plus accrued interest thereon from the first day of the then current Interest Accrual Period to but excluding the Purchase Date thereof, in each case without premium; provided that the accrued interest will not be taken into account in the computation of the Purchase Price if the applicable Purchase Date is both an Interest Payment Date (other than for the payment of interest solely on Bank Bonds) and an Interest Accrual Date; and provided further that the aggregate amount of Purchase Price constituting the Interest Component may not exceed the amount specified in the Standby Agreement.

“*Related Documents*” means the Standby Bond Purchase Agreement, the Bonds, the Bond Insurance Policy, the Fee Surety Bond, the Custody Agreement, the Indenture, the Lease Agreement, the site Lease, the Official Statement, the Insurance Agreement, the Remarketing Agreement, and any other document or instrument related thereto or executed and delivered thereunder.

“*Remarketing Agent*” means the remarketing agent with respect to the Bonds.

“*Sale Price*” means a price of par plus unpaid accrued interest thereon from and including the Purchase Date to but excluding the Sale Date at the interest rate then applicable to Bonds which are not Bank Bonds.

“*Tender Agent*” means the tender agent with respect to the Bonds.

“*Termination Tender*” means a mandatory tender of the Bonds as a result of the Bank’s delivery of a Notice of Termination to the Trustee.

“*Trustee*” means the Trustee with respect to the Bonds.

General Description of the Standby Agreement

Subject to the requirements of the Standby Agreement, the Bank has agreed to purchase, at the Purchase Price, from time to time Eligible Bonds which are tendered for purchase pursuant to the Indenture and which the Remarketing Agent has been unable to remarket. The Bank’s obligation to purchase the Bonds is conditioned upon the Bank’s receipt of timely notice as required by the Standby Agreement, and upon no event of default under the Standby Agreement having occurred that would terminate or suspend its obligations to purchase Bonds. The Standby Agreement provides that the aggregate principal amount of all Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Bonds by the Bank on such date) at 10:00 a.m. (New York time) on such date. The Interest Component of the Purchase Price may not exceed the lesser of (i) the Available Interest Commitment on

such date or (ii) if the Purchase Date is other than an Interest Payment Date (other than for the payment of interest on Bank Bonds), the actual aggregate amount of interest accrued on each such Bond from and including the first day of the then current Interest Accrual Period to but excluding such Purchase Date, or if the Purchase Date is such an Interest Payment Date, zero, unless the Bonds are in the Daily Mode. Any Bonds so purchased will thereupon constitute Bank Bonds, will be beneficially owned by the Bank, will bear interest at the Bank Rate or alternate rate specified in the Standby Agreement, and have other characteristics of Bank Bonds as set forth in the Standby Agreement.

THE STANDBY AGREEMENT PROVIDES FUNDS ONLY FOR PAYMENT OF THE PURCHASE PRICE AS DESCRIBED ABOVE, DOES NOT SECURE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS, AND MAY BE IMMEDIATELY SUSPENDED OR TERMINATED IMMEDIATELY WITHOUT NOTICE, WITHOUT DEMAND AND WITHOUT PURCHASE BY THE BANK UPON THE OCCURRENCE OF CERTAIN STANDBY AGREEMENT EVENTS OF DEFAULT.

The aggregate Available Principal Commitment will be reduced automatically by the principal amount of any Bonds redeemed, repaid, or converted to a Long-Term Interest Rate. The Available Commitment will terminate automatically on the date on which an Alternate Liquidity Facility takes effect with respect to the Bonds.

Term of Standby Agreement

The stated term of the Standby Agreement ends on the earliest of (a) the later of (i) 5:00 p.m., New York time, on May 24, 2010, or if such day is not a Business day, the Business Day next succeeding such day or (ii) 5:00 p.m., New York, on the last day of any extension of such date pursuant to the Standby Agreement; (b) the date on which no Bonds are Outstanding; (c) the date on which the interest rate on the Bonds is converted to a Long-Term Interest Rate; (d) the close of business on the thirtieth (30th) day following the date on which a Notice of Termination is received by the Trustee pursuant to the Standby Agreement; and (e) the date on which the Available Commitment has been reduced to zero or terminated in its entirety pursuant to the Standby Agreement.

The Issuer may terminate the Standby Agreement for any reason, subject to the conditions described in this paragraph, upon (i) providing 90 days' prior written notice to the Bank; (ii) obtaining the prior written consent of the Bond Insurer; (iii) paying the bank all costs, fees, and payments due under the Standby Agreement; and (iv) paying to the Bank all principal and accrued interest owing on any Bank Bond (and any termination fee). However, such termination is subject to the following conditions: (a) the Bank is to continue to purchase the Bonds optionally or mandatorily tendered (and not remarketed if applicable) prior to the termination of the Standby Agreement; and (b) in no event will the Bank be obligated to purchase any Bonds tendered as a result of the termination of the Standby Agreement except those Bonds that are mandatorily tendered pursuant to the Indenture; and (c) certain further conditions as set forth in the Standby Agreement.

Standby Agreement Events of Default

Events of default under the Standby Agreement may be divided into four general categories: Automatic Termination Events of Default, Automatic Suspension Events of Default, Optional Termination Events of Default and Other Events of Default.

The Bank's remedies set forth below for Automatic Termination Events of Default, Automatic Suspension Events of Default and Optional Termination Events of Default are not exclusive and the Bank reserves the right to pursue any other available remedies, other than acceleration of the Bonds except as provided in the Indenture, whether provided by law, equity or the Standby Agreement. If an event of default under the Standby Agreement other than an Automatic Termination Event of Default, Automatic Suspension Event of Default, or an Optional Termination Event of Default occurs (i.e., any Other Event of Default occurs) the Bank will have all remedies provided by law or equity, including specific performance, but will not have the right to terminate its obligation to purchase Bonds, to declare any amounts under the Standby Agreement due and payable, or to accelerate the maturity date of any Bonds except as provided in the Indenture.

A. Automatic Termination Events of Default

If any of the following three events of default under the Standby Agreement (“Automatic Termination Events of Default”) occurs, the Available Commitment and the obligation of the Bank to purchase any Bonds will immediately terminate without notice or demand to any person:

1. A Bond Insurer Event of Insolvency occurs;
2. The Bond Insurer shall fail, wholly or partially, to make a payment of principal or interest to the Trustee as required under the Bond Insurance policy; or
3. The Bond Insurer is substituted as insurer of the Bonds; or the Bond Insurance Policy or Fee Surety Bond is surrendered, canceled or terminated or amended or modified in any material respect, without the Bank's prior written consent.

B. Automatic Suspension Events of Default

If any of the following two events of default under the Standby Agreement (“Automatic Suspension Events of Default”) occurs, the Available Commitment and the obligation of the Bank to purchase Bonds will immediately be suspended without notice or demand to any person, and will remain suspended unless and until the Available Commitment is reinstated as described in the Standby Agreement:

1. The Bond Insurer shall claim in writing to the Trustee, the Tender Agent or the Bank that the Bond Insurance Policy, with respect to payment of principal of or interest on the Bonds, or the Fee Surety Bond or a payment of fees under the Fee Surety Bond, is not valid and binding on the Bond Insurer, and repudiate the obligations of the Bond Insurer under the Bond Insurance Policy, with respect to payment of principal of or interest on the Bonds, or under the Fee Surety Bond or a payment of fees under the Fee Surety Bond, or the Bond Insurer shall initiate any legal proceedings to seek an adjudication that the Bond Insurance Policy with respect to the payment of principal of or interest on the Bonds, or the Fee Surety Bond or a payment of fees under the Fee Surety Bond is not valid and binding on the Bond Insurer; or
2. Any governmental authority with jurisdiction to rule on the validity of the Bond Insurance Policy or the Fee Surety Bond shall announce, find or rule that the Bond Insurance Policy or the Fee Surety Bond is not valid and binding on the Bond Insurer.

If a court with jurisdiction enters a final, non-appealable judgment that the Bond Insurance Policy or the Fee Surety Bond, as the case may be, is not valid and binding on the Insurer, then the Available Commitment and Bank's obligation to purchase Bonds will immediately terminate without notice or demand, and thereafter the Bank will be under no obligation to purchase Bonds. If litigation regarding the validity of the Bond Insurance Policy or the Fee Surety Bond is still pending three years after the Bank's obligation to purchase bonds is suspended, the Bank's obligation to purchase will, unless previously terminated under the terms of the Standby Agreement, immediately terminate without notice or demand.

C. Optional Termination Events of Default

If any of the following three events of default under the Standby Agreement (“Optional Termination Events of Default”) occurs, the Bank may give a written Notice of Termination to the Trustee, the Issuer and Remarketing Agent requesting a Termination Tender:

1. Any principal of, or interest on, any of the Bonds shall not be paid when due and shall remain unpaid for three (3) Business Days after written notice of such failure has been given to the Bond Insurer and the Trustee;
2. The Issuer shall fail to pay Bank when due any amount owing under the Standby Agreement with respect to commitment fees within fifteen (15) days after written notice of such failure to the Bond Insurer, the Issuer

and the Trustee or shall fail to pay when due any amount owing under the Standby Agreement with respect to a claim for yield protection and the same shall remain unpaid for 180 days after written notice of such failure has been given to the Bond Insurer, the Issuer and the Trustee; or

The Bank's obligation to purchase Bonds will terminate thirty (30) days (or if such day is not a Business Day, the next succeeding day which is a Business Day) after such Notice of Termination is received by the Trustee. On such date, the Available Commitment will be reduced to zero.

D. Other Events of Default

Other than Automatic Termination Events of Default, Automatic Suspension Events of Default and Optional Termination Events of Default, the Standby Agreement also sets forth other events of default ("Other Events of Default") which include the following:

1. Any material representation or warranty made by or on behalf of the Issuer in the Standby Agreement or in any Related Document or in any certificate or statement delivered in connection therewith shall be incorrect or untrue in any material respect when made or deemed to have been made;
2. Default by the Issuer in the performance or observance of certain terms, covenants and/or agreements under the Standby Agreement and such default remains unremedied during any applicable cure period;
3. Default the Issuer in the payment of any principal of or interest on any Debt or on any obligation guaranteed by the Issuer or in respect of which it is otherwise contingently liable beyond any period of grace stated with respect thereto in any such obligation or in any agreement under which any such obligation is created, or the Issuer shall default in the performance of any agreement under which any such obligation is created if the effect of such default is to cause such obligation to become, or to permit any holder or beneficiary thereof, or a trustee on behalf thereof, with notice if required, to declare such obligation to be, due prior to its normal maturity, or a moratorium shall have been declared or announced (whether or not in writing) by the Issuer with respect to any of the Debt, and any of the foregoing may (in the reasonable judgment of the Bank) have a material adverse effect on the ability of the Issuer to perform their its obligations under the Standby Bond Purchase Agreement or the other Related Documents (as defined in the Standby Agreement) to which it is a party;
4. Insolvency of the Issuer or the commencement by or the Issuer of a bankruptcy, insolvency, reorganization or similar proceeding;
5. The occurrence of an event of default under the Indenture; or
6. Any material provision of the Standby Agreement or any Related Document (as defined in the Indenture) other than the Bond Insurance Policy or the Fee Surety Bond) shall cease to be valid and binding on the Issuer or any other party thereto, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Issuer or such other party thereto or by any governmental agency or authority having jurisdiction, or any or further liability or obligation under any such document shall be denied by the Issuer or such other party.

The Bank does not have the right to terminate its obligation to purchase Bonds upon the occurrence of an Other Event of Default.

RISK FACTORS

The following section describes certain risk factors affecting the payment of and security for the Bonds. The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the

following factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other risk factors will not become material in the future.

Limited Obligations

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

Abatement

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

Risk of Uninsured Loss

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

Seismicity

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

Certain procedures and design standards will be followed during the construction of the Project to ensure that the buildings are designed and constructed to meet, at a minimum, the highest seismic standards required by law. Some of the standards and procedures are listed below.

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

Default and Limitation on Remedies

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

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

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

Limitations on Sources of Revenues

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

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

Federal Welfare Reform

California's response to federal welfare reform, Assembly Bill 1542, was signed into law August 11, 1997. This followed passage of federal welfare reform in August 1996. Provisions in AB 1542 and proposed changes in federal law have significantly mitigated earlier concerns about the potential for increased County general fund expenditures for the County's *general relief* program.

The concern about general relief impacts, due to the federal law change, was focused on the elimination of Supplemental Security Income (SSI) eligibility for legal immigrants. Subsequent federal budget action allows most legal immigrants who were in the U.S. as of August 22, 1996 to remain on SSI if they are otherwise eligible.

The concern about general relief impacts, due to California's response to federal welfare reform, was focused on whether legal immigrants would continue to be eligible for the Aid to Families with Dependent Children (AFDC) program and whether individuals would be eligible for general relief after their AFDC time limits expired. AB 1542 replaces AFDC and GAIN, the current welfare-to-work program for AFDC recipients, with the new California Work Opportunity and Responsibility to Kids (CalWORKs) program. Legal immigrants who are eligible for CalWORKs due to time limit expiration are not eligible for county general relief programs.

The County is currently receiving sufficient state and federal funding to implement the various provisions of AB 1542 without the need for additional County general fund support. There can be no assurance, however, that future state and federal funding will continue at current levels.

Bankruptcy

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

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. The County is the fourth largest county (by area) in the State and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 24 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 1,473,410 as of January 1, 1999, reflecting a 0.1% increase over January 1, 1998.

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

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

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

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

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The County Treasurer maintains one Pooled Investment Fund ("PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2000, the portfolio assets comprising the PIF had a market value of \$1,427,273,959.

State law requires that all operating moneys of the County, school districts and certain special districts be held by the County Treasurer. On June 30, 1999, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory vs. discretionary" depositors. Collectively these mandatory deposits constituted approximately 90% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that 18 districts, constituting approximately 10% of the total funds on deposit in the County Treasury, represented discretionary deposits.

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

All purchases of securities for the PIF are made in accordance with the County Treasurer's December 27, 1999 Investment Policy Statement (the "Policy Statement") which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. The Policy Statement specifically excludes future investments in all derivative securities and mutual bond funds, where the underlying portfolio assets are subject to daily market value adjustments. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss. Furthermore, the County Treasury is not engaged in any security lending agreement on the portfolio, and there is no contemplation of entering into a security lending agreement in the foreseeable future.

The structure of the Pooled Investment Fund as of March 31, 2000 was:

Federal Agency Securities	\$662,521,943	46.43%
U.S. Treasury Bills & Notes	148,646,375	10.41
Commercial Paper	454,762,877	31.86
Cash Equivalents and Money Market Funds	92,400,000	6.47
Banker's Acceptances	32,050,460	2.25
Local Agency Obligations ⁽¹⁾	23,896,954	1.67
Collateralized Time Deposits ⁽²⁾	8,000,000	0.56
Medium Term Notes	<u>4,995,350</u>	<u>0.35</u>
Total	\$1,427,273,959	100.00%

Weighted Average Yield 5.91%
 Weighted Average Maturity 358 days

⁽¹⁾ Represents bond anticipation notes issued by CORAL and the County Redevelopment Agency.

⁽²⁾ Not rated; all other investments are government securities; local agency obligations or rated investments.

The County began to mark-to-market the value of investment securities within the portfolio in December, 1994. As of March 31, 2000, the market value of the PIF was 99.12% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

The County has obtained a rating on the PIF of "AAA/V-1+" from Fitch IBCA, Inc., a "Aaa/MR1" rating from Moody's Investors Service, and a "AAAf/S1" rating from Standard & Poor's. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

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

CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS

Article XIII A of the State Constitution

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law.

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

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

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

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

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

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

Article XIII B of the State Constitution

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

As amended at the June 5, 1990 election by Proposition 111, Article XIII B provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in cost of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 has liberalized the aforementioned adjustment factors as compared to the original provisions of

Article XIII B. If county revenues during any two consecutive Fiscal Years exceed the combined appropriations limits for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent Fiscal Years.

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

Articles XIII C and XIII D of the State Constitution

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

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

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

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

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

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

the 32 CSAs which required an election to continue collecting parcel charges, two CSAs voted not to continue their parcel charges and services have terminated.

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

Statutory Limitations

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

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

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

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

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

THE CORPORATION

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

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

TAX EXEMPTION

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

The original issue discount ("OID") with respect to the Series 2000A Bonds, if any, is treated as interest for federal income tax purposes and is excluded from gross income to the same extent as the interest with respect to the Series 2000A Bonds. OID is includable in adjusted current earnings as it accrues each year rather than at the time OID is actually paid to the Beneficial Owners upon maturity or redemption of the Series 2000A Bonds. OID accrues on an actuarial basis (i.e., on a constant yield to maturity basis) each semiannual period. The OID for any given semiannual period is allocated ratably to each day in such semiannual period. A Beneficial Owner's adjusted basis in any Series 2000A Bond sold with OID will be increased by the amount of any accrued OID for purposes of determining the amount of gain or loss on disposition of such Series 2000A Bond.

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

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

Bond Counsel has expressed no opinion regarding any impact of the ownership of, receipt of interest on, or disposition of the Bonds other than as expressly described above. Prospective purchasers of the Bonds should be aware that, in addition to other possible tax consequences, ownership of, receipt of interest on, or disposition of the Bonds may be affected by the following federal income tax provisions: (i) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a *financial institution*, the *portion of a* Beneficial Owner's interest expense allocable to interest on Bonds; (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) of the Code reduces the deduction for loss reserves by 15% of

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

LEGAL MATTERS

O'Melveny & Myers LLP, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the Indenture and the Lease. The proposed form of Bond Counsel's opinion is included as Appendix F hereto. Certain legal matters will be passed upon for the Corporation and the County by the County Counsel and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, San Francisco, California.

NO LITIGATION

No litigation is pending or threatened concerning the Property, the Bonds, the Indenture, the Lease or the Site Lease, and a certificate of the County to that effect will be furnished to the Underwriters at the time of the original delivery of the Bonds. The County is not aware of any litigation pending or threatened which questions the existence of the County or which contests the proceedings of the County or the Corporation taken with respect to the foregoing agreements or the issuance of the Bonds.

RATINGS

The Bonds will have a long-term rating of "Aaa" by Moody's Investors Service, "AAA" by Standard & Poor's and "AAA" by Fitch IBCA, Inc., respectively, with the understanding that upon the delivery of the Bonds, MBIA Insurance Corporation will deliver its financial guaranty insurance policy. The Bonds will have underlying long-term ratings of "Con.A3" by Moody's Investors Service, Provisional "A" by Standard & Poor's and "A+" by Fitch IBCA Inc. In addition, the Series 2000B Bonds will have a short-term rating of "VMIG 1" by Moody's Investors Service, "A-1+" by Standard & Poor's and "F-1+" by Fitch IBCA, Inc., respectively, with the understanding that upon the delivery of the Series 2000B Bonds the Liquidity Provider will deliver its Liquidity Facility. Any desired explanation of the significance of such ratings should be obtained from the respective rating agencies. The County furnished to such rating agencies certain information and materials respecting the Bonds and the County. Generally, rating agencies base their ratings on the information and materials so furnished to them and on their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the respective rating agency, circumstances so warrant. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of owners of the Series 2000A Bonds to provide certain financial information and operating data relating to the County by not later than 60 days after the County normally receives its audited financial statements from its auditor in each year, but in no event later than February 15, commencing with its report for the Fiscal Year ended June 30, 2000 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the County or U.S. Bank Trust National Association, as dissemination agent (the "Dissemination Agent"), on behalf of the County with each Nationally Recognized Municipal Securities Information Repository. The notices of material events will be filed by the Dissemination Agent on behalf of the County with the Municipal Securities Rulemaking Board. These covenants have been made in order to assist the Series 2000A Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of material events by the County is summarized in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The offering of the Series 2000B Bonds is exempt from the provisions of Securities Exchange Commission Rule 15c2-12.

UNDERWRITING

The Series 2000A Bonds are being purchased for reoffering by Salomon Smith Barney, Bear Stearns & Co. Inc. and Lehman Brothers (the "Series 2000A Underwriters"). The Series 2000A Underwriters have agreed to purchase the Series 2000A Bonds at an aggregate purchase price of \$17,782,588.79 (representing the par amount of the 1999A Bonds less an Underwriters' discount of \$110,786.36 and an original issue discount of \$51,624.85). The Series 2000A Underwriters will purchase all of the Series 2000A Bonds if any are purchased. The Series 2000A Underwriters may offer and sell the Series 2000A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The obligation of the Series 2000A Underwriters to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

The Series 2000B Bonds are being purchased for reoffering by Salomon Smith Barney (the "Series 2000B Underwriter"). The Series 2000B Underwriter has agreed to purchase the Series 2000B Bonds at an aggregate purchase price of \$75,995,570.16 (representing the par amount of the 2000B Bonds less an Underwriter's discount of \$304,429.84). The Series 2000B Underwriter will purchase all of the Series 2000B Bonds if any are purchased. The Series 2000B Underwriter may offer and sell the Series 2000B Bonds to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof. The obligation of the Series 2000B Underwriter to make such purchase is subject to certain terms and conditions set forth in the Contract of Purchase.

FINANCIAL ADVISOR

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

ADDITIONAL INFORMATION

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

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

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

By: /s/ Edward Corser

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ Larry Parrish

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 1,473,410 as of January 1, 1999, reflecting a 2.24% increase over January 1, 1998. Population rose 38.7% from 1970 to 1980 and 84.6% from 1980 to 1990.

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

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

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

CITY	1980	1990	1994 ⁽¹⁾	1995 ⁽¹⁾	1996 ⁽¹⁾	1997 ⁽¹⁾	1998 ⁽¹⁾	1999 ⁽¹⁾
Banning	14,020	20,570	23,400	23,600	23,850	24,250	24,900	25,300
Beaumont	6,818	9,685	10,450	10,400	10,450	10,500	10,650	10,850
Blythe	6,805	8,428	12,850	16,450	18,350	20,750	21,050	20,950
Calimesa	-	-	7,250	7,225	7,300	7,400	7,550	7,650
Canyon Lake	-	-	11,050	11,150	11,300	11,400	11,650	11,850
Cathedral City	-	30,085	34,250	34,900	35,450	35,450	36,050	36,750
Coachella	9,129	16,896	19,600	20,200	21,050	21,350	21,850	22,200
Corona	37,791	76,095	94,700	95,400	99,500	104,300	111,500	117,300
Desert Hot Springs	5,941	11,668	14,100	14,550	14,850	15,050	15,300	15,400
Hemet	22,454	36,094	51,800	52,000	52,600	53,100	57,500	61,100
Indian Wells	1,394	2,647	3,040	3,030	3,080	3,190	3,270	3,410
Indio	21,611	36,793	41,300	41,400	42,100	42,800	43,800	44,500
Lake Elsinore	5,982	18,285	23,650	24,550	25,600	26,650	27,750	29,300
La Quinta	-	11,215	16,300	17,100	18,050	19,950	20,450	21,750
Moreno Valley	-	118,779	132,100	131,900	133,400	134,600	137,200	139,100
Murrieta	-	-	30,250	32,550	34,550	36,600	39,000	41,550
Norco	19,732	23,302	24,350	24,250	24,500	24,650	25,500	25,500
Palm Desert	11,081	23,252	26,750	32,750	33,450	34,150	35,150	36,300
Palm Springs	32,359	40,181	41,650	41,300	41,700	41,900	42,650	42,900
Perris	6,827	21,460	29,600	30,250	30,500	30,300	31,050	31,550
Rancho Mirage	6,281	9,778	10,500	10,450	10,550	10,700	11,050	11,400
Riverside	170,591	226,505	239,600	241,100	243,400	245,200	250,800	254,300
San Jacinto	7,098	16,210	23,500	23,550	23,900	24,250	24,850	25,250
Temecula	-	27,099	35,750	39,000	41,850	43,750	46,550	48,850
TOTALS:								
Incorporated	385,914	785,027	955,900	979,300	1,001,300	1,021,490	1,057,070	1,085,010
Unincorporated	248,009	385,386	376,100	376,300	380,500	378,900	384,100	388,400
County-Wide	<u>633,923</u>	<u>1,170,413</u>	<u>1,332,000</u>	<u>1,355,600</u>	<u>1,381,900</u>	<u>1,400,390</u>	<u>1,441,170</u>	<u>1,473,410</u>
California	23,668,562	29,473,000	31,960,623	32,344,074	32,231,000	32,670,000	33,252,000	33,773,100

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

Source: U.S. Census Bureau, except California 1994, 1995, 1996, 1997, 1998 and 1999 data is from the State Department of Finance and the State Employment Development Department.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 1996 through 1998.

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

	Total Effective Buying Income ⁽¹⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
1996			
Riverside County	\$ 18,120,962	\$31,337	24.5%
California	492,516,991	35,216	31.7
1997			
Riverside County	\$ 19,477,361	\$32,690	27.1%
California	524,439,600	36,483	33.5
1998			
Riverside County	\$ 20,543,675	\$33,089	28.0%
California	551,999,317	37,091	34.6

⁽¹⁾ Dollars in thousands.

Source: “Survey of Buying Power,” Sales & Marketing Management Magazine, dated 1997, 1998 and 1999.

INDUSTRY AND EMPLOYMENT

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

RIVERSIDE-SAN BERNARDINO PMSA ANNUAL AVERAGE EMPLOYMENT

(IN THOUSANDS)

INDUSTRY	1995	1996	1997	1998	1999
Agriculture	21.8	21.3	21.7	21.6	21.6
Construction	43.1	46.2	52.1	60.8	70.0
Finance, Insurance and Real Estate	29.4	29.6	29.8	30.6	32.0
Government	162.6	167.3	171.6	174.7	183.2
Manufacturing:					
Nondurables	32.4	33.3	34.3	35.3	37.4
Durables	62.0	65.9	70.5	76.1	80.9
Mining	1.1	1.2	1.2	1.0	0.9
Retail Trade	170.0	172.6	177.8	181.0	186.7
Services	202.6	208.7	221.5	234.9	248.8
Transportation and Public Utilities	40.8	41.1	42.5	45.7	48.7
Wholesale Trade	35.9	37.5	40.2	42.2	45.0
Total, All Industries	<u>801.7</u>	<u>824.8</u>	<u>863.1</u>	<u>903.8</u>	<u>955.2</u>

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

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

The following table sets forth the major employers located in the County as of January 24, 2000:

COUNTY OF RIVERSIDE

MAJOR EMPLOYERS⁽¹⁾

COMPANY NAME	LOCATION	PRODUCT/SERVICE	NUMBER OF EMPLOYEES
County of Riverside	Countywide	Government	14,096
March Air Reserve Base	March Air Reserve Base	Military	7,200
University of California, Riverside	Riverside	Education	6,281
Stater Bros. Markets	Countywide	Supermarkets	5,200
Riverside Unified School District	Riverside	Education	3,642
Moreno Valley Unified School District	Moreno Valley	Education	3,400
Corona-Norco Unified School District	Corona	Education	3,059
Wal-Mart Stores Inc.	Countywide	Retail	2,870
Ralphs/Food 4 Less	Countywide	Supermarkets	2,820
Fleetwood Enterprises Inc.	Riverside	Manufacturing	2,618
Kaiser Permanente Medical Center	Riverside	Health Care	2,598
Guidant Corp.	Temecula	Medical Devices	2,300
Valley Health System	Hemet	Health Care	2,200
City of Riverside	Riverside	Government	2,168
Alvard Unified School District	Riverside	Education	2,036
Palm Springs Unified School District	Palm Springs	Education	2,000
Eisenhower Medical Center	Rancho Mirage	Health Care	1,881
Jurupa Unified School District	Riverside	Education	1,880
Marriot's Desert Springs Resort & Spa	Palm Desert	Hotel Resort	1,839
Riverside Community College	Riverside	Education	1,781
Temecula Valley Unified School District	Temecula	Education	1,738
Lake Elsinore Unified School District	Lake Elsinore	Education	1,715
Hemet Unified School District	Hemet	Education	1,600
KSL Desert Resorts Inc.	La Quinta	Hotel Resort	1,600
Vons, a Safeway Co.	Countywide	Supermarkets	1,564

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

Source: The Business Press

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

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	1995	1996	1997	1998	1999
County ⁽¹⁾	9.5%	8.2%	6.9%	6.1%	5.1%
California ⁽¹⁾	7.8%	7.2%	6.3%	5.9%	5.2%
United States	5.6%	5.4%	4.9% ⁽²⁾	4.5% ⁽²⁾	4.2% ⁽³⁾

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

⁽²⁾ Not strictly comparable with data for prior years.

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

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

Commercial Activity

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

The following table sets forth taxable transactions in the County for the years 1994 through 1998:

COUNTY OF RIVERSIDE					
TAXABLE SALES TRANSACTIONS					
(IN THOUSANDS)					
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>
Apparel Stores	\$ 406,973	\$ 421,007	\$ 474,384	\$ 488,625	\$ 498,753
General Merchandise Stores	1,196,137	1,230,975	1,265,305	1,331,898	1,456,256
Drug Stores	154,096	161,004	164,333	166,214	171,893
Food Stores	648,486	657,598	696,627	734,532	758,829
Packaged Liquor Stores	53,418	53,928	53,700	52,002	48,761
Eating and Drinking Places	884,970	919,233	979,535	1,030,655	1,117,921
Home Furnishing and Appliances	289,604	316,508	325,941	328,893	367,812
Building Materials & Farm Implements	633,273	649,490	709,568	831,063	998,256
Auto Dealers and Auto Supplies	1,283,950	1,387,403	1,498,842	1,565,935	1,724,833
Service Stations	741,435	767,675	836,767	855,454	793,252
Other Retail Stores...	838,874	870,593	998,359	1,122,639	1,339,882
Retail Stores Total ...	<u>\$7,131,216</u>	<u>\$ 7,345,414</u>	<u>\$ 8,003,361</u>	<u>\$ 8,507,910</u>	<u>\$ 9,276,448</u>
All Other Outlets.....	<u>2,683,317</u>	<u>2,885,204</u>	<u>3,135,800</u>	<u>3,464,361</u>	<u>3,864,406</u>
Total All Outlets	<u><u>\$9,814,533</u></u>	<u><u>\$10,320,618</u></u>	<u><u>\$11,139,161</u></u>	<u><u>\$11,972,271</u></u>	<u><u>\$13,140,854</u></u>

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

Building and Real Estate Activity

The first two tables that follow provide a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 1995. The high for single-family building permits occurred in 1999. The third table below reflects average home sales and average home sale prices for the same five-year period.

COUNTY OF RIVERSIDE

Building Permit Valuations

(In Thousands)

	1995	1996	1997	1998	1999
Residential					
..... New Single-Family	\$ 889,568.3	\$ 978,267.3	\$1,323,348.9	\$1,784,078.1	\$2,277,686.8
..... New Multi-Family	13,522.4	28,800.4	62,535.2	92,814.4	134,726.0
..... Residential Alterations & Adjustments	<u>35,703.3</u>	<u>42,253.4</u>	<u>54,470.7</u>	<u>55,684.7</u>	<u>65,845.2</u>
..... Total Residential	\$ 938,794.0	\$1,049,321.1	\$1,440,354.8	\$1,932,577.2	\$2,478,258.0
Non-Residential					
..... New Commercial	\$ 137,075.1	\$ 140,011.7	\$ 239,902.7	\$ 233,263.3	\$ 255,646.1
..... New Industry	31,806.4	51,167.1	97,515.7	118,308.3	112,238.5
..... New Other ⁽¹⁾	58,034.4	48,852.2	77,980.6	103,420.1	113,503.0
..... Alterations & Adjustments	<u>106,808.7</u>	<u>77,499.2</u>	<u>101,553.8</u>	<u>135,949.7</u>	<u>126,079.4</u>
..... Total NonResidential	\$ 333,724.6	\$ 317,530.2	\$ 516,952.9	\$ 590,941.6	\$ 607,467.0
Total All Building	<u>\$1,272,518.6</u>	<u>\$1,366,851.3</u>	<u>\$1,957,307.7</u>	<u>\$2,523,518.9</u>	<u>\$3,085,725.0</u>

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

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE

Number of New Dwelling Units

	1995	1996	1997	1998	1999
Single Family	6,803	7,021	8,678	10,758	12,671
Multi-Family	143	478	1,106	1,735	2,010
TOTAL.....	<u>6,946</u>	<u>7,499</u>	<u>9,784</u>	<u>12,493</u>	<u>14,681</u>

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE

New Homes Sold⁽¹⁾

	1995	1996	1997	1998	1999
Median Values					
Median Price	\$150,800	\$148,000	\$152,200	\$170,100	\$184,700
Living Area per Square Feet	1,915	1,810	1,885	2,000	2,030
Price per Square Feet	\$78.75	\$81.77	\$80.74	\$85.05	\$90.98
Average Values					
Average Price	\$163,400	\$163,400	\$171,200	\$181,800	\$210,800
Living Area per Square Feet	1,995	1,955	2,040	2,080	2,200
Price per Square Feet	\$83.91	\$83.58	\$83.92	\$87.40	\$95.82

⁽¹⁾ Not adjusted for inflation

Source: Construction Industry Research Board

Agriculture

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

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

The value of agricultural production in the County for 1994 through 1998 is presented in the following table.

COUNTY OF RIVERSIDE

Value of Agricultural Production

	1994	1995	1996	1997	1998
Citrus Fruits.....	\$ 107,022,600	\$ 109,557,400	\$ 114,470,300	\$ 85,602,500	\$ 110,869,000
Trees and Vines.....	214,397,400	229,793,200	195,393,800	201,322,500	248,126,000
Vegetables, Melons, Miscellaneous.....	141,751,000	228,196,000	164,700,700	164,748,200	204,511,200
Field and Seed Crops	82,186,100	79,408,100	84,880,100	90,136,200	77,180,200
Nursery	79,537,200	71,169,100	81,942,600	82,827,400	94,549,900
Apiculture.....	5,815,100	4,279,500	6,306,300	5,375,700	6,539,300
Aquaculture Products.....	14,995,400	15,604,800	17,681,900	12,535,300	10,431,000
Total Crop Valuation.....	<u>\$ 645,704,800</u>	<u>\$ 738,008,100</u>	<u>\$ 665,375,700</u>	<u>\$ 642,547,800</u>	<u>\$ 752,208,100</u>
Livestock and Poultry Valuation	423,781,200	425,422,200	476,444,100	431,374,900	447,298,600
Grand Total.....	<u><u>\$1,069,486,000</u></u>	<u><u>\$1,163,430,300</u></u>	<u><u>\$1,141,819,800</u></u>	<u><u>\$1,073,922,700</u></u>	<u><u>\$1,199,506,700</u></u>

Source: Riverside County Agricultural Commissioner

Transportation

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego Counties is important to the County's employment picture. Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the

County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north and then east to Las Vegas, and south to San Diego. The Moreno Valley Freeway (State Route 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

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

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

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

Education

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

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

Environmental Control Services

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

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

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

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

FINANCIAL INFORMATION

Budgetary Process and Budget

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

Fiscal Year 1999-2000 Final Budget

General

The County adopted its Fiscal Year 1999-00 Final Budget (the "Final Budget") on July 20, 1999. The Final Budget approved total General Fund expenditures of \$1.4 billion. Such expenditures are for primary County services including public protection, health and sanitation and public assistance. These three areas comprise approximately 85% of the County's total expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. Approximately 56% of the Final Budget is to be paid from State and Federal sources. The portion of the County's revenue that is not dependent upon State and Federal sources is considered to be "discretionary." The County uses the discretionary portion of General Fund revenues to match, if necessary, external sources of revenue and fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were \$52.9 million in Fiscal Year 1995-96, \$55.6 million in Fiscal Year 1996-97, \$59.2 million in Fiscal Year 1997-98, \$63.16 in Fiscal Year 1998-99 and is estimated at \$71.5 million in Fiscal Year 1999-00.

Beginning in Fiscal Year 1993-94, and continuing through Fiscal Year 1998-99, the County experienced a structural deficit where its general fund expenditures exceeded its general fund revenues. See "Financial Statements and Related Issues" below. The structural deficit experienced by the County since Fiscal Year 1993-94 was caused primarily by a shift in property taxes by the State from counties to the Education Revenue Augmentation Fund ("ERAF") for school and community college districts. This structural deficit has been eliminated in Fiscal Year 1999-00 through a combination of budget reductions each fiscal year and increased revenues in recent years.

In 1999, the California Public Employee's Retirement System (PERS) (see "Retirement Program" section in this APPENDIX A) notified that County that, because of exceptional performance of investments, the County's contribution for Fiscal Year 1999-00 rate would be zero percent (0.0%). This provided the County with a cost savings of \$23.3 million, of which \$19 million was attributable to the County's General Fund. The County hired a consultant to independently validate the PERS savings and project future year's rates. The resulting report validated the Fiscal Year 1999-00 rate of zero percent and projected a continued zero percent for up to 30 years, an annual cost savings to the County of \$30 million.

On August 5, 1998 the State of California and participating California Counties and Cities entered into a Memorandum of Understanding (MOU) which allocates a portion of tobacco settlement proceeds to the participating counties and cities. On December 9, 1998 the Master Settlement Agreement (MSA) between participating States and various tobacco companies received court approval. The County's portion of the settlement is approximately \$15 million per year. The State of California has received the first three initial settlement payments under the MSA. *Riverside County's* share of these initial payments were \$5,560,103, \$4,858,155 and \$7,811,826, respectively. The continued receipt of these settlement payments depends upon the ability of the tobacco companies to make continued payments under the MSA. See "RISK FACTORS – Limitations on Sources of Revenues."

On January 25, 2000, the County Executive Officer released the mid-year budget report. Most discretionary revenues appear to be tracking favorably with year-end estimates exceeding original budget estimates

by \$9.9 million. Included in the report was an increase of Contingency by \$10.9 million as a result of the increased discretionary revenues and various other budget adjustments.

In the mid-year budget report, the County Executive Officer recommended certain changes to the County's Long Range Financial Strategy. Two key changes are (i) to maintain a contingency equal to 10 percent of projected General Fund discretionary revenues instead of a contingency of two percent of gross General Fund appropriations, and (ii) to restructure the General Fund to include only budget units that obtain a substantial percentage of their support from General Fund discretionary revenues. This second change will require many large budget units supported mostly, if not entirely, through state, federal or other outside sources to be moved into special revenue or enterprise funds as deemed appropriate by the Auditor-Controller's Office.

The County recently presented its third quarter budget report to the County Board of Supervisors. The report did not disclose any materially negative impacts on the County general fund during the third quarter other than as described below under " — Recent Medical Center Financial Developments."

Recent Medical Center Financial Developments

The County Board of Supervisors recently received a Riverside County Regional Medical Center Financial Status Report March 14, 2000 (the "RCRMC Report"). The RCRMC Report concludes that (i) the financial viability of the RCRMC continues to erode due to an increased volume of medically indigent patients, (ii) the County's enterprise fund for the RCRMC is projected to have negative retained earnings of approximately \$15.4 million in Fiscal Year 1999-00, which will have a direct impact on the General Fund, (iii) required contributions to the RCRMC Enterprise Fund from the General Fund are expected to continue indefinitely. The County is seeking outside expertise to assist in evaluating hospital revenues, finance and costs.

Property Tax Appeals

The County has received assessment appeals applicable to Fiscal Year 1999-2000 totaling approximately \$2.2 billion. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. See "Ad Valorem Property Taxes" section in this APPENDIX A. A total of \$1.1 billion of assessments, representing \$11 million in general purpose taxes, was reduced from the County tax roll for Fiscal year 1997-1998 and Fiscal Year 1998-1999, representing 16% of the total assessed valuation which was appealed. Virtually all of the appeals applicable to Fiscal Year 1997-1998 have been completed. The remainder of the Fiscal Year 1998-1999 and the Fiscal Year 1999-2000 assessment appeals are expected to be completed by June 1, 2001.

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 2000-2001 budget will be determined primarily by three components: (i) the remainder of the Fiscal Year 1997-1998 and Fiscal Year 1998-1999 assessment appeals still to be completed; (ii) approximately 45% of the Fiscal Year 1999-2000 appeals being completed during Fiscal Year 1999-2000; and (iii) additional assessment revenue of approximately \$3 million, which the County Assessor projects will be billed during Fiscal Year 1999-2000 and reduce the impact of the Fiscal Year 1999-2000 appeals.

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

**COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS
FISCAL YEARS 1997-98 , 1998-99 AND
1999-00
(IN MILLIONS)**

	Final 1997-98 Budget	Final 1998-99 Budget	Final 1999-00 Budget
REQUIREMENTS			
General Government	\$ 54.0	\$ 55.3	\$ 81.8
Public Protection	400.6	432.5	465.0
Health and Sanitation	218.1	244.5	254.4
Public Assistance	400.1	386.6	445.5
Education	0.3	0.3	0.3
Recreation and Cultural	0.5	0.5	0.2
Debt Retirement-Capital Leases	30.9	99.3	105.7
Contingencies	10.0	17.2	13.6
Increase Reserves	-	-	-
Total Requirements.....	\$ 1,114.5	\$ 1,236.2	\$ 1,366.5
AVAILABLE FUNDS			
Beginning Unrestricted Fund Balance	\$ 12.4	\$ 22.9	\$ 17.7
Estimated Revenues:			
Property Taxes	114.9	119.5	121.3
Other Taxes	24.4	22.1	25.0
Licenses, Permits and Franchises	13.2	14.6	13.3
Fines, Forfeitures and Penalties	11.5	27.8	29.2
Use of Money and Properties	21.6	22.1	21.6
Aid from Other Governmental Agencies:			
State	482.5	432.9	474.1
Federal	188.5	261.4	302.7
Other	0.2	0.2	0.2
Charges for Current Services	163.8	173.2	197.9
Other Revenues ⁽¹⁾	18.5	139.5	163.5
Total Available Funds	\$ 1,114.5	\$ 1,236.2	\$1,366.5

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

Source: County Auditor-Controller

Funding by State and Federal Government

For Fiscal Year 1999-00, approximately 34.7% of the County's General Fund budget consists of payments from the State and 22.2% consists of payments from the Federal Government.

Ad Valorem Property Taxes

Approximately 8.9% of the County's Final Budget for Fiscal Year 1999-00 consists of ad valorem property tax collections (see table entitled "Final General Fund Budgets" above). Taxes are levied for each Fiscal Year (July 1 to June 30, inclusive) on taxable real and personal properties that are situated in the County as of the preceding January 1.

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

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

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

The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rented premises, which is not secured by the underlying property. Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% of the delinquent taxes per month begins to accrue beginning November 1 of the Fiscal Year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) instituting a civil action against the taxpayer, (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's Office in order to obtain a lien on certain property of the taxpayer, and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

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

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

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

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1990-91 THROUGH 1999-00**

SECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Secured Property Tax Levy	Current Levy Delinquent June 30	Percentage of Current Taxes Delinquent June 30 ⁽³⁾	Total Collections ⁽²⁾	Percentage of Total Collections to Current Levy
1990-91	\$759,601,032	\$57,775,923	7.61%	\$734,111,019	96.64%
1991-92	862,080,813	78,426,843	9.10%	834,017,357	96.74%
1992-93	930,930,604	84,479,336	9.07%	912,871,160	98.06%
1993-94	941,680,298	76,547,902	8.13%	954,696,240	101.38%
1994-95	948,727,678	68,916,650	7.26%	973,953,378	102.66%
1995-96	958,384,214	55,095,925	5.75%	983,383,857	102.61%
1996-97	948,771,329	50,879,482	5.36%	979,546,891	103.24%
1997-98	947,845,458	50,804,517	5.36%	989,879,458	104.34%
1998-99	964,844,308	43,413,279	4.50%	1,015,412,611	105.20%
1999-00	1,020,311,257	39,123,776 ⁽⁴⁾	3.80% ⁽⁴⁾	1,073,845,025 ⁽⁴⁾	105.24% ⁽⁴⁾

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

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

⁽³⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽⁴⁾ Estimate only.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

<u>Fiscal Year</u>	<u>Unsecured Property Tax Levy</u>	<u>Total Collections⁽²⁾</u>	<u>Percentage of Total Collections to Original Levy</u>
1990-91	\$25,008,546	\$26,308,353	105.20%
1991-92	26,672,999	30,078,277	112.77%
1992-93	27,519,547	29,688,067	107.88%
1993-94	28,148,126	30,177,206	107.21%
1994-95	27,925,546	30,376,694	108.78%
1995-96	28,779,287	31,649,332	109.97%
1996-97	29,750,582	32,192,685	108.21%
1997-98	29,470,141	32,449,742	110.11%
1998-99	34,146,467	34,311,411	102.00%
1999-00	37,937,325	36,751,293 ⁽³⁾	97.00% ⁽³⁾

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

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

⁽³⁾ Estimate only.

Source: County Auditor-Controller

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1990-91 THROUGH 1998-99**

<u>Fiscal Year</u>	<u>Tax Levy for Increased Assessments⁽¹⁾⁽²⁾</u>	<u>Refunds for Decreased Assessments⁽¹⁾</u>	<u>Net Tax Levy</u>	<u>Collections⁽¹⁾⁽³⁾</u>
1990-91	\$59,427,159	\$1,819,284	\$57,607,875	\$48,128,084
1991-92	35,777,800	1,988,481	33,789,319	31,876,976
1992-93	24,629,702	2,785,323	21,844,379	20,595,982
1993-94	15,525,496	4,314,271	11,211,225	14,014,151
1994-95	16,194,896	6,638,055	9,556,841	21,860,083
1995-96	14,185,628	6,895,458	7,290,170	15,806,432
1996-97	13,990,281	6,638,692	7,351,589	14,724,507
1997-98	21,720,736	8,089,710	13,624,026	19,755,383
1998-99	31,007,626	6,446,611	24,561,015	28,675,990

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

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

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

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

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
FISCAL YEARS 1995-96 THROUGH 1999-00
(IN MILLIONS)

Category	1995-96	1996-97	1997-98	1998-99	1999-00
SECURED PROPERTY:					
Land	\$ 27,027	\$ 26,534	\$ 26,442	\$ 26,294	\$ 27,570
Structures	43,597	43,526	43,551	44,465	47,710
Personal Property.....	656	610	667	710	735
Utilities.....	2,360	2,261	2,375	2,303	2,383
Total Secured.....	\$ 73,640	\$ 72,931	\$ 73,035	\$ 73,772	\$ 78,398
UNSECURED PROPERTY:					
Land	\$33	\$29	\$18	\$16	\$14
Improvements	1,289	1,316	1,223	1,330	1,530
Personal Property.....	1,339	1,391	1,478	1,712	2,097
Total Unsecured.....	\$ 2,661	\$ 2,736	\$ 2,719	\$ 3,058	\$ 3,641
Grand Total.....	\$ 76,301	\$ 75,667	\$ 75,754	\$ 76,830	\$ 82,039

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

Source: County Auditor-Controller/County Assessor

Largest Taxpayers

The 15 largest taxpayers in the County, as shown on the Fiscal Year 1999-00 tax roll, and the approximate amounts of their property tax payments (for all taxing jurisdictions within the County) for such Fiscal Year are shown below. The total amount of property taxes levied on these taxpayers in Fiscal Year 1999-00 (as indicated in the table below) represented approximately 4.7% of the total levy.

**COUNTY OF RIVERSIDE
FIFTEEN LARGEST TAXPAYERS IN FISCAL YEAR 1999-00
SECURED AND UNSECURED ASSESSMENTS**

Taxpayer	Nature of Business	Total Taxes Levied in Fiscal Year 1999-00 ⁽¹⁾
General Telephone of California	Public Utility	\$ 8,897,905
Southern California Edison Company	Public Utility	7,855,803
Southern California Gas Co.	Public Utility	3,312,674
Pacific Bell	Public Utility	3,017,031
KSL Desert Resorts, Inc.	Real Estate Development Co.	2,653,240
McKenzie Vista	Residential/Comm Land Dev.	2,617,688
Altamira Venture	Land Developer	2,514,697
Secretary Housing & Urban Dev. OTR	HUD-Govt. Repossessed Housing Retail Sales	2,175,386 2,138,438
Pardee Grossman Cottonwood Canyon	Land Developer	2,049,735
Desert Springs Marriott Ltd. Partnership	Hotel	1,988,856
Kaiser Foundation Health Plan, Inc.	Health Services Provider	1,608,977
Metal Container Corp.	Manufacturing	1,577,597
International Rectifier Corp.	Manufacturing Co.	1,574,043
Lennar Homes of California Inc.	Land Developer	<u>1,553,821</u>
TOTAL		<u>\$45,535,893</u>

⁽¹⁾ Dollar amounts have been rounded.

Source: County Treasurer and Tax Collector

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For Fiscal Year 1999-00, the County retained approximately 12% of the total amount collected. The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

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

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base, except for those instances where the affected taxing agencies have negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds.

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

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 1990-91 THROUGH 1999-00**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
1990-91	\$6,450,868,018	\$ 9,925,810,568	\$102,230,480
1991-92	6,512,902,547	11,876,128,279	122,040,076
1992-93	6,691,403,381	13,381,230,705	136,924,493
1993-94	6,718,110,520	14,104,775,709	143,596,496
1994-95	7,624,042,510	14,270,345,110	146,456,151
1995-96	8,153,019,644	14,511,477,774	147,112,474
1996-97	8,168,238,236	14,310,497,618	145,706,128
1997-98	8,999,886,482	14,615,580,607	146,573,738
1998-99	9,198,183,768	15,066,118,043	152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171 ⁽³⁾⁽⁴⁾

⁽¹⁾ Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.

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

⁽³⁾ Of the total tax allocation in Fiscal Year 1999-00, \$44,856,146 (Est.) is attributable to amounts that would have accrued to the County's General Fund. Of this amount, \$24,400,000 (Est.) is returned to the General Fund through negotiated agreements.

⁽⁴⁾ Estimate.

Source: County Auditor-Controller

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

The County has formed a redevelopment agency with project areas in 34 unincorporated communities. As of June 30, 1999, the County Redevelopment Agency had a total land area of 42,203 acres and a base year assessed value, including State-owned land, of \$1,617,305,356. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in Fiscal Year 1999-00 was estimated at \$3,507,683.

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 auxiliary funds use the modified accrual basis of accounting. This system recognizes revenues in the accounting period in which they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized in the accounting period in which the fund liability is incurred. Proprietary funds use

the accrual basis of accounting, and revenues are recognized in the accounting period in which they are earned and become measurable, while expenses are recognized in the period during which they are incurred.

The California Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board and must be conducted annually. The County's financial statements for the Fiscal Year ended June 30, 1999 were audited by Ernst & Young LLP. See Appendix B -- "COMBINED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED JUNE 30, 1999."

COUNTY OF RIVERSIDE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES - GENERAL FUND
FISCAL YEARS 1994-95 THROUGH 1998-99

	1994-95	1995-96	1996-97	1997-98	1998-99
BEGINNING UNRESERVED FUND BALANCE	\$77,502,509	\$40,372,450	\$26,109,617	\$34,511,120	\$36,533,668 ⁽¹⁾
REVENUES					
Taxes	149,325,363	137,747,812	129,910,641	146,354,395	142,637,116
Licenses, permits and franchises	11,651,855	14,669,980	13,275,402	13,272,753	10,339,119
Fines, forfeitures and penalties	8,531,586	11,781,100	9,330,192	19,353,225	26,416,586
Use of money and property	18,077,231	18,867,385	18,322,249	18,236,264	21,370,266
Rents and concessions	569,848	222,047	356,800	175,407	624,078
Government Aid - State	394,606,021	448,202,740	471,124,085	448,254,658	422,853,599
Government Aid - Federal	196,277,082	205,390,052	200,496,660	200,085,515	271,756,181
Charges for current services	120,167,666	158,740,779	122,343,902	135,537,821	145,062,960
Other revenues	24,071,933	24,096,493	12,177,060	23,804,888	41,208,104
TOTAL REVENUES	\$923,278,585	\$1,019,718,388	\$997,336,991	\$1,005,074,926	\$1,082,365,989
EXPENDITURES					
General government	\$80,931,596	\$64,568,222	\$54,181,432	\$74,813,540	\$68,712,137
Public protection	326,815,182	324,222,776	348,336,538	416,469,800	434,611,414
Health and sanitation	207,731,264	202,542,004	225,021,097	242,435,840	248,824,822
Public assistance	389,421,142	421,710,647	389,625,079	362,108,718	386,585,794
Education	277,932	288,193	301,570	263,663	284,499
Recreation and cultural	237,479	320,492	478,561	474,250	284,892
Capital Outlay	1,161,000	3,580,000	20,873,023	26,953,182	5,416,872
Debt service and capital leases	4,049,202	7,515,154	6,232,487	27,179,824	55,031,824
TOTAL EXPENDITURES	\$1,010,624,797	\$1,024,747,488	\$1,045,049,787	\$1,150,698,817	\$1,199,752,254
Excess (deficit) of revenues over expenditures	(87,346,212)	(5,029,100)	(67,712,796)	(145,623,891)	(117,366,065)
Change in reserve for encumbrance	(606,067)	2,039,209	104,287	2,676,572	(1,498,954)
Changes in other reserves	(639,339)	(3,155,188)	1,222,687	(73,112,006) ⁽²⁾	5,857,578
Transfer from other funds	70,568,836	40,513,787	107,066,055	107,752,445	104,602,134
Transfer to other funds	(20,268,277)	(52,211,541)	(53,151,853)	(21,766,993)	(25,804,534)
Capital Leases	1,161,000	3,580,000	20,873,123	26,953,182	5,416,672
Bond Issuance				105,132,600	26,990,000
Ending Unreserved Fund Balance:	\$40,372,450	\$26,109,617	\$34,511,120	\$36,523,029	\$34,730,499
Less: Designated Unreserved Fund Balance	3,022,083	3,802,633	3,220,093	20,237,000	1,585,304
UNDESIGNATED UNRESERVED FUND BALANCE	\$37,350,367	\$22,306,984	\$31,291,027	\$16,286,029	\$33,145,195

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

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

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 1995 THROUGH JUNE 30, 1999**

	1995	1996	1997	1998	1999
ASSETS					
Cash & Marketable Securities	\$ 0 ⁽¹⁾	\$ 0 ⁽¹⁾	\$ 0 ⁽¹⁾	\$ 0 ⁽¹⁾	\$ 0 ⁽¹⁾
Taxes Receivable.....	4,272,058	4,341,392	3,591,988	52,223,884 ⁽⁴⁾	38,919,498
Accounts Receivable.....	6,845,917	9,187,427	5,149,225	11,460,818	47,679,808
Interest Receivable.....	1,269,669	1,603,010	1,781,826	2,651,642	1,551,012
Advances to Other Funds.....	2,322,657	2,149,500	2,034,800	1,739,500	8,859,840
Due from Other Funds.....	89,135,608 ⁽²⁾	298,438,737	95,380,994	146,849,698	145,350,442 ⁽²⁾
Due from Other Governments	65,559,240	67,669,625	83,398,093	110,825,850	116,077,410
Deposits.....	2,469,996	2,469,996	2,469,996	2,469,996	2,469,746
Inventories.....	2,259,056	2,108,994	2,247,020	2,468,450	2,487,057
Prepaid Expenses.....	765,439	1,831,441	41,659	41,659	41,694
Restricted Assets.....				25,489,263 ⁽⁵⁾	261,872,746 ⁽⁶⁾
Total Assets.....	\$164,899,640	\$389,800,122	\$196,095,601	\$356,220,760	\$625,309,253
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Accounts Payable.....	\$ 8,213,469	\$ 6,828,701	\$ 4,403,116	\$ 2,699,052	\$ 6,083,147
Salaries & Benefits Payable..	13,894,157	12,061,327	15,131,707	17,100,971	20,204,862
Due to Other Funds.....	8,352,508	49,427,092	52,416,151	97,173,232	104,471,624
Due to Other Governments...	9,362,095	3,089,295	2,453,900	11,108,851	29,742,065
Tax and Revenue Anticipation					
Notes Payable.....		160,000,000 ⁽³⁾			
Deferred Revenue.....	66,985,942	105,933,037	69,671,683	103,671,666	0
Interest Payable.....		7,515,556			111,492,411
Bonds & Notes Payable.....					235,000,000
Total Liabilities.....	\$106,808,171	\$344,855,008	\$144,076,557	\$231,753,772	\$506,994,109
FUND BALANCE:					
Reserved.....	\$ 17,719,019	\$ 18,835,497	\$ 17,508,024	\$ 87,943,959 ⁽⁴⁾	\$ 83,584,645
Unreserved.....	40,372,450	26,109,617	34,511,020	36,523,029	34,730,499
Fund Balance.....	\$ 56,091,469	\$ 44,945,114	\$ 52,019,044	\$124,466,988	\$118,315,144
Total Liabilities & Fund Balance.....	\$164,899,640	\$389,800,122	\$196,095,601	\$356,220,760	\$625,309,253

(1) The General Fund experienced a negative cash balance of \$7,548,000 at June 30, 1995, \$49,420,000 at June 30, 1996, \$52,416,000 at June 30, 1997, \$96,484,000 at June 30, 1998 and \$104,406,000 at June 30, 1999 which is reported as an interfund borrowing. There was a total of \$371,166,000 available to cover the negative cash balance on June 30, 1998 and \$104,406,000 at June 30, 1998. There was a total of \$409,525,000 available to cover the negative cash balance on June 30, 1999.

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

(3) The County's annual note borrowing usually matures on June 30. Because June 30, 1996 occurred on a weekend, the note payable was carried forward and paid off on Monday, July 1, 1996.

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

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

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

Source: County Auditor-Controller.

Long-Term Obligations of County

During its 105 years of existence, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of March 1, 2000, the County had no direct general obligation bonded indebtedness, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of March 1, 2000.

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

RIVERSIDE COUNTY

1999-00 Assessed Valuation: \$81,367,642,126 (includes unitary utility valuation)
 Redevelopment Incremental Valuation: 16,786,158,498
 Adjusted Assessed Valuation: \$64,581,483,628

<u>DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/00</u>
Riverside County	100.000%	\$ 0 (1)
Metropolitan Water District	4.809	26,430,985
Unified School Districts	91.207-100.	280,070,856
City of Corona	100.000	7,320,000
Eastern Municipal Water District Improvement Districts	100.000	15,270,000
Elsinore Valley Municipal Water District Improvement District No. U2	100.000	2,800,000
Coachella County Water District Improvement Districts	100.000	28,665,250
Rancho California Water District	100.000	25,125,000
Other Water Districts	Various	776,500
Other Special Districts	100.000	300,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		\$386,758,591
Less: Eastern Municipal Water District and High Valleys Water District self-supporting bonds		<u>1,174,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT		\$385,584,591

<u>DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT AND ASSESSMENT DEBT:</u>		
Riverside County General Fund Obligations	100.0000%	\$ 546,864,552
Riverside County Board of Education Obligations	100.0000	16,997,115
School Districts General Fund and Lease Tax Obligations	13.095-100.	360,491,675
City of Palm Springs Certificates of Participation	100.0000	74,356,000
City of Riverside General Fund Obligations	100.0000	16,665,000
City of Corona Certificates of Participation	100.0000	21,805,000
City of Moreno Valley Certificates of Participation	100.0000	23,840,000
Other City General Fund Obligations	100.0000	61,550,236
Elsinore Valley Municipal Water District Certificates of Participation	100.0000	59,133,711
Rancho California Water District Water Facilities Corporation	100.0000	177,814,290
Other Water District Certificates of Participation	Various	21,598,382
Other Special District Certificates of Participation and Benefit Assessment Districts	Various	21,900,564
Community Facilities Districts	100.0000	829,798,851
Riverside County 1915 Act Bonds	100.0000	107,180,000
City and Special District 1915 Act Bonds (Estimated)	100.0000	<u>256,719,404</u>
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		\$2,596,714,780
Less: Riverside County Administrative Center Authority (100% self-supporting from tax increment revenues)		6,725,000
City of Palm Springs Wastewater Certificates of Participation		2,895,560
Temecula Unified School District Certificates of Participation (self-supporting from tax increment revenues)		6,395,000
Elsinore Valley Municipal Water District Certificates of Participation self-supporting bonds		59,133,711
Other Special District self-supporting bonds		1,050,922
Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		<u>19,055,000</u>
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION AND ASSESSMENT DEBT		\$2,501,459,587
GROSS COMBINED TOTAL DEBT		\$2,983,473,371 (2)
NET COMBINED TOTAL DEBT		\$2,887,044,178

(1) Excludes notes to be sold.

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

Ratios to 1999-00 Assessed Valuation:

Direct General Obligation Debt	0.00%
Gross Direct and Overlapping General Obligation Debt	0.48%
Net Direct and Overlapping General Obligation Debt	0.47%

Ratios to Adjusted Assessed Valuation:

Combined Gross Direct Debt (\$546,864,552)	0.85%
Combined Net Direct Debt (\$540,139,552)	0.84%
Combined Gross Debt	4.62%
Combined Net Debt	4.47%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: \$108,519

Source: California Municipal Statistics, Inc.

Teeter Obligations

In 1993, the Board adopted the Teeter Plan as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to taxing agencies within the County (see "Other Taxing Agencies" below) on the basis of the tax levy, rather than on the basis of actual tax collections. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 1997-98, 71% of all taxing entities are participating in the Teeter Plan.

On September 14, 1999 the County issued \$13,900,000 County of Riverside Teeter Obligation Taxable Commercial Paper Notes, Series A and \$46,700,000 County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B. The Notes are secured by a letter of credit. The County's General Fund is pledged to the repayment of the Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make the annual repayment.

Lease Obligations

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

The following tables summarize the County's outstanding lease rental obligations as of March 1, 2000, and their annual lease requirements.

COUNTY OF RIVERSIDE
Summary of Lease Rental Obligations
(Payable from the County's General Fund)

	Final Maturity Year	Original Issue Amounts	Obligations Outstanding	Annual Base Rental ⁽¹⁾
Riverside County Public Facilities Project 1985 Certificates of Participation - Type I	2015	\$148,500,000	\$119,100,000	\$11,100,270 ⁽²⁾
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	7,854,000	1,005,244 ⁽³⁾
County of Riverside, Equipment 1988A	2000	51,255,000	405,000	2,011,045 ⁽³⁾
Riverside County Hospital Project, Leasehold Revenue Bonds 1993 Series A and B; 1997 Series A 1997 Series B & C	2014 2026 2019	149,060,000 ⁽⁴⁾ 41,170,073 71,985,000	142,640,000 ⁽⁴⁾ 41,170,073 71,985,000	19,767,083 ⁽⁵⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	8,100,000	833,500 ⁽⁶⁾
1993 Master Refunding Project Certificates of Participation ⁽⁷⁾	2018	33,640,000	18,895,000	3,585,898 ⁽³⁾
Palm Desert Financing Authority Lease Revenue Bonds, Series 1996 (Blythe County Administrative Center Project)	2026	7,010,000	6,725,000	536,475 ⁽³⁾
County of Riverside Certificates of Participation (Family Law Court Project)	2027	12,165,000	11,790,000	841,111 ⁽³⁾
County of Riverside Certificates of Participation (Historic Courthouse Project)	2027	21,834,879	21,714,879	1,308,400 ⁽³⁾
County of Riverside Certificates of Participation ⁽⁸⁾ (1997 Lease Refunding Project)	2021	58,070,000	42,335,000	6,538,785 ⁽³⁾
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	17,645,000	1,515,313 ⁽⁹⁾
County of Riverside Certificates of Participation ⁽¹⁰⁾ (1998 Larson Justice Center Refunding)	2021	36,100,000	33,685,000	2,503,363 ⁽³⁾
Riverside District Court Financing Corporation (1000 United States District Court Project)	2020	24,835,000	24,835,000	0 ⁽¹¹⁾
TOTAL:		<u>\$692,634,952</u>	<u>\$582,248,952</u>	<u>\$51,546,487</u>

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

⁽²⁾ Annual base rental estimated at assumed interest rate of 6.5% per annum. The average interest rate for the twelve-month period ending March 1, 2000, was approximately 2.82%.

⁽³⁾ Annual base rental for FY 1999-2000.

⁽⁴⁾ Includes \$14,525,000 of Adjustable Rate Bonds that have been set in a fixed rate mode until June 1, 2000.

⁽⁵⁾ Annual base rental for FY 1999-2000. Includes \$3,265,000 of Adjustable Rate Bonds which have been set in a fixed rate mode until June 1, 2000.

⁽⁶⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending March 1, 2000 was approximately 5.34%.

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

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

⁽⁹⁾ Annual base rental estimated at assumed interest rate of 7.5% per annum. Annual base rental for FY 1999-2000. The average interest rate for the twelve-month period ending March 1, 2000 was approximately 5.36%.

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

⁽¹¹⁾ Annual base rental paid from capitalized interest through December 15, 2000.

Source: County Executive Office

**COUNTY OF RIVERSIDE
Annual Lease Requirements^{(1),(8)}**

Fiscal Year	1985 Public Facilities ⁽²⁾	1986 CA Health Facility	1988A Equipment	1993/97 Hospital Project ⁽³⁾	1990 Monterey Ave. ⁽⁴⁾	1993 Master Refunding	1996 Blythe Admin. Ctr.	1997 Family Law Court Project	1997 Historic Courthouse Project	1997 Lease Refunding	Bankruptcy Court House ⁽⁵⁾	1998 Larson Justice Center Refunding	1999 U.S. District Court Project	Fiscal Year Totals
1999-00	11,100,270	1,065,244	2,011,045	19,767,083	833,500	3,585,898	536,475	841,111	1,308,400	6,538,785	1,515,313	2,503,363	2,656,371	51,546,487
2000-01	11,234,000	1,064,674	420,188	20,751,364	824,500	3,586,251	536,347	843,111	1,327,498	5,739,048	1,515,875	2,503,809	2,656,371	52,943,036
2001-02	11,422,000	1,064,060		20,749,639	911,000	3,349,529	535,769	844,396	1,355,095	5,427,585	1,515,313	2,502,225	1,712,208	51,328,919
2002-03	11,581,000	1,063,404		20,757,255	893,000	3,347,579	534,791	840,151	1,376,020	3,595,805	1,513,625	2,498,060	1,714,517	49,655,207
2003-04	11,712,000	1,062,700		20,759,330	875,000	3,326,455	533,400	840,359	1,400,205	4,006,215	1,515,625	2,506,460	1,716,740	50,194,489
2004-05	11,815,000	1,061,944		20,756,586	857,000	1,085,288	531,584	839,891	1,417,588	4,008,660	1,515,125	2,497,610	1,718,974	48,046,250
2005-06	11,815,000	1,061,140		20,756,555	838,000	1,080,747	534,188	838,729	1,442,975	4,014,100	1,515,125	2,496,015	1,721,217	48,053,791
2006-07	11,815,000	1,060,269		20,753,305	821,000	1,078,625	531,194	841,731	1,466,048	2,666,875	1,512,625	2,496,278	1,723,467	46,706,417
2007-08	11,815,000	999,338		20,755,305	898,500	1,073,244	532,300	838,876	1,496,465	2,665,000	1,513,438	2,488,925	1,725,722	46,802,113
2008-09	11,815,000	938,340		20,759,836	871,500	1,074,688	532,419	840,136	1,514,143	2,669,870	1,512,375	2,488,775	1,727,978	46,741,265
2009-10	11,815,000	997,270		20,759,170	844,500	1,083,256	531,900	840,511	1,543,850	2,669,870	1,509,438	2,484,910	1,730,235	46,809,910
2010-11	11,815,000	996,126		20,755,260	817,500	1,078,950	530,744	839,939	1,570,088	2,673,550	1,509,438	2,482,105	1,732,489	46,801,189
2011-12	11,815,000	248,842		20,758,545	866,000	469,881	533,791	837,958	1,639,825	2,662,138	1,507,188	2,484,525	1,734,736	45,533,429
2012-13	11,815,000			20,610,245	850,000	471,769	530,784	834,215	1,669,825	2,665,138	1,507,500	2,482,563	1,736,974	45,144,013
2013-14	11,815,000			20,161,040	814,000	472,506	531,706	833,980	1,704,825	2,056,500	1,505,063	2,476,875	1,739,198	44,076,206
2014-15	11,815,000			19,691,965	873,500	472,094	531,634	837,463	1,713,694	2,050,775	1,501,938	2,474,500	1,741,406	43,706,325
2015-16	11,815,000			19,690,530	828,500	470,531	530,569	834,663	1,775,688	2,048,819	1,500,625	2,477,625	1,745,756	43,695,965
2016-17				19,695,050	879,000	472,675	528,509	835,580	1,739,419	2,051,719	1,500,625	2,477,625	1,745,756	31,925,958
2017-18				19,692,050	825,000	468,525	530,291	833,019	1,801,606	2,048,819	1,500,750	2,471,125	1,747,889	31,895,210
2018-19				19,695,550	866,500	468,081	525,913	829,413	1,836,828	2,052,075	1,497,125	2,469,875	1,749,988	31,959,732
2019-20				19,505,000	803,500		528,347	829,225	1,866,469	2,050,975	1,494,563	2,463,625	1,752,035	31,261,314
2020-21				19,505,000	836,000		524,828	827,313	1,900,234	2,055,519	1,492,688	2,462,125	1,752,035	29,575,373
2021-22				19,505,000			524,819	828,531	1,932,684	2,055,194	1,491,125	2,460,000	1,752,035	28,763,694
2022-23				19,505,000			523,153	827,738	1,973,231	2,052,075	1,489,500	2,460,000	1,752,035	28,280,534
2023-24				19,505,000			524,666	824,931	2,006,434	2,050,975	1,480,125	2,460,000	1,752,035	24,311,747
2024-25				19,505,000			524,191	824,969	2,046,853	2,050,975	1,476,438	2,460,000	1,752,035	24,341,156
2025-26				19,505,000			521,728	822,706	2,074,194	2,050,975	1,476,000	2,460,000	1,752,035	24,377,451
2026-27								823,000	2,074,191		1,473,250			4,894,628
2027-28														
TOTAL	\$198,829,270	\$12,203,351	\$2,431,233	\$544,610,663	\$18,727,000	\$28,516,572	\$14,841,415	\$24,208,718	\$48,589,200	\$70,474,058	\$43,546,006	\$57,151,498	\$35,613,265	\$1,099,742,249

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

(2) Annual base rental estimated at assumed interest rate of 6.5% per annum. The average rate through the twelve-month period ending March 1, 2000, was approximately 2.82%.

(3) Series 1993B Bonds, assumed current rate of 6.75% through June 1, 2000 and 12.0% thereafter. Series 1997C Bonds assume current rate of 6.25% through June 1, 2000 and 12.0% thereafter.

(4) Annual base rental estimated at assumed interest rate of 9% per annum. The average interest through the period ending March 1, 2000 has been 5.34%.

(5) Annual base rental estimated at assumed interest rate of 7.5% per annum. The average interest through the period ending March 1, 2000 has been 5.36%.

(6) Totals may not add due to rounding.

Source: County Executive Office

Employees

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

**COUNTY OF RIVERSIDE
PERMANENT EMPLOYEES
1988 THROUGH 1999
(AS OF DECEMBER)**

<u>Year</u>	<u>Permanent Employees⁽¹⁾</u>
1988	8,574
1989	9,393
1990	10,173
1991	10,440
1992	10,337
1993	10,334
1994	10,648
1995	11,018
1996	11,076
1997	11,304
1998	11,587
1999	12,614

(1) Excludes temporary, seasonal and Job Training Partnership Act employees, which in December 1997 totaled approximately 953 employees.

Source: County Auditor-Controller

County employees comprise twenty-three bargaining units. Sixteen of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 1997 ("SEIU") and the United Public Employees of California ("UPEC"), represent approximately 75% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining are governed by a County ordinance for personnel matters.

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

The agreement with SEIU will expire on June 30, 2000, and the County is currently in negotiations with SEIU. The current agreement with UPEC also expires on June 30, 2000. However, the County and UPEC have reached an agreement on a new Memorandum of Understanding that will expire on June 30, 2003. The County reached agreement with RSA on December 31, 1998 on a new agreement that will expire on December 31, 2001. The County reached agreement with LEMU on February 4, 1999, on a new agreement that will expire on January 1, 2002, and, on July 1, 1999, the County reached agreement with the DDAA that will expire on June 30, 2002. During the last eleven years, there has been no major County employee work stoppage.

Retirement Program

The County participates in the State's Public Employees' Retirement System ("PERS"). The retirement plan, as amended, provides simultaneous coverage of eligible employees with PERS and social security. The plan provides basic retirement benefits for service, disability or death. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment for employees hired prior to December 25, 1992 and

during the three highest years of employment for employees hired after that date. The plan also provides for cost-of-living adjustments of 2% per year after retirement. On June 30, 1998, the plan covered approximately 10,565 active members.

PERS is funded by contributions from the County, which include contributions of both the County's share and its employees' share. PERS has notified the County that, due to earnings on existing fund balances, the County's employer contribution rate is being lowered for an indefinite period. For the 1999-00 Fiscal Year, the County's employer contribution is zero percent (0.0%) of total salaries paid. These contribution rates are based on actuarial data calculated as of June 30, 1998.

The County's contribution rates vary annually as a result of actuarial calculations, experience of the County's employees, benefits provided under the contract and quadrennial changes in actuarial assumptions. The members' contribution rates are fixed at 9% of salaries for safety and 7% of salaries for miscellaneous. The County pays the employee share of safety retirement for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement for all members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying all of the employee share.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for subsequent years.

As of June 30, 1998, PERS reported the actuarial status of County accounts, as follows:

<u>Present Value of:</u>	<u>Miscellaneous Members</u>	<u>Safety</u>
<u>Members</u>		
Benefits	\$1,290,556,100	\$640,189,681
Future Employer Costs	176,982,924	111,792,011
Future Employee Costs	193,280,241	71,049,737
Assets	1,241,112,397	591,028,550
Total Available	\$1,611,375,562	\$773,870,298
Unfunded (Overfunded) Liability	\$ (320,819,462)	\$ (133,680,617)

Insurance

The County is self-insured for general liability, medical malpractice, short term disability income, unemployment and workers' compensation claims. General liability claims are self-insured to \$1 million for each occurrence and the balance (to \$10 million for each occurrence) is insured through CSAC Excess Insurance Authority. Medical malpractice is self-insured for the first \$1.1 million for each occurrence and insured for the balance to \$10 million for each occurrence on an occurrence basis, through CSAC Excess Insurance Authority. Workers compensation claims are self-insured to \$500,000 and insured by an independent carrier for the balance to statutory limits. Long-term disability income claims are fully insured by an independent carrier.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 1999 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, 1999 was \$107.1 million.

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APPENDIX B

**COMBINED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

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Report of Independent Auditors

Board of Supervisors
County of Riverside

We have audited the accompanying general purpose financial statements of the County of Riverside as of and for the year ended June 30, 1999, 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 general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Riverside as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

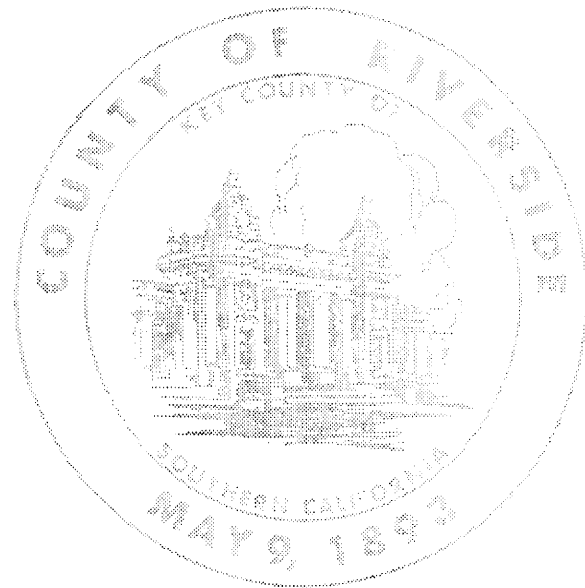
The Year 2000 supplementary information on page 59 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board (GASB), and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because disclosure criteria specified by GASB Technical Bulletin No. 98-1, as amended, is not sufficiently specific to permit us to perform procedures that would provide meaningful results. In addition, we do not provide assurance that the County of Riverside is or will become Year 2000 compliant, that the County of Riverside's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the County of Riverside does business are or will become Year 2000 compliant.

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

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

Ernst & Young LLP

December 10, 1999



COUNTY OF RIVERSIDE
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999 (In Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
ASSETS AND OTHER DEBITS						
Cash and investments (Note 3)	\$	122,868	5,836	59,735	20,294	125,403
Taxes receivable	38,919	1,855	2		3,295	
Accounts receivable, net of allowance \$17,201	47,680	356		996	27,579	11
Interest receivable	1,551	1,196	1,048	17	658	704
Prepaid items	42	40			1,576	10
Advances to other funds (Note 6)	8,860		1,562			500
Due from other funds (Note 6)	145,350	36,712	2,342	35,842	960	3,337
Due from other governments	116,077	6,073		70	41,156	61
Loans receivable		2,040	84			
Deposits (Note 9)	2,470					
Inventories	2,487	512		1,931	4,425	1,305
Land, structures and improvements, and equipment (Note 5)					364,331	112,179
Accumulated depreciation and amortization					(92,118)	(80,863)
Restricted assets (Note 3 and 4)	261,873		24,026	25,862	117,295	
Amount available for retirement of long-term debt						
Amount to be provided for compensation payable						
Amount to be provided for retirement of long-term debt						
TOTAL ASSETS AND OTHER DEBITS	\$ 625,309	171,652	34,900	124,453	489,451	162,647
LIABILITIES, FUND EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts payable	\$ 6,083	3,597	645	1,699	8,897	5,536
Salaries and benefits payable	20,205	1,428			5	765
Advances from other funds (Note 6)		40			8,645	500
Due to other funds (Note 6)	104,472	1,483	2,342	464	39,947	1,140
Due to other governments	29,742	1,891	204		6,031	
Due to third party payors					4	
Bond anticipation notes				4,000		
Tax anticipation notes payable (Note 9 and 21)	235,000					
Deferred revenue	111,492	35,538		41,847		
Interest payable					765	
Deposits payable					383	
Accrued compensation payable (Note 9)					12,647	3,242
Accrued closure and post-closure care costs (Note 7)					55,000	
Accrued remediation costs (Note 20)					24,652	
Notes and loans payable (Note 9)					5,038	
Deferred compensation payable (Note 16)						
Bonds payable & certificates of participation (Note 9)					264,803	6
Capital lease obligations (Note 9)					3,002	23,821
Estimated claims liability (Note 11)						63,303
Other liabilities					376	
TOTAL LIABILITIES	506,994	43,977	3,191	48,010	431,004	98,313
FUND EQUITY AND OTHER CREDITS:						
Investment in general fixed assets						
Contributed capital (Note 10)					15,194	4,626
Retained earnings (Note 2)					43,253	59,708
Fund balance:						
Reserved (Note 10)	83,585	8,158	31,709	23,635		
Unreserved:						
Designated (Note 10)	1,585	92,358		1,336		
Undesignated (Note 2)	33,145	27,159		51,472		
TOTAL FUND EQUITY AND OTHER CREDITS	118,315	127,675	31,709	76,443	58,447	64,334
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 625,309	171,652	34,900	124,453	489,451	162,647

See accompanying notes to general purpose financial statements.

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FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)	ASSETS AND OTHER DEBITS
	GENERAL FIXED ASSETS	GENERAL LONG- TERM DEBT		
TRUST & AGENCY				
1,063,419			1,397,555	Cash and investments (Note 3)
			44,071	Taxes receivable
320			76,942	Accounts receivable, net of allowance \$17,201
4,479			9,653	Interest receivable
			1,668	Prepaid items
			10,922	Advances to other funds (Note 6)
105,208			329,751	Due from other funds (Note 6)
1,261			164,698	Due from other governments
			2,124	Loans receivable
			2,840	Deposits (Note 9)
370			10,660	Inventories
	589,345		1,065,855	Land, structures and improvements, and equipment (Note 5)
			(172,981)	Accumulated depreciation and amortization
			429,056	Restricted assets (Note 3 and 4)
		91,336	91,336	Amount available for retirement of long-term debt
		68,930	68,930	Amount to be provided for compensation payable
		377,195	377,195	Amount to be provided for retirement of long-term debt
<u>1,175,057</u>	<u>589,345</u>	<u>537,461</u>	<u>3,910,275</u>	TOTAL ASSETS AND OTHER DEBITS
				<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>
				LIABILITIES:
187,674			214,131	Accounts payable
			22,403	Salaries and benefits payable
50		1,687	10,922	Advances from other funds (Note 6)
179,903			329,751	Due to other funds (Note 6)
83,591			121,459	Due to other governments
26,969			26,973	Due to third party payors
		410	4,410	Bond anticipation notes
			235,000	Tax anticipation notes payable (Note 9 and 21)
			188,877	Deferred revenue
			765	Interest payable
10,447			10,830	Deposits payable
		68,930	84,819	Accrued compensation payable (Note 9)
			55,809	Accrued closure and post-closure care costs (Note 7)
			24,652	Accrued remediation costs (Note 20)
		64,590	69,628	Notes and loans payable (Note 9)
334			334	Deferred compensation payable (Note 16)
		348,960	613,769	Bonds payable & certificates of participation (Note 9)
		50,184	77,007	Capital lease obligations (Note 9)
			63,303	Estimated claims liability (Note 11)
		2,700	3,076	Other liabilities
<u>488,968</u>		<u>537,461</u>	<u>2,157,918</u>	TOTAL LIABILITIES
	589,345		589,345	FUND EQUITY AND OTHER CREDITS:
			19,820	Investment in general fixed assets
			102,961	Contributed capital (Note 10)
				Retained earnings (Note 2)
				Fund balance:
685,571			832,658	Reserved (Note 10)
				Unreserved:
			95,279	Designated (Note 10)
518			112,294	Undesignated (Note 2)
<u>686,089</u>	<u>589,345</u>		<u>1,752,357</u>	TOTAL FUND EQUITY AND OTHER CREDITS
<u>1,175,057</u>	<u>589,345</u>	<u>537,461</u>	<u>3,910,275</u>	TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS

COUNTY OF RIVERSIDE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)

REVENUES	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE
Taxes	\$ 142,637	54,031	8,503
Licenses, permits and franchises	10,339	425	
Fines, forfeitures, and penalties	26,417	405	
Revenues from use of money and property:			
Interest	21,370	5,241	1,611
Rents and concessions	624	3,021	646
Aid from other governmental agencies:			
State	422,954	13,738	
Federal	271,756	47,229	
Charges for current services	145,063	27,851	
Other revenue	41,206	8,143	
TOTAL REVENUES	1,082,366	160,084	10,760
EXPENDITURES			
Current:			
General government	68,712	12,929	3,813
Public protection	434,611	2,078	
Public ways and facilities		81,532	
Health and sanitation	248,825	645	
Public assistance	386,566	39,511	
Education	284	5,959	
Recreation and cultural services	285	589	
Capital outlay	5,417	333	
Debt service:			
Principal retirement	40,616		16,990
Interest	14,416		14,133
TOTAL EXPENDITURES	1,199,732	143,576	34,936
REVENUES OVER (UNDER) EXPENDITURES	(117,366)	16,508	(24,176)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (Note 6)	104,602	14,634	25,244
Operating transfers (out) (Note 6)	(25,805)	(38,727)	(4,532)
Bond proceeds	26,990		
Capital leases	5,417		
TOTAL OTHER FINANCING SOURCES (USES)	111,204	(24,093)	20,712
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(6,162)	(7,585)	(3,464)
FUND BALANCE, JULY 1, 1998 AS RESTATED (Note 10)	124,477	135,260	35,173
FUND BALANCE, JUNE 30, 1999	\$ 118,315	127,675	31,709

See accompanying notes to general purpose financial statements.

<u>CAPITAL PROJECTS</u>	<u>FIDUCIARY FUND TYPE EXPENDABLE TRUST</u>	<u>TOTAL (MEMORANDUM ONLY)</u>	
1,920		207,091	<u>REVENUES</u>
		10,764	Taxes
		26,822	Licenses, permits and franchises
			Fines, forfeitures, and penalties
2,640	16	30,878	Revenues from use of money and property:
		4,291	Interest
			Rents and concessions
			Aid from other governmental agencies:
17,635	482	437,174	State
2,894		336,620	Federal
3,954		175,808	Charges for current services
		53,303	Other revenue
<u>29,043</u>	<u>498</u>	<u>1,282,751</u>	<u>TOTAL REVENUES</u>
			<u>EXPENDITURES</u>
			Current:
	302	85,756	General government
		436,689	Public protection
		81,532	Public ways and facilities
		249,470	Health and sanitation
		426,077	Public assistance
		6,243	Education
		874	Recreation and cultural services
32,697		38,447	Capital outlay
			Debt service:
		57,606	Principal retirement
		28,549	Interest
<u>32,697</u>	<u>302</u>	<u>1,411,243</u>	<u>TOTAL EXPENDITURES</u>
<u>(3,654)</u>	<u>196</u>	<u>(128,492)</u>	<u>REVENUES OVER (UNDER) EXPENDITURES</u>
			<u>OTHER FINANCING SOURCES (USES)</u>
2,608		147,088	Operating transfers in (Note 6)
(5,071)		(74,135)	Operating transfers (out) (Note 6)
2,575		29,565	Bond proceeds
		5,417	Capital leases
<u>112</u>		<u>107,935</u>	<u>TOTAL OTHER FINANCING SOURCES (USES)</u>
<u>(3,542)</u>	<u>196</u>	<u>(20,557)</u>	<u>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</u>
79,985	322	375,217	FUND BALANCE, JULY 1, 1998 AS RESTATED (Note 10)
<u>76,443</u>	<u>518</u>	<u>354,660</u>	<u>FUND BALANCE, JUNE 30, 1999</u>

COUNTY OF RIVERSIDE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
			FAVORABLE (UNFAVORABLE)			FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$ 141,982	142,637	655	54,191	54,031	(160)
Licenses, permits and franchises	14,866	10,339	(4,527)	502	425	(77)
Fines, forfeitures, and penalties	29,690	26,417	(3,273)	315	405	90
Revenues from use of money and property:						
Interest	21,246	21,370	124	1,909	5,241	3,332
Rents and concessions	275	624	349	3,100	3,021	(79)
Aid from other governmental agencies:						
State	476,442	422,954	(53,488)	24,881	13,738	(11,143)
Federal	293,110	271,756	(21,354)	79,798	47,229	(32,569)
Charges for current services	145,646	145,063	(583)	33,257	27,851	(5,406)
Other revenue	78,028	41,206	(36,822)	11,491	8,143	(3,348)
TOTAL REVENUES	<u>1,201,285</u>	<u>1,082,366</u>	<u>(118,919)</u>	<u>209,444</u>	<u>160,084</u>	<u>(49,360)</u>
EXPENDITURES						
Current:						
General government	106,774	68,712	38,062	21,302	12,929	8,373
Public protection	450,006	434,611	15,395	2,551	2,078	473
Public ways and facilities				118,054	81,532	36,522
Health and sanitation	259,229	248,825	10,404	686	645	41
Public assistance	439,259	386,566	52,693	60,486	39,511	20,975
Education	285	284	1	6,317	5,959	358
Recreation and cultural services	463	285	178	782	589	193
Capital outlay		5,417	(5,417)	4,911	333	4,578
Debt service:						
Principal retirement	41,000	40,616	384			
Interest	35,373	14,416	20,957			
TOTAL EXPENDITURES	<u>1,332,389</u>	<u>1,199,732</u>	<u>132,657</u>	<u>215,089</u>	<u>143,576</u>	<u>71,513</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(131,104)</u>	<u>(117,366)</u>	<u>13,738</u>	<u>(5,645)</u>	<u>16,508</u>	<u>22,153</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	98,137	104,602	6,465	19,676	14,634	(5,042)
Operating transfers (out)	(26,780)	(25,805)	975	(42,869)	(38,727)	4,142
Bond proceeds	27,000	26,990	(10)	6,390		(6,390)
<i>Capital leases</i>		5,417	5,417			
TOTAL OTHER FINANCING SOURCES (USES)	<u>98,357</u>	<u>111,204</u>	<u>12,847</u>	<u>(16,803)</u>	<u>(24,093)</u>	<u>(7,290)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (32,747)</u>	<u>(6,162)</u>	<u>26,585</u>	<u>(22,448)</u>	<u>(7,585)</u>	<u>14,863</u>
FUND BALANCE, JULY 1, 1998 AS RESTATED		124,477			135,260	
FUND BALANCE, JUNE 30, 1999 (Note 13)		<u>\$ 118,315</u>			<u>127,675</u>	

See accompanying notes to general purpose financial statements.

BUDGETED DEBT SERVICE FUNDS			BUDGETED CAPITAL PROJECTS FUNDS			
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	
10,380	8,503	(1,877)	1,772	1,920	148	REVENUES
						Taxes
						Licenses, permits and franchises
						Fines, forfeitures, and penalties
						Revenues from use of money and property:
353	444	91	2,053	1,946	(107)	Interest
230	237	7				Rents and concessions
						Aid from other governmental agencies:
						State
						Federal
			7,138	2,894	(4,244)	Charges for current services
			8,932	3,954	(4,978)	Other revenue
<u>10,963</u>	<u>9,184</u>	<u>(1,779)</u>	<u>19,895</u>	<u>10,714</u>	<u>(9,181)</u>	TOTAL REVENUES
						EXPENDITURES
						Current:
3,344	3,343	1				General government
						Public protection
						Public ways and facilities
						Health and sanitation
						Public assistance
						Education
						Recreation and cultural services
			28,459	19,213	9,246	Capital outlay
						Debt service:
2,014	2,305	(291)				Principal retirement
3,021	2,848	173				Interest
<u>8,379</u>	<u>8,496</u>	<u>(117)</u>	<u>28,459</u>	<u>19,213</u>	<u>9,246</u>	TOTAL EXPENDITURES
<u>2,584</u>	<u>688</u>	<u>(1,896)</u>	<u>(8,584)</u>	<u>(8,499)</u>	<u>65</u>	REVENUES OVER (UNDER) EXPENDITURES
						OTHER FINANCING SOURCES (USES)
1,256	1,865	609	185	93	(92)	Operating transfers in
(4,056)	(2,398)	1,658	(5,379)	(3,696)	1,683	Operating transfers (out)
			13,433	410	(13,023)	Bond proceeds
						Capital leases
<u>(2,800)</u>	<u>(533)</u>	<u>2,267</u>	<u>8,239</u>	<u>(3,193)</u>	<u>(11,432)</u>	TOTAL OTHER FINANCING SOURCES (USES)
<u>(216)</u>	155	<u>371</u>	<u>(325)</u>	<u>(11,692)</u>	<u>(11,367)</u>	REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES
	6,031			62,364		FUND BALANCE, JULY 1, 1998 AS RESTATED
	<u>6,186</u>			<u>50,672</u>		FUND BALANCE, JUNE 30, 1999 (Note 13)

COUNTY OF RIVERSIDE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)

	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL (MEMORANDUM ONLY)
OPERATING REVENUES			
Care of patients	\$ 220,178		220,178
Less allowance and uncollectible accounts	9,422		9,422
Patient care revenue-net	210,756		210,756
Current services	44,098	141,852	185,950
Charges to other governments	40,004		40,004
Other	7,819		7,819
TOTAL OPERATING REVENUES	302,677	141,852	444,529
OPERATING EXPENSES			
Cost of materials used		5,585	5,585
Personnel services	76,574	36,598	113,172
Communications	141	3,669	3,810
Insurance	1,754	3,361	5,115
Maintenance of building and equipment	9,079	13,695	22,774
Insurance claims		23,771	23,771
Supplies	25,881	4,592	30,473
Purchased services	55,161	16,708	71,869
Depreciation and amortization	14,663	7,027	21,690
Rents and leases of equipment	286	605	891
Public assistance	29,447		29,447
Utilities	3,568	134	3,702
Closure and post-closure	3,936		3,936
Remediation	1,016		1,016
Other	1,526	12,643	14,169
TOTAL OPERATING EXPENSES	223,032	128,388	351,420
OPERATING INCOME	79,645	13,464	93,109
NON-OPERATING REVENUES (EXPENSES)			
Interest on invested funds	8,053	144	8,197
Interest expense	(21,296)	(1,407)	(22,703)
Gain on sale of fixed assets	219		219
Miscellaneous revenue	297		297
TOTAL NON-OPERATING REVENUES (EXPENSES)	(12,727)	(1,263)	(13,990)
OPERATING TRANSFERS			
Operating transfers in (Note 6)		21	21
Operating transfers (out) (Note 6)	(72,974)		(72,974)
TOTAL OPERATING TRANSFERS	(72,974)	21	(72,953)
NET INCOME	(6,056)	12,222	6,166
RETAINED EARNINGS JULY 1, 1998 AS RESTATED (Note 10)	49,309	47,486	96,795
RETAINED EARNINGS JUNE 30, 1999 (Note 2)	\$ 43,253	59,708	102,961

See accompanying notes to general purpose financial statements.

**COUNTY OF RIVERSIDE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 79,645	13,464	93,109
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	14,663	7,027	21,690
Other revenue (expense)	5,593	241	5,834
(Increase) decrease in:			
Accounts and taxes receivable	(8,904)	751	(8,153)
Prepaid items	(128)	591	463
Due from other funds	(958)	(3,577)	(4,535)
Due from other governments	(10,313)	10	(10,303)
Inventories	(751)	108	(643)
Increase (decrease) in:			
Accounts payable	2,016	3,905	5,921
Salaries and benefits payable	(6,270)	446	(5,824)
Due to other funds	13,097	800	13,897
Due to other governments	11,367		11,367
Deposits payable	(34)		(34)
Accrued compensation payable	7,099	966	8,065
Accrued closure and postclosure care costs	(785)		(785)
Accrued remediation costs	(3,866)		(3,866)
Estimated claims liability		(920)	(920)
Other liabilities	(5,534)		(5,534)
Total adjustments	<u>16,292</u>	<u>10,348</u>	<u>26,640</u>
Net cash provided by operating activities	<u>95,937</u>	<u>23,812</u>	<u>119,749</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Net operating transfers in		21	21
Net operating transfers (out)	<u>(72,974)</u>		<u>(72,974)</u>
Net cash provided (used) by noncapital financing activities	<u>(72,974)</u>	<u>21</u>	<u>(72,953)</u>

See accompanying notes to general purpose financial statements.

Continued on next page.

**COUNTY OF RIVERSIDE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES - Continued
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)**

	<u>ENTERPRISE FUNDS</u>	<u>INTERNAL SERVICE FUNDS</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal paid on bonds and certificates	\$	(9)	(9)
Interest paid	(21,143)	(1,547)	(22,690)
Principal paid on loans and notes payable	(10,336)		(10,336)
Principal paid on capital leases		(5,291)	(5,291)
Proceeds from sale of bonds	2,650		2,650
Proceeds from sale of fixed assets	261		261
Acquisition of land, structures, improvements, and equipment	<u>(6,498)</u>	<u>(1,006)</u>	<u>(7,504)</u>
Net cash (used) by capital and related financing activities	<u>(35,066)</u>	<u>(7,853)</u>	<u>(42,919)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale and maturities of investments	107		107
Purchase of investments	(1,793)		(1,793)
Interest on investments	<u>8,206</u>	<u>245</u>	<u>8,451</u>
Net cash provided by investing activities	<u>6,520</u>	<u>245</u>	<u>6,765</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,583)	16,225	10,642
CASH AND CASH EQUIVALENTS AT JULY 1, 1998	<u>143,172</u>	<u>109,178</u>	<u>252,350</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 1999	137,589	125,403	262,992
LESS: Cash and cash equivalents included in restricted assets	<u>(117,295)</u>		<u>(117,295)</u>
CASH AND INVESTMENTS	<u><u>\$ 20,294</u></u>	<u><u>125,403</u></u>	<u><u>145,697</u></u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of fixed assets through capital leases or long-term obligations	<u><u>\$ 7,234</u></u>		<u><u>7,234</u></u>
Acquisition of fixed assets through donation	<u><u>\$ 111</u></u>		<u><u>111</u></u>

See accompanying notes to general purpose financial statements.

**COUNTY OF RIVERSIDE
STATEMENT OF CHANGES IN NET ASSETS - INVESTMENT TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (In Thousands)**

		<u>INVESTMENT TRUST</u>
<u>ADDITIONS:</u>		
Contributions to pooled investments	\$	2,783,818
Interest		<u>31,003</u>
TOTAL ADDITIONS		<u>2,814,821</u>
<u>DEDUCTIONS:</u>		
Distributions from pooled investments		<u>2,828,492</u>
TOTAL DEDUCTIONS		<u>2,828,492</u>
NET (DECREASE)		(13,671)
NET ASSETS HELD IN TRUST FOR EXTERNAL POOL PARTICIPANTS, JULY 1, 1998		<u>699,242</u>
NET ASSETS HELD IN TRUST FOR EXTERNAL POOL PARTICIPANTS, JUNE 30, 1999	\$	<u><u>685,571</u></u>

See accompanying notes to general purpose financial statements.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies

Reporting Entity

The County of Riverside (the "County") is a legal subdivision of the State of California charged with general governmental powers. The County's powers are exercised through a Board of Supervisors (the "Board") which, as the governing body of the County, is responsible for the legislative and executive control of the County. Services provided by the County include public safety, public works, health and sanitation, education, recreation, culture and public assistance. As required by generally accepted accounting principles, these financial statements present the County of Riverside (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. Each blended component unit has a June 30 year end. The County has no discretely presented component units.

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

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

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

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

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

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

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

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

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

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

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

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

Waste Resources Management District was previously reported as a blended component unit. Effective July 1, 1998, the District transferred all property, contracts, leasehold interests and restricted funds acquired in the name of the District to the County's Waste Management Department (Waste). The Department operates and maintains thirteen waste disposal sites throughout the County and one site operated under contract with a commercial company, for the benefit of the general public. The operations of Waste are accounted for as a proprietary fund type. Separate financial statements can be obtained from the Auditor-Controller's Office.

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

Basis of Presentation

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

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which is segregated for the purpose of carrying on specific activities. Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

obligations. Account groups are not funds as they do not reflect available financial resources and related liabilities.

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

Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Funds

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

Capital Projects Funds

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

Proprietary Fund Types:

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

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

Following are the County's Proprietary Fund Types:

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Enterprise Funds

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

Internal Service Funds

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

Fiduciary Fund Types:

Expendable Trust Fund

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

Investment Trust Fund

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

Agency Funds

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

Account Groups:

General Fixed Assets Account Group

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

General Long-Term Debt Account Group

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

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

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

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

Cash Deposits and Investments

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

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Cash Deposits and Investments (Continued)

Pooled investments including U.S. Treasury and Agency securities are carried at fair value based on current market prices received from an independent registered investment advisor. Other County investments in U.S. Treasury and Agency securities are carried at fair value based on quoted market prices. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within 90 days of June 30, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed investment contracts are carried at fair value based on net realizable value. Mutual funds are carried at fair value based on the funds' share price. Local agency investment funds are carried at fair value based on the value of each participating dollar.

The fair value of participants' position in the pool is determined quarterly. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 1999 to support the value of shares.

State law requires that all operating monies of the County, school districts and certain special districts be held by the County Treasurer. Collectively, these mandatory deposits constituted approximately 89.5% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 10.5% of the total funds on deposit in the County Treasury represented discretionary deposits.

In December 1994 the Board of Supervisors created an Oversight Committee to work with the County Treasurer to oversee County investment policies.

Receivables and Payables

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

Accounts receivable are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The estimated uncollectible amount from patient accounts receivable of Riverside General Hospital is \$17,201,000.

All jurisdictions within California derive their taxing authority via State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total 1998-99 gross assessed valuation of the County was \$76,315,688,007.

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Receivables and Payables (Continued)

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) of the full cash value of taxable property and distributed in accordance with statutory formulas. Amounts needed to finance the annual requirements of voter approved debt (approved by the electorate prior to June 30, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

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

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

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than one percent (1%) of the tax levy for participating entities flow to the County General Fund. For Fiscal Year 1998-99 there was \$13,500,000 transferred from the TLRF to the General Fund.

Prepaid Items and Inventories

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

Inventories, which consist of materials and supplies held for consumption and land held for resale, are valued at the lower of cost (on a first-in, first-out basis) or market in the Proprietary Fund Types. Inventories for all Governmental Fund Types are valued at average cost. The consumption method is used to account for inventories. Under the consumption method, inventories are recorded as expenditures when consumed

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Prepaid Items and Inventories (Continued)

rather than when purchased. Material amounts of inventory are reported as assets of the respective fund. Reported inventories of these funds do not represent current budgetable resources and are therefore offset by a corresponding reservation of fund balance.

Fixed Assets

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

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

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

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

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

Leases

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

Restricted Assets

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

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (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 not expected to be liquidated with expendable available financial resources in the General Long-Term Debt Account Group. Governmental Funds record no expenditure for these amounts. At June 30, 1999 the amount of accrued vacation and holiday pay reported in the General Long-Term Debt Account Group was \$68,930,000.

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

Deferred Revenue

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

Long-term Debt

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

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

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

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(1) Summary of Significant Accounting Policies (Continued)

Fund Equity

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

Memorandum Only - Total Columns

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

(2) Stewardship, Compliance and Accountability

Budgetary Data

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

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

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

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(2) Stewardship, Compliance and Accountability (Continued)

Encumbrances

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

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

Excess of Expenditures Over Appropriations

General fund capital outlay expenditures of \$5,417,000 related to capital leases were unbudgeted. These expenditures were funded by the related other financing sources. County Flood Control Special Revenue fund general government expenditures of \$1,473,000 were unbudgeted. County Flood Control Debt Service fund expenditures for principal retirement of \$82,000 were unbudgeted. County Redevelopment Agency Debt Service fund expenditures for general government and principal retirement of \$3,000 and \$209,000 respectively, were unbudgeted. These expenditures were funded by other financing sources. County Flood Control Debt Service fund operating transfers out of \$137,000 were unbudgeted. Correctional Facilities Capital Projects fund capital outlay expenditures of \$2,000 were unbudgeted. These amounts were financed by available fund balance.

Deficit Fund Equity

The following funds have fund/accumulated deficits at June 30, 1999 (in thousands):

	<u>Fund/Accumulated Deficit</u>
Special Revenue:	
Supervisory Road District	\$ 22
Enterprise Funds:	
Blythe Marina	245
Riverside General Hospital	15,409
Animal Spay and Neuter	215
Internal Service Funds:	
Hospital Data Processing	695

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

(3) Cash Deposits and Investments

The County's cash deposits and investments are considered to be cash on hand, demand deposits and investments. A significant amount is held by the County Treasurer in a cash and investment pool. As provided for by the Government Code, the County maintains a cash and investment pool that is available

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(3) Cash Deposits and Investments (Continued)

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

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

Cash Deposits

In accordance with the Governmental Accounting Standards Board Statement 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, the County's deposits at June 30, 1999 are categorized in the following manner (in thousands):

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name	\$ 35,304	\$ 35,304
Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name	143,288	143,288
Category 3 - Uncollateralized	<u>871</u>	<u>871</u>
Total	<u>\$179,463</u>	<u>\$179,463</u>

County warrants, unlike checks, are deducted from the County carrying value of cash at the time the warrants are presented for payment to the bank. There is no timing difference between when the County records the warrants as presented for payment and when the bank is authorized to honor the warrants by the County; therefore, the carrying balance of deposits at June 30, 1999 equals the bank balance. All expenditures for which warrants have been issued at June 30, 1999 are recognized in the operating funds at the time the warrants are issued. The liability for the payment of the warrants and the cash to fund the payment are recorded in a specific trust fund for Warrant Clearing.

The General Fund experienced a negative cash balance of \$104,406,000 at June 30, 1999, which is reported as an interfund borrowing from Departmental Agency Funds. There was a total of \$409,525,000 of County pooled deposits (including Departmental Agency Funds) available to cover the negative cash balance.

Investments

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(3) Cash Deposits and Investments (Continued)

Investments (Continued)

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

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

	<u>Category 1</u>	<u>Category 2</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
U. S. government securities	\$ 721,998	\$ 6,883	\$ 728,881	\$ 728,881
Banker acceptances	88,018		88,018	88,018
Bond anticipation notes	4,409		4,409	4,409
Commercial paper	365,701		365,701	365,701
Repurchase agreements		<u>156,172</u>	<u>156,172</u>	<u>156,172</u>
Total	<u>\$1,180,126</u>	<u>\$163,055</u>	1,343,181	1,343,181
Amounts not categorized because securities that exist in physical or book entry form are not used as evidence of the investment:				
Local agency investment pool			4,632	4,632
Guaranteed investment contracts			287,226	287,226
Mutual funds			<u>12,109</u>	<u>12,109</u>
Investment Total			<u>\$1,647,148</u>	<u>\$1,647,148</u>

The County Treasury pool portfolio included no derivative securities in the form of structured notes. The structured notes have cash flow characteristics that are dependent on U.S. Treasury bill and other indices and, accordingly, such investments are affected by changes in interest rates.

Summary of Cash Deposits and Investments

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

Cash deposits	\$ 179,463
Investments	<u>1,647,148</u>
Total	<u>\$1,826,611</u>

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999**

(3) Cash Deposits and Investments (Continued)

Summary of Cash Deposits and Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Principal</u>	<u>Interest Rate Percent Range</u>	<u>Maturity Range</u>
Bankers acceptances	\$ 88,018	\$ 88,018	4.79-5.02	07/06/99-10/27/99
Commercial paper	365,555	365,555	4.83-5.36	07/01/99-07/26/99
Local Agency obligations	4,409	4,409	5.39-5.53	06/08/00-03/20/02
US Treasury	113,939	114,799	4.50-5.50	09/30/00-05/31/01
US Agency	607,323	612,330	4.77-6.37	07/01/99-06/21/02
Repurchase agreements	121,100	121,100	4.75-4.78	07/01/99-09/30/99
Guaranteed investment contract	10,546	10,546	5.76	09/30/99
Time deposits	<u>10,000</u>	<u>10,000</u>	<u>4.80</u>	<u>03/08/00</u>
Total	<u>\$1,320,890</u>	<u>\$1,326,757</u>		

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's investment pool as of June 30, 1999 (in thousands):

Statement of Net Assets

Net assets held in trust for all pool participants	<u>\$1,324,879</u>
Equity of internal pool participants	639,308
Equity of external pool participants (voluntary and involuntary)	<u>685,571</u>
Total equity	<u>\$1,324,879</u>

Statement of Changes in Net Assets

Net Assets at July 1, 1998	\$1,313,954
Net change in investments by pool participants	<u>10,925</u>
Net Assets at June 30, 1999	<u>\$1,324,879</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(4) Restricted Assets

The amount of assets restricted by legal and contractual purposes at June 30, 1999 is as follows (in thousands):

	General Fund	Debt Service Funds	Capital Projects Funds	Enterprise Funds	Total
1985 Certificates	\$	16,639	2,714		19,353
1988 Certificates		694			694
1989/93 Hospital Bonds				29,752	29,752
1993 Master Refunding		2,553	20		2,573
1997 A Hospital				39	39
1997 Family Law Court		912	246		1,158
1997 Historic Court House		2,741	48		2,789
1997 Lease Refunding		111	4,784		4,895
1998 Larson Justice Center		230	3,060		3,290
1997 B/C Hospital				3,898	3,898
Waste - Cash				77,719	77,719
Housing Authority Bond				5,887	5,887
Desert Facilities Corporation		146			146
District Court Project			14,990		14,990
Tax Anticipation Notes	237,644				237,644
Teeter Commercial Paper Notes	24,229				24,229
Total Restricted Assets	<u>\$261,873</u>	<u>24,026</u>	<u>25,862</u>	<u>117,295</u>	<u>429,056</u>

At June 30, 1999 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

(5) Fixed Assets

Following is a summary of changes in general fixed assets by class for the year ended June 30, 1999 (in thousands):

	Balance at July 1, 1998	Additions	Retirements	Balance at June 30, 1999
Land	\$ 75,122			\$ 75,122
Structures and improvements	432,324	19,694		452,018
Equipment	87,917	6,510	32,222	62,205
Total	<u>\$595,363</u>	<u>26,204</u>	<u>32,222</u>	<u>\$589,345</u>

The following is a summary of Proprietary Fund fixed assets by class as of June 30, 1999 (in thousands):

	<u>Proprietary Funds</u>	
	<u>Enterprise</u>	<u>Internal Service</u>
Land	\$ 34,283	
Structures and improvements	218,107	640
Equipment	111,941	111,539
Total	<u>\$ 364,331</u>	<u>112,179</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(6) Interfund Transactions

The following is a summary of individual interfund receivables and payables at June 30, 1999 in thousands):

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:	<u>\$145,350</u>	<u>\$104,472</u>
Special Revenue Funds:		
Transportation	27,440	
Community Services	7,043	155
Other Special Revenue	320	87
Flood Control	217	249
Redevelopment Agency	982	982
County Service Areas	710	10
Total Special Revenue Funds	<u>36,712</u>	<u>1,483</u>
Debt Service Funds:		
Redevelopment Agency	<u>2,342</u>	<u>2,342</u>
Total Debt Service Funds	<u>2,342</u>	<u>2,342</u>
Capital Projects Funds:		
Public Facilities Improvements	18,573	
Correctional Facilities	16,624	
Redevelopment Agency	464	464
Regional Park and Open Space District	181	
Total Capital Projects Funds	<u>35,842</u>	<u>464</u>
Enterprise Funds:		
Riverside General Hospital	958	38,788
Waste Management Department		1,134
Flood Control	<u>2</u>	<u>25</u>
Total Enterprise Funds	<u>960</u>	<u>39,947</u>
Internal Service Funds:		
Hospital Data Processing	1,950	207
Information Services	10	
Temporary Assistance Pool	31	
Health Agency Support Services	1,101	743
Flood Control Equipment	<u>245</u>	<u>190</u>
Total Internal Service Funds	<u>3,337</u>	<u>1,140</u>
Trust and Agency Funds		
Departmental	105,208	78,725
Development		8,637
Grants		75,593
Property Tax/Assessments		16,324
Endowments		624
Total Trust and Agency Funds	<u>105,208</u>	<u>179,903</u>
Total	<u>\$329,751</u>	<u>\$329,751</u>

**County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999**

(6) Interfund Transactions (Continued)

The General, Internal Service, and Debt Service Funds make advances to other funds to assist in meeting their cash flow requirements. Advances at June 30, 1999 consist of the following (in thousands):

	Advances To <u>Other Funds</u>	Advances From <u>Other Funds</u>
General Fund	<u>\$8,860</u>	
Special Revenue Funds:		
County Service Areas		<u>40</u>
Debt Service Funds:		
County of Riverside Asset Leasing Corporation	<u>1,562</u>	
Enterprise Funds:		
Riverside General Hospital		8,391
Animal Spay & Neuter Clinic		<u>254</u>
Total Enterprise Funds		<u>8,645</u>
Internal Service Funds:		
Risk Management	<u>500</u>	
Temporary Assistance Pool		<u>500</u>
Trust & Agency Funds:		
Departmental		50
General Long-Term Debt:		<u>1,687</u>
Total	<u>\$10,922</u>	<u>\$10,922</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(6) Interfund Transactions (Continued)

The following is a summary of Operating Transfers In/Out at June 30, 1999 (in thousands):

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	<u>\$104,602</u>	<u>\$25,805</u>
Special Revenue Funds:		
Transportation	9,597	5,154
Community Services	3,557	27,000
Other Special Revenue	615	1,072
Flood Control	762	1,923
Redevelopment Agency		2,098
County Service Areas	<u>103</u>	<u>1,480</u>
Total Special Revenue Funds	<u>14,634</u>	<u>38,727</u>
Debt Service Funds:		
County of Riverside Asset Leasing Corporation	23,379	2,134
Flood Control	1,253	137
Redevelopment Agency	<u>612</u>	<u>2,261</u>
Total Debt Service Funds	<u>25,244</u>	<u>4,532</u>
Capital Projects Funds:		
County of Riverside Asset Leasing Corporation	2,515	1,375
Flood Control	93	
Redevelopment Agency		<u>3,696</u>
Total Capital Project Funds	<u>2,608</u>	<u>5,071</u>
Enterprise Funds:		
Riverside General Hospital		72,905
Flood Control		<u>69</u>
Total Enterprise Funds		<u>72,974</u>
Internal Service Funds:		
Flood Control Equipment	<u>21</u>	
Total	<u>\$147,109</u>	<u>\$147,109</u>

(7) Landfill Closure Costs

Waste has recorded approximately \$69,200,000 as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 17% to 100%). State and Federal laws and regulations require Waste to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste will recognize the remaining estimated total cost of \$43,600,000 as the remaining estimated capacity of 24,600,000 tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2020. The total estimate of approximately \$113,000,000 is based on what it would cost to perform all closure and post-closure care at year end. Actual costs may be different due to inflation, changes in technology or changes in regulations.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(7) Landfill Closure Costs (continued)

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

<u>Facility Name</u>	<u>Cumulative Expense</u>	<u>Capacity Used as of June 30, 1999</u>	<u>Estimated Years Remaining</u>
Anza (Anza)	\$2,525,787	82.6%	11
Badlands (Moreno Valley)	2,630,632	16.7%	21
Blythe (Blythe)	1,134,948	18.1%	21
Coachella (Coachella)	9,407,297	100.0%	-
Desert Center (Desert Center)	790,763	66.5%	21
Double Butte (Winchester)	8,812,919	100.0%	-
Edom Hill (Cathedral City)	11,937,173	72.0%	5
El Sobrante (Corona)	10,037,670	60.5%	11
Highgrove (Riverside)	6,670,572	100.0%	-
Lamb Canyon (Beaumont)	5,032,516	29.8%	12
Mead Valley (Perris)	7,100,340	100.0%	-
Mecca II (Mecca)	1,344,625	69.0%	9
Oasis (Oasis)	1,791,176	69.4%	13
	<u>\$69,216,418</u>		

Waste is required by State and Federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 14 of the California Code of Regulations (CCR) requires solid waste landfill operators to demonstrate the availability of financial resources to conduct closure and post-closure maintenance activities. In accordance with sections 18283 and 18290 of the CCR, Waste has implemented Pledge of Revenue agreements between Waste and the California Integrated Waste Management Board (CIWMB) for nine active landfills and three closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste has determined that the projected net revenues, after current operating costs, from tipping fees during the thirty year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates which is mutually agreed to by Waste and the CIWMB. Waste is in compliance with these requirements, and investments of \$63,376,000 are held for these purposes at June 30, 1999 and are classified as restricted assets in the general purpose financial statements. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations), these costs may need to be covered by charges to future landfill users.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(8) Operating Leases

The following is a schedule by year of future minimum rental payments, which includes an average 4.5 percent per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 1999 (in thousands):

<u>Year Ending June 30:</u>	
2000	\$13,193
2001	12,223
2002	9,038
2003	8,015
2004	6,602
Thereafter	<u>8,713</u>
Total Minimum Payments	<u>\$57,784</u>

Rental expense was \$17,235,000 principally in the General Fund for the year ended June 30, 1999.

(9) Long-Term Obligations

Long-term obligations of the County consist of capital lease obligations, bonds, and other liabilities which are payable from the General, Debt Service, Enterprise and Internal Service Funds. The calculated legal debt limit for the County is \$933,632,000.

Capital Leases

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

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 1999 (in thousands):

<u>Year ending June 30:</u>	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>General Long- Term Debt Account Group</u>
2000	\$ 1,531	\$ 9,044	\$ 8,619
2001	773	6,773	8,212
2002	665	4,555	7,296
2003	322	3,038	5,231
2004	213	1,355	5,004
Thereafter	<u>60</u>	<u>1,588</u>	<u>48,263</u>
Total minimum payments	3564	26,353	82,625
Less amount representing interest	<u>(562)</u>	<u>(2,532)</u>	<u>(32,441)</u>
Present value of net minimum lease payments	<u>\$ 3,002</u>	<u>\$23,821</u>	<u>\$50,184</u>

General Long-Term Debt Account Group includes the Palm Desert Financing Authority capital lease of \$6,825,000 for the construction of the Blythe County Administrative Center.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

Bonds and Notes Payable

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

The Housing note payable is secured by a deed of trust.

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

RDA has agreed to reimburse CORAL for a portion of the CORAL debt associated with the 1985 and 1997 Certificates of Participation. The terms of the reimbursement agreements call for annual payments to be made by RDA to the CORAL Debt Service Fund over the life of the Certificates. If RDA does not have available funds, such annual payments may be deferred, with interest accruing at a rate equal to that paid on the Certificates. At June 30, 1999, \$1,562,000 was due and unpaid and is included as an advance from other funds in the General Long-Term Debt Account Group.

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

RDA approved the issuance of Bond Anticipation Notes (BAN) in an amount not to exceed \$6,500,000 to the Treasurer and Tax Collector of the County, for the financing of a Sports Park. The note has been issued as a single note upon which advances are made by the Treasurer upon receipt of a disbursement request from the RDA. Interest on the note shall accrue upon each such advance from the date thereof at 50 basis points above the rate for the Treasurer's Pooled Investment Fund and shall include a three-year maturity from the date of the advance. As of June 30, 1999, RDA has drawn down \$409,525.

In December 1998, CORAL approved the issuance of BAN in an amount not to exceed \$27,000,000 to the Treasurer and Tax Collector of the County for use as interim financing for the Southwest Justice Center. As of June 30, 1999 CORAL has drawn down \$4,000,000, which is recorded as a liability in the Correctional Facilities Capital Project Fund. Repayment is due on or before June 2000, and interest is at 12.5 basis points above the rate for the Treasurer's Pooled Investment Fund adjusted quarterly.

On July 1, 1998, the County issued \$235,000,000 of Tax and Revenue Anticipation Notes, due September 30, 1999. The fifteen month notes bear an interest rate of 4.5% per annum from their date of issuance and delivery until the notes are paid in full. At June 30, 1999, this liability is recorded in the General Fund as \$235,000,000 in tax anticipation notes payable, and assets of \$237,644,000 set aside to pay this obligation were recorded as restricted assets.

During the year ended June 30, 1999 the County incurred interest costs of \$51,252,000.

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

Enterprise Fund Debt

	Balance at <u>June 30, 1999</u>
Housing Authority of the County of Riverside notes payable, 5.3% and 10% Date issued: January 1, 1998 and January 26, 1998 Original amount: \$4,709 and \$110 Maturity date: January 1, 2001 and February 29, 2008	\$ 4,819
Housing Authority of the County of Riverside bond payable, 7.4% Date issued: November 25, 1986 Original amount: \$1,960 Maturity date: November 1, 2006	1,660
Housing Authority of the County of Riverside bond payable, 6.3% to 6.9% Date issued: January 27, 1998 Original amount: \$2,405 Maturity date: December 1, 2018	1,006
Housing Authority of the County of Riverside bond payable, 4.0% to 5.0% Date issued: August 11, 1998 Original amount: \$4,055 Maturity date: June 1, 2019	3,895
Housing Authority of County of Riverside bond payable, 6.4% Date issued: August 19, 1998 Original Amount: \$5,085 Maturity Date: June 1, 2028	5,025
Blythe Marina note payable, 3.7% Date issued: April 22, 1963 Original amount: \$465 Maturing in installments through August 1, 2016	219
County of Riverside Asset Leasing Corporation-Waste Certificates of Participation, 4.1% to 5.5% Date issued: October 9, 1997 Original amount: \$58,070 Maturing in installments through November 1, 2021	1,797
County of Riverside Asset Leasing Corporation-Riverside General Hospital Certificates of Participation, 4.1% to 5.5% Date issued: October 9, 1997 Original amount: \$58,070 Maturing in installments through November 1, 2021	7,270
Leasehold Revenue Bonds, 5.5% to 6.8% Date issued: January 21, 1993 Original amount: \$149,060 Maturing in installments through June 1, 2014	131,446
Leasehold Revenue Bonds, 5.7% to 6.0% Date Issued: February 20, 1997 Original amount: \$42,055 Maturing in installments through June 1, 2026	46,026

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

Enterprise Fund Debt (Continued)

	<u>Balance at June 30, 1999</u>
Leasehold Revenue Bonds, 4.0% to 6.3%	66,678
Date issued: August 21, 1997	
Original amount: \$71,985	
Maturing in installments through June 1, 2019	
Capital Lease Obligations	<u>3,002</u>
Total Principal	<u>\$ 272,843</u>

Internal Service Fund Debt

	<u>Balance at June 30, 1999</u>
County of Riverside Asset Leasing Corporation	
Certificates of Participation, 4.1% to 5.5%	
Date issued: October 9, 1997	
Original amount: \$58,070	
Maturing in installments through November 1, 2021	
Transportation Equipment	6
Capital Lease Obligations	<u>23,821</u>
Total Principal	<u>\$23,827</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group

	Balance <u>July 1, 1998</u>	Debt Issued or <u>Reassigned</u>	Debt Retired or <u>Assigned</u>	Balance <u>June 30, 1999</u>
Advances From Other Funds	\$ 2,187		<u>500</u>	<u>1,687</u>
Accrued Compensation Payable	<u>58,027</u>	<u>10,903</u>		<u>68,930</u>
Notes Payable:				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 6.6% to 6.7%	1,340		420	920
Date issued: August 1, 1990				
Original amount: \$3,600				
Maturing in installments through August 1, 2000				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 5.4% to 5.8%	2,655		475	2,180
Date issued: December 1, 1992				
Original amount: \$4,750				
Maturing in installments through September 1, 2002				
Riverside County Flood Control and Water Conservation District Negotiable Promissory Note, 4.2% to 5.1%	2,225		235	1,990
Date issued: December 1, 1995				
Original amount: \$2,675				
Maturing in installments through September 1, 2005				
County of Riverside Taxable Commercial Paper Note, Variable Interest Rate	7,651		7,651	
Date issued: November 21, 1997				
Original amount: \$23,808				
Maturing in installments through August 16, 1998				
County of Riverside Taxable Commercial Paper Note Variable Interest Rate		16,300	16,300	
Date Issued: August 26, 1998				
Original Amount: \$16,300				
County of Riverside Tax Exempt Commercial Paper Note Variable interest rate	65,305		65,305	
Date issued: November 21, 1997				
Original amount: \$65,305				
Maturing in installments through October 19, 1998				
County of Riverside Tax Exempt Commercial Paper Note Variable interest rate		59,500		59,500
Date issued: August 26, 1998				
Original amount: \$59,500				
Maturing in installments through October 19, 1999				
County of Riverside Redevelopment Agency Bond Anticipation Note, Variable Interest Rate		410		410
Date issued: May 20, 1999				
Original amount: \$6,500				
Matures May 20, 2002				
Total Notes Payable	<u>79,176</u>	<u>76,210</u>	<u>90,386</u>	<u>65,000</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (Continued)

	<u>Balance</u> <u>July 1, 1998</u>	<u>Debt Issued</u> <u>or</u> <u>Reassigned</u>	<u>Debt</u> <u>Retired or</u> <u>Assigned</u>	<u>Balance</u> <u>June 30, 1999</u>
Bonds Payable:				
Riverside County Flood Control and Water Conservation District General Obligation Bonds, 8.2% to 9.1%	455		455	
Date issued: July 31, 1985				
Original amount: \$1,839				
County of Riverside Asset Leasing Corporation Certificates of Participation, variable interest rates	129,331	9	5,125	124,215
Date issued: December 19, 1985 through June 22, 1988				
Original amount: \$220,655				
Maturing in installments through December 1, 2015				
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.6% to 5.8%	24,075		2,650	21,425
Date issued: November 1, 1993				
Original amount: \$33,640				
Maturing in installments through November 1, 2018				
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.2% to 5.8%	12,165		185	11,980
Date issued: March 1, 1997				
Original Amount: \$12,165				
Maturing in installments through November 1, 2027				
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.5% to 6.1%	21,907	66		21,973
Date issued: May 7, 1997				
Original Amount: \$21,835				
Maturing in installments through November 1, 2027				
County of Riverside Asset Leasing Corporation Certificates of Participation, 4.1% to 5.5%	39,430	3,362	5,120	37,672
Date issued: October 9, 1997				
Original amount: \$58,070				
Maturing in installments through November 1, 2021				
County of Riverside Asset Leasing Corporation Certificates of Participation, 3.8% to 5.7%	36,100		1,505	34,595
Date issued: April 21, 1998				
Original Amount: \$36,100				
Maturing in installments through December 1, 2021				

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (Continued)

	<u>Balance</u> <u>July 1, 1998</u>	<u>Debt Issued</u> <u>or</u> <u>Reassigned</u>	<u>Debt</u> <u>Retired or</u> <u>Assigned</u>	<u>Balance</u> <u>June 30, 1999</u>
County of Riverside District Court Financing Corporation				
Certificates of Participation, 7.6%		2,165		2,165
Date issued: April 29, 1999				
Original amount: \$2,165				
Maturing in installments through June 15, 2020				
County of Riverside Court Financing Corporation				
Certificates of Participation, 7.5%	18,000		170	17,830
Date issued: October 30, 1997				
Original amount: \$18,000				
Maturing in installments through November 1, 2027				
Riverside County Public Financing Authority				
County of Riverside Redevelopment Agency				
Tax Allocation Revenue Bonds, 4.4% to 5.6%	69,625		720	68,905
Date issued: September 30, 1997				
Original amount: \$69,625				
Maturing in installments through October 1, 2033				
Riverside County Desert Facilities Corporation				
Taxable Variable Rate Certificates of Participation, 6.0%				
Date issued: June 20, 1990	8,300		100	8,200
Original amount: \$8,800				
Collateralized by an \$8,800 irrevocable				
letter of credit to the Desert Facilities				
Corporation with Bank of America				
Total Bonds Payable	<u>359,388</u>	<u>5,602</u>	<u>16,030</u>	<u>348,960</u>
Capital Lease Obligations	<u>56,572</u>	<u>5,417</u>	<u>11,805</u>	<u>50,184</u>
Other Liabilities		<u>2,700</u>		<u>2,700</u>
Total General Long-Term Debt Obligations	<u>\$ 555,350</u>	<u>100,832</u>	<u>118,721</u>	<u>537,461</u>

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

Debt Service Requirement to Maturity

Enterprise Fund debt, other than CORAL financed debt and Housing bonds, has no stated maturities and, accordingly, debt secured by means other than CORAL and Housing bonds has debt service requirements to maturity that are not known. A summary of the General Long-Term Debt, Housing bonds, and CORAL secured Internal Service Fund and Enterprise Fund debt service requirements, including interest to maturity, as of June 30, 1999 follows (in thousands):

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

Debt Service Requirement to Maturity (Continued)

	<u>Housing Authority</u>	<u>Flood Control</u>	<u>CORAL</u>	<u>Desert Facilities Corporation</u>	<u>Redevelopment Agency</u>	<u>Court Financing Corporation</u>	<u>District Court Financing Corporation</u>
2000	\$ 1,453	1,435	56,349	829	4,465	1,522	0
2001	6,054	1,440	54,260	820	4,453	1,523	0
2002	1,209	946	53,555	902	4,462	1,523	0
2003	1,216	945	51,866	884	4,450	1,522	0
2004	1,195	334	52,440	866	4,456	1,525	0
Thereafter	<u>18,459</u>	<u>667</u>	<u>771,933</u>	<u>14,078</u>	<u>132,510</u>	<u>36,600</u>	<u>8,781</u>
Totals	29,586	5,767	1,040,403	18,379	154,796	44,215	8,781
Less interest	(11,862)	(677)	(517,575)	(10,179)	(85,891)	(26,385)	(6,616)
Less related discount	<u>(1,319)</u>	<u> </u>	<u>(17,745)</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Notes and Bonds payable, net	<u>\$16,405</u>	<u>5,090</u>	<u>505,083</u>	<u>8,200</u>	<u>68,905</u>	<u>17,830</u>	<u>2,165</u>

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

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>General Long Term Debt Account Group</u>	<u>Total</u>
2000	\$ 23,784	6	32,559	56,349
2001	23,996		30,264	54,260
2002	24,119		29,436	53,555
2003	23,971		27,895	51,866
2004	24,255		28,185	52,440
Thereafter	<u>419,981</u>	<u> </u>	<u>351,952</u>	<u>771,933</u>
Total	540,106	6	500,291	1,040,403
Less interest	(269,144)		(248,431)	(517,575)
Less related discount	<u>(17,745)</u>	<u> </u>	<u> </u>	<u>(17,745)</u>
Bonds payable, net	<u>\$ 253,217</u>	<u>6</u>	<u>251,860</u>	<u>505,083</u>

Teeter Notes

In December 1993, the County adopted the Teeter Plan, an alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities which elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt and Taxable Commercial Paper. As a necessary component for the issuance of the commercial paper, the County entered into an agreement with a financial institution to provide \$75,800,000 in direct pay letters of credit. During 1999, the County issued taxable and tax-exempt commercial paper notes of \$16,300,000 and \$59,500,000, respectively. No amounts were drawn on the letters of credit, which expire November 19, 2002.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

Defeasance of Debt

On November 1, 1993, the County issued \$33,640,000 of CORAL Certificates of Participation (1993 Master Refunding Project). The proceeds from the sale of the 1993 certificates were applied to the refunding and defeasance of \$32,730,000 aggregate principal of leasehold mortgage bonds, leasehold revenue bonds and certificates of participation previously issued. Accordingly, the refunded debt has been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 1999 was \$21,250,000.

On January 21, 1993, the County issued \$149,060,000 of CORAL Leasehold Revenue Bonds 1993 Series A and 1993 Series B (County of Riverside Hospital Project). The proceeds from the sale of the 1993 bonds were used to advance refund \$141,160,000 of the 1989 Leasehold Revenue Bonds Series A (1989 Bonds). Accordingly, the refunded bonds have been eliminated and the advance refunding bonds included in the financial statements. The amount of refunded debt outstanding at June 30, 1999 was \$10,150,000.

In September 1997, the Riverside County Public Financing Authority issued \$69,625,000 in Revenue Bonds with an average interest rate of 5.52%. Proceeds were used to concurrently loan to the Redevelopment Agency for the County of Riverside, at the same interest rate, funds to advance refund \$11,095,000 of outstanding 1991 Tax Allocation Bonds and redeem \$17,395,000 of 1990 Tax Allocation Bonds with an average interest rate of 7.44% and 7.78% respectively. Proceeds from this transaction were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1991 Bonds. As a result, the 1991 Bonds are considered to be defeased and the liability for those Bonds has been removed from the general long-term debt account group. The amount of the refunded debt outstanding at June 30, 1999 was \$10,870,000.

On October 9, 1997, the County issued \$58,070,000 of CORAL Certificates of Participation (1997 Lease Refunding). The proceeds from the sale of the certificates were used to advance refund \$43,130,000 of the Series 1991A and \$16,810,000 of Series 1991B Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 1999 was \$47,595,000.

On April 21, 1998, the County issued \$36,100,000 of CORAL Certificates of Participation (1998 Larson Justice Center). The proceeds from the sale of the certificates were used to advance refund \$31,700,000 of 1994 Desert Facilities Corporation Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates included in the financial statements. The amount of the refunded debt outstanding at June 30, 1999 was \$31,040,000.

Accrued Compensated Absences

Enterprise Funds and Internal Service Funds reported an estimated liability for accrued compensated absences at June 30, 1999 \$15,889,000. All accrued compensated absences are treated as long-term liabilities due to a lack of data necessary to determine a differentiation between current and long-term amounts.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(9) Long-Term Obligations (Continued)

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 \$188,745,000 of Mortgage Revenue Bonds have been issued and \$96,361,625 are outstanding as of June 30, 1999. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Debt Account Group.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$284,970,000 at June 30, 1999, to provide financing or improvements benefitting 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.

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

Flood has issued special assessment bonds, totaling \$9,875,000 as of June 30, 1999, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood. In accordance with bond covenants, Flood has established a reserve from bond proceeds for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(10) Fund Equity

Changes to Beginning Fund Balances and Retained Earnings

Certain fund equities at July 1, 1998 have been restated based on additional information pertaining to one or more prior years' activities presented in aggregate.

The beginning fund balance of the General Fund and Community Service Special Revenue Fund along with the beginning retained earnings of the Printing Services, Supply Services and Risk Management Internal Service Funds were adjusted due to prior period adjustments. Beginning fund balances of Redevelopment Agency Special Revenue, Debt Service and Capital Projects Funds were adjusted due to prior year accruals. The Riverside General Hospital and Housing Authority's Enterprise Funds beginning retained earnings balance were decreased primarily due to prior period adjustments for certain building expenses previously capitalized.

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

	July 1, 1998 Fund Balance/Retained Earnings as <u>Previously Reported</u>	Net <u>Change</u>	July 1, 1998 Fund Balance/Retained Earnings <u>Restated</u>
General Fund:	\$ 124,467	10	124,477
Special Revenue Fund:			
Community Services	10,006	(34)	9,972
Redevelopment Agency	25,338	155	25,493
Debt Service Fund:			
Redevelopment Agency	4,952	618	5,570
Capital Projects Fund:			
Redevelopment Agency	32,569	374	32,943
Enterprise Fund:			
Riverside General Hospital	4,442	(1,945)	2,497
Housing Authority	22,476	(7,629)	14,847
Internal Service Fund:			
Printing Services	857	316	1,173
Supply Services	1,355	30	1,385
Risk Management	34,317	2	34,319

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(10) Fund Equity (Continued)

Reserved Fund Balances

The following is a summary of reserved fund balances at June 30, 1999 which are not available for appropriation and expenditure/expense (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Investment Trust
Reserved:					
Encumbrances	\$ 8,326	5,295		20,756	
Imprest cash	317	221			
Prepaid items	42	40			
Advances	8,860				
Loans receivable		2,040	84		
Deposits	3,020				
Inventories	2,487	512		1,931	
Debt service	60,183		31,625		
Construction				948	
General	350	50			
External investment pool participants					685,571
Total	<u>\$ 83,585</u>	<u>8,158</u>	<u>31,709</u>	<u>23,635</u>	<u>685,571</u>

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

Designated Unreserved Fund Balances

The following is a summary of unreserved fund balances at June 30, 1999 which have been designated by the Board for specified purposes (in thousands):

	General Fund	Special Revenue Funds	Capital Projects Funds
Designated:			
Redevelopment	\$1,521		
Public safety	64		
Capital projects		92,358	1,336
Total	<u>\$1,585</u>	<u>92,358</u>	<u>1,336</u>

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(10) Fund Equity (Continued)

Contributed Capital

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

	Balance July 1, 1998	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 1999
Enterprise Funds:				
Blythe Marina	\$ 106			106
Riverside General Hospital	11,400	334		11,734
Waste Management	<u>3,354</u>			<u>3,354</u>
Total Enterprise Funds	<u>14,860</u>	<u>334</u>		<u>15,194</u>
Internal Service Funds:				
Hospital Data Processing	85			85
Transportation Equipment	1,277			1,277
Fleet Services	2,439			2,439
Information Services		225		225
Supply Services	16		16	
Flood Control Equipment	<u>600</u>			<u>600</u>
Total Internal Service Funds	<u>4,417</u>	<u>225</u>	<u>16</u>	<u>4,626</u>
Total Contributed Capital	<u>\$19,277</u>	<u>559</u>	<u>16</u>	<u>19,820</u>

(11) Risk Management

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

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

General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are \$10,000,000, subject to a self-insured retention (SIR) of \$1,000,000 per occurrence. Medical malpractice utilizes a policy that provides annual coverage on an occurrence basis. Maximum coverage under the policy is limited to \$10,000,000 total claims, subject to SIR of \$1,100,000 for each claim. The maximum limits under the excess workers' compensation, Section A, is statutory (unlimited) and Section B, Employer Liability is \$2,000,000 per claim subject to a \$500,000 SIR for each accident for employee and for disease. There has been a reduction in the medical malpractice program SIR's over the prior year, and there has been one reduction in policy coverages or limits from the prior year. The County does occasionally structure settlements when feasible and agreeable to both parties. The amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

The County's property insurance program is fully insured for all risk and flood, Tower 1 is for \$300,000,000 limits and Tower IV (new hospital) is for \$300,000,000 in limits. Earthquake (scheduled locations) for each

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(11) Risk Management (Continued)

Tower is \$100,000,000 limits, and boiler and machinery up to \$100,000,000, with various deductibles. Should a catastrophic event occur and losses exceed the limits, the County would be responsible. The limits in both Towers is shared with other counties on a per event basis.

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, 1999 are reported in these funds. Where certain funds have an accumulated deficit or insufficient reserves, the County has developed a method to provide funding to reduce the deficit and increase the reserves. Revenues of these Internal Service Funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses. Cash available in the Risk Management Internal Service Funds at June 30, 1999 plus revenues to be collected during Fiscal Year 1999-00 are expected to be sufficient to cover all Fiscal Year 1999-00 payments. The carrying amount of unpaid claim liabilities is \$63,303,000. The liability amounts are discounted at 6%.

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

	<u>June 30, 1998</u>	<u>June 30, 1999</u>
Unpaid claims, beginning of year	\$68,543	64,223
Decrease in provision for insured events of prior year	(4,710)	(3,200)
Incurred claims	15,864	26,051
Claim payments	<u>(15,474)</u>	<u>(23,771)</u>
Unpaid claims, end of year	<u>\$64,223</u>	<u>63,303</u>

(12) Medi-Cal and Medicare Programs

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

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a contractually agreed-upon per discharge rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the Department of Health Services. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient service revenue. In 1999 such differences amounted to a \$1,393,403 decrease to net patient service revenue. The Hospital's classification of patients under the Medicare program and appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the fiscal intermediary through June 30, 1996.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

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

During 1991, legislation was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals which serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Hospital has recorded net proceeds of \$16,427,000 of disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 1999, portions of which are included in amounts due from third-party payors.

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

(13) Budget/Actual Reconciliation

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

Fund balances (in thousands):

	<u>Debt Service</u>	<u>Capital Projects</u>
Fund balances, June 30, 1999 all funds	\$ 31,709	76,443
Less fund balances, June 30, 1999, unbudgeted funds		
CORAL	(25,377)	(10,781)
Desert Facilities Corporation	(146)	
District Court Project		<u>(14,990)</u>
Fund balances, June 30, 1999, budgeted funds	<u>\$ 6,186</u>	<u>50,672</u>

(14) Segment Information

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(14) Segment Information (Continued)

Segment information as of and for the fiscal year end June 30, 1999 is as follows (in thousands):

	Riverside General <u>Hospital</u>	Waste Management <u>Department</u>	Housing <u>Authority</u>	<u>All Other</u>	<u>Total</u>
Operating revenues, net	\$ 216,349	41,558	42,625	2,145	302,677
Operating expenses:					
Depreciation	10,125	2,993	1,511	34	14,663
Other	<u>135,487</u>	<u>30,671</u>	<u>40,710</u>	<u>1,501</u>	<u>208,369</u>
Operating income (loss)	70,737	7,894	404	610	79,645
Non-operating revenue					
(expenses)	(15,738)	3,982	(1,008)	37	(12,727)
Operating transfers (out)	<u>(72,905)</u>			<u>(69)</u>	<u>(72,974)</u>
Net income (loss)	<u>\$ (17,906)</u>	<u>11,876</u>	<u>(604)</u>	<u>578</u>	<u>(6,056)</u>
Property:					
Additions	\$ 7,345	5,367	1,121	10	13,573
Retirements	42	660	790	167	11,038
Net working capital	22,857	14,136	(3,104)	1,377	35,266
Total assets	313,742	136,533	36,822	2,354	489,451
Long-term liabilities	264,447	84,314	17,232	334	366,327
Total fund equity (deficit)	(3,675)	46,448	14,243	1,431	58,447

(15) Jointly Governed Organizations

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

The jointly governed organizations in which the County participated at June 30, 1999 are as follows:

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

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

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris,

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(15) Jointly Governed Organizations (Continued)

Riverside, San Jacinto and Temecula for the purpose of serving as a forum for consideration, study and recommendation on area-wide and regional problems.

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

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

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

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

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

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

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

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

(16) Deferred Compensation Plan

The County, Flood, Waste and Housing have made available to their eligible employees a deferred compensation plan, under the terms of Section 457 of the Internal Revenue Code, whereby employees may elect to defer a portion of their salary to be invested in individual savings accounts, until certain circumstances are met. These circumstances are termination by reason of death, disability, ~~resignation~~, retirement or an unforeseeable emergency. Employees may contribute up to 25% of their annual compensation, not to exceed \$8,000 in any year, into the deferred compensation plan. Amounts accumulated under the plan have been invested in several investment options at the direction of the employee.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(16) Deferred Compensation Plan (Continued)

The Small Business Job Protection Act of 1996 changed the Internal Revenue Code Section 457 (Deferred Compensation) by protecting participant assets from creditors of a bankrupt or financially troubled public jurisdiction. The County complied with the provisions of this act effective July 1, 1997 and implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* during the year ended June 30, 1998. As of June 30, 1999 there was \$185,795,000 in the Deferred Compensation plan, which is not included as part of the County's financial statements.

(17) Retirement Plan

Plan Description

The County, Flood, Park and Waste contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements are established by State statutes within the Public Employees' Retirement Law. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. PERS issues a separate comprehensive annual financial report. Copies of the PERS' annual financial report may be obtained from the PERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in the PERS are required to contribute 7% (9% for safety employees) of their annual covered salary. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above date make their own contributions for the first five years. Miscellaneous prosecution unit member employees hired on or after September 3, 1992 make their own contributions for the first year. With some exceptions, safety member employees hired after June 25, 1992 make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood, Parks and Waste are required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERS Board of Administration. For fiscal year 1998-99, the contribution rates were:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	4.192%	4.6%	6.174%	11.069%
Safety	9.133%			

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(17) Retirement Plan (Continued)

Annual Pension Cost

For fiscal year 1998/99, the annual pension costs for PERS was equal to the employer's required and actual contributions as noted below:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	\$15,214,943	851,000	236,145	1,099,538
Safety	9,619,982			

The required contribution for fiscal year 1998-99 was determined as part of the June 30, 1996 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.5%. The actuarial value of PERS assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments over a two to five year period (smoothed market value) depending on the size of investment gains and/or losses. PERS's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization periods at June 30, 1996 (in years) are:

	<u>County</u>	<u>Flood</u>	<u>Parks</u>	<u>Waste</u>
Miscellaneous	20	20	19	20
Safety	20			

Riverside County - Miscellaneous

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Assets in Excess of AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Assets in Excess of AAL as a Percentage of Covered Payroll (b-a)/c</u>
June 30, 1995	\$ 760,106	\$ 756,610	\$ (3,496)	100.5%	\$288,042	(1.2%)
June 30, 1996	873,016	830,940	(42,076)	105.1%	275,264	(15.3%)
June 30, 1997	1,026,517	844,142	(182,375)	121.6%	281,966	(64.7%)

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1997	\$ 21,076	100%	\$ 0
June 30, 1998	22,961	100%	0
June 30, 1999	15,215	100%	0

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(17) Retirement Plan (Continued)

Annual Pension Cost (Continued)

Riverside County - Safety

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)Entry Age (b)</u>	<u>Assets in Excess of AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Assets in Excess of AAL as a Percentage of Covered Payroll (a-b)/c</u>
June 30, 1995	\$352,223	\$342,726	\$(9,497)	102.8%	\$87,849	(10.8%)
June 30, 1996	410,281	380,939	(29,342)	107.7%	88,546	(33.1%)
June 30, 1997	487,251	407,559	(79,692)	119.6%	91,884	(86.7%)

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1997	\$ 3,053	100%	\$ 0
June 30, 1998	13,791	100%	0
June 30, 1999	9,620	100%	0

Flood Control and Water Conservation District

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)Entry Age (b)</u>	<u>Assets in Excess of AAL (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>Assets in Excess of AAL as a Percentage of Covered Payroll (a-b)/c</u>
June 30, 1995	\$30,791	\$29,988	\$(803)	102.7%	\$8,312	(9.7%)
June 30, 1996	35,112	33,347	(1,765)	105.3%	7,354	(24.0%)
June 30, 1997	40,666	34,075	(6,591)	119.3%	7,407	(89.0%)

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(17) Retirement Plan (Continued)

Annual Pension Cost (Continued)

Flood Control and Water Conservation District (Continued)

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1997	\$ 973	100%	\$0
June 30, 1998	909	100%	0
June 30, 1999	851	100%	0

Regional Park and Open-Space District

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

<u>Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability - Entry Age (b)</u>	<u>Unfunded AAL(UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (a-b)/c</u>
June 30, 1995	\$4,078	\$3,809	\$268	107.0%	\$1,741	15.4%
June 30, 1996	4,564	4,064	500	112.3%	1,233	40.5%
June 30, 1997	5,204	4,162	1,043	125.1%	1,299	80.3%

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1997	\$ 228	100%	\$ 0
June 30, 1998	229	100%	0
June 30, 1999	236	100%	0

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(17) Retirement Plan (Continued)

Annual Pension Cost (Continued)

Waste Management Department

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)-Entry Age(b-a)</u>	<u>Unfunded AAL (UAAL) (a/b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
June 30, 1995	\$ 526	\$ 661	\$135	79.6%	\$7,250	1.7%
June 30, 1996	1,662	1,898	236	87.6%	6,533	3.6%
June 30, 1997	3,013	3,017	4	99.9%	6,634	.1%

Three-Year Trend Information
(Dollar Amounts in Thousands)

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 1997	\$946	100%	\$0
June 30, 1998	950	100%	0
June 30, 1999	1,100	100%	0

(18) Money Purchase Pension Retirement Plan

County of Riverside

The County changed from a Money Purchase Plan/Defined Contribution Plan to a Defined Benefit Plan in April 1999 to provide retirement benefits for employees who are not eligible for social security or PERS benefits. The new Plan is subject to IRC Section 401(a).

The Plan is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately.

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

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(18) Money Purchase Pension Retirement Plan (Continued)

County of Riverside (Continued)

The following information details plan activity during calendar year 1998 (in thousands):

Total covered payroll	\$ 21,963
Total payroll	\$ 509,387
Contribution requirement and actual contribution:	
Employer	\$ 1,647
Employee	\$ 1,647

Housing Authority

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

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

Total covered payroll	\$3,112
Total payroll	\$3,960
Employer contribution requirement and actual contribution:	\$ 342

(19) Post Employment Benefits

In addition to providing retirement benefits, the County provides certain post employment benefits for retired employees, specifically, certain health insurance premium costs to qualifying retired employees and their eligible dependents or survivors pursuant to an agreement with PERS. Employees with a minimum of five years of service and are age 50 at retirement qualify to receive the post employment benefits. Currently, approximately 1,611 retirees meet the eligibility requirements and are covered. PERS is responsible for administering the benefits to the retirees.

The contributions are funded on a pay-as-you-go basis, which is allocated among the operating departments based on the proportionate number of current employees and amounted to approximately \$634,591 for the year ended June 30, 1999.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(20) Commitments and Contingencies

Lawsuits and Other Claims

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

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

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 1998 identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, however, County management does not expect such amounts, if any, to be material to the general purpose financial statements.

Commitments

At June 30, 1999 the County has various noncancelable construction contracts with outside contractors through Capital Projects and General Fund financing, of which approximately \$34,186,000 will be payable upon future performance under the contracts.

Construction and Consulting Contracts

Waste enters into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Badlands, in accordance with State and Federal laws and regulations. Waste expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to approximate \$18,800,000 which will be capitalized as the costs are incurred.

Remediation Contingencies

Waste is presently aware of groundwater contamination at 10 of its landfills, 6 of which are closed. Waste is also aware of air/gas contamination at 16 landfills, 8 of which are closed. Based on engineering studies, Waste estimates the present value of the total costs of corrective action for foreseeable contaminate releases at approximately \$24,652,000. At June 30, 1999, Waste has accrued \$24,652,000 for the estimated costs related to the remediation of these landfills.

Waste has established a remediation restricted cash fund to set aside funds for future remediation costs as they are required to be performed. Investments of \$10,939,685 are held for these purposes at June 30, 1999 and are classified as restricted assets in the general purpose financial statements.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(21) Subsequent Events

Tax and Revenue Anticipation Notes

On July 1, 1999, the County as a participant in the California Statewide Communities Development Authority Pool, issued \$235,000,000 of Tax and Revenue Anticipation Notes, due September 29, 2000. The Notes will bear interest at the rate of 4.0% per annum from their date of issuance and delivery until the Notes are paid in full. The notes, in accordance with California law, are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to Fiscal Year 1999-00 and legally available for payment thereof. Proceeds from the notes will be used for Fiscal Year 1999-00 General Fund expenditures, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Teeter Notes

In August 1999, the County issued \$13,900,000 in Taxable Commercial Paper Notes and \$46,700,000 in Tax Exempt Commercial Paper Notes.

Landfill Operating Agreement

In September 1999, Riverside County Waste Management Department entered into a new agreement with a waste management company to co-operate the El Sobrante Landfill Site. Under the terms of the agreement, responsibility for funding remediation, closure and post closure care costs is based on landfill capacity levels. The effective date of this agreement is contingent upon waste management company's ability to obtain the necessary operating permits from the State of California.

(22) Effects of New Pronouncements

GASB Statement No. 33

In December 1998, GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement provides accounting and reporting guidance for nonexchange transactions (e.g., most taxes, grants, and donations). This statement identifies and provides guidance on the following four classes of nonexchange transactions: derived tax revenues, imposed nonexchange revenues, government-mandated nonexchange transactions, and voluntary nonexchange transactions. This statement is effective for financial statements for periods beginning after June 15, 2000. The County has elected not to early implement GASB No. 33 and has not determined its effect on the County's financial statements.

GASB Statement No. 34

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. This statement establishes financial reporting standards for state and local governments. Under the revised requirements, governmental financial statements will include management's discussion and analysis (MD&A), basic financial statements that present both government-wide and fund financial statements, and required supplementary information.

MD&A introduces the financial statements by giving readers a brief, objective, and easily readable analysis of the County's financial performance for the year and its financial position at year-end, including an analysis of budgetary changes and results.

County of Riverside
Notes to General Purpose Financial Statements
June 30, 1999

(22) Effects of New Pronouncements (Continued)

GASB Statement No. 34 (Continued)

The government-wide financial statements will provide information about the primary government and its component units without displaying funds or fund types. The financial statements will distinguish between the governmental and business-type activities of the primary government. All information will be reported using the economic resources measurement focus and the accrual basis of accounting. The fund financial statements will provide information about the primary government's fund types, including fiduciary funds and blended component units. Governments will present separate financial statements for each fund category: governmental, proprietary and fiduciary, and will no longer present a combined balance sheet. General capital assets and general long-term liabilities will be reported only in the government-wide financial statements as assets and liabilities of governmental activities. Governmental fund financial statements will focus on fiscal accountability and will report the flows and balances of current financial resources using the modified accrual basis of accounting. Proprietary and fiduciary fund financial statements will report operating results and financial position using the economic resources measurement focus and the accrual basis of accounting. A single set of notes will apply to both the government-wide and fund financial statements.

GASB No. 34 will be required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. The County will be required to implement GASB No. 34 for the fiscal year ending June 30, 2002.

The model also includes required reporting for infrastructure assets. Reporting alternatives include historical cost-based depreciation and a modified approach if the government maintains such assets at or above an established condition level. Retroactive infrastructure reporting will also become effective on a phase-in approach.

The County has elected not to early implement GASB No. 34 and has not determined its effects on the County's financial statements.

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The following information has been provided by The Depository Trust Company, New York, New York ("DTC"). The County makes no representation regarding the accuracy or completeness thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined).

DTC will act as securities depository for the Bonds. The Bonds will be executed and delivered as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each stated maturity of the Bonds, each in the aggregate amount of the principal of the Bonds with such maturity, 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities Bonds. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are 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 interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Prepayment notices will be sent to Cede & Co. If less than all of the Bonds with a particular stated maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be prepaid.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting

or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. 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 County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest on the Bonds to DTC is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE COUNTY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS EVIDENCED BY THE BONDS RECEIVED BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY PREPAYMENT OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL SERVICE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE COUNTY, THE CORPORATION AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO PARTICIPANTS, OR THAT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL, INTEREST OR ANY PREMIUM EVIDENCED BY THE BONDS PAID TO DTC OR ITS NOMINEE AS THE REGISTERED OWNER, OR ANY PREPAYMENT OR OTHER NOTICES, TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE COUNTY, THE CORPORATION AND THE TRUSTEE ARE NOT RESPONSIBLE OR LIABLE FOR THE FAILURE OF DTC OR ANY PARTICIPANTS TO MAKE ANY PAYMENT OR GIVE ANY NOTICE TO A BENEFICIAL OWNER WITH RESPECT TO THE BONDS OR ANY ERROR OR DELAY RELATING THERETO.

THE FOREGOING DESCRIPTION OF THE PROCEDURES AND RECORD-KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, PAYMENT OF PRINCIPAL, INTEREST AND OTHER PAYMENTS EVIDENCED BY THE BONDS TO PARTICIPANTS OR BENEFICIAL OWNERS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN SUCH BONDS AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE PARTICIPANTS AND THE BENEFICIAL OWNERS IS BASED ON INFORMATION PROVIDED BY DTC. ACCORDINGLY, NEITHER THE COUNTY NOR THE CORPORATION TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture, the Facilities Lease, the Site Lease and the Agency Agreement that are not summarized elsewhere in this Official Statement. For a summary description of the Bonds, see "THE BONDS." These summaries do not purport to be comprehensive, and reference should be made to said documents, copies of which may be obtained from the Trustee, for the complete text thereof.

DEFINITION OF CERTAIN TERMS

"Account" shall mean, as the case may be, each or all or any one of the accounts established in Article X of the Indenture.

"Additional Bonds" shall mean Bonds executed and delivered pursuant to Section 203 of the Indenture, other than the Bonds initially issued, executed and delivered hereunder.

"Additional Leases" shall have the meaning given it in Section 1314 of the Indenture.

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

"Administrative Expense Fund" shall mean the Administrative Expense Fund established in Section 1009 of the Indenture.

"Alternate Liquidity Facility" shall mean a standby bond purchase agreement, an irrevocable letter of credit, a line or lines of credit or other similar agreement or agreements or any other agreement or agreements used to provide liquidity support for the 2000B Bonds which provides for the purchase of such Bonds under certain circumstances by the provider thereof, issued and delivered to the Trustee in accordance with Section 702 of the Indenture.

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

"Authorized Denomination" shall mean (i) with respect to any 2000A Bond, \$5,000 or any integral multiple thereof or, (ii) with respect to any 2000B Bond, (A) during any Long-Term Interest Rate Period, \$5,000 or any integral multiple thereof, (B) during any Short-Term Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, \$100,000 or any integral multiple thereof.

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

"Available Money" shall mean moneys, including investment earnings thereon, for which an opinion of counsel experienced in bankruptcy matters has been delivered to the Trustee to the effect that the use of such amounts would not be avoidable as preferential payments under federal bankruptcy laws with respect to the County or the Corporation.

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

"Board of Directors" shall mean the Board of Directors of the Corporation, as constituted from time to time, or if said Board of Directors shall be abolished, such other entity or entities succeeding to the principal functions thereof or to whom the power and duties granted or imposed by the Indenture shall be given by law.

“Bond” or “Bonds” shall mean any Bond or Bonds, as the case may be, executed and delivered under and pursuant to this Indenture, including Additional Bonds, and Refunding Bonds, as appropriate.

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

“Bond Insurance Policy” shall mean the financial guaranty insurance policy issued by the Bond Insurer that guarantees payment of principal and interest on the Bonds.

“Bond Insurer” shall mean MBIA Insurance Corporation, or any successor thereto.

“Bond Interest Term” shall mean, with respect to any 2000B Bond, each period established in accordance with Section 401(g) of the Indenture during which such Bond shall bear interest at a Bond Interest Term Rate.

“Bond Interest Term Rate” shall mean, with respect to each 2000B Bond, a term, non-variable interest rate on such 2000B Bond established periodically in accordance with Section 401(g)(i) of the Indenture.

“Bond Market Association Municipal Swap Index” shall mean the Bond Market Municipal Swap Index disseminated by Municipal Market Data, a Thomson Financial Services Company or its successor.

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

“2000B Bond Purchase Fund” shall mean the fund so designated and established in Section 501(b)(ii) of the Indenture.

“Bond Register” shall mean the registration books maintained by the Bond Registrar referred to in Section 904 of the Indenture.

“Bond Registrar” shall mean the Trustee pursuant to Section 904 of the Indenture.

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

“Capitalized Fees Account” shall mean the account in the Debt Service Fund so designated and established pursuant to Section 1002 of the Indenture.

“Capitalized Interest Subaccount” shall mean the subaccount in the Interest Account in the Debt Service Fund so designated and established pursuant to Section 1002 of the Indenture.

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

“Certified Resolution” shall mean a copy of a resolution of the Board of Directors certified by the Secretary or an Assistant Secretary of the Corporation to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification.

“Closing Date” shall mean May 24, 2000.

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

“Commission” shall mean the Securities and Exchange Commission.

“Construction Fund” shall mean the Construction Fund established in Section 1003 of the Indenture.

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

“Costs of Issuance” shall mean all the costs of executing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with this Indenture, the Facilities Lease, the Bonds, the Qualified Swap and the official statement pertaining to the Bonds; rating agency fees; liquidity facility fees; bond insurance premium; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Leased Premises; any computer and other expenses incurred in connection with the Bonds; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); financial advisor and other consultant fees; and any other fees and expenses incurred in connection with the execution and delivery of the Bonds or the implementation of the financing for the Leased Premises, to the extent such fees and expenses are approved by the County.

“Costs of Issuance Account” means the Costs of Issuance Account established within the Construction Fund pursuant to Section 1002 of the Indenture.

“Costs of the Project” shall mean the cost of the acquisition, construction, equipping, development and financing of the Project, and shall include, without limitation, the cost of any engineering, architectural services, plans, specifications and surveys and estimates of costs; the cost of any taxes or assessments paid or to be paid in connection with the transfer of any property related to the Project; the cost of any indemnity or surety bonds or other insurance with respect to the acquisition, construction, development, installation or financing of the Project; fees and expenses incurred in connection with the preparation, issuance and delivery of the Bonds; reimbursement of the County for construction costs incurred prior to the Closing Date; the costs or reimbursement of the costs of the Corporation or the County incurred in connection with the issuance of the Bonds, including without limitation expenses relating to registering or qualifying the Bonds for distribution in any jurisdiction of the United States, discounts, commissions, financing charges and fees and expenses of underwriters, attorneys, accountants, advisors and consultants, the cost of audits and any Credit Facility or Liquidity Facility and any qualifications of this Indenture under the Trust Indenture Act of 1939; the cost of title insurance; fees and expenses of the Trustee; fees and expenses incurred in connection with the Liquidity Facility; fees and expenses incurred in connection with the Remarketing Agreement; the administrative expenses of the Corporation and the County attributable to the Project and incurred in connection with the issuance of the Bonds, including without limitation, compensation of officers, directors, employees, agents, attorneys, accountants, advisors and consultants of the Corporation and any fees and expenses of the Trustee; and such other costs, whether or not specified herein, as may be necessary or incidental to the acquisition, construction, equipping, development or financing of the Project and the placing of the same in operation, and such other costs and expenses for changes, alterations and additions to the Project requested by the County and authorized by the Board of Directors or an Authorized Officer.

“Co-Trustee” shall mean a Co-Trustee appointed in accordance with Section 1418 of the Indenture.

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

“Credit Facility” means a letter of credit, line of credit, surety bond or insurance policy or similar facility.

“Daily Interest Rate” shall mean, with respect to the 2000B Bonds, means the variable interest rate on the 2000B Bonds established in accordance with Section 401(e) of the Indenture.

“Daily Interest Rate Period” shall mean, with respect to the 2000B Bonds, each period during which a Daily Interest Rate for the 2000B Bonds is in effect.

“Debt Service” for any period shall mean, with respect to the Bonds, an amount equal to the sum of (i) interest accruing during such period on the Bonds, and (ii) that portion of each Principal Installment which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal

Installment due date (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment, or from May 1, 2000, whichever date is later). Such interest and Principal Installments shall be calculated on the assumption that no Bonds Outstanding at the date of calculation will cease to be Outstanding, except by reason of the payment of each Principal Installment on the due date thereof.

“Debt Service Fund” shall mean the Debt Service Fund established in Section 1006 of the Indenture.

“Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established in Section 1008 of the Indenture.

“Debt Service Reserve Requirement” shall mean the lesser of: (i) the maximum amount of principal and interest payable on the aggregate amount of Outstanding Bonds in any twelve month period beginning on the day following the payment date and ending on the anniversary date of the Bonds; (ii) ten percent (10%) of the principal amount of the Bonds, less original issue discount, if any; and (iii) one hundred and twenty-five percent (125%) of the average annual Debt Service due in any Fiscal Year on the Bonds Outstanding. For purposes of this definition, interest payable on the Series 2000B Bonds shall be calculated at the Swap Fixed Rate.

“Default Rate” shall mean (x) the higher of (a) Federal Funds Rate plus 2.00% or (b) Prime Rate plus 2.00%, unless a different meaning is ascribed to a similar term in an Alternate Liquidity Facility.

“Delivery Date” shall mean May 24, 2000.

“Depository” shall mean any bank or trust company organized under the laws of any state of the United States or any national banking association selected by the Corporation and the County as a depository of moneys and securities held under the provisions of the Indenture.

“Depository Participant” shall mean a member of, or participant in, the Depository.

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

“Earnings Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Event of Default” shall have the meaning given to such term in Section 1301 of the Indenture.

“Excess Bond Interest Amount” shall have the meaning set forth in Section 401(m) of the Indenture.

“Excess Earnings Fund” shall mean the Excess Earnings Fund established in Section 1007 of the Indenture.

“Facilities Lease” shall mean that certain Facilities Lease, dated as of May 1, 2000, by and between the Corporation and the County pursuant to which the Corporation leases the Project to the County, as from time to time amended or supplemented.

“Federal Funds Rate” shall mean, on any day, the overnight rate of interest per annum quoted by the Liquidity Provider for the overnight sale to other major banks and financial institutions of federal funds on such day (or if such day is not a Business Day, the next preceding Business Day).

“Fiduciary” or “Fiduciaries” shall mean the Bond Registrar, the Trustee, any duly appointed successor or successors to the Trustee or the Bond Registrar, any Co-Trustee or any Depository, if any, or any or all of them, as may be appropriate.

“Financial Newspaper or Journal” shall mean “The Wall Street Journal,” “The Bond Buyer” or any other newspaper or journal devoted to financial news of general circulation in The City of Los Angeles, State of California, and in The City of New York, State of New York, printed in the English language and customarily published on each Business Day, whether or not published on Saturdays, Sundays or holidays.

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

“Fitch” shall mean Fitch Investors Service, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

“Fixed Interest Rate” shall mean a non-variable interest rate established with respect to the 2000A Bonds in accordance with Section 302 of the Indenture.

“Fund” or “Funds” shall mean, as the case may be, each or all or any one of the funds and accounts established in Section 1002 of the Indenture.

“Indenture” shall mean the Indenture of Trust dated as of May 1, 2000, by and among the Corporation, the County and the Trustee, as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms thereof.

“Insurance Agreement” shall mean the Insurance Agreement dated as of May 1, 2000 between the Corporation and the Bond Insurer.

“Interest Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Interest Accrual Date” shall mean (i) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each May and November during that Weekly Interest Rate Period, (ii) with respect to any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each month, (iii) with respect to any Long-Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date, and (iv) with respect to each Bond Interest Term with a Short-Term Interest Rate Period, the first day thereof.

“Interest Payment Date” shall mean (A) with respect to the 2000A Bonds, May 1 and November commencing November 1, 2000, and (B) with respect to the 2000B Bonds, (i) with respect to any Weekly Interest Rate Period and with respect to any Purchased Bonds, the first Wednesday of each May and November, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day, (ii) with respect to any Daily Interest Rate Period, the fifth Business Day of each calendar month, (iii) with respect to any Long-Term Interest Rate Period, each May 1 and November 1 or, if such May 1 or November 1 shall not be a Business Day, the next succeeding Business Day, (iv) with respect to any Bond Interest Term, the day next succeeding the last day thereof, (v) with respect to each interest rate period, the day next succeeding the last day thereof, and (vi) any date specified in Section 3.01 of the Liquidity Facility as an Interest Payment Date. The 2000B Bonds shall initially bear interest at a Weekly Interest Rate for a Weekly Interest Rate Period.

“Investment Securities” shall mean and include any of the following securities if and to the extent the same are permitted by law and by any policy guidelines promulgated by the Corporation:

(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
Certificates of beneficial ownership

- b. Federal Housing Administration Debentures
- c. General Services Administration
Participation Certificates
- d. Government National Mortgage Association (GNMA)
GNMA - guaranteed mortgage-backed bonds
GNMA - guaranteed pass-through obligations
(participation certificates)
- e. U.S. Maritime Administration
Guaranteed Title XI financing
- f. U.S. Department of Housing and Urban Development
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) Participation Certificates
(Mortgage-backed securities)
Senior debt obligations
- c. Federal National Mortgage Association (FNMA)
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
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 system wide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G; AAAM; or AAM; and having a rating by Moody's of Aaa, Aa1 or Aa2.

(5) Certificates of deposit (CDs) secured at all times by collateral described in (1) and/or (2) above. CDs must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short 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 Trustee must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee) which are fully insured by Federal Deposit Insurance Corporation, including BIF and SAIF.

(7) Investment Agreements, including guaranteed investment contracts, acceptable to the Bond Insurer.

(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 one of the two highest long-term rating categories assigned by such agencies.

(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 or be approved by the Bond Insurer.

- a. Repurchase agreements must be between the Trustee and a dealer bank or securities firm:
 - (A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the Securities Investor Protection Corporation (SIPC) and which are rated A or better by S&P and Moody's, or
 - (B) Banks rated "A" or above by S&P and Moody's.
- b. The written repurchase contract must include the following:
 - (A) Securities which are acceptable for transfer are:
 - (i) Direct U.S. governments
 - (ii) Federal agencies backed by the full faith and credit of the U.S. Government (and FNMA & FHLMC)
 - (B) The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - (C) The Trustee has a perfected first priority security interest in the collateral.
 - (D) Collateral is free and clear of third-party liens and in the case of an SIPC broker, was not acquired pursuant to a repurchase agreement or reverse repurchase agreement.
 - (E) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate collateral.

(F) Valuation of Collateral

- (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
- (ii) The value of collateral must be equal to at least 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities hold as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must be equal to at least 105%.

c. Legal opinion which must be delivered to the Trustee and County:

- (A) The repurchase agreement 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.
- (13) Pool investment funds administered by any state of the United States acceptable to the Bond Insurer.
- (14) Any other investments approved by the Bond Insurer.

"Leases" shall mean, collectively, the Facilities Lease and the Site Lease, together with any amendments or supplements thereto.

"Liquidity Facility" shall mean initially, that certain Standby Bond Purchase Agreement dated as of May 1, 2000, by and between the Corporation and the Liquidity Provider, as the same may be amended or supplemented from time to time, and upon the issuance of any Alternate Liquidity Facility, such Alternate Liquidity Facility.

"Liquidity Provider" shall mean (a) initially Dexia Credit Local De France, acting by and through its New York Agency, or any successor thereto, or (b) in the event of issuance of an Alternate Liquidity Facility, the provider of such Alternate Liquidity Facility.

"*Long-Term Interest Rate*" shall mean, with respect to the 2000B Bonds, a term, non-variable interest rate on the 2000B Bonds established in accordance with Section 401 of the Indenture.

"Long-Term Interest Rate Period" shall mean, with respect to the 2000B Bonds, each period during which a Long-Term Interest Rate for the 2000B Bonds is in effect.

"Maximum Rate" shall mean 12% per annum; provided that, in the case of Purchased Bonds, Maximum Rate means 15% per annum.

"Moody's" shall mean Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

"Net Corporation Payment" shall mean, the excess, if any, of the amount to be paid on any date by the Trustee on behalf of the Corporation to a Qualified Swap Provider over the amount to be paid by a Qualified Swap Provider to the Trustee on behalf of the Corporation, in each instance pursuant to the terms of a Qualified Swap and solely in respect of amounts due other than pursuant to a termination of a Qualified Swap.

“Nominee” shall mean the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant hereto.

“Nonarbitrage Certificate” shall mean the Tax and Nonarbitrage Certificate of the County and the Corporation executed on the Closing Date.

“Officers’ Certificate” or “Certificate of the Corporation,” when used with respect to the Corporation, shall mean a certificate signed by the Chairman of the Board or President or any Vice Chairman or Vice President and by the Treasurer or any Assistant Treasurer or the Secretary or any Assistant Secretary of the Corporation.

“Opinion of Bond Counsel” shall mean an opinion signed by Bond Counsel.

“Outstanding,” when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being executed and delivered under this Indenture except:

- (i) Bonds cancelled by the Trustee at or prior to such date;
- (ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, including earnings thereon, if any, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date shall be held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given as in Section 608 provided;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to Article IX or Section [608 or 1605];
- (iv) Bonds owned by the Corporation or the County; and
- (v) Bonds deemed to have been paid as provided in Section 1701.

Bonds paid with the proceeds of a claim under the Bond Insurance Policy shall be deemed to remain Outstanding hereunder until all amounts owned to the Bond Insurer shall have been paid in full.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Securities Depository holds Bonds as securities depository.

“Paying Agent” shall mean any paying agent for the Bonds appointed by the Corporation pursuant to Section 501(c) of the Indenture, and any successor appointed pursuant to Section 501(c).

“Prepayment Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Prime Rate” shall mean the fluctuating rate per annum equal to the “Prime Rate” listed daily in the “Money Rate” section of The Wall Street Journal, or if The Wall Street Journal is not published on a particular Business Day, then, the “prime rate” published in any other national financial journal or newspaper selected by the Liquidity Provider, and if more than one rate is listed in the applicable publication, the average rate shall be used; any change in the Prime Rate shall take effect on the date specified in the announcement of such change.

“Principal Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Principal Installment” shall mean, so long as any Bonds are Outstanding, (i) the principal amount of Bonds due on any future Interest Payment Date for which no Sinking Account Installments have been established, or (ii) the unsatisfied

balance of any Sinking Account Installments due on any future Interest Payment Date for Bonds, plus the amount of the sinking account redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Account Installments, or (iii) if any future dates coincide as to different Bonds, the principal amount of Bonds and of such unsatisfied balance of Sinking Account Installments due on such date plus applicable redemption premiums, if any.

“Principal Office of the Remarketing Agent” shall mean the address for the Remarketing Agent set forth in Section 501(a) of the Indenture or such other office thereof designated in writing to the Corporation, the Trustee, the Tender Agent and the Liquidity Provider.

“Principal Office of the Trustee” shall mean the principal corporate trust office of the Trustee located in Los Angeles, California; provided that for transfer, registration, exchange, surrender and payment of the Bonds, such term shall mean the corporate trust office of U.S. Bank Trust National Association in St. Paul, Minnesota or such other office designated by the Trustee to the Corporation.

“Project” shall mean, collectively, the Property and the construction of the improvements thereon and equipment to be acquired and installed on the Property with the proceeds of the Bonds.

“Property” shall mean the real property described in Exhibit A to the Site Lease.

“Purchase Account” shall mean the account of the 2000B Bond Purchase Fund so designated and established in Section 501(b)(ii) of the Indenture.

“Purchased Bonds” shall mean Bonds purchased with moneys provided under the Liquidity Facility pursuant to Article V and Bonds issued in exchange for or in replacement or substitution thereof until such Bonds are remarketed or until the Owner thereof elects not to sell such Bonds as described in Section 508 of the Indenture.

“Purchased Bonds Rate” shall mean the Bank Rate as defined in the Liquidity Facility.

“Purchase Period” shall mean the period from the date of effectiveness of the Liquidity Facility then in place to and including the first to occur of (i) the stated expiration date thereof or such later date as may become effective thereunder, (ii) the date no 2000B Bonds are outstanding (iii) the first Business Day on which all 2000B Bonds bear interest at a Long-Term Interest Rate to maturity, (iv) the close of business on the 30th day following the date on which a Notice of Termination (as defined in the Liquidity Facility) has been received by the Trustee; or (v) the date on which the Available Commitment (as defined in the Liquidity Facility) has been reduced to zero or terminated in its entirety pursuant to Section 2.03 or Section 7.16 of the Liquidity Facility.

“Qualified Swap” shall mean (a) the ISDA Master Agreement dated as of April 25, 2000 between the Corporation and Salomon Brothers Holding Company Inc., and (b) any other financial arrangement (i) that is entered into by the Corporation with an entity that is a Qualified Swap Provider at the time the arrangement is entered into; (ii) which provides that the Corporation shall pay to such entity an amount based on the interest accruing at a fixed rate on an amount equal to all or a portion of the principal amount of the 2000B Bonds Outstanding, and that such entity shall pay to the Corporation an amount based on the interest accruing on such principal amount at a variable rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Bonds) or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Corporation as a Qualified Swap with respect to the Bonds.

“Qualified Swap Provider” shall mean (a) with respect to the Qualified Swap referred to in clause (a) of the definition of Qualified Swap, Salomon Brothers Holding Company Inc, and (b) with respect to a Qualified Swap referred to in clause (b) of such definition, a financial institution (i) whose senior long term debt obligations, or whose obligations under a Qualified Swap are guaranteed by a financial institution whose senior long term debt obligations, are rated (at the time the subject Qualified Swap is entered into) at least as high as A3 by Moody’s and A- by S&P, or the equivalent thereof by any successor thereto and (ii) who is approved by the Insurer (such approval not to be unreasonably withheld).

“Rating Agency” shall mean each of Moody’s, S&P and Fitch.

“Rating Confirmation” shall mean written confirmation from such Rating Agency that the proposed action or event will not in and of itself result in a reduction or withdrawal in such Rating Agency’s current rating on the Bonds.

“Record Date” shall mean (A) with respect to any 2000A Bond, the April 15 or October 15 immediately preceding each applicable Interest Payment Date; and (B) with respect to any 2000B Bond, (i) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date, the Business Day immediately preceding such Interest Payment Date, (ii) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period or any Bond Interest Term, the Business Day immediately preceding such Interest Payment Date, (iii) with respect to any Interest Payment Date in respect of any Long-Term Interest Rate Period, the April 15 and October 15 immediately preceding such Interest Payment Date, or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long-Term Interest Rate Period, such first day.

“Redemption Price” shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture.

“Refunding Bonds” shall mean all Bonds, whether issued in one or more series, executed and delivered on original issuance pursuant to Section 801, and any Bonds thereafter executed and delivered in lieu of or in substitution for such Bonds pursuant to Article IX or Section 608.

“Remarketing Agent” shall mean, as to the 2000B Bonds, the initial and any successor remarketing agent appointed in accordance with Section 502 of the Indenture.

“Remarketing Agreement” shall mean, with respect to the 2000B Bonds, the Remarketing Agreement, dated as of May 1, 2000, between the Corporation and the Remarketing Agent, as the same may be amended or supplemented from time to time, or any remarketing agreement entered into with a successor Remarketing Agent.

“Remarketing Account” shall mean the Remarketing Account so designated and established in Section 501(b)(ii) of the Indenture.

“Revenue Fund” shall mean the Revenue Fund established in Section 1002 of the Indenture.

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

“S&P” shall mean Standard & Poor’s Ratings Service, a division of The McGraw-Hill Companies, Inc., its successors and their assigns, and, if such rating agency shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation, with the approval of the County, by notice to the Trustee.

“Securities Depository” shall mean the securities depositories acting as such hereunder, and may be the Corporation.

“Serial Bond” shall mean, with respect to the 2000A Bonds, Bonds, maturing from November 1, 2004 to November 1, 2012 inclusive and with respect to Additional Bonds or Refunding Bonds, Bonds designated as such in the Supplemental Indenture relating to such Bonds.

“Short-Term Interest Rate Period” shall mean each period, comprised of Bond Interest Terms, during which Bond Interest Term Rates are in effect.

“Sinking Account Installment” shall mean an amount so designated which is established pursuant to clause (G) of paragraph (iii) of subsection (a) of Section 202 of the Indenture.

“Site Lease” shall mean that certain Site Lease, dated as of May 1, 2000, by and between the Corporation and the County pursuant to which the County leases the Property to the Corporation, as from time to time amended or supplemented.

“Special Payment Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“State” shall mean the State of California.

“Supplemental Indenture” shall mean any indenture supplemental to or amendatory of this Indenture, adopted by the Corporation in accordance with Article XV of the Indenture.

“Swap Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Swap Fixed Rate” shall mean the “Fixed Rate” under and as defined in the applicable Qualified Swap Agreement.

“Swap Payment Date” shall mean the date on which a Net Corporation Payment is due.

“Swap Surety Bond” shall mean the interest rate swap insurance policy issued by the Bond Insurer with respect to the initial Qualified Swap.

“Swap Termination” shall mean either the termination of a Qualified Swap pursuant to the term thereof or the deemed termination thereof.

“Swap Termination Account” shall mean the account in the Debt Service Fund so designated and established in Section 1002 of the Indenture.

“Tender Agent” shall mean the initial and any successor tender agent appointed in accordance with Section 501(b) of the Indenture. “Principal Office” of the Tender Agent shall mean the address for the Tender Agent set forth in Section 501(b) of the Indenture or such other office thereof designated in writing to the Corporation, the Trustee, the Remarketing Agent and the Liquidity Provider

“Trustee” shall mean U.S. Bank Trust National Association, its successor or successors and any other corporation or Co-Trustee which may at any time be substituted in its place or designated as such pursuant to Article XIV of the Indenture.

“Weekly Interest Rate” shall mean a variable interest rate on the 2000B Bonds established in accordance with Section 401(d) of the Indenture.

“Weekly Interest Rate Period” shall mean each period during which a Weekly Interest Rate is in effect.

“Written Requisition,” “Written Consent,” “Written Certificate,” “Written Order” and “Written Request” shall mean, respectively, a written requisition, consent, certificate, order or request signed, as the case may be, by or on behalf of the Corporation by its Chairman or its Vice Chairman or its Treasurer or an Assistant Treasurer or its Secretary or an Assistant Secretary or by any person (whether or not an officer of the Corporation) or signed by or on behalf of the County by the Treasurer or the Treasurer’s deputies or the Chief Executive Officer or by any other person who is specifically authorized by resolution of the Board of Directors or the County Board of Supervisors, respectively, to sign or execute such a document on its behalf, or by any other Authorized Officer.

Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, corporations, districts, agencies and other entities.

THE INDENTURE

The Indenture sets forth the terms of the Bonds, various rights of the owners of the Bonds, various rights, duties and immunities of the Trustee, and various rights, duties and immunities of the County.

The Trustee is appointed and accepts appointment pursuant to the Indenture to receive, hold and disburse in accordance with the terms thereof the money to be paid to it, to execute and deliver Bonds representing proportionate interests in the Facilities Lease to the original purchasers, to apply and disburse payments received pursuant to the Facilities Lease to owners of such Bonds, and to perform certain other functions provided in the Indenture.

A summary of the terms of the Bonds is provided in the Official Statement under the heading "THE BONDS."

Funds and Accounts. Under the Indenture, the Trustee will establish the funds and accounts therein described, and invest, transfer and disburse moneys on deposit therein. The Indenture establishes the Construction Fund, the Revenue Fund, the Debt Service Fund, the Debt Service Reserve Fund, the Administrative Expense Fund, the Excess Earnings Fund and certain accounts in each of such funds.

Establishment and Application of Construction Fund. The Indenture establishes in trust a special fund designated the "Construction Fund." Monies in the Construction Fund will be expended for the purposes specified in the Indenture. The Indenture establishes two accounts, the "Costs of Issuance Account" and the "Construction Account" within the Construction Fund.

Costs of Issuance Account of the Construction Fund. Costs of Issuance will be paid from moneys within this fund. Any amounts remaining in the Costs of Issuance Account six months after the date of issuance of the Bonds will be transferred to the Construction Account.

Construction Account of the Construction Fund. Costs of the Project will be paid from moneys within this account. Amounts on hand in the Construction Account may also be disbursed to pay Costs of Issuance, upon receipt by the Trustee of a written request from the County or the Corporation.

If, after payment by the Trustee of all written requests, and delivery to the Trustee of a Certificate of Completion, a balance remains in the Construction Account, then all money so remaining will be transferred, first, to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, to the Special Payment Account and on each applicable Interest Payment Date, a pro rata portion thereof will be transferred to the Principal Account and used to pay a portion of the Principal Installment and/or Sinking Account Installment, if any, due on such Interest Payment Date; provided, however that if the Corporation delivers to the Trustee an opinion of Bond Counsel stating that another use of such amounts will not adversely affect the exclusion of the interest from gross income for federal income tax purposes, or the exemption thereof from State of California personal income taxation, then, at the written direction of the County, to any of the following accounts in such amounts as the County may direct: (i) to the Debt Service Fund, to the extent permitted by the Nonarbitrage Certificate or a written Opinion of Bond Counsel, to be used to pay principal and interest with respect to the Bonds; (ii) to the County, to the extent permitted by the Nonarbitrage Certificate or a written Opinion of Bond Counsel, to be used for capital projects; and (iii) to the Administrative Expense Fund, to the extent permitted by the Nonarbitrage Certificate or a written Opinion of Bond Counsel, in an amount not to exceed \$50,000, to pay administrative expenses necessary to comply with the terms of the Bonds or this Indenture.

Establishment and Application of Revenue Fund. The Indenture establishes in trust a special fund designated the "Revenue Fund." All Revenues will be deposited by the Trustee into the Revenue Fund. No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and deposit into certain Funds and Accounts established under the Indenture the amounts required under the

Indenture to be deposited therein, as described below. Amounts not required to be transferred from the Revenue Fund into the Debt Service Fund, the Debt Service Reserve Fund or the Administrative Expense Fund will, upon direction by the County, be remitted to the Corporation on May 2 of each year during the term of the Indenture.

Establishment and Application of Debt Service Fund. The Indenture establishes in trust a special fund designated the "Debt Service Fund." Within the Debt Service Fund, the Trustee will establish the following accounts: "Interest Account", "Principal Account", "Capitalized Fees Account", "Prepayment Account", "Special Payment Account", "Earnings Account", "Swap Account" and "Swap Termination Account."

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and deposit in the Interest Account, Principal Account and Swap Account of the Debt Service Fund, respectively, an amount, together with money on deposit in the Interest Account, Principal Account and the Swap Account, respectively, which equals the interest then due, the Principal Installment and Sinking Account Installment, if any, then due and the Net Corporation Payment then due, provided, that if amounts on deposit in the Revenue Fund are insufficient, then funds will be credited to the Interest Account and the Swap Account therein *pro rata* until amounts so credited equal the required amounts and, thereafter, to the Principal Account.

Interest Account. The Trustee will pay out of the Interest Account on each Interest Payment Date for any of the Bonds the amount required for the interest payable on such date; provided, however, that interest payable on the Bonds will be payable from amounts on deposit in the Capitalized Interest Subaccount and authorized to be released in accordance with Schedule 1 to the Indenture, and the Trustee will transfer on the Interest Payment Dates from the Capitalized Interest Subaccount to the Interest Account, amounts in accordance with Schedule I to the Indenture to pay interest due and payable on the Bonds to the extent money is available in the Capitalized Interest Subaccount and thereafter; interest on Bonds shall be payable from amounts on deposit in the Revenue Fund which are transferred to the Debt Service Fund pursuant to the terms of the Indenture. The Trustee will also pay out of the Interest Account the accrued interest included in the purchase price of Bonds purchased for retirement.

Principal Account. The Trustee will pay out of the Principal Account on each Interest Payment Date, the amount required for the Principal Installment and/or Sinking Account Installment, if any, payable on such due date.

Special Payment Account. Amounts deposited in the Special Payment Account from the Construction Fund will be used to pay a portion of the Principal Installment and/or Sinking Account Installment, if any, due on each applicable Interest Payment Date.

Earnings Account. All investment earnings on amounts on deposit in the Funds and Accounts (other than the Excess Earnings Fund and the Costs of Issuance Subaccount) which are in the possession of the Trustee will be deposited in the Earnings Account in the Debt Service Fund. All amounts deposited in the Earnings Account prior to the completion of the Project, as certified to the Trustee in the Certificate of Completion, will be transferred (i) to the Excess Earnings Fund to the extent required by the Nonarbitrage Certificate in accordance with written instructions to the Trustee by the Corporation, (ii) to the Debt Service Reserve Fund to the extent the amount on deposit therein is less than the Debt Service Reserve Requirement, (iii) to the Administrative Expense Fund to the extent the amount on deposit therein is less than \$50,000, and (iv) to the Construction Account in the Construction Fund. All amounts deposited in the Earnings Account after the completion of the Project will be transferred (1) to the Excess Earnings Fund to the extent required by the Nonarbitrage Certificate in accordance with written instructions to the Trustee by the Corporation, (2) to the Debt Service Reserve Fund to the extent the amount on deposit therein is less than the Debt Service Reserve Requirement, (3) to the Administrative Expense Fund to the extent the amount on deposit therein is less than \$50,000 and (4) to the Interest Account of the Debt Service Fund; provided that all investment earnings on amounts deposited in the Excess Earnings Fund will be retained therein and applied to the purposes thereof, unless a Written Order of the Corporation (to the extent permitted by the Nonarbitrage Certificate) to the contrary is received by the Trustee from the Corporation.

Swap Account. The Trustee will pay out of the Swap Account on each Interest Payment Date for any Qualified Swap the required Net Corporation Payment on such date.

Capitalized Fees Account. The Trustee will pay out of the Capitalized Fees Account the fees of the Liquidity Provider, the Remarketing Agent and the Trustee until completion of the construction of all components of the Project. Amounts in the Capitalized Fees Account shall be released in accordance with Schedule 2 to the Indenture.

Swap Termination Account. The Trustee will pay out of the Swap Termination Account any amounts required to be paid by the Corporation to a Qualified Swap Provider in the event of a Swap Termination.

Establishment and Application of Debt Service Reserve Fund. The Indenture establishes in trust a special fund designated the "Debt Service Reserve Fund," which will remain in existence as provided in the Indenture until the Base Rental is paid in full pursuant to the Facilities Lease or until there are no longer any Bonds Outstanding.

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and, after making the required deposits, if any, to the Debt Service Fund, deposit in the in the Debt Service Reserve Fund to the extent that the amount therein is less than the Debt Service Reserve Requirement.

If on any Interest Payment Date the amounts in the Principal Account and the Interest Account in the Debt Service Fund are less than the principal and interest payments due with respect to the Outstanding Bonds on such date, then the Trustee will transfer from the Debt Service Reserve Fund for credit to the Principal Account and the Interest Account, respectively, amounts sufficient to make up such deficiencies.

In the event a Credit Facility is substituted for the moneys held by the Trustee in the Debt Service Reserve Fund pursuant to the terms of the Indenture then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Credit Facility for amounts which the terms of the Indenture require to be transferred from the Debt Service Reserve Fund and (2) amounts required by the terms of this Indenture to be deposited or transferred to the Debt Service Reserve Fund shall (y) in the event the Credit Facility has been drawn upon, be paid to the Credit Facility provider (as directed by the Corporation) if the Corporation has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount of the Credit Facility equal to such payment or (z) otherwise be transferred or deposited pursuant to the terms of the Indenture as if no deposit or transfer to the Debt Service Reserve Fund is required.

Establishment and Application of Administrative Expense Fund. The Indenture establishes in trust a special fund designated the "Administrative Expense Fund." All expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of Bonds) incidental to the execution and delivery of the Bonds, including but without limiting the generality of the foregoing; salaries, wages, expenses, fees and charges of auditors, accountants, architects, attorneys and engineers, and all other necessary administrative charges of the Corporation or the County or charges whether or not required to be paid by either of them in order to comply with the terms of the Bonds or of the Indenture will be paid from moneys in this fund upon a request from the County to the Trustee.

No later than the fifteenth day of the month immediately preceding a date on which a Principal Installment, a Sinking Account Installment, interest or a Net Corporation Payment is payable with respect to Bonds Outstanding or the Qualified Swap, the Trustee will withdraw from the Revenue Fund and, after making the required deposits, if any, to the Accounts in the Debt Service Fund and the Debt Service Reserve Fund, deposit in the Administrative Expense Fund, a sum which, together with other moneys previously credited to the Administrative Expense Fund, would result in a balance following such transfer in the Administrative Expense Fund of \$50,000.

Amounts in the Administrative Expense Fund which the Corporation at any time determines to be in excess of the requirements of such Administrative Expense Fund, such determination to be evidenced by a Written Certificate of the Corporation to that effect signed by an Authorized Officer, will be paid to the Corporation

Establishment and Application of Excess Earnings Fund. The Trustee will establish an "Excess Earnings Fund" which the Trustee shall maintain and keep separate and apart from all other moneys held by the Trustee. Pursuant to the provisions of the Nonarbitrage Certificate, the Corporation at the direction of the County shall determine what amounts must

be deposited into the Excess Earnings Fund, pursuant to Section 1215 of the Indenture to comply with the provisions of the Nonarbitrage Certificate and, to the extent permitted by law, and will direct the Trustee to transfer such amounts from the Earnings Account to the Excess Earnings Fund. All amounts initially deposited in the Excess Earnings Fund and investment earnings thereon will be retained therein until transferred in accordance herewith and with the Nonarbitrage Certificate. Notwithstanding any other provision hereof to the contrary, to the extent permitted by the Nonarbitrage Certificate, any moneys contained in the Excess Earnings Fund not required to be retained therein or paid to the federal government, as set forth in a Written Certificate of the Corporation, will, prior to the completion of the Project, as certified to the Trustee in the Certificate of Completion, be transferred (i) to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement, (ii) to the Administrative Expense Fund to the extent the amount on deposit therein is less than \$50,000, and (iii) to the Construction Account in the Construction Fund; and, after the completion of the Project, will be transferred (i) to the Debt Service Reserve Fund to the extent necessary to make the amount on deposit equal to the Debt Service Reserve Requirement, (ii) to the Administrative Expense Fund to the extent the amount on deposit therein is less than \$50,000 and (iii) to the Interest Account of the Debt Service Fund.

Establishment and Application of 2000B Bond Purchase Fund. The Tender Agent establishes and maintains the 2000B Bond Purchase Fund containing a Remarketing Account and a Purchase Account. Funds for the payment of 2000B Bonds required to be purchased in accordance with Section 402 of the Indenture from the Owners thereof will be derived from the Remarketing Account and the Purchase Account, in that order.

Remarketing Account. All proceeds of the sale of such 2000B Bonds remarketed to any person pursuant to Section 504 of the Indenture and furnished to the Tender Agent by the Remarketing Agent will be deposited in the Remarketing Account.

Purchase Account. Amounts furnished by or at the direction of the Trustee to the Tender Agent representing moneys received from draws on the Liquidity Facility will be deposited in the Purchase Account.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Facilities Lease, such Additional Rental is to be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received.

Repair or Replacement; Application of Insurance Proceeds and Condemnation Awards. If any useful portion of the Project, including any additions or improvements thereto, are damaged or destroyed, or are taken by eminent domain proceedings, the Corporation will as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the Corporation is notified in writing by the County that insurance proceeds and other legally available moneys are sufficient to provide for the redemption of (i) all Outstanding Bonds or (ii) the Outstanding Bonds relating to the portion of the Leased Premises damaged, destroyed or taken by eminent domain, provide that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Bonds Outstanding after such redemption, in which case the Bonds shall be so redeemed, and the County shall not be required to repair or replace such Project.

The proceeds of any insurance, including the proceeds of any self-insurance fund, and of any condemnation award, paid on account of any damage, destruction or taking of any portion of the Project (other than any rental interruption insurance) will be held by the Trustee in a special fund or account, which may be the Construction Account in the Construction Fund, and made available for, and to the extent necessary be applied to, the cost of repair or replacement of the Project or the relevant portion thereof; provided, however, that in the event the County determines to repair or replace the damaged or destroyed portion of the Project, the County, pursuant to the Facilities Lease, will not be required to deposit such amounts with the Trustee.

The proceeds of any insurance, including the proceeds of any self-insurance fund, or of any condemnation award, not applied within 12 months after receipt thereof by the County to repairing or replacing damaged, destroyed or taken property, or in respect of which notice in writing of intention to apply the same to the work of repairing or replacing the property damaged, destroyed or taken has not been given to the Trustee by the County within such 12 months, or which the County has at any time notified the Trustee are not to be so applied, will be deposited into the Prepayment Account within the Debt

Service Fund and applied to the redemption of Bonds in whole or in part in the manner specified in Article IV of the Indenture.

If the proceeds of insurance, including the proceeds of any self-insurance fund or of any condemnation award, are to be applied to the repair or replacement of any portion of the Project are insufficient for such purpose, the deficiency may be supplied out of moneys in the Debt Service Reserve Fund to the extent, as shown by a Written Certificate of the Corporation executed by an Authorized Officer filed with the Trustee, not needed to be reserved for the purposes provided therefore.

Rental Interruption Insurance. The proceeds of any rental interruption insurance shall be paid into the Revenue Fund.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the property upon which any portion of the Leased Premises is located are to be applied and disbursed as follows. If the Corporation and the County determine that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Premises and will not result in an abatement of Base Rental payable by the County under the Facilities Lease, such proceeds are to be deposited by the Trustee upon written direction of the County into the Debt Service Reserve Fund to the extent that the amount therein is less than the Debt Service Reserve Requirement. Amounts not required to be so deposited are to be remitted to the County and used for any lawful purpose thereof. If the Corporation and the County determine that such title defect will result in an abatement of Base Rental payable by the County under the Facilities Lease, as described in a Written Certificate of the Corporation and delivered to the Trustee, then the Trustee will immediately deposit such proceeds in the Prepayment Account of the Debt Service Fund and such proceeds shall be applied to the prepayment of Bonds in the manner specified in the Indenture.

Investments Authorized. Moneys held in all Funds and Accounts will be invested and reinvested by the Trustee, pursuant to written directions provided by an Authorized Officer of the County, to the fullest extent practicable in cash deposits or Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds or Accounts; provided that moneys in the Debt Service Reserve Fund in no event will be invested in cash deposits or Investment Securities which mature more than five years from the date of such investment, or later than the final maturity of the Bonds, whichever is earlier. Moneys held in the Revenue Fund and the Construction Fund may be invested and reinvested, pursuant to any directions provided by the Authorized Officer of the County, in cash deposits or Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Funds or Accounts. Moneys in the Administrative Expense Fund may be invested, subject to any directions provided by an Authorized Officer of the County, in cash deposits or Investment Securities which mature within twelve months of the initial time of investment therein. Notwithstanding the foregoing and anything to the contrary contained in this Indenture, Investment Securities credited to such Funds or Accounts shall be invested consistent with Section 1103 of the Indenture and will mature not later than such times as shall be necessary to provide moneys when needed to make required payments from such Funds and Accounts. Subject to the provisions of Section 1002 of the Indenture and the provisions of the Nonarbitrage Certificate, the Trustee may commingle any of the Funds or Accounts or subaccounts established pursuant to this Indenture into a separate fund or funds for investment purposes only, provided that all funds, accounts and subaccounts held by the Trustee hereunder will be accounted for separately as required by this Indenture.

All investment earnings on amounts on deposit in the Funds and Accounts (other than the Excess Earnings Fund and the Costs of Issuance Subaccount) which are in the possession of the Trustee will be deposited in the Earnings Account in the Debt Service Fund.

Amendments to the Indenture. Any modification or amendment of the Indenture and of the rights and obligations of the Corporation or the County and of the Owners of the Bonds, in any particular, may be made by a Supplemental Indenture, with the written consent of the Bond Insurer and the Liquidity Provider (such consent not to be unreasonably withheld) and the written consent given as provided in Section 1602 of the Indenture: (a) of the Owners of at least fifty percent (50%) in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty (50%) in principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like maturity remain Outstanding the

consent of the Owners of such Bonds will not be required and such Bonds will not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under Section 1601 of the Indenture. No such modification or amendment will permit a change in the terms of any Sinking Account Installment or the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Owner of such Bond, or will reduce the percentage or otherwise affect the classes of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purposes of Section 1601 of the Indenture, a Bond will be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owner of such Bonds. The Trustee may in its discretion determine whether, in accordance with the foregoing powers of amendment, Bonds of any particular maturity would be affected by a modification or amendment of this Indenture, and any such determination will be binding and conclusive on the Corporation and all Owners of Bonds.

Amendments to Facilities Lease and Site Lease. The Facilities Lease and the Site Facilities Lease may be amended in writing by agreement between the parties thereto, with the consent of the Trustee and with the consent of the Bond Insurer and the Liquidity Provider (such consents not to be unreasonably withheld), but no such amendment will become effective as to the owners of Outstanding Bonds unless and until approved in writing by the owners of a majority in aggregate principal amount of Outstanding Bonds. Notwithstanding the foregoing, the Facilities Lease and the Site Lease and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee and notice to the Bond Insurer, but without the consent of the Bond Insurer and any owners of the Bonds, upon the written agreement of the County and the Corporation, but only (1) for the purpose of substituting property to be leased, (2) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Facilities Lease or the Site Lease, (3) in regard to questions arising under the Facilities Lease or the Site Lease which the County and the Corporation may deem necessary or desirable and not inconsistent with the Facilities Lease or the Site Lease and which does not adversely affect the interests of the owners of the Bonds or the Bond Insurer, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the owners of the Bonds or the Bond Insurer.

Events of Default and Remedies. The following are "Events of Default" under the Indenture:

- (i) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;
- (ii) default in the due and punctual payment of any installment of interest on any Bond, the unsatisfied balance of any Sinking Account Installment therefor (except when such Sinking Account Installment is due on the maturity date of such Bond) or Net Corporation Payment, when and as such interest installment, Sinking Account Installment or Net Corporation Payment shall become due and payable;
- (iii) default by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall continue for a period of 30 days after written notice thereof to the Corporation by the Trustee or to the Corporation and to the Trustee by the Owners of not less than twenty percent (20%) in principal amount of the Bonds Outstanding;
- (iv) the Corporation is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, makes an assignment for the benefit of creditors, or consents to the appointment of a receiver of itself or property covered by the Leases;
- (v) an order, judgment or decree is entered by any court of competent jurisdiction appointing, without the consent of the Corporation, a receiver of the Corporation or of the property covered by the Leases, and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date of such appointment;
- (vi) a court of competent jurisdiction enters an order, judgment or decree approving a petition filed against the Corporation under the provisions of any bankruptcy act and such order, judgment or decree is not vacated or set aside or stayed within 60 days from the date or entry of such order, judgment or decree;

(vii) under the provisions of any other law now or hereafter existing for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Corporation or of the property covered by the Leases or any part thereof, and such custody or control is not terminated within 60 days from the date of assumption of such custody or control;

(viii) the County, for any reason whatsoever, fails in the payment of the Base Rental payments at the times, in the amounts and in the manner required by the Leases, and, after notice to the County, such failure continues to and including the Interest Payment Date immediately following the date on which such Base Rental payment was required to be deposited with the Trustee or

(ix) an Event of Default or Termination Event shall occur with respect to the Corporation under a Qualified Swap.

If one or more Events of Default occurs and is continuing, the Trustee may proceed, with the prior written consent of the Bond Insurer (as long as the Insurance Policy remains in full force and effect and the Bond Insurer is not in default of its payment obligations thereunder) or shall proceed, upon written request of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding to the extent indemnified to its satisfaction, (a) in the case of an Event of Default under subsection (viii), to exercise the remedies set forth in Section 12 of the Facilities Lease or (b) in the case of an Event of Default under subsection (i) through (vii), to exercise the remedies otherwise available to the Trustee in law or equity.

If at any time after an Event of Default has occurred the moneys in the Debt Service Fund, the Debt Service Reserve Fund and the Construction Fund are not be sufficient to pay the principal of and the interest on the Bonds and the Net Corporation Payments pursuant to a Qualified Swap as the same become due and payable, such moneys, together with any moneys available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in the Indenture or otherwise, will be applied by the Trustee as follows:

First: To the payments of reasonable and proper costs, expenses, compensation and fees of the Trustee, its agents and attorneys, and all expenses and liabilities incurred and advances made by the Trustee.

Second: Unless the principal of all of the Bonds becomes due and payable, all such moneys shall then be applied:

- (i) To the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of the installments of such interest, and to the Qualified Swap Provider the Net Corporation Payment then due, and, if the amount available shall not be sufficient to pay in full any particular interest installment and the Net Corporation Payment, then to the payment ratably, according to the amounts due on such interest installment and Net Corporation Payment, to the persons entitled thereto and the Swap Provider, as applicable, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and
- (ii) To the payment of the principal of the Bonds as they become due in accordance with the provisions of this Indenture and, if the amount available shall not be sufficient to pay in full all Bonds due, then to such payment of principal ratably, according to the amounts due on such Bonds.

Third: If the principal as of the date of such payment of all of the Bonds becomes due and payable, all such moneys will be applied to the payment of the principal as of the date of such payment and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amount due respectively for principal as of the date of such payment and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Fourth: To the person or entity legally entitled thereto.

THE FACILITIES LEASE

The Facilities Lease sets out the terms under which the Corporation will lease the Leased Premises to the County, and the County will pay the Base Rental (which includes the Scheduled Base Rental and the Excess Base Rental), the amounts of which will be determined by the Facilities Lease. In addition to the Base Rental, the County agrees to pay as Additional Rental all of the following: (i) all taxes and assessments of any nature whatsoever levied upon the Leased Premises or upon any interest of the Corporation, the Trustee or the owners therein or in the Facilities Lease; (ii) insurance premiums, if any, on all insurance required by the Facilities Lease; (iii) all fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Bonds) of the Corporation in connection with the issuance of the Bonds, including, but not limited to, Trustee fees, Remarketing fees, periodic recurring Liquidity Facility fees and annual Rating Agency fees; and (iv) any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Facilities Lease or of the Indenture (including, but not limited to, amounts due pursuant to the Insurance Agreement). The Facilities Lease is a triple net lease; rentals provided for in the Facilities Lease will be an absolute net return to the Corporation free and clear of any expenses, charges, counterclaim or recoupment or set-offs whatsoever.

Upon payment of all Base Rental and Additional Rental required by the Facilities Lease or defeasance or retirement of the Bonds, title to the Facilities, and any additions thereto, will be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of the Facilities Lease.

The Base Rental payable by the County is generally due on each April 15 and October 15 during the Lease Term. Base Rental payments are subject to abatement as described below.

Rental Abatement. Except to the extent of amounts, if any, legally available to the County for payments in respect of the Base Rental and Additional Rental, such payments due will be abated during any period in which, by reason of delay in construction or material damage, destruction, condemnation or defect in title to the Leased Premises, there is substantial interference with the use or right of possession by the County thereof. The amount of abatement will be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defect do not substantially interfere with the use and right of possession by the County. Such abatement will continue for the period commencing with the date of such substantial interference due to damage, destruction, condemnation or title defects and ending with the restoration of the Leased Premises to tenantable condition.

Substitution of Leased Premises. The County at its sole discretion may substitute other property for the Leased Premises with the consent of the Bond Insurer, provided, however, that: (i) substitution does not, in the Opinion of Bond Counsel, adversely affect the tax-exempt status of the Bonds; (ii) the County certifies to the Trustee that the minimum fair rental value of the property being substituted for the Leased Premises is at least equal to that of the released property, and the useful life of the substituted property is equal or greater than the useful life of the released property; (iii) the County has been advised by rating agencies that have provided ratings on Outstanding Bonds, that such substitution will not, in and of itself, result in a reduction of such ratings on the Bonds; and (iv) the County has obtained title insurance on the substituted property.

Replacement, Maintenance and Repairs. The County will, at its own expense, during the term of the Facilities Lease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and will replace any portion of the Leased Premises which is destroyed; provided, that the County is not required to repair or replace any such portion of the Leased Premises if there will be applied to the prepayment of Bonds insurance proceeds or other legally available funds sufficient to prepay (i) all of the Bonds Outstanding, or (ii) the Bonds relating to the portion of the Leased Premises destroyed, provided that the Base Rental with respect to the remaining portion of the Leased Premises is sufficient to pay the principal and interest due with respect to the Bonds Outstanding after such prepayment. The County will provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises. The Corporation will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises.

Insurance. The Facilities Lease requires the County to secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted in the Facilities Lease insurance with respect to the Leased Premises of the type and in the amounts described therein.

All policies or Bonds issued by the respective insurers for insurance, with the exception of workers' compensation insurance, are to provide that such policies or Bonds shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee.

All policies or Bonds of insurance required by the Facilities Lease are to name the County as an Additional Insured, and the Corporation and its directors and the Trustee as additional insureds.

Proceeds of insurance (other than rental interruption insurance) received in respect of destruction of or damage to the Leased Premises by fire, earthquake or other casualty or event are to be paid to the Trustee for application in accordance with the provisions of the Indenture. If the County elects pursuant to the Indenture to apply such proceeds to the replacement, repair or reconstruction of the Leased Premises, the Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

Notwithstanding the generality of the foregoing, the County is not required to maintain or cause to be maintained more insurance than is specifically referred to in the Facilities Lease or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers at a reasonable cost on the open market.

Liens. The County will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises, or the interest of the Corporation therein, and will cause each such lien to be fully discharged and released; provided, however, that the County or the Corporation (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County will forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. The County will not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Corporation and the County as provided in the Facilities Lease. Except as expressly provided in the Facilities Lease, the County will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim for which it is responsible, if the same arises at any time.

Eminent Domain. If the Leased Premises, or so much thereof as to render the remainder of the Leased Premises unusable for the County's purposes under the Facilities Lease, is taken under the power of eminent domain, then the Facilities Lease will terminate as of the day possession is so taken, or, if the County is the condemnor, then the Facilities Lease will terminate as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there will be an abatement of Base Rental in accordance with the terms of the Facilities Lease. If less than a substantial portion of the Leased Premises will be taken under the power of eminent domain, and the remainder is usable for County purposes, then there will be an abatement of Base Rental only to the extent of the portion of the Leased Premises which is unusable and the Facilities Lease will continue in full force and effect. Any award made in eminent domain proceedings for the taking will be paid to the Trustee for application in accordance with the provisions of the Indenture. If the County elects pursuant to the provisions of the Indenture to apply such proceeds to the repair or replacement of the Leased Premises, then the Base Rental will again begin to accrue with respect thereto upon restoration of the Leased Premises to tenantable condition.

Assignment and Lease. The Facilities Lease provides that the County will not mortgage, pledge, assign or transfer any interest of the County in the Facilities Lease by voluntary act or by operation of law, or otherwise; provided, however, that, the County may sublease all or any portion of the Leased Premises, and may grant concessions to others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises. The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Facilities Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Facilities Lease will be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in the Facilities Lease or to relieve the County from any other obligations contained in the Facilities Lease. In no event will the County sublease or permit the use of all or any part of the Leased

Premises to any person so as to cause the interest with respect to the Bonds to be subject to federal income tax or State of California personal income tax.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the County agrees to indemnify and hold harmless the Corporation and its officers and directors against any and all liabilities which might arise out of or are related to the Leased Premises, the Bonds, any Qualified Swap and the Insurance Agreement, and the County further agrees to defend the Corporation and its officers and directors in any action arising out of or related to the Leased Premises and the Bonds.

Default. Events of default under the Facilities Lease include: (i) failure of the County to deposit with the Trustee any Base Rental payment required to be so deposited by the close of business on the day such deposit is required to be made, (ii) failure of the County to pay any Additional Rental payment by the due date thereof; and (iii) breach by the County of any other terms, covenants or conditions contained in the Facilities Lease or the Indenture, and failure to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Corporation to the County, unless a longer period is required and corrective action is being diligently pursued.

Upon the happening of an event of default, the Corporation, and any assignee of the rights of the Corporation under the Facilities Lease, will have the right, at its option, without any further demand or notice, (i) to terminate the Facilities Lease, or, with the consent of the County which consent shall not be unreasonably withheld to keep the Facilities Lease in full force and effect, and in either event, to re-enter the Leased Premises and eject all parties in possession therefrom, and re-let the Leased Premises as the agent and for the account of the County upon such terms and conditions as the Corporation may deem advisable, in which event the rents received on such re-letting or sale shall be applied first to the expenses of re-letting and collection, including expenses necessary for repair or restoration of the Leased Premises to its original condition (taking into account normal wear and tear), reasonable attorneys' fees and any real estate commissions actually paid, and second to the Revenue Fund for the payment of Base Rental in accordance with the Facilities Lease and the Indenture, and if a sufficient sum shall not be thus realized to pay such sums and other charges, then, if the Facilities Lease shall not have been terminated, the County shall pay to the Corporation any net deficiency existing on the date when Base Rental or Additional Rental is due under the Facilities Lease; or (ii) so long as the Corporation or its assignee does not terminate the Facilities Lease or the County's right to possession and use, to enforce all of its rights and remedies under the Facilities Lease, including the right to recover Base Rental payments as they become due under the Facilities Lease (pursuant to Section 1951.4 of the California Civil Code). All damages and other payments received by the Corporation or its assignee pursuant to the exercise of its rights and remedies are to be applied in the manner set forth in the Indenture.

No Acceleration. Notwithstanding any other provision of the Facilities Lease or the Indenture, in no event will the Corporation have the right to accelerate the payment of any Base Rental.

Amendment. This Facilities Lease may be amended only in accordance with and as permitted by the terms of Section 1606 of the Indenture.

THE SITE LEASE

The Site Lease provides the terms under which the County agrees to lease the Property to the Corporation for the term of the Facilities Lease for the purposes described in the Facilities Lease and such purposes as may be incidental thereto.

Rent. The Corporation is to pay to the County as advance rent the sum of One Dollar (\$1.00) and other good and valuable consideration, as full consideration for the Site Lease over its term.

Assignment and Sublease. The Corporation may not assign, mortgage, hypothecate or otherwise encumber the Site Lease and any rights thereunder and the leasehold created thereby by trust agreement, indenture or deed of trust or otherwise or sublet the Property without the written consent of the County, except that the County expressly approves and consents to the issuance by the Corporation of its Leasehold Revenue Bonds pursuant to the Indenture and the entering into by the Corporation of any Qualified Swap and the insurance of said Bonds and the execution of a reimbursement agreement with the insurer of said Bonds.

Taxes. The County covenants and agrees to pay any and all taxes and assessments levied or assessed upon the Property.

Eminent Domain. If the whole or any part of the Property is taken under the power of eminent domain, the interest of the Corporation will be recognized and is determined to be the aggregate amount of unpaid principal and interest on Outstanding Bonds plus the amount, if any, required to terminate all outstanding Qualified Swaps and to reimburse the Insurer if it has met any of the obligations of the Corporation under either a Qualified Swap or the Bonds, and will be paid to the Trustee in accordance with the terms of the Facilities Lease and the Indenture.

Amendment. The Site Lease may be amended only in accordance with and as permitted by the terms of Section 1606 of the Indenture.

THE AGENCY AGREEMENT

The Agency Agreement provides for the appointment of the County by the Corporation as its agent to carry out all phases of the construction and installation of the Facilities, in accordance with any contracts necessary for the completion of the Facilities, and to apply certain of the proceeds from the sale of the Bonds for that purpose. The County, as agent of the Corporation, assumes all rights, duties, liabilities and responsibilities of the Corporation regarding construction and installation of the Facilities.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate"), dated as of May 1, 2000, is executed and delivered by the County of Riverside (the "County") in connection with the issuance of \$17,945,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds (Southwest Justice Center Project), Series 2000A Bonds (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture (the "Indenture"), dated as of May 1, 2000, by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and U.S. Bank Trust National Association, as trustee (the "Trustee"), and a Resolution of the Board of Supervisors of the County adopted on March 14, 2000 relating to the issuance of the Bonds (the "Resolution"). The County hereby covenants and agrees as follows:

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriters (as defined below) in complying with the Rule (as defined below).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"**Annual Report**" means any Annual Report of the County provided by the County pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"**Beneficial Owner**" means any person who (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 Refunding Bonds for federal income tax purposes.

"**Commission**" means the Securities and Exchange Commission.

"**Dissemination Agent**" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"**Listed Events**" means any of the events listed in section 5(a) of this Certificate.

"**National Repository**" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission are set forth in Exhibit A to this Certificate.

"**Repository**" means each National Repository and each State Repository.

"**Rule**" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**State Repository**" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

"**Underwriters**" means the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than sixty (60) days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the report for the County's Fiscal Year ended June 30, 2000, provide to each Repository copies of an Annual Report of the County which is consistent with the requirements of Section 4 of this Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the County's Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing each Annual Report to Repositories, the County shall provide such Annual Reports to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories such Annual Reports by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The Annual Reports of the County shall contain or include by reference the following:

(a) The audited financial statements of the County for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Reports are required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax status of the Refunding Bonds;
- (vii) modifications to the rights of Owners of the Bonds;
- (viii) Bond calls other than mandatory sinking fund prepayments;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The County's obligations under this Certificate shall terminate upon the legal defeasance, prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in *narrative form* and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriters, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This certificate shall be governed by the laws of the State of California and the federal securities laws.

COUNTY OF RIVERSIDE

By: _____
Authorized Signatory

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EXHIBIT A

LIST OF NATIONAL REPOSITORIES

An updated list of Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission may be found at the following internet address: <http://www.sec.gov/consumer/NRMSIR.htm>.

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EXHIBIT B

**FORM OF NOTICE TO REPOSITORIES
OF FAILURE TO FILE ANNUAL REPORT**

Obligated Person: County of Riverside, California
Name of Issue: \$17,945,000 aggregate principal amount of the County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds Series 2000A(Southwest Justice Center Project)
Issuance Date: May 24, 2000

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated as of May 1, 2000, executed and delivered by the County. [The County anticipates the Annual Report will be filed by _____.]

Dated: _____

COUNTY OF RIVERSIDE

By: _____
Title: _____

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APPENDIX F
FORM OF FINAL OPINION

[Closing Date]

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

Re: \$94,245,000 County of Riverside Leasehold Revenue Bonds
(Southwest Justice Center Project)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance of \$94,245,000 aggregate principal amount of County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds, Series 2000A (Southwest Justice Center Project) and County of Riverside Asset Leasing Corporation Adjustable Rate Leasehold Revenue Bonds, Series 2000B (Southwest Justice Center Project) (collectively, the "Bonds") in accordance with the Indenture of Trust dated as of May 1, 2000 (the "Indenture"), by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside, California (the "County") and U.S. Bank Trust National Association, a national banking association, as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Indenture.

The County has leased certain real property (the "Property") to the Corporation pursuant to the Site Lease, dated as of May 1, 2000 (the "Site Lease"), by and between the County and the Corporation. The Corporation has leased certain facilities (the "Facilities") together with the Property (collectively, the "Leased Premises") to the County pursuant to the Facilities Lease dated as of May 1, 2000 (the "Facilities Lease"). The Facilities Lease has been entered into by the County for the purpose of financing the acquisition and construction of a court complex, a three pod jail expansion and a one hundred bed juvenile facility all located within the County. The Lessee is obligated under the Facilities Lease to pay the Base Rental payments from any source of legally available funds, subject to provisions in the Facilities Lease providing for abatement of Base Rental payments in certain circumstances.

As bond counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the County in connection with the authorization of the Facilities Lease and the execution and delivery of the Bonds. In this connection we have also examined such certificates of public officials, officers of the County and officers of the Corporation as we have considered necessary for the purposes of this opinion.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that

1. The Facilities Lease, the Site Lease and the Agency Agreement have been duly authorized, executed and delivered by each of the Corporation and the County and constitute the legally valid and binding obligations of the Corporation and the County, respectively, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, 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 at law.

2. The Indenture has been duly authorized, executed and delivered by each of the Corporation and the County and constitutes the legally valid and binding obligation of the Corporation and the County, respectively, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws) and by general principles of equity, including, without limitation, 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 at law.

3. The Bonds are entitled to the benefits of the Indenture.

4. Under existing statutes, regulations, rulings and court decisions, interest with respect to the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") and is exempt from personal income taxes of the State of California under present state law. In addition, interest with respect to the Bonds is not a specific item of tax preference for purposes of the Code's alternative minimum tax provisions. However, interest with respect to the Bonds will be included in adjusted current earnings for purposes of computing such corporation's alternative minimum tax liability.

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

5. Further, interest with respect to the Bonds received by the Owners of the Bonds (and OID properly allocated thereto) is exempt from personal income taxes of the State of California under present state law.

In rendering the opinions in paragraph 4 above, we are relying upon representations and covenants of the County in the Indenture and in the County's Tax and Nonarbitrage Certificate of even date herewith concerning the investment and use of Bond proceeds, the rebate to the United States government of certain earnings thereon and the use of the facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the County will comply with such covenants. We express no opinion with respect to the exclusion from gross income of interest with respect to the Bonds received by or allocated to the Owners of the Bonds under Section 103(a) of the Code in the event that any of such representations are untrue or the County fails to comply with such covenants, unless such failure to comply is based on our advice or opinion. Except as stated above, we express no opinion as to any federal tax consequences of the ownership of, receipt or allocation of interest with respect to, or disposition of the Bonds.

The opinions set forth in paragraphs 1, 2 and 3 above assume that the Trustee has duly executed and delivered the Indenture, that the Indenture is legally valid, binding and enforceable agreement of the Trustee. We express no opinion as to any provision in the Indenture, the Facilities Lease, the Site Lease or the Bonds with respect to the priority of any pledge or security interest, indemnification, or governing law.

We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any personal property described in the Facilities Lease or the Site Lease, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds.

We call attention to the fact that the opinions expressed herein may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

This opinion is furnished by us as bond counsel and is solely for your benefit in connection with the transaction described herein. This opinion may not be relied upon by you for any other purpose or disclosed to or relied upon by any other person, firm or corporation for any purpose, without our prior written consent.

Respectfully submitted,

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APPENDIX G
FORM OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

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