SUPPLEMENT DATED MAY 13, 2015

to the

PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2015

relating to

$325,000,000*
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
(CAPITAL FACILITIES PROJECT)
SERIES 2015

This Supplement dated May 13, 2015 (the "Supplement") to the Preliminary Official Statement dated May 12, 2015, relating to the above-captioned bonds (the "Preliminary Official Statement") must be read together with the Preliminary Official Statement. **The Facility Lease described in the Preliminary Official Statement will, upon an event of default by the County of Riverside (the "County"), permit the Trustee to terminate the possession of the Leased Property by the County in order that such Leased Property may be re-leased.** To reflect such provision, the following changes to the Preliminary Official Statement are made by this Supplement.

1. **On page 7, the sixth paragraph under the caption "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS – Source of Payment – *Rental Payments*" is deleted and replaced in its entirety with the following:**

Should the County default under the Facility Lease, the Trustee may exercise any and all remedies available at law or granted pursuant to the Facility Lease. The Trustee's available remedies include the right to recover Base Rental Payments as they become due as well as the right, with or without terminating the Facility Lease, to dispossess the County in order to re-lease the Leased Property. In no event will the Authority have the right to accelerate Base Rental Payments. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE."

2. **On page 11, the first paragraph under the caption "BONDHOLDERS' RISKS – Default and Limitation on Remedies" is deleted and replaced in its entirety with the following:**

In the event of a default, there is no remedy of acceleration of the Base Rental Payments due over the term of the Facility Lease. The Trustee has the right to recover Base Rental Payments as they become due as well as the right, with or without terminating the Facility Lease, to dispossess the County in order to re-lease the Leased Property. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–THE FACILITY LEASE."

3. **In APPENDIX D, on page D-45, the information under the caption "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–THE FACILITY LEASE – Default" is deleted and replaced in its entirety with the following:**

* Preliminary; subject to change.

Default and Remedies

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(1) The County shall fail 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 pursuant to the Facility Lease, provided, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(2) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(3) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; provided, however, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in subparagraph (a) above or (e) below, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) If the Authority does not elect to terminate the Facility Lease in the manner provided for in subparagraph (d) below, the County agrees to and shall remain liable for the payment of all Base Rental Payments and the performance of all conditions contained in the Facility Lease and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Leased Property or, in the event the Authority is unable to re-lease the Leased Property, then for the full amount of all Base Rental Payments to the end of the term of the Facility Lease, but said Base Rental Payments and/or deficiency shall be payable only at the same time and in the same manner as provided in the Facility Lease for the payment of Base Rental Payments under the Facility Lease, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of obtaining possession of the Leased Property or exercise of any other remedy by the Authority. Under the Facility Lease, the County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to obtain possession and re-lease the Leased Property in the event of default by the County in the performance of any covenants contained in the Facility Lease to be performed by the County and to remove all personal property whatsoever situated upon the Leased Property and to place such property in storage or other suitable place in the County of Riverside, for the account of and at the expense of the County, and the County exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such possession and re-leasing of the Leased Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Facility Lease. Under the Facility Lease, the County waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Leased Property as provided in the Facility Lease and all claims for damages that may result from the destruction of or injury to the Leased Property and all claims for damages to or loss of any property belonging to the County that may be in or upon the Leased Property. The County agrees that the terms of the Facility Lease constitute full and sufficient notice of the right of the Authority to re-lease the Leased Property in the event of such re-entry without effecting a surrender of

the Facility Lease, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Facility Lease irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the County the right to terminate this Agreement shall vest in the Authority to be effected in the sole and exclusive manner provided for in subparagraph (d) below. As provided in the Facility Lease, the County further waives the right to any rental obtained by the Authority in excess of the Base Rental Payments and conveys and releases such excess to the Authority as compensation to the Authority for its service in re-leasing the Leased Property.

(d) In any Event of Default under the Facility Lease, the Authority at its option may terminate the Facility Lease and re-lease all or any portion of the Leased Property. In the event of the termination of the Facility Lease by the Authority at its option and in the manner provided in this section on account of default by the County (and notwithstanding any re-entry upon the Leased Property by the Authority in any manner whatsoever or the re-leasing of the Leased Property), the County nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided under the Facility Lease in the case of payment of Base Rental Payments. Any surplus received by the Authority from such re-leasing shall be the absolute property of the Authority and the County shall have no right thereto, nor shall the County be entitled to apply any surplus as a credit in the event of a subsequent deficiency in the rentals received by the Authority from the Leased Property. Neither notice to pay rent or to deliver up possession of the Leased Property given pursuant to law nor any proceeding taken by the Authority shall of itself operate to terminate the Facility Lease, and shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Facility Lease. The County covenants and agrees that no surrender of the Leased Property or of the remainder of the term of the Facility Lease or any termination of the Facility Lease shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof be assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(f) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(g) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease) unless and until it shall have failed to perform such obligation within 30 days after notice by the County or the Authority, as the case

may be, to the other party properly specifying wherein it has failed to perform such obligation.

No other changes to the Preliminary Official Statement are being made and the Preliminary Official Statement, except as supplemented hereby, continues to speak as of its date. Capitalized terms used in this Supplement but not otherwise defined herein have the meanings set forth in the Preliminary Official Statement.

COUNTY OF RIVERSIDE

PRELIMINARY OFFICIAL STATEMENT DATED MAY 12, 2015

NEW ISSUE – BOOK-ENTRY ONLY

Fitch: "A+"
S&P: "AA-"
See "Ratings" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds. See "TAX MATTERS."

$325,000,000*
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
(CAPITAL FACILITIES PROJECT)
SERIES 2015

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

The Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project) Series 2015 (the "Series 2015 Bonds") are issued pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture"), by and among the Riverside County Public Financing Authority (the "Authority"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2015 Bonds are being issued to: (i) finance certain public improvements; (ii) make a deposit to the reserve fund for the Series 2015 Bonds; and (iii) pay the costs of issuance of the Series 2015 Bonds, all as described herein. See "PLAN OF FINANCE."

The Series 2015 Bonds are available in fully registered form only, and are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC is acting as securities depository for the Series 2015 Bonds. Ownership interests in the Series 2015 Bonds may be purchased in book-entry form only. Principal of, premium, if any, and interest on the Series 2015 Bonds will be paid by 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 Series 2015 Bonds. Principal will be payable on the dates set forth on the inside front cover of this Official Statement. Interest on the Series 2015 Bonds will be payable semiannually on May 1 and November 1, commencing November 1, 2015. See "THE SERIES 2015 BONDS."

The Series 2015 Bonds are subject to extraordinary, mandatory and optional redemption as described herein. See "THE SERIES 2015 BONDS – Redemption."

The Series 2015 Bonds are payable from revenues consisting primarily of Base Rental Payments (as defined herein) made to the Authority by the County for the leased property described herein (collectively, the "Leased Property") pursuant to the Facility Lease, dated as of June 1, 2015 (the "Facility Lease") by and between the County and the Authority. The Base Rental Payments made by the County are for the use and possession by the County of the Leased Property, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Leased Property caused by damage, destruction, title defect or condemnation with respect to the Leased Property. The County has covenanted in the Facility Lease to take such action as may be necessary to include Base Rental Payments and Additional Payments (as defined herein) due under the Facility Lease in its annual budget and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS – Source of Payment."

The Series 2015 Bonds are special, limited obligations of the Authority, payable from and secured solely by Revenues (as defined herein) and certain funds and accounts established under the Indenture. The obligation of the County to make Base Rental Payments does not constitute an obligation for which the County is obligated to levy or pledge any form of taxation. Neither the County nor any public agency (other than the Authority to the extent of Base Rental Payments received from the County) shall be obligated to pay the principal or redemption price of, or interest on, the Series 2015 Bonds. Neither the faith and credit nor the taxing power of the County or any public agency is pledged to the payment of the principal of, premium, if any, or interest on the Series 2015 Bonds. The Authority has no taxing power.

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

Certain legal matters will be passed upon for the Authority and the County by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the County and the Authority by County Counsel. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, Los Angeles, California. Nixon Peabody LLP, Los Angeles, California, is serving as Disclosure Counsel to the Authority and the County. It is expected that delivery of the Series 2015 Bonds will be made through the facilities of DTC on or about June 9, 2015.

BofA Merrill Lynch **Stifel**

Citigroup **Raymond James**

Dated: May __, 2015.

* Preliminary; subject to change.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS*

$325,000,000*
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
(CAPITAL FACILITIES PROJECT)
SERIES 2015

Maturity Date (November 1)	Principal Amount	Interest Rate	Price/Yield	CUSIP No.†

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* Preliminary; subject to change.

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IMPORTANT NOTICES

No dealer, broker, salesperson or other person has been authorized by the County, the Authority 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 Authority 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 Series 2015 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 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 offering of the Series 2015 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 Series 2015 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

In connection with this offering the Underwriters may overallot or effect transactions which stabilize or maintain the market price of the Series 2015 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers and banks at prices lower than or yields higher than the public offering prices or yields stated on the inside cover page hereof and said public offering prices may be changed from time-to-time by the Underwriters.

The Series 2015 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The Series 2015 Bonds have not been registered or qualified under the securities laws of any state.

The County maintains a website, however, the information presented therein is not a part of this Official Statement and should not be relied on in making an investment decision with respect to the Series 2015 Bonds.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

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

COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

Jay Orr, County Executive Officer
Don Kent, Treasurer–Tax Collector
Paul Angulo, Auditor–Controller
Larry Ward, Assessor-County Clerk-Recorder
Gregory P. Priamos, County Counsel
Ed Corser, Finance Director

RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY

Board of Directors

Marion Ashley, Chairman
John Benoit, Vice Chairman
Kevin Jeffries
John Tavaglione
Chuck Washington

Officers

Jay Orr, Executive Director
Rob Field, Assistant Executive Director
Don Kent, Treasurer
Kecia Harper-Ihem, Secretary

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Los Angeles, California

Disclosure Counsel

Nixon Peabody LLP
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

U.S. Bank National Association
Los Angeles, California

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TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

OFFICIAL STATEMENT

$325,000,000*
RIVERSIDE COUNTY PUBLIC FINANCING AUTHORITY
LEASE REVENUE BONDS
(CAPITAL FACILITIES PROJECT)
SERIES 2015

INTRODUCTION

The purpose of this Official Statement, including the cover, inside cover page, table of contents and the Appendices attached hereto, is to provide information in connection with the offering of $325,000,000* aggregate principal amount of Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project) Series 2015 (the "Series 2015 Bonds"). The Series 2015 Bonds are issued pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture"), by and among the Riverside County Public Financing Authority (the "Authority"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee").

The Series 2015 Bonds are being issued to: (i) finance certain public improvements (the "Project"); (ii) make a deposit to the reserve fund for the Series 2015 Bonds; and (iii) pay the costs of issuance of the Series 2015 Bonds, all as described herein. See "PLAN OF FINANCE."

Pursuant to a Site Lease, dated as of June 1, 2015 (the "Site Lease"), by and between the County and the Authority, the County leases certain real property and existing improvements thereon described under the caption "THE LEASED PROPERTY" below (collectively, the "Leased Property") to the Authority. Pursuant to a Facility Lease, dated as of June 1, 2015, by and between the Authority and the County (the "Facility Lease"), the Leased Property is leased by the Authority to the County. See "THE LEASED PROPERTY."

The Series 2015 Bonds are special, limited obligations of the Authority, payable from Revenues (as defined herein) and certain funds and accounts established by the Indenture. Revenues consist primarily of base rental payments (the "Base Rental Payments") to be made by the County to the Authority as rental for the Leased Property pursuant to the Facility Lease. Pursuant to an Assignment Agreement, dated as of June 1, 2015 (the "Assignment Agreement"), by and between the Authority and the Trustee, the Authority assigns to the Trustee all its rights to receive Base Rental Payments and other rights under the Facility Lease. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS." The County is also required under the Facility Lease to pay as Additional Payments certain other costs and expenses relating to the Leased Property and the Trustee, which amounts are not part of the Revenues securing the Series 2015 Bonds. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS." The Base Rental Payments made by the County are for the use and possession by the County of the Leased Property, subject to complete or partial abatement resulting from substantial interference with the use and possession by the County of the Leased Property caused by material damage, destruction, condemnation or defect in title with respect to the Leased Property. See "BONDHOLDERS' RISKS." The County covenants in the Facility Lease to take such action as may be necessary to include all rental payments for the Leased Property in its annual budget and to make the necessary annual appropriations therefor.

Brief descriptions of the Series 2015 Bonds, the Facility Lease, the Site Lease, the Indenture, the Continuing Disclosure Certificate (as defined herein), the County and the Authority are provided below.

* Preliminary; subject to change.

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 Facility Lease or the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS."

THE LEASED PROPERTY

The Leased Property is comprised of the County facilities described in the following table. The Leased Property is leased from the County to the Authority pursuant to the Site Lease, and leased back from the Authority to the County pursuant to the Facility Lease.

Name of Facility	Location	Insured Value	Occupant
County Jail	4000 Orange, Riverside	$75,332,156	Sheriff
Animal Shelter	581 So Grand, San Jacinto	19,673,867	County Animal Services
Law Building	3960 Orange, Riverside	97,905,000	District Attorney
Law Building Parking Structure	3960 Orange, Riverside	11,456,236	District Attorney
Health Administration Building	4065 Cty Cir, Riverside	32,142,917	County Health Department
Mental Health Treatment	9990 Cty Farm Rd, Riverside	13,847,970	Mental Health Department
East Co/Indio Parking Structure	82757 Plaza, Indio	11,000,000	Courthouse and Jail employees
Mental Health Clinic Building	2085 Rustin, Riverside	36,179,507*	Mental Health Department
Riverside Sheriff AOJ	1500 Castellano, Riverside	9,810,818	Sheriff
Rubidoux Youth Opportunity Ctr	5656 Mission, Rubidoux	5,313,431	Economic Development Agency
Lake Elsinore Sheriff/Police Station	333 Limited, Riverside	5,822,595	Sheriff
Palm Springs County Administrative Center	3255 Tahquitz Canyon Rd, Palm Springs	7,447,425	Various County Departments

* Based on a March 2015 appraisal.

PLAN OF FINANCE

General

The Series 2015 Bonds are being issued to (i) finance the Project; (ii) make a deposit to the reserve fund for the Series 2015 Bonds; and (iii) pay the costs of issuance of the Series 2015 Bonds, all as described herein.

The primary project to be financed with proceeds from the Series 2015 Bonds is the East County Detention Center. The East County Detention Center will occupy 68,143 square feet and will house 1,273 beds. The estimated value of the East County Detention Center is $274 million. Additional projects to be financed with proceeds from the Series 2015 Bonds include a new County parking structure, Indio Campus demolition for the East County Detention Center, Indio Larson Justice Center and Southwest Justice Center courtrooms, an AEOC – RCIT Hub, and a parking lot for the Indio Larson Justice Center Courthouse.

The East County Detention Center is not part of the Leased Property supporting the Series 2015 Bonds. A portion of the cost of construction of the East County Detention Center will be financed by the State of California (the "State") through the issuance of lease revenue bonds by the State Public Works Board, of the State of California (the "SPWB") (the "SPWB Bonds"). The SPWB Bonds will be secured by a ground lease from the County to the SPWB and a sublease of the leased property from the SPWB to the State Department of Corrections and Rehabilitation (the "SDCR"). The SDCR will make lease payments to pay the SPWB Bonds, and upon payment in full, title to the leased property securing the SPWB Bonds will be held by the County.

Estimated Sources and Uses of Funds

Following is a table of the estimated sources and uses of funds with respect to the Series 2015 Bonds:

Sources	
Principal Amount	$
Original Issue Premium/(Discount)	
Total Sources	$
Uses	
Deposit to Construction Fund	$
Deposit to Reserve Fund	
Costs of Issuance[1]	
Total Uses	$

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

THE SERIES 2015 BONDS

The following is a summary of certain provisions of the Series 2015 Bonds. Reference is made to the Series 2015 Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto.

General

The Series 2015 Bonds will be dated their date of delivery and will be issued in denominations of $5,000 and any integral multiples thereof. The Series 2015 Bonds will be issued in fully registered form and individual purchases will be made in book-entry form only. Principal at maturity or earlier redemption thereof and interest are payable by the Trustee to The Depository Trust Company ("DTC") which will remit such payments to the DTC Participants (as defined in APPENDIX C) for subsequent disbursement to the Beneficial Owners (as defined in APPENDIX C) of the Series 2015 Bonds.

Interest on each Series 2015 Bond will accrue from its dated date. Interest on the Series 2015 Bonds will be computed using a year of 360 days comprised of twelve 30-day months and will be payable on each May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing November 1, 2015. Each Series 2015 Bond will bear interest from the Interest Payment Date to which interest has been paid or duly provided for next preceding its date of authentication, unless such date of authentication will be (i) prior to the close of business on October 15, 2015, in which case such Series 2015 Bond will bear interest from its date of delivery, (ii) subsequent to the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day (each, a "Record Date") but before the related Interest Payment Date, in which case such Series 2015 Bond will bear interest from such Interest Payment Date, or (iii) an Interest Payment Date to which interest has been paid in full or duly provided for, in which case such Series 2015 Bond will bear interest from such date of authentication; provided, however, that if, as shown by the records of the Trustee, interest is in default, each Series 2015 Bond will bear interest from the last Interest Payment Date to which such interest has been paid in full or duly provided for. The interest on the Series 2015 Bonds will be payable on each Interest Payment Date by check sent by first class mail by the Trustee to the respective Owners of the Series 2015 Bonds as of the Record Date for such Interest Payment Date at their addresses shown on the books required to be kept by the Trustee pursuant to the Indenture. Payments of defaulted interest on any Series 2015 Bond will be paid by check to the Owners as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owners of the Series 2015 Bond not less than ten days prior thereto. The Owner of $1,000,000 or more in aggregate principal amount of the Series 2015 Bonds may request in writing that the Trustee pay the interest on the Series 2015 Bonds by wire transfer to an account in the United States of America and the Trustee will comply with such request for all Interest Payment Dates following the 15th day after receipt of such request.

Principal of the Series 2015 Bonds will be payable, subject to prior redemption, in each of the years and in the amounts as set forth on the inside cover of this Official Statement. The principal and premium, if any, of the Series 2015 Bonds will be payable upon presentation and surrender thereof on maturity or on redemption prior thereto at the Designated Corporate Trust Office of the Trustee.

Notwithstanding the foregoing, so long as DTC is the depository for the Series 2015 Bonds, payments of principal and interest will be paid by the Trustee to DTC. See APPENDIX C—"BOOK-ENTRY ONLY SYSTEM."

Redemption*

Extraordinary Redemption. The Series 2015 Bonds are subject to redemption on any date prior to their respective maturity dates, in whole or in part, at the written direction of the County, from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof, at a redemption price equal to the principal amount of the Series 2015 Bonds plus accrued interest thereon to the date fixed for redemption, without premium. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS — Rental Interruption and Casualty Insurance."

Optional Redemption. The Series 2015 Bonds maturing on or after November 1, 202_ are subject to optional redemption prior to maturity on or after November 1, 202_ at the option of the County, in whole or in part, on any date, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Series 2015 Bonds maturing on November 1, 20__ are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account

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* Preliminary; subject to change.

Payments, on each November 1 specified below, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor are as follows:

Year	Redemption Amount

* Maturity.

The Series 2015 Bonds maturing on November 1, 20__ are subject to mandatory redemption prior to maturity, in part, from Mandatory Sinking Account Payments, on each November 1 specified below, at a redemption price equal to the principal amount of the Series 2015 Bonds to be redeemed, plus accrued interest to the date fixed for redemption, without premium. The principal amount of such term bonds to be so redeemed and the dates therefor are as follows:

Year	Redemption Amount

* Maturity.

Notice of Redemption. Notice of redemption will be mailed by first class mail by the Trustee, on behalf and at the expense of the County, not less than 30 nor more than 60 days prior to the redemption date to the respective Owners of Series 2015 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. The Trustee will also provide such additional notice of redemption of Series 2015 Bonds at the time and as may be required by the Municipal Securities Rulemaking Board (the "MSRB"). Each notice of redemption shall state the date of such notice, the Series 2015 Bonds to be redeemed, the date of issue of such Series 2015 Bonds, the redemption date, the redemption price, the place or places of redemption (including the name and appropriate address or addresses), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity are to be redeemed, the distinctive certificate numbers of the Series 2015 Bonds of such maturity to be redeemed and, in the case of Series 2015 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that such redemption may be rescinded by the County and that, unless such redemption is so rescinded, on said date there will become due and payable on each of such Series 2015 Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Series 2015 Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Series 2015 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give such notice of redemption to any one or more of the Information Services or Securities Depositories, or the insufficiency of any such notice shall not affect the sufficiency of the proceedings for redemption. The failure of any Owner to receive any redemption notice mailed to such Owner and any defect in the notice so mailed shall not affect the sufficiency of the proceedings for redemption.

With respect to any notice of any optional redemption of Series 2015 Bonds, unless at the time such notice is given the Series 2015 Bonds to be redeemed will be deemed to have been paid within the meaning of the Indenture, such notice may state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2015 Bonds to be redeemed, and that if such moneys will not have been so received said notice will be of no force and effect and the County will not be required to redeem such Series 2015 Bonds. In the event a notice of redemption of Series 2015 Bonds contains such a condition and such moneys are not so received, the redemption of Bonds as described in the conditional notice of redemption will not be made.

The County has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Series 2015 Bonds then called for redemption, and such cancellation will not constitute an event of default. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Book-Entry Only System for Series 2015 Bonds

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds shall initially be issued exclusively in book-entry form and will be registered in the name of Cede & Co., DTC's partnership nominee. See APPENDIX C attached hereto.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2015 BONDS

Limited Obligation of Authority

The Series 2015 Bonds are limited obligations of the Authority payable from and secured by a pledge of the Revenues derived by the Authority from the Facility Lease and Leased Property and from moneys deposited in certain funds and accounts pledged under the Indenture. Neither the County nor any public agency (other than the Authority to the extent of Base Rental Payments received from the County) shall be obligated to pay the principal or redemption price of the Series 2015 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 of, premium, if any, or interest on the Series 2015 Bonds. The Authority has no taxing power.

Source of Payment

Generally. The Series 2015 Bonds are payable solely from Revenues and all funds and accounts established by the Indenture (other than the Rebate Fund) including the investment earnings, if any, thereon. "Revenues" is defined in the Indenture as all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture.

Rental Payments. The Base Rental Payments paid by the County under the Facility Lease are the Authority's primary source of Revenues and secure all Series 2015 Bonds on parity. Base Rental Payments are made from amounts included in the County's annual budget and appropriated therefor, the net proceeds of insurance or condemnation awards, or certain other moneys held under the Indenture, including moneys held in the Reserve Fund established under the Indenture.

The County is required under the Facility 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 of and interest on the Series 2015 Bonds. Additional Payments due from the County under the Facility 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 Revenue Fund or the Reserve Fund; (ii) amounts received in respect of rental interruption insurance; and (iii) amounts, if any, otherwise legally available to the Trustee for payments on the Series 2015 Bonds, Base Rental Payments and Additional Payments will be abated during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property. Rental payments will be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE."

The County has covenanted in the Facility Lease to take such action as may be necessary to include all rental payments for the Leased 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 Leased Property, the obligation of the County to make Base Rental Payments, Additional Payments and all other amounts provided for in the Facility Lease, and to perform its obligations thereunder will be absolute and unconditional, except for the right of abatement under certain circumstances as described therein, and such Base Rental Payments and other amounts will not be subject to setoff, counterclaim or recoupment.

The Facility Lease provides that the agreements of the County are duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained therein agreed to be carried out and performed by the County.

Should the County default under the Facility Lease, the Trustee may exercise any and all remedies available at law or granted pursuant to the Facility Lease. However, the Trustee cannot terminate the Facility Lease and must continue the Facility Lease in full force and effect. The Trustee's sole and exclusive remedy is the right to recover Base Rental Payments as they become due. In no event will the Authority have the right to accelerate Base Rental Payments. In addition, the Trustee has no right to evict or dispossess the County in order to re-let the Leased Property. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITY 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 Series

2015 Bonds nor the obligation of the County to make Base Rental Payments under the Facility Lease constitutes a debt of the County, the State or any political subdivision thereof within the meaning of the Constitution of the State.

Reserve Fund

The Indenture requires maintenance of a Reserve Fund in an amount equal to the Reserve Fund Requirement. "Reserve Fund Requirement" (as defined in the Indenture) means with respect to all Outstanding Bonds (consisting of the Series 2015 Bonds and all Additional Bonds) an amount equal to the lesser of (i) 50% of the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of the average annual debt service attributable to the Outstanding Bonds; provided, however, that the Reserve Fund Requirement when issuing a new Series of Bonds will be the least of (i) or (ii) above, but limited to the addition to the Reserve Fund of no more than 10% of the proceeds from the sale of such new Series of Bonds. An initial deposit in the amount of $__________ shall be made from proceeds of the Series 2015 Bonds.

At the option of the Authority as directed by the County, a Reserve Fund Credit Facility in the amount of all or a portion of the Reserve Fund Requirement may be substituted for the funds held by the Trustee in the Reserve Fund. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–THE INDENTURE."

Rental Interruption and Casualty Insurance

The Facility Lease provides that the County will secure and maintain, or cause to be secured and maintained, at all times with insurers of recognized responsibility, insurance against the risks and in the amounts set forth in the Facility Lease. The insurance includes "all risk" insurance against loss or damage to the Leased Property, including flood, but excluding earthquake, which will be maintained at any time in an amount per occurrence at least equal to the lesser of:

(i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations will have been issued; or

(ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease.

The insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss).

Pursuant to the Facility Lease, the County may obtain the insurance coverage as a joint insured with one or more other public agencies located within or outside the County, which may be limited in an amount per occurrence in the aggregate for all insureds, as described above, and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000 (collectively, "Pooled Public Agencies Insurance").

The Facility Lease provides that the County will also obtain rental interruption insurance with respect to the Leased Property in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; provided that such rental interruption insurance may be included in the Pooled Public Agencies Insurance.

The County is under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE."

Use of Insurance Proceeds

The County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed will be paid to the County. Alternatively, the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to repay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damanged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the Indenture. Notwithstanding any other provision in the Facility Lease, the County shall only redeem less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) redeem all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or redemption; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Substitution of Leased Property

The County may substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, subject to compliance with the conditions set forth in the Facility Lease. Such conditions include (i) the delivery of a certificate of the County stating that the annual fair rental value of the Leased Property after a substitution or removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to such substitution or removal and demonstrating that the useful life of the Leased Property after such substitution or removal equals or exceeds the remaining term of the Facility Lease; (ii) an opinion of counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating a substitution or removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms; (iii) title insurance with respect to the Substituted Property or evidence that the title insurance in effect is not affected; (iv) property insurance and rental interruption insurance with respect to the Substituted Property; and (v) an opinion of counsel that such substitution or removal does not cause the interest on the Series 2015 Bonds to be includable in gross income of the Owners thereof for federal income tax purposes. See APPENDIX D– "SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS – THE FACILITY LEASE."

Additional Bonds

The Authority 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 Series 2015 Bonds issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS — THE INDENTURE."

BONDHOLDERS' RISKS

The following is a discussion of certain risks that could affect payments to be made with respect to the Series 2015 Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Series 2015 Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto.

Economy of the County and the State

The amount of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The economy of the County recently experienced a severe slowdown as evidenced by an increased unemployment rate, a decrease in total personal income and taxable sales, a drop on residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. The economy of the County is improving. A deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the amount of tax revenues received by the County and therefore upon the ability of the County to make debt service payments on the Series 2015 Bonds. For information relating to the current economic condition of the County, see APPENDIX A–"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

No Limitation on Incurring Additional Obligations

Subject to satisfying certain conditions set forth in the Indenture, the County, the Authority and the Trustee may by execution of a Supplemental Indenture, without the consent of the Owners, provide for the issuance of Additional Bonds requiring additional Base Rental Payments. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE INDENTURE."

Neither the Facility Lease or the Indenture contains any legal limitations on the ability of the County to enter into other obligations, without the consent of the Owners of the Outstanding Series 2015 Bonds, which may constitute additional obligations payable from its General Fund. To the extent that the County incurs such additional obligations, the County's funds available to make Base Rental Payments may be decreased. The County is currently liable on other obligations payable from General Fund revenues and is currently contemplating entering into additional obligations. See APPENDIX A–"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Default and Limitation on Remedies

In the event of a default, there is no remedy of acceleration of the Base Rental Payments due over the term of the Facility Lease. In addition, the Trustee has no right to evict or dispossess the County in order to re-let the Leased Property. The sole remedy provided for in the Facility Lease is retaining the Facility Lease and holding the County liable for each installment of Base Rental Payments as it becomes due and other monetary charges. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–THE FACILITY LEASE."

Enforcement of the remedies under the Indenture may be limited or restricted by laws relating to bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Series 2015 Bonds relating to the enforceability of the Indenture will contain an enforceability exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principles of equity.

The Project is not being leased pursuant to the Facility Lease, and Owners of the Series 2015 Bonds will have no interest in, and may exercise no remedies with respect to, the Project. The Base Rental Payments under the Facility Lease are paid for the occupancy of the Leased Property only and the remedies under the Facility Lease apply only to the Leased Property.

The Leased Property may be substituted as more fully described in APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–THE FACILITY LEASE."

Abatement

Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2015 Bonds, during any period in which, by reason of material damage, destruction, title defect, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County assigns, transfers or subleases any or all of the Leased Property or other rights hereunder, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease. Any abatement of rental payments shall not be considered an Event of Default under the Facility Lease. Pursuant to the Facility Lease, the County waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—THE FACILITY LEASE."

Seismicity

Seismic activity occurs on a regular basis within the State. 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.

Wildfires and Flooding

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

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

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

Current Drought Conditions

The County, and all of Southern California, is experiencing a severe drought. See "Environmental Control Services – Water Supply" in APPENDIX A–"INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Risk of Uninsured Loss

The County covenants under the Facility Lease to cause to be maintained certain insurance policies on the Leased Property. These insurance policies do not cover all types of risk. For instance, the County does not covenant to maintain earthquake insurance. The County may self-insure in certain circumstances. Moreover, the insurance maintained by the County may provide for deductible amounts. The Leased Property could be damaged or destroyed due to earthquake or other casualty for which the Leased Property is uninsured. Under these circumstances an abatement of Base Rental Payments could occur and could continue indefinitely. There can be no assurance that the providers of the County's casualty 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 Leased Property will be sufficient to redeem the Series 2015 Bonds allocable to the damaged or condemned Leased Property.

Limitation 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 which attempts to limit the imposition of new or higher taxes by local agencies, including the County. In addition on November 5, 1996 the voters of the State approved Proposition 218, 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, REVENUES AND APPROPRIATIONS."

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

Bankruptcy

The rights and obligations of the County and the Authority under the Series 2015 Bonds, the Facility Lease, the Site Lease, the Indenture, the Assignment Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California.

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 was 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 Series 2015 Bond would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy might be: (a) 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; (b) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (c) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of Owners of Series 2015 Bonds; and (d) 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 Series 2015 Bonds, which plan may restructure, delay, compromise or reduce the amount of the claim of the Owners if the Bankruptcy Court finds that such a plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Facility Lease or the Series 2015 Bonds that makes the bankruptcy or insolvency of the County an event of default.

A bankruptcy filing by the County could thus limit remedies under the Facility Lease. Among other things, a debtor in bankruptcy may choose to assume or reject executory contracts and leases, such as the Facility Lease. In the event of rejection of a lease by a debtor lessee, the leased property is returned to the lessor and the lessor has a claim for a limited amount of the resulting damages, as discussed in more detail below (see *Treatment of the Facility Lease as a True Lease*).

Under the Indenture, the Trustee holds a security interest in the Revenues, including Base Rental Payments, for the benefit of the Owners of the Series 2015 Bonds and all Additional Bonds, if any (collectively, the "Bonds"), but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners. In the event of a County bankruptcy and a subsequent rejection of the Facility Lease by the County, the Authority would recover possession of the Leased Property and the Trustee, as assignee of the Authority, would have a claim for damages against the County. The Trustee's claim would constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured.

In this connection, were the County to file a bankruptcy petition, the bankruptcy court may be called upon to determine the nature of the transactions underlying the issuance of the Series 2015 Bonds. Specifically, the bankruptcy court may be called upon to determine whether the Facility Lease is either (1) an unexpired lease or executory contract (defined below) under Section 365 ("Section 365") of the Bankruptcy Code (a "True Lease") or (2) a loan or other financing arrangement (a "Financing Arrangement"). The Bankruptcy Code specifies different consequences for True Leases and Financing Arrangements.

Treatment of the Facility Lease as a True Lease. Section 365 requires an entity in bankruptcy to make considered decisions either to keep ("assume") or jettison ("reject") its "executory" contracts (that are as yet incomplete as to both parties' performances), and its leases. Section 365 thus requires that a bankruptcy debtor lessee under a True Lease must either (1) assume the lease or executory contract in question and fully perform all of its obligations or (2) reject such lease or executory contract and surrender the property. If a bankruptcy court determined in a County bankruptcy case that the Facility Lease is a True Lease or executory contract, the County would then have these two options.

An assuming of the Facility Lease would require that the County cure all monetary defaults (including any unpaid rental payments in the amounts of the principal of and interest and premium, if any, on the Series 2015 Bonds) and most non-monetary defaults, if any. The County would also have to provide adequate assurance that defaults would not occur in the future.

Any rejection of the Facility Lease could result in a claim for damages against the County in connection with the Series 2015 Bonds that would rank as a general unsecured debt of the County. In the event of such rejection of the Facility Lease, the amount of any corresponding claim would likely be limited by the cap on landlord claims provided in the Bankruptcy Code, i.e., to the rent payable under the Facility Lease (without acceleration) for the greater of one year or 15% of the remaining term of the Facility Lease, but not to exceed three years, following the earlier of (a) the date the bankruptcy petition was filed, and (b) the date on which the Authority repossessed or the County surrendered the leased property, plus any unpaid rentals under the Facility Lease (without acceleration) on the earlier of such dates. Thus, if the Facility Lease is treated as a True Lease under Section 365 and rejected in a County bankruptcy, the damage claim could be severely limited, resulting in reduced funds available to pay the Bonds.

In certain bankruptcy cases involving bond issuances, including in the recent case filed by the City of Stockton, issuers have proposed to treat transactions with features similar to the Facility Lease as True Leases. This is because treating a relationship as a True Lease, and then rejecting the lease(s), may provide a significant reduction in the financial outlay by the issuer because of the above-mentioned statutory cap on landlord claims, and thus an easier path to confirmation of the issuer's plan of adjustment at the conclusion of the Chapter 9 case. This latter alternative may be particularly attractive to an insolvent issuer where the real property in question is not a public property that is central to government operations.

In the City of Stockton case, Stockton took this approach. In one of its bond issuances, involving certain non-essential municipal property (a park and two golf courses), Stockton had executed a Site and Facility Lease (the "Park/Golf Courses Lease") and a separate lease back agreement (the "Lease Back Agreement") with the Stockton Public Financing Authority, providing, respectively, for a lease of the park and golf courses to the latter Authority and a lease back to Stockton (collectively with other relevant agreements, the "Bond Agreements"). Stockton proposed in its Chapter 9 plan of adjustment (the "Plan") to treat the Park/Golf Courses Lease as a true lease of nonresidential real property, capable of rejection under Section 365, and to subject the resultant claims by the bond trustee and bondholder (the "Bond Parties") to the significant damage claim limitations of section 502(b)(6) of the Bankruptcy Code as "landlord" claims.

In response to Stockton's proposed Plan, the Bond Parties brought an action in the bankruptcy court against Stockton for a determination that (a) the Site and Facility Lease be treated as other than a true lease and (b) the entire transaction memorialized in the Bond Agreements be recharacterized as a financing and not as a true leasing structure. Ultimately, Stockton did not have the time to litigate this dispute, given the compelling need to exit bankruptcy. Stockton thus moved to dispense with the major issues in the action, by requesting the bankruptcy court to enter a limited judgment in favor of the Bond Parties, thereby conceding to the Bond Parties on their recharacterization claims that the Park/Golf Courses Lease and Lease Back Agreement were not true leases and were in economic substance a secured financing transaction. However, Stockton did not admit that entire transaction represented by the Bond Agreements was a disguised financing. The bankruptcy court later valued the property subject to the Park/Golf Courses Lease and allowed the Bond Parties a secured claim in that amount, with the balance accorded unsecured treatment.

Recharacterization of the Facility Lease as a Financing Arrangement. In addition to the Stockton case there are other court decisions, arising out of bankruptcy proceedings, that have fully found certain relationships to be disguised Financing Arrangements where a government agency received a property interest through a lease from an entity and then leased that interest back, and where the terms of the lease relate not to the market value of the property leased but to bond financing, e.g., the lease back is in exchange for payments equaling bond debt service and related costs and/or the period of the lease is tied to the final payment on the bonds. There can be no guarantee that a bankruptcy court in a County bankruptcy would not similarly recharacterize the Facility Lease as a Financing Arrangement. If a bankruptcy court did so, the payment obligations of the County might be substantially reduced in the event of its bankruptcy because of the power under the Bankruptcy Code to adjust secured claims to the value of their collateral.

A borrower in a bankruptcy proceeding that has given a security interest in property in connection with a Financing Arrangement may retain such property, provided that it make payments over time giving the lender the economic value of the security interest. If such economic value is less than the balance due on the debt in the Financing Arrangement, the difference is then treated as an unsecured debt. In a County bankruptcy case, were the Facility Lease determined to be part of a Financing Arrangement, the County would very likely be permitted to remain in possession of the Leased Property if it made payments for that right, but the amount required to be paid is primarily dependent upon the value of the Trustee's security interest, not the payment terms of the Facility Lease.

Given that the Leased Property itself is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners of the Series 2015 Bonds, the Trustee's claim in a bankruptcy of the County would likely constitute a secured claim only to the extent of Revenues in the possession of the Trustee; the balance of such claim would be unsecured. Therefore, in the event of a recharacterization of the Facilities Lease as a Financing Arrangement in a Chapter 9 case of the County, there is a risk that payment will be delayed, or reduced from the amounts specified in the Facility Lease.

Pension Issues in Bankruptcy. In a bankruptcy of the County, if a material unpaid liability is owed to the California Public Employees' Retirement System ("CalPERS") or any other pension system (collectively the "Pension Systems") on the filing date, or accrues thereafter, such circumstances could create additional uncertainty as to the County's ability to make Base Rental Payments or other Lease Payments if the Facility Lease is rejected. Given that municipal pension systems in California are usually administered pursuant to state constitutional provisions and, as applicable, other state, county and/or city law, the Pension Systems may take the position, among other possible arguments, that their claims enjoy a higher priority than all other claims, that Pension Systems have the right to enforce payment by injunction or other proceedings outside of a County bankruptcy case, and that Pension System claims cannot be the subject of adjustment or other impairment under the Bankruptcy Code because that would purportedly constitute a violation of state statutory, constitutional and/or municipal law. It is uncertain how a bankruptcy judge in a County bankruptcy would rule on these matters. In addition, this area of law is presently very unsettled because issues of pension underfunding claim priority, pension contribution enforcement, and related bankruptcy plan treatment of such claims (among other pension-related matters) has been or presently is the subject of litigation in the Chapter 9 cases of several California municipalities, including Stockton and San Bernardino.

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 2,308,441 as of January 1, 2015, reflecting a 1.2% increase over January 1, 2014.

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 of Supervisors"), elected by district, and serving staggered four-year terms. The Chair of the Board of Supervisors is elected by the Board of Supervisors 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 drier weather conditions.

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

THE AUTHORITY

The Authority is joint powers authority duly organized and existing under and pursuant to a Joint Exercise of Powers Agreement dated May 20, 1990 by and between the County and the Successor Agency of the County of Riverside Redevelopment Agency, as amended on May 15, 1999. The Authority was formed 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 Authority is governed by a Board of Directors composed of the members of the Board of Supervisors. The Board of Directors of the Authority appoints an Executive Director, an Assistant Executive Director, a Treasurer, a Secretary and several Assistant Secretaries.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property 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 newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the $1 per $100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future assessed valuation growth allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenue from the tax rate area. Each year's growth allocation becomes part of each agency's allocation the following year. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. In May 1990, the voters through their approval of Proposition 111 amended Article XIII B. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-1979 fiscal year. Increases in appropriations by a governmental entity are also permitted (a) if financial responsibility for providing services is transferred to the governmental entity, or (b) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified out lay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (a) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation; (b) the investment of tax revenues; and (c) certain State subventions received by local governments. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two fiscal years.

As amended in May 1990, the appropriations limit for the County in each year is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the County's option, either (a) the percentage change in California per capita personal income, or (b) the percentage change in the local assessment roll for the jurisdiction due to the addition of nonresidential new construction. The measurement of change in population is a blended average of statewide overall population growth, and change in attendance at local school and community college ("K-14") districts.

As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

The County's appropriations limit for Fiscal Year 2013-14 was $2,388,219,217 and the amount subject to the limitation was $862,139,716. The County's appropriations limit for Fiscal Year 2014-15 is $2,416,779,004 and the amount subject to the limitation is $875,067,523.

Proposition 62

Proposition 62 was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the County be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax; (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax; (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed; (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution; (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities; and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino* ("Guardino"), upheld the constitutionality of Proposition 62. In this case, the court held that a county-wide sales tax of ½ of 1% was a special tax that, under Section 53722 of the California Government Code, and was held invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively.

Following the Guardino decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al*. In this case, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

Right To Vote on Taxes Initiative – Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, a constitutional initiative entitled the "Right to Vote on Taxes Act" ("Proposition 218"). Proposition 218 adds Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions affecting the ability of local governments, including the County, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 restricts the County's ability to raise revenues and could subject certain existing sources of revenue to reduction or repeal, and increase the County's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the County does not presently believe that the impact on the financial condition of the County as a result of the provisions of Proposition 218 will adversely affect the County's ability to make Base Rental Payments as and when due and its other obligations payable from the General Fund.

Article XIII C requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes, including special taxes deposited into the County's General Fund. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Certain assessments, including assessments of landscape maintenance districts, taxes and fees of the County could be subject to this initiative power. The voter approval requirements of Proposition 218 reduce the flexibility of the County to raise revenues through General Fund taxes, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. SB 919 provides that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after (the effective date of Proposition 218) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that currently are deposited into the County's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or SB 919, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property-related. The County is unable to predict whether the courts will interpret the initiative provision to be limited to property-related fees and charges. No assurance can be given that the voters of the County will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the County's General Fund. The County believes that in the event that the initiative power was exercised so that all local taxes, assessments, fees and charges that may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the County, including its General Fund, would be materially adversely affected.

Article XIII D adds several new requirements making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and SB 919 to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in County service areas ("CSAs") and in special districts. Parcel charges in 38 of the County's 57 CSAs have been classified as fees and charges, assessments or special taxes under either Article XIII C or Article XIII D. 32 CSAs require the approval of local property owners or voters for the County to continue to collect such charges. Two of the 32 CSAs which require an election to continue collecting parcel charges voted not to continue the charges and services have terminated. The County anticipates that any impact Proposition 218 may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the County to pay Base Rental Payments as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (a) generate revenues exceeding the funds required to provide the property related service; (b) are used for any purpose other than those for which the fees and charges are imposed; (c) are for a service not actually used by, or immediately available to, the owner of the property in question; or (d) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. 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 of such property based fee, 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, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The County does not anticipate that any impact Proposition 218 may have on future fees and charges will adversely affect the ability of the County to pay its outstanding obligations, including Base Rental Payments, as and when due. However, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

The fees and charges of the County's enterprise funds, including those which are not property related for purposes of Article XIII D, may be determined to be fees and charges subject to the initiative power as provided in Article XIII C, as described above. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to the exercise of the initiative power, the County may have to choose whether to reduce or eliminate the service financed by such fees or charges or finance such service from its General Fund. Further, no assurance can be given that the County may or will be able to reduce or eliminate such services in the event the fees and charges that presently finance them are reduced or repealed.

Implementing legislation respecting Proposition 218 may be introduced in the State legislature from time-to-time that would supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the County.

Proposition 1A

Proposition 1A (SCA 4) ("Proposition 1A"), proposed by the State Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the State Legislature. The State may approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the vehicle license fee rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may, in some circumstances, result in decreased resources being available for State programs. The decreased resources in turn could affect actions taken by the State to resolve budget difficulties. Such actions have recently included increasing State taxes, and could include decreasing spending on other State programs or other actions, some of which could be adverse to the County. There are significant issues that relate to source of funds not covered by Proposition 1A and to the statutory relationships between the State and the County.

Proposition 22

On November 2, 2010, the voters of the State approved Proposition 22, known as "The Local Taxpayer, Public Safety, and Transportation Protection Act" ("Proposition 22"). Proposition 22, among other things, broadens the restrictions established by Proposition 1A. While Proposition 1A permits the State to appropriate or borrow local property tax revenues on a temporary basis during times of severe financial hardship, Proposition 22 amends Article XIII of the California Constitution to prohibit the State from appropriating or borrowing local property tax revenues under any circumstances. The State can no longer borrow local property tax revenues on a temporary basis even during times of severe financial hardship. Proposition 22 also prohibits the State from appropriating or borrowing proceeds derived from any tax levied by a local government solely for the local government's purposes. Furthermore, Proposition 22 restricts the State's ability to redirect redevelopment agency property tax revenues to school districts and other local governments and limits uses of certain other funds. Proposition 22 is intended to stabilize local government revenue sources by restricting the State government's control over local revenues. The County cannot predict whether Proposition 22 will have a beneficial effect on the County's financial condition.

Proposition 26

On November 2, 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act" ("Proposition 26"). Proposition 26, among other things, amends Article XIII C to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIII C imposes limitations on local governments like the County when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIII C did not define the term "tax." Proposition 26 broadly defines a tax under Article XIII C to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law, (f) a charge imposed as a condition of property development, and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

It appears that Proposition 26 does not apply retroactively to local government. Thus, even if a fee enacted by the County prior to November 3, 2010 does not fit within any of Proposition 26's exceptions, it will nonetheless remain valid provided that the legislation authorizing it is not amended so as to extend or increase the fee. The County does not believe that it has enacted, extended or increased any fees since passage of Proposition 26 that would not be exempt from Proposition 26 or that would require voter approval pursuant to Proposition 26.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D and Propositions 62, 22, 26 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time-to-time, other initiative measures could be adopted, further affecting revenues of the County or the County's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the County.

STATE OF CALIFORNIA FINANCIAL INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not guaranty the accuracy or completeness of this information and has not independently verified such information. Furthermore, it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest due with respect to the Series 2015 Bonds is payable from any funds of the State.

The County relies significantly upon State and federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2014-15, approximately 42% of the County's General Fund budget revenues consists of payments from the State and 21% consists of payments from the federal government. For Fiscal Year 2015-16, the County projects that payments from the State and federal governments will be appproximately the same portion of the County's budget revenues as Fiscal Year 2014-15.

Information about the State budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County, the Authority or the Underwriters, and the County, the Authority and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

State Budget for Fiscal Year 2014-15

On June 20, 2014, Governor Brown signed and enacted the 2014-15 State Budget Act (the "2014 Budget Act"). The 2014 Budget Act includes an estimated $109.3 billion in State General Fund resources (including revenues, transfers and prior year balance) and planned State General Fund spending of $108.0 billion. The 2014 Budget Act also contemplated the enactment of a proposed constitutional amendment. Approved by the voters in November 2014, the amendment requires deposit into a reserve (the "Rainy Day Fund") when capital gains revenues rise to more than 8% of State General Fund tax revenues, and an additional 1.5% of annual State General Fund will be set aside in the Rainy Day Fund each year. The maximum size of the Rainy Day Fund is set at 10% of revenues. The 2014 Budget Act dedicates approximately $1.6 billion for the Rainy Day Fund.

Significant features of the 2014 Budget Act pertaining to counties include the following:

- *Medi-Cal Expansion*. The 2014 Budget Act assumes additional Medi-Cal caseload of 2.5 million individuals and costs of approximately $14.2 billion related to federal health care reform. An additional 825,000 people will receive Medi-Cal benefits under the current 50-50 State-federal cost arrangement, which results in State costs of $1.7 billion.

- *CalWORKS Employment Services*. In March 2014, the County received a 5% increase in State grants totaling $57.5 million from redirected county health realignment funds. The 2014 Budget Act provides $46.6 million in State General Fund to support the costs of a 5% State grant increase, effective April 1, 2015.

- *In-Home Supportive Services ("IHSS")*. The 2014 Budget Act includes $1.7 billion for the IHSS program. The U.S. Department of Labor also announced new regulations effective January 1, 2015 that would require overtime pay for domestic workers. The 2014 Budget Act incudes a statutory framework to control overtime costs.

- *State Mandate Reimbursements*. Local agencies may be entitled to reimbursement from the State for costs related to levels of service mandated by the State. The State owes counties, cities and special districts $900 million in mandate costs incurred prior to 2004 that must be repaid by 2020-21. Annual payments in recent years have been postponed due to budget shortfalls. The 2014 Budget Act accelerates repayment by appropriating approximately $100 million to local governments. Approximately 73% will go to counties.

- *Public Safety Funds*. The California Department of Corrections and Rehabilitation will receive $42 million from the Recidivism Reduction Fund and $4.2 million from the Inmate Welfare Fund for community re-entry facilities, substance use disorder treatment expansion, case managers at parolee outpatient clients, and other corrections and probation programs. The Department of Corrections will also receive an additional $21 million for court programs and social invocation bonds, among other things.

The Governor's 2015-16 Proposed State Budget

On January 9, 2015, Governor Brown released his proposed fiscal year 2015-16 budget (the "Proposed State Budget"). The Proposed State Budget projects general fund revenues in the amount of $108 billion in fiscal year 2014-15 and $113.4 billion in fiscal year 2015-16. Revenue for fiscal year 2014-15 is forecast to be $2.5 billion greater than the amount forecast at the 2014 Budget Act. Revenue for fiscal year 2015-16 is forecast to be $1 billion greater than the amount forecast for the 2014 Budget Act.

Despite the recent budgetary improvements as compared to recent years, the Proposed State Budget acknowledges that the State continues to have hundreds of billions of dollars in existing liabilities, such as unfunded retirement liabilities, and deferred maintenance of the State's roads and other infrastructure which need to be addressed. Furthermore, the Proposed State Budget observes several risks that the State should plan for, including the inevitable occurrence of another recession, ongoing fiscal challenges of the federal government and the 2015-16 Proposed State Budget's heavy dependency on the performance of the stock market in fiscal year 2015-16.

The Proposed State Budget included the following significant adjustments affecting counties:

- *Expansion of Workforce Training*. The Proposed State Budget includes $1.2 billion in funding to support a coordinated framework for adult education, career technical education, workforce investment and apprenticeships. These funds will be used to provide training and education to workers in California so they can develop the skills necessary for self-sufficiency and greater personal advancement.

- *Medi-Cal Expansion*. The Proposed State Budget assumes a tremendous increase in caseloads, due primarily to the implementation of federal health care reform, to an estimated 12.2 million, up from 7.9 million in 2012-13. The program now covers 32% of the State's population.

- *Retiree Health Care Funds*. State health care benefits for retired employees continues to be one of the fastest growing areas of the state budget and the liability for such retired employees is currently estimated at $72 billion. The Proposed Budget suggests a plan to decrease the growth rate of the state's unfunded liability by adopting various measures to lower the growth in premium costs and by mandating the State and its employees to share equally in the prefunding of retiree health benefits. The plan is anticipated to eliminate the unfunded liability by 2044-45 and save nearly $200 billion over the next 50 years.

Future State Budgets

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of the opinion of Bond Counsel is set forth in APPENDIX F hereto.

To the extent the issue price of any maturity of the Series 2015 Bonds is less than the amount to be paid at maturity of such Series 2015 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2015 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series 2015 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2015 Bonds is the first price at which a substantial amount of such maturity of the Series 2015 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2015 Bonds accrues daily over the term to maturity of such Series 2015 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2015 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015 Bonds. Beneficial owners of the Series 2015 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015 Bonds with original issue discount, including the treatment of beneficial owners who do not purchase such Series 2015 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2015 Bonds is sold to the public.

Series 2015 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2015 Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2015 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2015 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2015 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2015 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2015 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2015 Bonds may otherwise affect a beneficial owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2015 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the 2015 Series Bonds to some extent for high-income individuals. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2015 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2015 Bonds ends with the issuance of the Series 2015 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the owners regarding the tax-exempt status of the Series 2015 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015 Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

RATINGS

The Series 2015 Bonds have received ratings of "AA-" and "A+" from Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Fitch Ratings, respectively. The above ratings reflect only the views of such rating agencies. Any explanation of the significance of such ratings may only be obtained from such rating agencies. The County has furnished to the rating agencies certain information and materials not included in this Official Statement. Generally, the rating agencies base their ratings on such information and materials and their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered, suspended or withdrawn entirely by a rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward change in or withdrawal of any such rating may have an adverse effect on the market price of the Series 2015 Bonds.

UNDERWRITING

The Series 2015 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, Stifel, Nicolaus & Company, Incorporated, Citigroup Global Markets Inc. and Raymond James (collectively, the "Underwriters"), from the Authority at a price of $_________ (which is the par amount of the Series 2015 Bonds, plus/less a net original issue premium/discount of $__________, less an underwriter's discount of $__________), subject to the terms of a bond purchase agreement dated _________, 2015 (the "Bond Purchase Agreement"), among the Underwriters, the Authority and the County. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2015 Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2015 Bonds set forth on the inside front cover hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2015 Bonds to certain dealers and others at prices lower than the public offering prices stated on the inside front cover hereof.

Citigroup Global Markets Inc., an underwriter of the Series 2015 Bonds, has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under the distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Series 2015 Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the County or the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County or the Authority.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

FINANCIAL ADVISOR

Fieldman Rolapp & Associates, Irvine, California, has served as the Financial Advisor to the County in connection with the issuance of the Series 2015 Bonds. The Financial Advisor is an independent registered municipal advisor as defined in rules promulgated by the Securities and Exchange Commission. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness, of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The financial statements of the County, which are included in APPENDIX B to this Official Statement, have been audited by Brown Armstrong Certified Public Accountants, independent certified public accountants, as stated in their report appearing in APPENDIX B. Brown Armstrong Certified Public Accountants has not consented to the inclusion of its report as APPENDIX B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Brown Armstrong Certified Public Accountants, with respect to any event subsequent to its report dated December 5, 2014. See APPENDIX B—"COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Series 2015 Bonds to provide certain annual financial information and operating data relating to the County by not later than February 15 of each year (the "Annual Report"), commencing with the report for the County's Fiscal Year 2014-15, and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notice of enumerated events will be filed by the County with the MSRB's Electronic Municipal Market Access system ("EMMA"). The specific nature of the information to be contained in the Annual Report and the notices of enumberated events is set forth in the Continuing Disclosure Certificate relating to the Series 2015 Bonds, dated June __, 2015, a form of which is attached hereto in APPENDIX E—"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made to assist underwriters and remarketing agents comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule").

During the last five years, the County and some of its related entities have failed to comply with continuing disclosure obligations related to outstanding indebtedness. The failure to comply fell into two general categories: (i) failure to provide significant event notices with respect to changes in the ratings of outstanding indebtedness, primarily related to changes in the ratings of various bond insurers; and (ii) missing, incomplete or late filing of annual reports with respect to a number of bond issues. In almost every case with respect to obligations related to the General Fund, such information and reports were available on the County's website and/or available in other continuing disclosure filings made by the County.

Some specific examples of such failures include:

(a) The annual report and financial statements for Fiscal Year 2008-09, the first County filings that were required to be submitted to EMMA after the effective date of revisions to the Rule, were submitted significantly late with respect to each County bond issue outstanding during the first quarter of Fiscal Year 2009-10. The County had failed to update its compliance procedures and filed its annual report and financial statement for such year in accordance with the superceded Rule requirements. The County has since submitted to EMMA the annual reports and financial statements for Fiscal Year 2008-09.

(b) No filings were submitted to the MSRB with respect to the Housing Authority of the County of Riverside Refunding Revenue Bonds 1998 Series A (Corona Projects), and no filings were made to the MSRB in Fiscal Years 2010-11, 2011-12 and 2012-13 with respect to certain redevelopment bonds issued by the Riverside County Public Financing Authority.

The County and its related entities have reviewed their previous filings and have made corrective filings, including an omnibus corrective notice regarding bond insurer ratings and ratings of the County's General Fund debt.

In order to ensure ongoing compliance by the County and its related entities with their continuing disclosure undertakings, (i) the County has instituted new procedures to ensure future compliance and coordination between the County and its related entities; and (ii) the County has contracted with a consultant to assist the County in filing accurate, complete and timely disclosure reports.

The County has been advised by two underwriters that they filed self-reports under the Securities and Exchange Commission's Municipalities Continuing Disclosure Cooperation ("MCDC") initiative regarding incorrect statements in the County's official statements concerning the County's compliance with its continuing disclosure requirements. In addition, the County filed a self-report under MCDC with respect to statements concerning continuing disclosure compliance made in official statements for over thirty bond issues of the County and related issuers.

CERTAIN LEGAL MATTERS

Certain legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. The form of opinion of Bond Counsel to be delivered in connection with the Series 2015 Bonds is set forth in APPENDIX F hereto. Nixon Peabody LLP is serving as Disclosure Counsel to the County. Certain legal matters will be passed upon for the County and the Authority by the County Counsel. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP. Bond Counsel, Disclosure Counsel and Underwriters' Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Site Lease, Facility Lease and the Indenture are available upon request from the County of Riverside, County Executive Office, 4th Floor, 4080 Lemon Street, Riverside, California 92501, Attention: County Finance Director.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2015 Bonds.

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

COUNTY OF RIVERSIDE

By: ______________________________

Deputy County Executive Officer

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APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

TABLE OF CONTENTS

Page

APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,308,441 as of January 1, 2015, representing an approximately 1.24% increase over the County's population as estimated for the prior year. For the ten-year period of January 1, 2005 to January 1, 2015, the County's population grew by approximately 21.8%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, and account for a total population of 279,051 as of January 1, 2015. The population growth in the County has slowed in recent years, during which period the County's population has grown at a rate close to the statewide average.

The following table sets forth the annual population as of January 1 of each year for the cities within the County for the years 2011 through 2015.

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

City	*2011*	*2012*	*2013*	*2014*	*2015*
Banning	29,723	30,051	30,177	30,306	30,491
Beaumont	38,034	38,967	39,787	40,853	42,481
Blythe	20,063	20,440	19,609	18,982	18,909
Calimesa	7,910	8,022	8,096	8,225	8,353
Canyon Lake	10,606	10,721	10,771	10,817	10,901
Cathedral City	51,400	52,108	52,350	52,571	52,903
Coachella	41,339	42,030	42,795	43,601	43,917
Corona	153,047	154,986	156,864	159,109	160,287
Desert Hot Springs	27,277	27,721	27,835	27,986	28,134
Eastvale	54,090	55,770	57,266	59,151	60,633
Hemet	79,309	80,330	80,899	81,520	82,253
Indian Wells	4,990	5,050	5,083	5,133	5,194
Indio	76,817	78,299	81,415	82,375	84,201
Jurupa Valley	–	96,746	97,272	97,738	98,885
Lake Elsinore	52,294	53,183	55,444	56,688	58,426
La Quinta	37,688	38,190	38,412	39,023	39,694
Menifee	79,139	80,832	82,314	83,686	85,385
Moreno Valley	194,451	197,088	198,183	199,257	200,670
Murrieta	104,051	105,301	105,860	106,393	107,279
Norco	26,968	27,123	26,632	26,566	25,891
Palm Desert	48,920	49,619	49,962	50,424	51,053
Palm Springs	44,829	45,415	45,724	46,135	46,611
Perris	69,506	70,392	70,983	72,063	72,908
Rancho Mirage	17,399	17,556	17,643	17,739	17,889
Riverside	306,069	309,409	312,035	314,221	317,307
San Jacinto	44,421	44,938	45,229	45,537	45,895
Temecula	101,255	103,404	104,907	106,256	108,920
Wildomar	32,414	32,818	33,182	33,696	34,148
TOTALS					
Incorporated	1,754,009	1,876,509	1,896,729	1,916,051	1,939,618
Unincorporated	451,722	357,700	358,924	364,140	368,823
County-Wide	2,205,731	2,234,209	2,255,653	2,280,191	2,308,441
California	37,510,766	37,668,804	37,984,138	38,357,121	38,714,725

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

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

The following table sets forth the total Effective Buying Income, the median household Effective Buying Income and the percent of households with income over $50,000 for the population in the County and the State for the years 2011 through 2015.

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

	Total Effective Buying Income[(2)]	***Median Household Effective Buying Income***	***Percent of Households with Income over $50,000***
2011			
Riverside County	$ 38,492,225	$44,253	43.07%
California	801,393,028	47,117	46.78
2012			
Riverside County	$ 39,981,683	$44,116	42.91%
California	814,578,458	47,062	46.65
2013			
Riverside County	$ 40,157,310	$43,860	42.39%
California	864,088,828	$47,307	46.90
2014			
Riverside County	$ 40,293,518	$44,784	43.84%
California	858,676,636	48,340	48.17
2015			
Riverside County	$ 41,199,300	$45,576	44.79%
California	901,189,699	50,072	50.05

(1) Estimated, as of January 1 of each year.
(2) Dollars in thousands.
Source: Nielsen Solution Center.

Industry and Employment

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

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

Industry	*2010*	*2011*	*2012*	*2013*	*2014*
Agriculture	15.0	14.9	15.0	14.5	14.3
Construction	59.7	59.1	62.6	70.0	77.0
Finance Activities	41.0	39.9	40.8	42.2	42.7
Government	234.3	227.5	224.6	225.2	228.8
Manufacturing:	85.1	85.1	86.7	87.3	90.2
Nondurables	29.8	29.3	29.8	30.1	30.4
Durables	55.3	55.8	56.8	57.3	59.8
Natural Resources and Mining	1.0	1.0	1.2	1.2	1.3
Retail Trade	155.5	158.5	162.3	164.8	168.7
Professional, Educational and other Services	438.5	446.3	463.6	493.9	518.9
Transportation, Warehousing and Utilities	66.6	68.8	73.8	79.4	87.3
Wholesale Trade	48.6	49.0	52.1	56.4	59.0
Information, Publishing and Telecommunications	14.0	12.1	11.5	11.5	11.2
Total, All Industries	1,159.3	1,162.2	1,194.2	1,246.4	1,229.5

[1] The employment figures by industry which are shown above are not directly comparable to the "Total, All Industries" employment figures due to rounded data.
Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers in the County and their respective product or service and number of employees as of 2014.

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(2014)

Company Name	*Product/Service*	*No. of Local Employees[2]*
County of Riverside	Government	21,198
March Air Reserve Base	Military Reserve Base	8,500
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	6,550
University of California, Riverside	University	5,768
Kaiser Permanente Riverside Medical Center	Hospital	5,300
Corona-Norco Unified School District	School District	4,932
Pechanga Resort & Casino	Resort Casino	4,000
Riverside Unified School District	School District	3,871
Hemet Unified School District	School District	3,400

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

Unemployment data for the County, the State and the United States for the years 2010 through 2014 and for March 2015 are set forth in the following table.

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2010	*2011*	*2012*	*2013*	*2014*	*March 2015*
County[1]	14.5%	13.7%	12.1%	10.3%	8.2%	6.6%
California[1]	12.4	11.8	10.4	8.9	7.5	6.7
United States[2]	9.6	8.9	8.1	7.4	6.2	5.5

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

Commercial Activity

Commercial activity is an important factor in the County's economy. Much of the County's commercial activity is concentrated in central business districts or small neighborhood commercial centers in cities. There are five regional shopping malls in the County: Galleria at Tyler (Riverside), Hemet Valley Mall, Westfield Palm Desert Shopping Center, Moreno Valley Mall and the Promenade at Temecula. There are also three factory outlet malls (Desert Hills Factory Stores, Cabazon Outlets 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 2009 through 2013, the last year being the most recent full year for which data is currently available.

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(In Thousands)

	2009	*2010*	*2011*	*2012*	*2013*
Motor Vehicles and Parts Dealers	$ 2,449,747	$ 2,620,568	$ 3,010,487	$ 3,493,098	$ 3,965,201
Furniture and Home Furnishings	381,643	412,325	436,482	441,649	486,061
Electronics and Appliances Stores	476,455	470,784	478,406	488,419	510,423
Building Materials, Garden Equipment and Supplies	1,237,518	1,232,145	1,303,073	1,365,513	1,535,178
Food and Beverage Stores	1,251,220	1,267,758	1,304,731	1,356,148	1,421,590
Health and Personal Care Stores	389,620	400,207	454,268	490,238	523,724
Gasoline Stations	2,300,247	2,685,840	3,300,785	3,516,040	3,456,322
Clothing and Clothing Accessories Stores	1,293,271	1,391,174	1,505,821	1,672,482	1,771,603
Sporting Goods, Hobby, Book and Music Stores	411,301	428,121	454,971	467,536	499,366
General Merchandise Stores	2,855,733	2,947,905	3,051,709	3,174,022	3,298,920
Miscellaneous Store Retailers	641,954	652,273	700,338	742,118	758,664
Nonstore Retailers	101,925	92,916	101,876	142,081	243,334
Food Services and Drinking Places	2,266,853	2,317,486	2,473,339	2,668,324	2,836,388
Total Retail and Food Services	$16,057,488	$16,919,500	$18,576,285	$20,016,668	21,306,774
All Other Outlets	6,170,390	6,233,280	7,065,212	8,079,341	8,758,693
Total All Outlets	$22,227,877	$23,152,780	$25,641,497	$28,096,009	$30,065,467

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

Building and Real Estate Activity

The two tables below set forth a summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) from 2009 through 2013.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS[(1)]
(In Thousands)

	2009	*2010*	*2011*	*2012*	*2013*
RESIDENTIAL					
New Single-Family	$ 891,825	$ 914,058	$ 651,747	$ 854,814	$1,134,158
New Multi-Family	76,717	71,152	115,064	99,578	136,501
Alterations and Adjustments	85,148	94,429	119,684	84,517	94,422
Total Residential	$1,053,690	$1,079,639	$886,495	$1,038,963	$1,365,081
NON-RESIDENTIAL					
New Commercial	$94,653	$191,324	$152,160	$346,865	$80,510
New Industry	12,278	6,686	10,000	3,767	140,972
New Other[(1)]	107,334	98,105	99,898	78,602	184,500
Alterations & Adjustments	162,557	243,265	297,357	154,325	364,616
Total Nonresidential	$ 376,822	$ 539,380	$ 559,415	$ 583,559	$ 770,598
TOTAL ALL BUILDING	$1,430,512	$1,619,019	$1,445,910	$1,602,522	$2,135,679

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

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013.

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2009	*2010*	*2011*	*2012*	*2013*
Single Family	3,424	4,031	2,676	3,455	4,671
Multi-Family	784	526	1,073	829	1,415
TOTAL	4,208	4,557	3,749	4,284	6,086

Source: Construction Industry Research Board for 2009 through 2011, California Homebuilding Foundation for 2012 through 2013.

The following table sets forth the annual median housing prices for Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2008 through 2013. For 2014, the median housing price for Riverside County is $302,000.

COUNTIES OF LOS ANGELES, RIVERSIDE, AND SAN BERNARDINO
AND SOUTHERN CALIFORNIA
MEDIAN HOUSING PRICES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[(1)]
2008	$400,000	$260,000	$225,000	$340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000
2012	330,000	210,000	163,000	300,000
2013	412,000	259,000	205,000	370,000

[(1)] Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

The following table sets forth the home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years 2008 through 2013.

COUNTIES OF LOS ANGELES, RIVERSIDE AND SAN BERNARDINO AND SOUTHERN CALIFORNIA HOME FORECLOSURES

Year	*Los Angeles*	*Riverside*	*San Bernardino*	*Southern California*[(1)]
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,560	100,106
2010	26,827	20,598	16,757	86,853
2011	25,597	17,383	14,181	77,105
2012	15,271	10,657	9,262	47,347
2013	6,469	4,191	4,088	19,470

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
Source: MDA DataQuick Information Systems.

Agriculture

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

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

The County, and all of Southern California, is experiencing a severe drought. See "Environmental Control Services – *Water Supply*" below. The County does not expect at this time that the drought in general will impact agricultural production in the County.

The following table sets forth the value of agricultural production in the County for the years 2009 through 2013.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2009	*2010*	*2011*	*2012*	*2013*
Citrus Fruits	$ 101,652,000	$ 140,500,922	$ 119,942,513	$ 125,711,000	$ 142,404,000
Trees and Vines	191,682,600	164,993,960	232,649,262	217,214,000	232,536,000
Vegetables, Melons, Misc.	221,286,700	292,002,337	278,628,295	286,234,000	340,407,000
Field and Seed Crops	69,699,800	81,328,229	149,198,052	147,352,000	154,582,000
Nursery	206,499,900	169,341,300	200,154,964	190,878,000	191,215,000
Apiculture	5,017,600	4,631,700	4,844,400	4,983,000	4,715,000
Aquaculture Products	5,243,900	4,921,700	4,808,250	4,205,000	2,262,000
Total Crop Valuation	$ 801,082,500	$ 857,720,148	$ 990,225,736	$ 976,577,000	$1,068,121,000
Livestock and Poultry Valuation	214,672,800	235,926,225	292,030,380	276,553,000	259,683,000
Grand Total	$1,015,755,300	$1,093,646,373	$1,282,256,116	$1,253,130,000	$1,327,804,000

Source: Riverside County Agricultural Commissioner.

Transportation

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

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

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

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

Education

There are four elementary school districts, one high school district, eighteen unified (K-12) school districts and four community college districts in the County. Approximately 92% of all K-12 students attend schools in the unified school districts. The three largest unified school districts are Corona-Norco Unified School District, Riverside Unified School District and Moreno Valley Unified School District.

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

Environmental Control Services

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

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

In January 2014, California's governor proclaimed a state of emergency due to the ongoing drought, and directed State officials to take all necessary actions to prepare for drought conditions. On July 15, 2014, the State Water Resources Control Board ("SWRCB") adopted drought regulations that give local agencies the authority to fine those who waste water up to $500 a day. The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California, which has been exacerbated due to the current drought. The governor and the State Legislature have been continuously engaged in discussions on potential strategies to help mitigate the effects of the drought. However, as a result of low rainfall and snowfall during the 2014-15 winter season, low water supply throughout the State remains an issue.

On April 1, 2015, California's governor issued the fourth in a series of executive orders extending the measures necessary to address California's severe drought conditions. The executive order adopted the following additional orders, among others: (i) SWRCB is directed to impose restrictions to reduce potable urban water usage, including usage by commercial, industrial and institutional properties and golf courses, by 25% through February 28, 2016; portions of a water supplier's service area with higher per capita use must achieve proportionally greater reductions than areas with lower per capita use; (ii) the State of California Department of Water Resources ("DWR") is directed to fund a statewide initiative, in partnership with local agencies, to collectively replace 50 million square feet of lawns with drought tolerant landscaping; (iii) the California Energy Commission is directed to implement a rebate program for replacement of inefficient appliances; (iv) urban water suppliers are required to provide monthly water usage, conservation and enforcement information; (v) service providers are required to monitor groundwater basin levels in accordance with the California Water Code § 10933; (vi) permitting agencies are required to prioritize approval of water infrastructure and supply projects; and (vii) DWR is required to install emergency drought salinity barriers. The 25% conservation standard mandated by the executive order is projected to result in water savings amounting to approximately 1.3 million acre-feet of water over the next nine months. There are currently pending associated regulations on the means and methods to achieve such conservation before the SWRCB and such projections assume approval anticipated to take effect in May 2015.

The Board of Supervisors adopted Ordinance 859 – Water Efficient Landscaping Ordinance ("Ordinance 859") in December 2006, which conforms to State Assembly Bill 1881. Ordinance 859 was subsequently amended in October 2009 with the adoption of Ordinance 859.2 ("Ordinance 859.2") because State Assembly Bill 1881 required the implementation of water efficient landscape practices for new developments and Ordinance 859 has more strict requirements than those required under Assembly Bill 1881. Additionally, the Board of Supervisors amended Policy H-25 requiring the retrofit of public buildings to conform to the requirements of Ordinance 859.2. The governor's April 1, 2015 Executive Order notes that the California Building Commission will develop revised outdoor irrigation standards for new development, and that once promulgated, the County will be required to comply with such standards. However, the County is in the process of researching and evaluating Ordinance 859.2 for proposed revisions and anticipates that any potential revisions to Ordinance 859.2 may be more stringent than the proposed State standards. A workshop before the Board of Supervisors to discuss potential revisions to Ordinance 859.2 is expected to occur in May 2015.

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

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

FINANCIAL INFORMATION

Budgetary Process and Budget

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

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

Fiscal Year 2014-15 Budget

In June 2014, the Board of Supervisors approved the Fiscal Year 2014-15 Recommended Budget (the "Recommended Budget") and subsequently adopted the Fiscal Year 2014-15 Budget (the "Adopted Budget") in September 2014. The Adopted Budget includes total general fund appropriations of approximately $2.8 billion. For Fiscal Year 2014-15, the County projects in its Adopted Budget that approximately 43.9% of its General Fund budget revenues will consist of payments from the State and 20.3% will consist of payments from the Federal government. Discretionary revenue was budgeted to increase to approximately $637.4 million ($623.5 million in the Recommended Budget) for Fiscal Year 2014-15, an increase of approximately 8.0% (5.6% in the Recommended Budget) from the Fiscal Year 2013-14 adjusted budget estimates. Such revenue increase was primarily attributable to growth in the value of property taxes, sales taxes and landfill lease agreements. The Adopted Budget includes an increase in discretionary spending of approximately $22.8 million ($11.2 million in the Recommended Budget) from the prior fiscal year. Property tax revenue is budgeted at approximately $296 million ($282 in the Recommended Budget) for Fiscal Year 2014-15, and represents approximately 46% (45% in Recommended Budget) of the County's discretionary revenue. The County estimates an increase in assessed valuation in Fiscal Year 2014-15 of approximately 7.75% (4.5% as of the Recommended Budget) from Fiscal Year 2013-14.

Property tax revenue is expected to increase by 9.4% in Fiscal Year 2014-15 and sales tax receipts (excluding one-time sales tax receipts related to solar projects) within the County are expected to remain stable. Revenue growth and surplus revenue set aside in the budget stabilization fund created in Fiscal Year 2012-13 was used to develop a balanced General Fund budget for Fiscal Year 2014-15. The County allocates one-time revenues above budgeted amounts to the budget stabilization fund, which has a balance of approximately $50.6 million as of April 30, 2015. While the County utilized some of its reserves during the economic downturn between 2008 and 2012, no reserves have been utilized since Fiscal Year 2011-12 and no reserves are budgeted to be utilized in Fiscal Year 2014-15. Outside of the General Fund, the Riverside County Regional Medical Center ("RCRMC"), which is operated as an enterprise fund, is projecting an operating deficit in Fiscal Year 2014-15. It is the County's intent that RCRMC costs of providing services be recovered primarily through fees charged for services with minimal or no General Fund support, and the County does not intend to provide General Fund support to fund RCRMC's projected Fiscal Year 2014-15 operating deficit. See "-Medical Center" below.

Fiscal Year 2015-16 Recommended Budget

The County has started its budget process for Fiscal Year 2015-16 and plans to hold its budget hearings on June 15, 2015, at which time the Board of Supervisors will consider the Fiscal Year 2015-16 Recommended Budget (the "2015-16 Recommended Budget"). In September 2015, the County will adopt its Fiscal Year 2015-16 Budget when the preliminary year-end financial data for Fiscal Year 2014-15 becomes available. All general fund departments have been directed to prepare budgets that are balanced and absorb any additional costs without additional general fund support.

Property tax revenue is expected to grow between 5 and 6% in Fiscal Year 2015-16 and sales tax receipts (excluding one-time sales tax receipts related to solar projects) within the County are expected to remain stable.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's Fiscal Year 2014-15 budget. Permanent cuts in State funding will require the

County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make adjustments to its budget from time to time. See "STATE OF CALIFORNIA FINANCIAL INFORMATION" in the front part of this Official Statement.

Realignment of Certain Services to Local Governments

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

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

With respect to Public Safety, however, county governments have taken on various additional responsibilities related to inmates released from State prison, newly convicted offenders whose offenses are legally defined under the State Penal Code as non-violent, non-serious and non-sexual, and parole violators. In Fiscal Year 2013-14, the County received a $51.24 million appropriation from the State to address the needs of the realigned criminal justice population. Although this amount is not sufficient to meet all of the identified needs, the slow pace of hiring has led to under-spending and the affected County departments have been able to continue providing identified services. In Fiscal Year 2014-15, the County received less funding for realignment as the statewide allocation was $60 million less than the prior year. Accordingly, it has been considerably more difficult for the County to provide needed services. In addition, the County has been approved to receive a grant reimbursement of $24.6 million to replace the Probation Youth Education and Treatment Center in the City of Riverside. The County will also receive $100 million in State bond funds to pay for a portion of the construction the new jail facility in the City of Indio financed in part from proceeds of the Series 2015 Bonds. Such State bond funds will be repaid by the State Department of Corrections and Rehabilitation.

Recent County Budgets

The following table sets forth the General Fund budgets for the last four fiscal years and current fiscal year as initially adopted by the Board of Supervisors. During the course of each fiscal year, a budget may be amended to reflect adjustments to receipts and expenditures that have been approved by the Board of Supervisors.

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS[(1)]
FISCAL YEARS 2010-11 THROUGH 2014-15
(IN MILLIONS)

	2010-11 Budget	***2011-12 Budget***	***2012-13 Budget***	***2013-14 Budget***	***2014-15 Budget***
REQUIREMENTS					
General Government	$ 175.3	$ 174.4	$ 180.4	$ 179.5	$ 178.0
Public Protection	1,062.4	1,060.0	1,072.1	1,132.4	1,190.6
Health and Sanitation	396.0	411.9	430.1	485.9	481.4
Public Assistance	780.0	802.9	762.3	835.7	902.7
Education	0.6	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.4	0.0	0.4	0.3
Debt Retirement-Capital Leases	6.8	5.0	5.0	4.9	4.9
Contingencies	20.0	20.0	7.0	20.0	23.2
Increase to Reserves	17.5	2.4	2.3	2.3	2.0
Total Requirements[(2)]	$2,458.9	$2,477.7	$2,459.8	$2,661.7	$2,783.7
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 107.8	$ 90.1	$ 74.0	$ 78.3	$ 48.5
Estimated Revenues:					
Property Taxes	222.4	214.9	211.5	229.9	256.6
Other Taxes	46.0	35.5	35.0	31.0	27.0
Licenses, Permits and Franchises	19.8	18.1	17.7	17.6	18.2
Fines, Forfeitures and Penalties	58.0	56.2	51.7	49.3	45.3
Use of Money and Properties	11.2	10.0	7.4	6.3	10.7
Aid from Other Governmental Agencies:					
State	921.7	936.3	1,005.5	1,097.4	1,194.0
Federal	501.2	506.7	493.9	544.9	551.8
Charges for Current Services	461.0	462.8	442.6	469.1	496.7
Other Revenues	111.9	147.7	120.5	137.9	134.9
Total Available Funds[(2)]	$2,458.9	$2,477.7	$2,459.8	$2,661.7	$2,783.7

(1) Prior to Fiscal Year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.
(2) Column numbers may not add up to totals due to rounding.
Source: County Auditor-Controller.

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2015, the portfolio assets comprising the PIF had a market value of $5,730,402,540.40.

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, 2014, 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 76.92% of the funds on deposit in the County Treasury, while approximately 23.08% of the total funds on deposit in the County Treasury represented discretionary deposits.

While State law permits other governmental jurisdictions to participate in the County's PIF, the desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2014 Statement of Investment Policy (the "Policy Statement"), which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Treasurer's Pooled Investment Fund as of March 31, 2015 were as follows:

U.S. Treasury Securities	$ 435,092,578.15	7.59%
Federal Agency Securities	3,737,191,015.40	65.24
Cash Equivalent & Money Market Funds	649,000,000.00	11.33
Commercial Paper	641,203,252.57	11.19
Medium Term Notes	–	–
Municipal Notes	165,718,328.62	2.89
Certificates of Deposit	–	–
Repurchase Agreements	100,000,000.00	1.75
Local Agency Obligations(1)	395,000.00	0.01
Total	$5,728,600,174.74	100.00%
Book Yield	0.46%	
Weighted Average Maturity (years)	1.26	

(1) Represents County Obligations issued by the Riverside District
Source: County Treasurer-Tax Collector.

As of March 31, 2015, the market value of the PIF was 100.03% 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 in which the investment was made.

The Board of Supervisors established an "Investment Oversight Committee" in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County

Finance Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. As of September 29, 2004, the State no longer required the County to have a local oversight committee; however, the County has elected to maintain the committee. The committee is utilized by the County to safeguard public funds and to perform other internal control measures.

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

***Ad Valorem* Property Taxes**

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

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after 5:00 p.m. on December 10 and April 10, respectively, and a 10% penalty attaches. Property on the secured roll with unpaid delinquent taxes is declared tax-defaulted after 5:00 p.m. on June 30^{th}. Such property may thereafter be redeemed by payment of the delinquent taxes, a 10% delinquency penalty, a $38.63 dollar administrative cost, a $36.77 per parcel redemption fee (from which the State receives five dollars), and redemption penalty of one and one half percent per month starting July 1 and continuing until date of redemption (collectively, the "Redemption Amount"). If taxes remain unpaid after five years on the default roll, the property becomes subject to a tax sale by the County Treasurer.

Property taxes on the unsecured roll are due as of 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 one and one half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and

(4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The following tables set forth the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 2003-04 through Fiscal Year 2014-15.

COUNTY OF RIVERSIDE
***AD VALOREM* PROPERTY TAXES – LEVIES AND COLLECTIONS**
FISCAL YEARS 2003-04 THROUGH 2014-15
SECURED PROPERTY TAX ROLL(1)

Fiscal Year	*Secured Property Tax Levy*	*Current Levy Delinquent June 30*	*Percentage of Current Taxes Delinquent June 30(2)*	*Total Collections(3)*	*Percentage of Total Collections to Current Levy*
2003-04	$1,506,949,011	$ 42,164,689	2.80%	$1,571,572,091	104.29%
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,122,973,130	101.38
2006-07	2,559,448,076	180,175,146	7.04	2,533,225,935	98.98
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,805,588,954	104.82
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	49,716,695	1.76	2,943,824,187	104.64
2014-15(4)	3,014,259,026(5)	N/A	N/A	N/A	N/A

(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) Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.
(3) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(4) Actual unaudited figures.
(5) Secured Extension Fiscal Year 2013-14.
Source: County Auditor-Controller.

UNSECURED PROPERTY TAX ROLL[1]

Fiscal Year	***Unsecured Property Tax Levy***	***Total Collections***[2]	***Percentage of Total Collections to Original Levy***[2]
2003-04	$56,479,231	$54,911,981	97.23%
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.33
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,578,154	95.35
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	93.84
2013-14	83,522,992	86,835,311	103.97
2014-15[3]	84,869,586	88,410,497[4]	104.17

(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) Actual unaudited figures.
(4) Collections through April 2015.
Source: County Auditor-Controller.

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

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

The following table sets forth the supplemental tax roll of the County for Fiscal Year 2004-05 through Fiscal Year 2014-15.

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2004-05 THROUGH 2014-15

Fiscal Year	*Tax Levy for Increased Assessments*[(1),(2),(3)]	*Refunds for Decreased Assessments*[(1),(3)]	*Net Supplemental Tax Levy*	*Collections*[(1),(2)]
2004-05	$201,364,003	$ 2,048,421	$199,315,582	$151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09[(4)]	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)[(5)]	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,096
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	52,907,916	8,982,077	43,925,839	41,498,433
2014-15[(6)]	61,925,386	7,264,731	54,660,655	40,181,868[(7)]

(1) Includes tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment and successor agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.
(3) Tax levy amounts are shown net of minimum tax less than $10 and refunds are shown net of refunds of negative supplemental taxes less than $10.
(4) Changes from prior years due to decrease in housing values and lower transaction volume. See description below following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.
(6) From July 2014 through May 2015.
(7) From July 2014 through April 2015.
Source: County Auditor-Controller/County Treasurer and Tax Collector.

The Assessment Roll

The following table sets forth the assessed valuation by category and property type for Fiscal Year 2010-11 through Fiscal Year 2014-15.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[(1)]
FISCAL YEARS 2010-11 THROUGH 2014-15
(IN MILLIONS)

Category	***2010-11***	***2011-12***	***2012-13***	***2013-14***	***2014-15***
SECURED PROPERTY:					
Land	$ 65,877	$ 64,308	$ 63,549	$ 65,635	$ 69,707
Structures	132,431	131,516	132,077	138,000	150,230
Personal Property	819	836	887	878	926
Utilities	3,019	3,614	3,475	3,618	3,618
Total Secured	$202,146	$200,274	$199,988	$208,131	$220,863
UNSECURED PROPERTY:					
Land	$ 14	$ 29	$ 17	$ 13	$ 16
Structures	309	274	268	227	201
Improvements	3,439	3,504	3,683	3,684	3,554
Fixtures	4,049	3,975	3,895	3,691	3,961
Total Unsecured[(2)]	$ 7,811	$ 7,782	$ 7,863	$ 7,615	$ 7,732
Grand Total	$209,957	$208,056	$207,851	$215,746	$228,595

(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 State Constitution (Proposition 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.
(2) Represents total of categories set forth above; does not represent total tax roll values.
Source: County Auditor-Controller/County Assessor.

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

In Fiscal Year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In Fiscal Year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year. In Fiscal Year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. In Fiscal Year 2013-14, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. No additional Proposition 8 reductions are expected for Fiscal Year 2014-15 or 2015-16, and assessed valuation in the County increased from Fiscal Year 2013-14 to Fiscal Year 2014-15 by approximately 7.92%.

Property Tax Appeals. The County has received assessment appeals applicable to Fiscal Year 2014-15 totaling approximately $13.7 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of $2.2 billion of assessed value was reduced from the County tax roll in Fiscal Year 2012-13 and Fiscal Year 2013-14 due to appeals, representing $22 million in general purpose taxes over the two-fiscal year period. 53% of the Fiscal Year

2013-2014 fiscal year assessment appeals have been completed. The majority of the remaining Fiscal Year 2013-14 assessment appeals are expected to be completed by November 30, 2015.

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 2014-15 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2013-14 assessment appeals still to be completed; and (ii) a portion of the Fiscal Year 2014-15 assessment appeals being completed during Fiscal Year 2015-16.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In Fiscal Year 2014-15, approximately 55.71% of all taxing entities within the County participated in the Teeter Plan.

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

Funding for the County's on-going obligations under the Teeter Plan was completed through the issuance in October 2015 of County of Riverside 2014 Series D Teeter Obligation Notes (Tax-Exempt) (the "D Notes") in the amount of approximately $99.36 million and the County of Riverside 2014 Series E Teeter Obligation Notes (Taxable) (the "Series E Notes" and together with the D Notes, the "Notes") in the amount of approximately $0.82 million. The proceeds of the Notes refunded the outstanding County of Riverside 2013 Teeter Obligation Notes, Series D originally issued in the amount of approximately $118.14 million and the outstanding County of Riverside 2013 Teeter Obligation Notes, Series E originally issued in the amount of approximately $1.64 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and paid costs of issuance. The Notes funded approximately $38.3 million representing Fiscal Year 2013-14 delinquent property taxes and approximately $62.89 million representing prior years' delinquent property taxes. The Notes mature on October 14, 2015. 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 repay the Notes.

Largest Taxpayers

The following table sets forth the 25 largest taxpayers by individual tax levied in the County for Fiscal Year 2014-15.

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2014-15
COMBINED TAX ROLLS[(1)]

Taxpayer	*Total Taxes Levied*	*Percentage Of Total Tax Charge*
Southern California Edison Company	$ 42,005,198.94	1.32%
Verizon California, Inc.	9,449,647.14	0.30
CPV Sentinel LLC	9,334,839.06	0.29
Southern California Gas Company	7,761,730.22	0.24
Blythe Energy, LLC	4,659,048.20	0.15
Inland Empire Energy Center, LLC	3,696,919.38	0.12
Ross Dress For Less, Inc.	3,255,355.11	0.10
Walgreen Co.	3,145,128.56	0.10
Chelsea GCA Realty Partnership	3,132,946.54	0.10
Tyler Mall Ltd. Partnership	2,967,090.80	0.09
Time Warner Cable Pacific West LLC	2,813,777.31	0.09
Standard Pacific Corp.	2,806,943.54	0.09
Lowes HIW Inc.	2,675,052.26	0.08
Pardee Homes	2,619,185.01	0.08
Target Corp.	2,610,849.16	0.08
Wal Mart Real Estate Business Trust	2,592,428.68	0.08
KB Home Coastal Inc.	2,571,015.34	0.08
Costco Wholesale Corp.	2,511,735.66	0.08
Kaiser Foundation Health Plan, Inc.	2,437,841.08	0.08
Roripaugh Valley Restoration	2,433,212.16	0.08
Nestle Waters North America, Inc.	2,256,769.63	0.07
Palm Desert Funding Co.	2,215,838.60	0.07
Abbott Vascular Inc.	2,127,078.58	0.07
Health Care REIT	2,117,889.26	0.07
Garden of Champions	2,056,460.42	0.06
Total	**$ 126,253,980.64**	**3.96%**
Total Tax Charge for 2014-15	**$3,189,152,852.83**	

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

The following table sets forth the ten largest property owners in the County by assessed value for all properties, for Fiscal Year 2014-15.

COUNTY OF RIVERSIDE
TEN LARGEST PROPERTY OWNERS IN FISCAL YEAR 2014-15
BY ASSESSED VALUE

Assessee	*Assessed Value*
Eisenhower Memorial Hospital	$ 363,825,365
Kaiser Foundation Hospital	331,710,705
Ross Dress for Less Inc.	293,073,873
Walgreen Co.	271,064,103
Kaiser Foundation Health Plan Inc.	268,522,448
Time Warner Cable Pacific West LLC	240,450,219
Target Corp.	224,112,730
Chelsea GCA Realty Partnership	221,856,908
Lowes HIW Inc.	211,274,769
Costco Wholesale Corp.	207,444,443
Subtotal	$ 2,633,335,563
All Others	226,827,490,802
Total	$229,460,826,365(1)

(1) Excludes State assessed property. Does not reflect any applicable exemptions.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. The majority of property taxes collected by the County are disbursed to other agencies. For Fiscal Year 2013-14, the County retained approximately 12.23% of the total amount collected (and is budgeted to retain 12.24% in Fiscal Year 2014-15). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See "-Redevelopment Agencies" below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are applied to pay such obligations, less any allowable collection charges.

Redevelopment Agencies

The California Community Redevelopment Law (California Health and Safety Code Section 33000 et seq.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. The net effect of the formation of a redevelopment area is to redistribute tax revenues away from the AB 8 formula. Redevelopment agencies generally receive the majority of the taxes to be allocated. Other taxing entities may receive a portion of the tax revenue pursuant to agreements negotiated with the redevelopment agency.

The following table summarizes the community redevelopment agencies' frozen base value, full cash value increments, and total tax allocations for Fiscal Years 2002-03 through 2014-15.

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2004-05 THROUGH 2014-15

Fiscal Year	***Frozen Base Value***	***Full Cash Value Increments***[(1)]	***Total Tax Allocations***[(2),(3)]
2004-05	$12,271,092,108	$34,974,969,456	$352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14	16,352,697,201	58,677,226,297	688,683,052
2014-15[(4)]	16,352,697,201	62,373,436,336	728,468,454

[(1)] Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
[(2)] Actual cash revenues collected by the County and available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
[(3)] Includes general purpose and debt; excludes negative increment.
[(4)] Based on County estimate of increment of assessed value for the community redevelopment agencies for Fiscal Year 2014-15.
Source: County Auditor-Controller.

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution effective February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of $3,971,824,734, and a 2011-12 assessed value of $8,266,787,927. In Fiscal Year 2011-12, the pass-through payment to the County's General Fund from the County's redevelopment agency totaled $1,600,442.73, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County receives only a fraction of the pass-through payments from the County redevelopment agency it previously received, but these amounts were relatively modest and are largely offset by the County's receipt of its tax allocation under the AB 8 formula. As the result of the dissolution, the County is receiving a share of residual, unencumbered low and moderate housing and other asset funding. As of March 2015, the County received approximately $3.5 million in such funds in the current fiscal year.

In Fiscal Year 2013-14, the County received approximately $83.3 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive approximately $89 million for Fiscal Year 2014-15 and $94 million for Fiscal Year 2015-16. Pursuant to ABx1 26 and its following clarifying legislation, the County's negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency.

Financial Statements and Related Issues

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for Fiscal Year 2013-14 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B—"COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during Fiscal Year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2014, which are included in APPENDIX B—"COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

The following table sets forth the County's Statement of Revenues, Expenditures and Changes in Unreserved Fund Balances – General Fund for Fiscal Years 2009-10 through 2013-14.

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2009-10 THROUGH 2013-14
(In Thousands)

	2009-10	*2010-11*	*2011-12*	*2012-13*	*2013-14*
BEGINNING FUND BALANCE	$ 372,121	$ 386,486	$ 343,562	$ 336,598	$ 357,249
REVENUES					
Taxes	229,631	221,807	216,746	246,144	256,746
Licenses, permits and franchises	16,724	18,187	17,648	16,442	16,588
Fines, forfeiture sand penalties	112,813	93,528	88,979	85,241	81,037
Use of money and property–Interest	12,197	8,196	4,740	1,676	4,629
Use of money and property– Rents and concessions	3,936	3,669	3,798	3,670	12,269
Government Aid–State	820,432	856,327	931,652	1,000,545	1,107,878
Government Aid–Federal	504,605	490,088	475,221	478,791	462,291
Governmental Aid-Other	89,312	82,147	80,332	81,169	83,169
Charges for current services	367,249	369,780	354,451	374,750	396,904
Other revenues	30,670	37,654	40,852	26,253	41,248
TOTAL REVENUES	$2,187,569	$2,181,383	$2,214,419	$2,315,681	$2,462,759
EXPENDITURES					
General government	$ 130,516	$ 109,146	$ 127,195	$ 103,895	$ 106,045
Public protection	1,005,679	1,025,584	1,010,999	1,043,017	1,116,621
Public ways and facilities	–	–	–	–	–
Health and sanitation	333,068	345,649	369,165	388,325	416,005
Public assistance	712,353	731,017	719,670	735,057	795,309
Education	551	548	579	564	586
Recreation and cultural	312	364	324	346	287
Capital Outlay	31,018	8,321	2,671	1,721	2,965
Debt service	21,876	24,829	21,426	19,576	15,475
TOTAL EXPENDITURES	$2,234,373	$2,245,458	$2,252,029	$2,292,501	$2,453,293
Excess (deficit) of revenues over (under) expenditures	(47,804)	(64,075)	(37,610)	23,180	9,466
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 168,833	$ 106,047	$ 123,587	$ 92,297	$ 95,017
Transfer to other funds	(132,682)	(93,217)	(98,045)	(96,547)	(101,021)
Capital Leases	31,018	8,321	2,671	1,721	2,965
Total other Financing Sources (Uses)	$ 62,169	$ 21,151	$ 28,213	$ (2,529)	$ (3,039)
NET CHANGE IN FUND BALANCES	$ 14,365	$ (42,924)	$ (9,397)	$ 20,651	$ 6,427
FUND BALANCE, END OF YEAR[1]	$ 386,486	$ 343,562	$ 336,598	$ 357,249	$ 363,676

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

Source: County Auditor-Controller.

The following table sets forth the County's General Fund Balance Sheets for Fiscal Years 2009-10 through 2013-14.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2010 THROUGH JUNE 30, 2014
(In Thousands)

	2010	*2011*	*2012*	*2013*	*2014*
ASSETS:					
Cash & Marketable Securities	$122,902	$160,887	$151,845	$128,655	$129,305
Taxes Receivable	27,714	17,790	14,046	10,931	9,849
Accounts Receivable	8,468	12,771	9,196	9,167	11,281
Interest Receivable	2,091	1,119	643	687	650
Advances to Other Funds	0	3,692	3,342	3,342	5,842
Due from Other Funds	25,353	18,787	14,227	9,071	11,157
Due from Other Governments	263,240	276,656	328,817	308,532	333,728
Inventories	1,941	1,564	1,187	2,059	1,682
Prepaid items	888	277	298	818	–
Restricted Assets	296,543	283,095	299,673	307,452	350,158
Total Assets	$749,140	$777,638	$823,274	$780,714	$853,652
LIABILITIES:					
Accounts Payable	$ 57,236	$ 84,116	$ 75,996	$ 24,234	$ 61,288
Salaries & Benefits Payable	46,376	50,374	57,391	57,519	68,156
Due To Other Funds	2,155	2,639	1,466	9,190	248
Due to Other Governments	35,161	34,550	40,804	23,377	20,395
Deferred Revenue	218,676	260,343	311,003	66,855	65,929
Deposits Payable	3,050	2,054	16	19	61
Advances from grantors and third parties	–	–	–	242,271	268,899
Advances from other funds	–	–	–	–	5,000
Total Liabilities	$362,654	$434,076	$486,676	$423,465	$424,047
FUND BALANCE:(1)					
Nonspendable	–	$2,214	$1,834	$3,247	$2,045
Restricted	–	98,552	101,651	101,440	117,595
Committed	–	50,097	52,439	42,183	32,820
Assigned	–	3,463	8,674	10,460	7,772
Unassigned	–	189,236	171,910(2)	199,919(2)	203,444
Reserved	$ 90,374	–	–	–	–
Unreserved	296,112	–	–	–	–
Fund Balance	$386,486	$343,562	$336,598	$357,249	$363,676
Total Liabilities and Fund Balance	$749,140	$777,638	$823,274	$780,714	$853,652

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

(2) Annual fluctuations are due mainly to fluctuation in tax revenue, general government expenditures, interest earnings and State allocations.

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCES
AT JUNE 30, 2007 THROUGH JUNE 30, 2014
(In Thousands)

	Reserved	*Unreserved*				*Total*
2007	$88,233	$482,731				$570,964
2008	84,466	394,302				478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	Nonspendable	*Restricted*	*Committed*	*Assigned*	*Unassigned*	*Total*
2011[(1)]	$2,214	$ 98,552	$50,097	$ 3,463	$189,236	$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598
2013	3,247	101,440	42,183	10,460	199,919	357,249
2014	2,045	117,595	32,820	7,772	203,444	363,676

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

Source: County Auditor-Controller.

Short-Term Obligations of County

On July 1, 2014, the County issued its 2014-15 Tax and Revenue Anticipation Note (the "2014-15 TRAN") in the principal amount of $250,000,000 to provide funds to meet the County's Fiscal Year 2014-15 General Fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. The 2014-15 TRAN is due on June 30, 2015. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's Fiscal Year 2014-15 which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment.

The County anticipates issuing its 2015-16 Tax and Revenue Anticipation Note (the "2015-16 TRAN") in an expected principal amount of approximately $250,000,000.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of May 1, 2015, the County had $650,796,819 in direct General Fund obligations and $320,470,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of May 1, 2015.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF MAY 1, 2015)

2013-14 Assessed Valuation: $230,400,099,289 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	*% Applicable*	*Debt 5/1/15*
Metropolitan Water District	6.318%	$ 6,976,336
Community College Districts	1.189-99.999	501,220,144
Unified School Districts	1.281-100.	2,227,981,311
Perris Union High School District	100.	77,983,834
Elementary School Districts	100.	75,838,331
City of Riverside	100.	13,395,000
Eastern Municipal Water District Improvement Districts	100.	35,495,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	1,325,000
San Gorgonio Memorial Hospital District	100.	114,010,000
Community Facilities Districts	50.225-100.	2,760,360,024
Riverside County 1915 Act Bonds	100.	1,850,000
City and Special District 1915 Act Bonds (Estimated)	100.	205,888,497
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 6,022,323,477
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	100. %	$ 650,796,819[(1)]
Riverside County Pension Obligations	100.	320,470,000
Riverside County Board of Education Obligations	100.	1,835,000
School Districts General Fund and Lease Tax Obligations	1.281-100.	459,742,835
City of Corona General Fund Obligations	100.	50,100,308
City of Moreno Valley General Fund Obligations	100.	63,288,500
City of Indio General Fund Obligations	100.	39,190,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	145,179,020
City of Riverside Certificates of Participation	100.	235,324,906
City of Riverside Pension Obligations	100.	115,775,000
Other City General Fund Obligations	100.	77,193,444
Other Special District Certificates of Participation	100.	2,127,264
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,161,023,096
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		8,438,257
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$ 2,152,584,839
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$ 2,605,319,963
GROSS COMBINED TOTAL DEBT		$10,788,666,536[(2)]
NET COMBINED TOTAL DEBT		$10,780,228,279

Ratios to 2013-14 Assessed Valuation:
- Overlapping Tax and Assessment Debt 2.61%
- Combined Gross Direct Debt ($1,046,374,868)...................... 0.42%
- Combined Net Direct Debt ($1,036,272,610) 0.42%
- Gross Combined Total Debt.. 4.68%
- Net Combined Total Debt 4.68%

Ratios to Successor Agency Redevelopment Incremental Valuation ($62,266,158,988):
- Total Overlapping Tax Increment Debt 4.18%

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(1) Excludes the Bonds described in this Official Statement and the Notes.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

Lease Obligations

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

As of April 1, 2015, the County's current outstanding lease obligations total $641,094,819. The County's annual lease obligation is approximately $88,789,947 and the maximum annual lease payment is $97,849,969.

The table on the following page sets forth the County's outstanding lease obligations and the respective annual lease requirements as of April 1, 2015.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF APRIL 1, 2015)

	Final Maturity Year	*Original Lease Amount*	*Obligations Outstanding*	*Annual Base Rental*[(1)]
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	$148,500,000	0[(2)]	14,245,620
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1997 Series A	2026	41,170,073	35,301,562	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[(3)]	2019	90,530,000	90,030,000	19,516,997[(3)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	3,900,000	873,500[(4)]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds 2008 Series A	2022	72,445,000	51,585,000	8,264,600
County of Riverside Certificates of Participation (2005 Series B Historic Courthouse Project)[(5)]	2027	22,610,000	17,270,000	1,607,916
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding)[(6)]	2021	36,100,000	17,050,000	2,560,550
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	8,043,257	
Series 2002	2020	925,000	395,000	1,820,656[(7)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) 2008 Series A[(8)]	2032	78,895,000	76,415,000	6,483,115
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project)[(9)]	2036	51,655,000	42,035,000	3,399,338
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	30,040,000	2,158,969
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	31,025,000	11,136,750
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,065,000	1,152,211
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects)[(10)]	2040	45,685,000	45,245,000	1,911,800
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	3,625,000	673,016
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)[(11)]	2031	33,360,000	29,525,000	2,514,313
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[(12)]	2033	17,640,000	16,280,000	1,391,025
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	64,985,000	4,283,738
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)	2044	44,380,000	44,380,000	2,438,950
County of Riverside Lease Revenue Bonds (Court Facilities Project), Series 2014A & Series 2014B (Taxable)[(13)]	2033	18,495,000	16,635,000	2,356,883
TOTAL		$971,745,073	$641,094,819	$88,789,947

(1) Annual base rental for Fiscal Year 2014-2015unless otherwise noted.
(2) The bonds for the 1985 Certificates of Participation were paid off in October 2014.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 14, 2015 was approximately 0.12%.
(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(8) The 2008 Series A refunded the 2000 Series B SWJC Project.
(9) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
(10) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.
(11) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.
(12) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.
(13) The 2014 Series A & B (Taxable) County of Riverside lease Revenue Bonds refunded the County of Riverside Certificates of Participation (Capital Facilities Project) 2003 Series B, County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property).

Source: County Executive Office.

Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of $76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement, the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated "Aa3" by Moody's, "AA-" by Standard & Poor's and "AA-" by Fitch as of April 2015. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below "BBB" (in the case of S&P) or "Baa2" (in the case of Moody's), the County or the party so downgraded is required to post collateral in the amount of its exposure. If the swap agreement is terminated and, at the time of such termination, the fair market value of the swap agreement was negative, the County would be liable to the Counterparty for a termination payment equal to the swap's fair market value. As of April 30, 2015, the swap agreement had a negative fair market value of approximately $27.6 million (based on the quoted market price from the Counterparty at such date).

The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of "Baa2" from Moody's and "BBB" from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "AA-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a pledgor in accordance with the terms of such ISDA Credit Support Annex. As of April 2015, Assured Guaranty Corp. had a rating of "AA" by S&P and "A3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

The following table sets forth the number of County employees for years 2005 through 2015.

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2005 THROUGH 2015

Year	*Regular Employees*[1]
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014	18,620
2015[2]	18,671

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of March 4, 2015.
Source: County Human Resources Department.

County employees comprise 13 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 72% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

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

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

COUNTY OF RIVERSIDE
LABOR ORGANIZATIONS[1]

Bargaining Units or Employee Group	*Number of Employees*	*Expiration Date of Contract*
Management, Confidential, and Other Unrepresented	1,307	N/A
Law Enforcement Management Unit (LEMU)	469	June 30, 2017
Riverside County Deputy District Attorneys' Association (RCDDAA)	380	June 30, 2015[2]
Riverside Sheriffs' Association (RSA)	3,236	June 30, 2016
Service Employees International Union (SEIU)	6,437	November 30, 2016
Laborers' International Union of North America (LIUNA)	7,477	June 30, 2016
Total	**19,306**	

(1) Includes all County districts
(2) New contract with RCDDAA currently being negotiated. Employees will continue to work under the terms of the current contract until a new contract is executed.
Source: County Human Resources Department.

Retirement Program

General. The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides pension benefits for eligible employees in the Miscellaneous and Safety Plans (herein defined), with PERS. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, benefit factor (determined by age at retirement), and final compensation which is the highest average pay rate and special compensation during any consecutive one-year period of employment (for Tier 1 employees) or three-year period of employment (for Tier 2 and Tier 3 employees). The benefit calculation for members is the product of the benefit factor (based on age), years of service, and final compensation. Due to recent pension reform, the County's retirement plan currently includes three tiers of benefits.

COUNTY OF RIVERSIDE
EMPLOYEES PER RETIREMENT TIER[1]
(AS OF MARCH 4, 2015)

	Number of Employees In Each Retirement Tier
Tier 1	14,880
Tier 2	600
Tier 3	3,191
Total	18,671

(1) Excludes Temporary, Per Diem, and Seasonal Employees.
Source: County Human Resources Department.

Miscellaneous members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 60), Tier II (2% at 60), or Tier III (2% at 62). Safety members, who qualify for retirement benefits based on their date of hire, are enrolled in one of three tiers of benefits Tier I (3% at 50), Tier II (2% at 50), or Tier III (2.7% at 57). The three tiers of retirement benefits all provide for cost-of-living adjustments of up to 2% per year after retirement. For further information on the County's pension obligations, see Note 20 – Retirement Plan of the Notes to Basic Financial Statements, June 30, 2014, which are attached hereto as APPENDIX B—"COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014."

In September 2003, the County established the Pension Advisory Review Committee ("PARC"). The purpose of PARC is to develop a better institutional understanding of the County's pension plan (the "Plan"), currently managed by PERS and to advise the Board of Supervisors on important matters concerning the Plan. PARC reports annually to the Board of Supervisors on the performance of the Plan and evaluates strategies to address appropriate funding of the Plan.

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

On September 12, 2012, Governor Brown signed Assembly Bill 340, creating the Public Employees' Pension Reform Act ("PEPRA") and amending certain sections of the County Employees Retirement Law of 1937 (the "1937 Act"). The majority of the PEPRA changes first impacted the rates and benefit provisions on the June 30, 2013 valuation for the Fiscal Year 2015-16 rates. Among other things, PEPRA creates a new retirement benefit tier ("Tier III") for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013.

The new Tier III formulas for both Miscellaneous and Safety provide for a reduced benefit and was required to be implemented by all public agency employers unless the retirement formula in existence on December 31, 2012 had both a lower normal cost and lower benefit factor at normal retirement age. PEPRA requires that all new employees hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. Tier III benefits are set 2% at 62 for Miscellaneous members and 2.7% at 57 for Safety members. PEPRA mandated all new members be subject to a pensionable compensation cap, which limits the annual salary that can be used to calculate final compensation for all new members. Adjustments to the limits are permitted annually based on changes to the Consumer Price Index (CPI) for all urban consumers. The normal cost contribution is the contribution set by the retirement system's actuary to cover the cost of current year of service. The County believes the provisions of PEPRA will assist in controlling its future pension benefit liabilities.

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

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2014 covered PERS' Fiscal Year 2011-12). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County's contribution rates derived from the actuarial valuation as of June 30, 2013, which was prepared in October 2014, is effective for the County's Fiscal Year 2015-16). PERS rules require the County to implement the actuary's recommended rates.

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

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

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

In June 2012, the GASB issued Statement No. 68, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. Prior to implementing GASB 68, employers participating in a cost-sharing multiple-employer defined benefit pension plan (cost-sharing plan) administered by CalPERS did not need any additional information beyond what was included in CalPERS' audited financial statements. Similarly, employers participating in an agent multiple-employer defined benefit pension plan (agent plan) administered by CalPERS used information from the CalPERS funding actuarial valuation reports for accounting and financial reporting purposes. With the implementation of GASB 68, employers will be required to recognize a liability as employees accrue pension benefits. For the first time, employers will recognize their net pension liability, and pension expenses.

On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing policies. Prior to this change, PERS employed an amortization and smoothing policy, which spread investment returns over a 15-year period while experience gains and losses were amortized over a rolling 30-year period. Effective with the June 30, 2013 valuations, PERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will spread rate increases or decreases over a 5-year period, and will amortize all experience gains and losses over a fixed 30-year period. The new amortization and smoothing policy will be used for the first time in the June 30, 2013 actuarial valuations. These valuations will be performed in the fall of 2014 and will set employer contribution rates for Fiscal Year 2015-16. The Fiscal Year 2015-16 rate for Miscellaneous is 15.429% and Safety is 23.585%. For complete updated inflation and actuarial assumptions, please contact PERS at California Public Employees Retirement System, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: (888) 225-7377.

Beginning with the June 30, 2013 valuations that set the 2015-16 rates, CalPERS will no longer use an actuarial value of assets and will employ an amortization and smoothing policy that will pay for all gains and losses over a fixed 30-year period with the increases or decreases in the rate spread directly over a 5-year period.

On February 19, 2014, the CalPERS Board of Administration adopted relatively modest changes to the current asset allocation that will reduce the expected volatility of returns. The adopted asset allocation is expected to have a long-term blended returns that continue to support a discount rate assumption of 7.5 percent. The Board also approved several changes to the demographic assumptions that more closely align with actual experience. The most significant of these changes is the change in mortality improvement to acknowledge the greater life expectancies we are experiencing within our membership. The new actuarial assumptions will be used to set the FY 2016-17 contribution rates for public agency employers. The increase in liability due to new actuarial assumptions will be calculated in the 2014 actuarial valuation and will be amortized over a 20-year period with a 5-year ramp-up and a 5-year ramp-down, resulting in a total 30-year amortization period.

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

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2013, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 15.429% be implemented as the required rate for Fiscal Year 2015-16, which the County anticipates will result in a contribution to PERS of approximately $139.2 million for that fiscal year. In addition, the County will pay PERS for the Miscellaneous Plan approximately $4.3 million in County Offsets of Employee Contributions for Fiscal Year 2014-15, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for Fiscal Year 2014-15 of approximately $143.4 million. In the actuarial valuation for the Safety Plan as of June 30, 2013, the most recent PERS actuarial valuation report, the

PERS actuary recommended an employer contribution rate of 23.585% be implemented as the required rate for Fiscal Year 2015-16, which the County anticipates will result in a contribution to PERS of approximately $67.4 million for that fiscal year. As of Fiscal Year 2014-15, the County no longer pays County Offsets of Employee Contributions to PERS for the Safety Plan.

Absent reforms, some of which have already been initiated by the County, contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during Fiscal Year 2008-09. While investment gains experienced in Fiscal Years 2009-10 through 2012-13 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of $396.9 million, $311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and $85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, the 2005 Pension Obligation Bonds have resulted in a net gain to the County of $31.3 million as of February 15, 2014. A liability management fund was established in connection with the 2005 Pension Obligation Bonds. By Board policy, each year PARC, in its annual report, recommends to the Board whether the funds in the liability management fund should be applied to purchase 2005 Pension Obligations Bonds or to transfer the funds to PERS to reduce the County's PERS liability. In 2014, PARC recommended a transfer of the liability management fund balance of $3 million to PERS. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2009 through June 30, 2013 and the total employer contributions made by the County for Fiscal Year 2011-12 through Fiscal Year 2015-16. The two tables are based on PERS Actuarial Reports for those years.

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30	*Unfunded Accrued Actuarial Liability*	*Funded Status (Actuarial Value)*	*Affects County Contribution for Fiscal Year*	*County Contribution Amount*[1]	*County Offsets of Employee Contributions*
2009	$131,506,806	92.0%	2011-12	$60,667,388	$13,460,331
2010	184,737,814	89.8	2012-13	63,652,359	11,594,226[2]
2011	286,064,497	85.9	2013-14	71,724,520	2,843,364[2]
2012	225,792,281	89.2	2014-15	74,545,937[3]	275,741[2][3][5]
2013[4]	509,464,128	77.7	2015-16	76,782,315[3]	284,013[2][3][5]

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12.
(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2014-15 and 2015-16.
(4) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
(5) The County still pays 1.25% for Safety member contributions (the employee contribution rate is 10.25%).
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

HISTORICAL FUNDING STATUS
(Miscellaneous Plan)

Valuation Date June 30	*Unfunded Accrued Actuarial Liability*	*Funded Status (Actuarial Value)*	*Affects County Contribution for Fiscal Year*	*County Contribution Amount*[1]	*County Offsets of Employee Contributions*
2009	$ 389,195,847	89.7%	2011-12	$103,892,326	$36,974,032[2]
2010	444,330,905	89.2	2012-13	106,685,618	17,525,337[2]
2011	538,055,042	87.9	2013-14	125,248,122	7,319,320[2]
2012	536,480,531	88.6	2014-15	133,908,947[3]	4,299,323[2][3]
2013[4]	1,034,364,773	79.3	2015-16	137,926,215[3]	4,428,303[2][3]

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
(2) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in Fiscal Year 2011-12.
(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of Fiscal Years 2014-15 and 2015-16.
(4) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

SCHEDULE OF FUNDING PROGRESS
(Safety Plan)

Valuation Date June 30	*Accrued Liability (a)*	*Actuarial Value of Assets (b)*	*Unfunded Liability (a-b)*	*Funded Status (Actuarial Value) (b/a)*	*Annual Covered Payroll (c)*	*UAAL as a Percentage of Payroll ((a-b)/c)*	*Market Value of Assets (MVA)*	*Funded Ratio MVA*
2009	$1,642,544,731	$1,511,047,925	$131,506,806	92.0%	$265,237,512	49.6%	$1,100,356,865	67.0%
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7	1,279,783,747	70.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7	1,565,799,198	77.1
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3	1,567,404,726	75.1
2013	2,285,586,497	1,776,122,369(1)	509,464,128	77.7	271,367,032	187.7	1,776,122,369	77.7

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013.

SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)

Valuation Date June 30	*Accrued Liability (a)*	*Actuarial Value of Assets (b)*	*Unfunded Liability (a-b)*	*Funded Status (Actuarial Value) (b/a)*	*Annual Covered Payroll (c)*	*UAAL as a Percentage of Payroll ((a-b)/c)*	*Market Value of Assets (MVA)*	*Funded Ratio MVA*
2009	$3,790,232,824	$3,401,036,977	$389,195,847	89.7%	$841,103,683	46.3%	$2,482,332,809	65.6%
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0	2,882,444,152	70.4
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2	3,525,640,733	79.0
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1	3,520,189,846	74.8
2013	5,008,806,968	3,974,442,195(1)	1,034,364,773	79.3	856,593,282	120.8	3,974,442,195	79.3

(1) Beginning with the June 30, 2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.
Source: PERS Actuarial Reports for June 30, 2009 through June 30, 2013.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from Fiscal Year 2011-12 through Fiscal Year 2015-16 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES
Valuation Date

Valuation Date June 30,	*Affects Contribution Rate for Fiscal Year:*	*Safety Plan*	*Miscellaneous Plan*
2009	2011-12	21.286%	13.112%
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001
2012	2014-15	21.899	14.527
2013	2015-16	23.585	15.429

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2013.

Projected County Contributions. The County's projections with respect to the County contributions below reflect certain significant assumptions concerning future events and circumstances. The information and the related assumptions are future projections in nature and are not to be construed as representations of fact or representation that in fact the information shown will be the correct amounts for the years indicated. Rather, these amounts reflect good faith estimates by the County taking into account a variety of assumptions. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material. Accordingly, prospective investors are cautioned to view these estimates as general indications of trends and orders of magnitude and not as precise amounts.

During Fiscal Year 2013-14, based on PERS' experience in recent years, PERS adopted several changes to the PERS Plans, including the elimination of asset smoothing methodologies, a 25-year amortization period for future gains and losses, elimination of annual caps on increases, and other changes based on a new experience study, including mortality improvements and other demographic assumptions. The changes will impact the County's contribution rates beginning in Fiscal Year 2015-16 and will be fully implemented by Fiscal Year 2019-20. Based on its current analysis of the data, the County projects that its contribution rates will increase significantly during such period, to a contribution rate of approximately 19.6% for the Miscellaneous Plan and approximately 32.7% for the Safety Plan. A description of these projections and their underlying assumptions are included in the PARC report which is available to Bondholders on the County's website or upon request.

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

Bartel Associates, LLC Report. On March 11, 2015, Bartel Associates, LLC ("Bartel") delivered a report (the "Bartel Report") to the County's PARC regarding the estimated UAAL and funded status of the County Miscellaneous and Safety Plans. The report contains an extrapolation from the 2013 CalPERS valuation report. The following table sets forth the pension funding status as estimated in the Bartel Report for Fiscal Years 2013-14 and 2014-15.

BARTEL REPORT[1]
ESTIMATED UAAL AND FUNDED STATUS
June 30, 2014 and 2015
(Miscellaneous and Safety Plans)
($ amount in millions)

	Miscellaneous		***Safety***	
	2014[2]	***2015[3]***	***2014[2]***	***2015[3]***
Investment Return[4]	18.4%	3.20%	18.4%	3.20%
Asset Values[5]	$4,721	$4,870	$2,104	$2,163
Actuarial Liability	$5,358	$5,720	$2,439	$2,598
Funded Ratio[5]	88.0%	85.0%	86.0%	83.0%

(1) The table represents estimates by Bartel Associates, LLC of the UAAL and Funded Ratio of each of the Miscellaneous Plan and the Safety Plan for Fiscal Year ended June 30, 2014 and 2015. These estimates are based on the actuarial valuation of these plans for the Fiscal Year ended June 30, 2013, published investment returns and other information from CalPERS and other estimates by Bartel. These estimates do not include various actuarial adjustments that will be made in the actuarial valuations for each of these years.
(2) Funded status estimated for June 30, 2014.
(3) Funded status estimated for June 30, 2015.
(4) Assumes contributions, payments, etc. received evenly throughout the year. Estimated June 30, 2015 based on CalPERS actual return through December 31, 2014 and assumed 7.5% annual return for the remaining six months.
(5) Estimated market value.
Source: Bartel Associates, LLC Report, dated March 11, 2015.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or PERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their eligible compensation to the Plan. Based on the actuarial valuation of June 30, 2013, the County's current required contribution level is 0.78%. The County elected to contribute 1.60% to maintain a funded ratio of over 90% in Fiscal Year 2013-14. The County's contribution to the Plan was $334,728 for Fiscal Year 2012-13 and is estimated to be approximately $252,273 for Fiscal Year 2013-14. The Plan's unfunded liabilities as of June 30, 2014 were approximately $1,857,698. Overall, the plan's unfunded actuarial accrued liability (UAAL) increased from the prior valuation due to the net result of the following: 1) Demographic experience was different than expected, which resulted in a liability loss; 2) Mortality assumptions were revised to reflect newly released Society of Actuaries base mortality, RP-2014, and future improvements scale, MP- 2014; and 3) Assets were higher than expected due to contributions made in excess of the ARC and favorable investment return on plan assets (16.5% actual compared to 6.5% assumed).

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

The County obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB Statement 45 as of July 1, 2014 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an investment rate of 7.36%, the present value of benefits was estimated to be $47.0 million, the accrued actuarial liability was estimated to be $40.1 million and the annual normal cost was

$0.96 million. If the accrued actuarial liability of $40.1 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $1.3 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to the California Employers' Retiree Benefit Trust (the "OPEB Trust"). On November 7, 2007 the irrevocable OPEB Trust was established with PERS and a payment of $10.4 million was made to the OPEB Trust. On June 26, 2009, the County contributed an additional $2.2 million to the OPEB Trust. The pre-funding of OPEB through the use of the OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB Present Value of Benefits (PVB) from $237 million in 2006 to $47 million most recently. The Actuarial Accrued Liability (AAL) in 2006 was $142 million, $40 million most recently, and the unfunded AAL is $6 million.

In May 2014, GASB issued an exposure draft of a statement that will change employer accounting and financial reporting for post-employment benefits other than pensions (OPEB). The impact is expected to be similar to that of GASB 67/68 for pension plans, which must be adopted for the fiscal year ending June 30, 2015. It is anticipated this new statement for OPEB would be effective for fiscal years beginning after December 15, 2016. The changes include moving unfunded liabilities from footnotes to the balance sheet creates the potential for more volatile periodic expense and a change in the discount rate basis.

Riverside University Medical Center

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

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. Declining and inadequate federal and State health care reimbursement and non-payment by uninsured population, and the costs of an older and sicker population, have placed significant demands on the County's health care system. These factors have negatively affected RUMC's financial performance over the past several years. Recently, however, RUMC has seen a decrease in non-paying clients and expects the amount of paying clients to increase.

In 2013, the County retained Huron Consulting Group ("Huron") to provide consulting services designed to improve efficiencies and increase revenue at RUMC. The initial engagement is complete although Huron continues to monitor many of the initiatives to ensure they are sustained.

On November 26, 2013, the Board of Supervisors approved a temporary transfer of approximately $26 million to RUMC from the County's Waste Management Enterprise Fund to pay for the Huron engagement. RUMC is required to repay this loan, with interest calculated at the County's Pooled Investment Fund rate, beginning in 2016 through 2022. If RUMC is unable to timely repay this loan in full any unpaid amounts will be transferred to the County's Waste Management Enterprise Fund from unencumbered amounts in the County's General Fund.

Based on its unaudited financial statements through March 2015, RUMC projects a net income surplus of $23 million for the current Fiscal Year 2014-15. This is a significant improvement over Fiscal Year Ended June 30, 2014 audited financial statements change in net position of negative $62 million. However, negotiated labor increases will significantly affect the hospital's budget in Fiscal Year 2015-16, with salary and benefits expected to increase by $31 million. In addition, one-time revenue attributable to Huron and hospital leadership initiatives will not be available in future years. Hospital leadership is developing a business plan that will position RUMC to be the health care leader in the region and address the challenge of the Affordable Healthcare Act.

California's current Section 1115 Medicaid Demonstration Waiver, which funds hospitals and indigent care, is due to expire on September 30, 2015. The State Department of Health Care Services is working with counties and the legislature to develop a new waiver that accomplishes the goal of continuing support, maximizing federal funds and improving the system of care. Until negotiations are finalized with the Centers for Medicaid and Medicare, impacts on the hospital's budget are unknown.

RUMC relies on a significant amount of governmental Medicaid waiver revenue including, Disproportionate Share Hospitals funding, Delivery System Reform Incentive Payments and Realignment. While changes are expected from the new MediCal Waiver, it is unknown at this time how the funding changes will affect the hospital's revenue therefore.

For Fiscal Year 2014-15, consistent with its past practice, the County contributed to RUMC approximately $10 million from its tobacco settlement revenue receipts and $5 million in redevelopment pass through funds to pay for debt service on the main RUMC facility and operating expenses. The County expects to make the same contributions in Fiscal Year 2015-16.

RUMC will submit a balanced operating budget for Fiscal Year 2015-16 and a capital equipment budget that will require financing, in which the County may particpate.

Insurance

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

The property insurance program provides insurance coverage for all risks subject to a $50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a $100,000 minimum per occurrence and $500,000 maximum per occurrence deductible within a 100-year flood zone and a $25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides $300 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of $80 million with an additional $247.5 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a $100,000 minimum. Boiler and Machinery provides up to $100 million in limits, with a $5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2014 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, 2014 was approximately $163.8 million.

Litigation

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

The County is currently involved in litigation brought by the Agua Caliente Band of Cahuilla Indians ("Agua Caliente") in federal court requesting a declaration that the County's assessment, levy, and collection of a possessory interest tax on non-tribal members on tribal and U.S. trust lands violates federal law. For Fiscal Year 2013-2014, the total possessory interest tax for Agua Caliente's non-tribal member leases is estimated to be approximately $28,000,000, of which $3,300,000 is allocable to the County. Should Agua Caliente be successful, the County would be prohibited from assessing, levying, and collecting the possessory interest tax in the future. In addition, taxpayers could have the right to seek a refund of possessory interest taxes paid for the previous four years with interest. The County estimates that its total liability for such refunds would be approximately $12 million, plus accrued interest. The County denies the allegations of the complaint and is actively defending the action.

Recently approximately 200 taxpayers filed two different lawsuits in Superior Court seeking refunds for such possessory interest taxes paid. The total amount of the claims is approximately $6,600,000, of which the County's share is approximately $890,000 plus interest. It is likely that if the taxpayers' suits are successful, others will also litigate similar claims. However, the County is defending the actions and expects to prevail.

A putative class action complaint was recently filed in federal court against the County. The complaint alleges that the County Department of Public Social Services violated the civil rights of the plaintiff and a class of similarly situated individuals by removing minor children from parental custody without a warrant and in the absence of exigent circumstances. The County has filed an answer denying all allegations and is prepared to defend any subsequent litigation. If the complaint is not resolved during mediation, a class-certification motion is set for a hearing on March 28, 2016, at which time the County's exposure will be more certain. If a class is certified and the suit succeeds on the merits, the County's exposure could be substantial.

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APPENDIX B

COUNTY OF RIVERSIDE COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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County of Riverside, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014

Paul Angulo, CPA, M.A.
County Auditor-Controller

COUNTY OF RIVERSIDE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014

PREPARED BY THE OFFICE OF:

PAUL ANGULO, CPA, M.A.

COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

TABLE OF CONTENTS

FINANCIAL SECTION (CONTINUED): Page

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2014

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

AUDITOR CONTROLLER
COUNTY OF RIVERSIDE
Paul Angulo, CPA, M.A.
Auditor-Controller

December 5, 2014

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

Members of the Board and Citizens of Riverside County:

The Comprehensive Annual Financial Report (CAFR) of the County of Riverside for the fiscal year ended June 30, 2014 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

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

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

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

PROFILE OF THE GOVERNMENT

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

There are 28 incorporated cities located within the County. The latest city to be incorporated was Jurupa Valley on July 1, 2011. The largest cities in the County are Riverside (the County seat) with a population of 314,034, Moreno Valley 199,258, Corona 159,132, Temecula 106,289, and Murrieta 106,425. Estimated population figures are developed by the California State Department of Finance, and each year it is revised on January 1, with a revised estimate for the prior year. Total County population was 2,279,967 on January 1, 2014, an increase of 1.1 percent as compared to the revised estimate for January 1, 2013. Approximately 16 percent of the residents live in unincorporated areas.

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

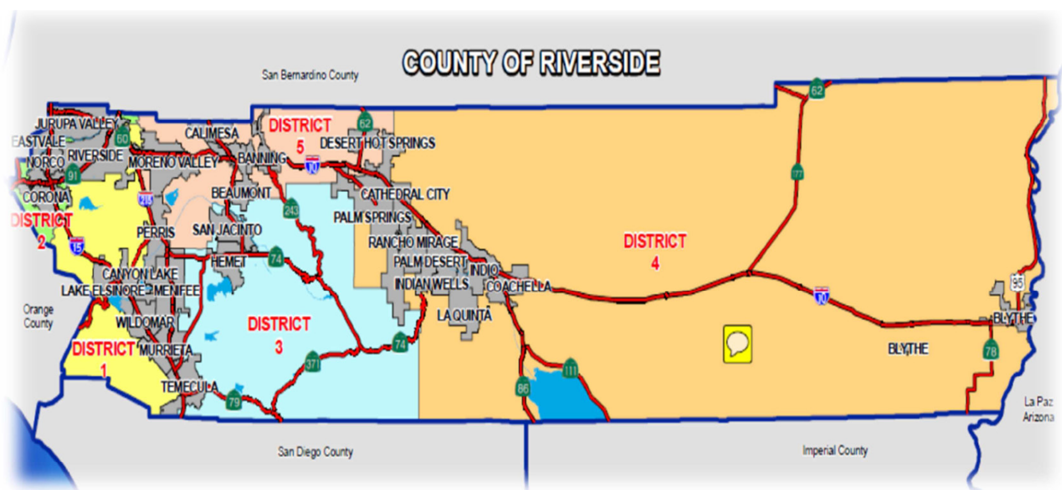
The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest.

The Second District includes the cities of Corona, Norco, approximately one-third of the City of Riverside, Eastvale, and Jurupa Valley. The unincorporated communities consist of Home Gardens, El Cerrito, Coronita, and Highgrove.

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

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

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



Source: Riverside County GIS

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

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

FACTORS AFFECTING ECONOMIC CONDITION

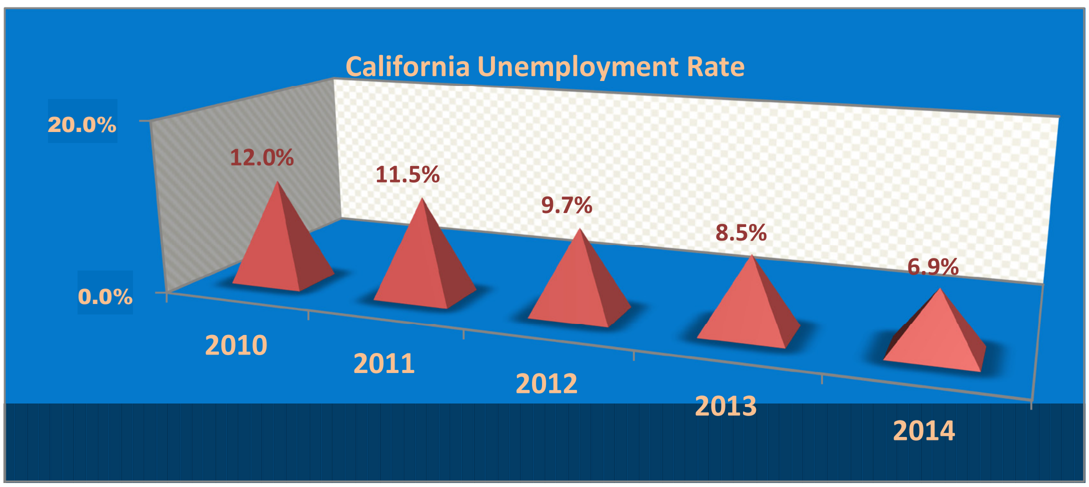
State Economy

While the state's fiscal picture continues to improve, the Governor has not changed his attitude toward spending. He has rebuffed efforts to expand health and human services, except where he must by law, and has been unwilling to revisit any redevelopment funding issues. The Governor did approve tax credit proposals addressing both film production and investments by the defense and aerospace industries.

Statewide, the pace of home sales continued cooling, declining by 9.3 percent since August 2013. However, existing home prices increased by 8.9 percent on a year-over-year basis.

The number of people in California holding non-farm payroll jobs in August increased by 313,900 over the year before, or 2.1 percent. Total seasonally adjusted civilian employment in California has risen to 17,224,000. Nine sectors posted gains in jobs over the year, with construction posting the highest percentage growth at 5.6 percent.

The state's unadjusted unemployment rate was 6.9 percent in September. By contrast, the U.S. unemployment rate in September was 5.7 percent.

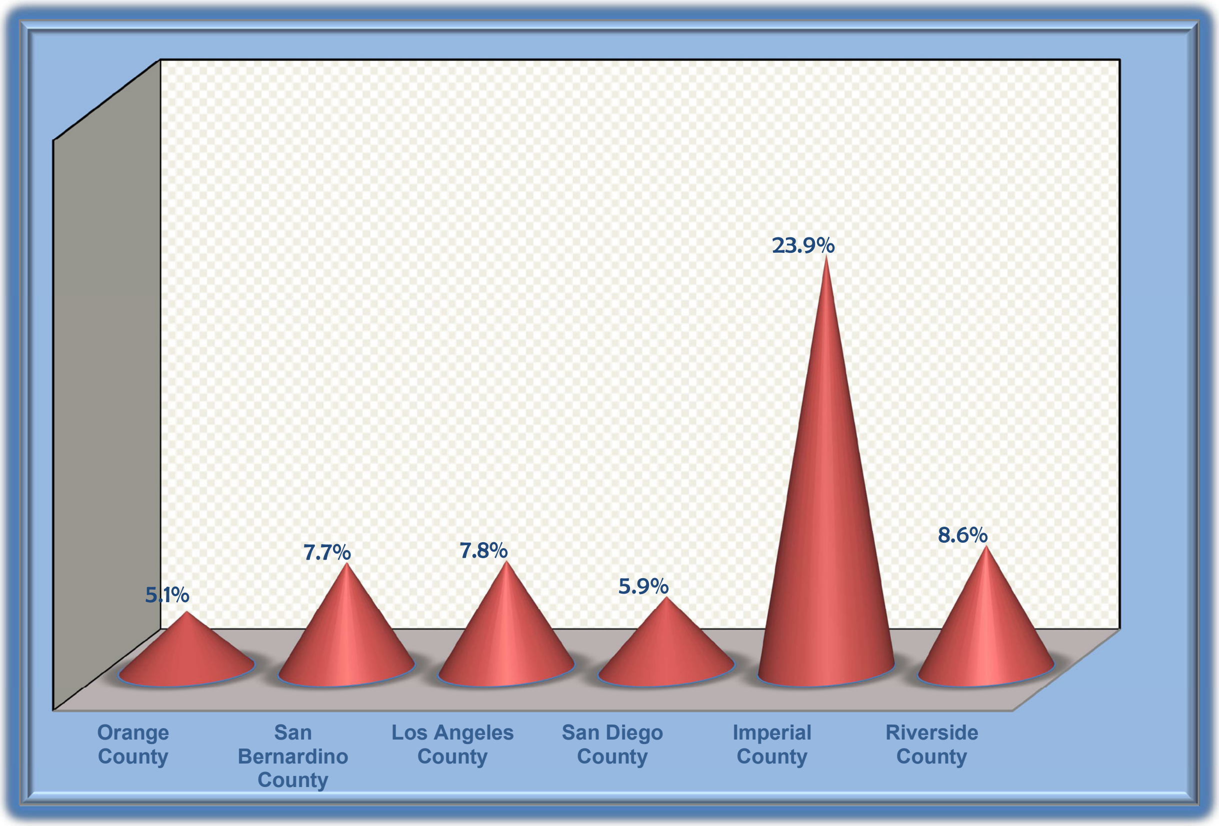


Local Economy

During the fiscal year 2014, Riverside County median home values increased by 13.2 percent. Since July 1, median home values in the County have remained close to $300,000. The annual California Consumer Price Index, used to compute the Prop. 13 inflationary factor, is expected to be 2 percent. The maximum increase allowed. Accordingly, the Assessor reports the traditional 2 percent Prop. 13 property increase will likely be applied to next year's assessment roll valuation. Property taxes for many homeowners, however, will likely increase more than 2 percent because of Prop. 8. Updates will be forthcoming once the annual California Consumer Price Index is finalized.

In September, Riverside County's unemployment rate declined slightly to 8.6 percent, continuing to remain higher than neighboring San Bernardino County's unemployment rate of 7.7 percent. By contrast, Riverside County's historic, non-recessionary period annual average unemployment rate was 6.6 percent between 1995 and 2008.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, September 2014.

Relevant Financial Information

Debt Advisory Committee provides advice to the Board of Supervisors (the Board) on debt issuance and management.

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

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

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

Financial Reporting Awards

The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the County of Riverside for its *CAFR* for the fiscal year ended June 30, 2013. This was the twenty-sixth consecutive year the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

The County has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 30, 2013. This was the eighth consecutive year the County has achieved this award. In order to receive an award for *Outstanding Achievement in Popular Annual Financial Reporting*, a government entity must publish a PAFR, with contents conforming to program standards of creativity, presentation, understandability and reader appeal. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR and PAFR continue to meet the Certificate of Achievement Program's requirements and we are submitting both reports to the GFOA to determine the eligibility for new certificates.

Acknowledgments

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

Additionally, I would like to extend my gratitude to the Board of Supervisors and County Executive Office for their visionary leadership in making the County a great place to live, work, and to conduct business. Finally, I would like to thank our independent auditors, Brown Armstrong Accountancy Corporation, for their efforts throughout this audit engagement.

Respectfully submitted,

Paul Angulo

PAUL ANGULO, CPA, M.A.
RIVERSIDE COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2014

ELECTED OFFICIALS

Board of Supervisors

KEVIN JEFFRIES
First District

JOHN F. TAVAGLIONE
Second District

JEFF STONE
Chairman
Third District

JOHN BENOIT
Fourth District

MARION ASHLEY
Vice Chairman
Fifth District

COUNTYWIDE ELECTED OFFICIALS

PAUL ZELLERBACH
District Attorney

STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator

PAUL ANGULO
Auditor
Controller

LARRY WARD
Assessor
Clerk
Recorder

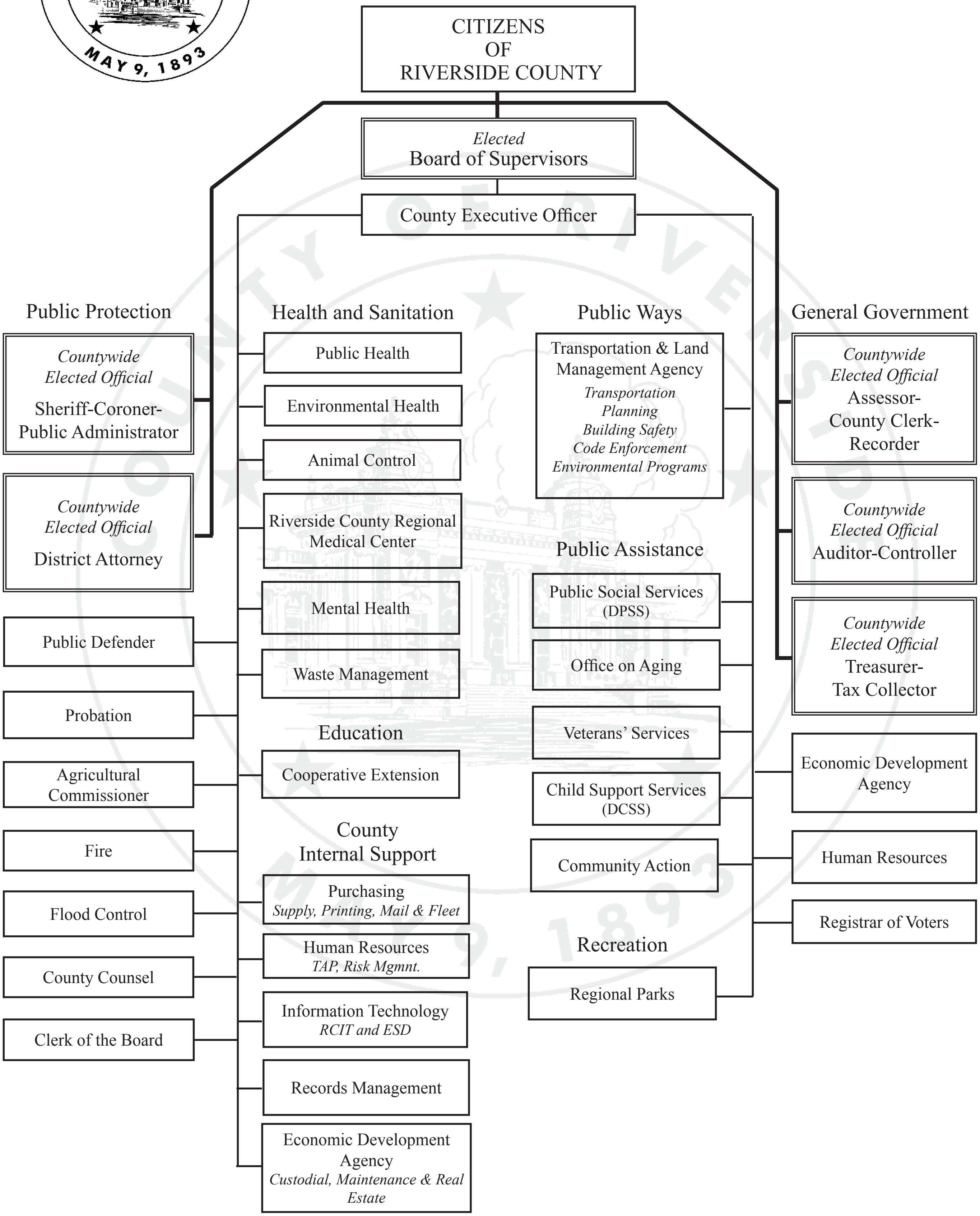
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

JAY ORR
County Executive Officer

GREGORY P. PRIAMOS
County Counsel

County of Riverside Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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FINANCIAL SECTION

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SUITE 237
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TEL 209.451.4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Riverside, California, (the County) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Riverside County Flood Control and Water Conservation District (the Flood Control), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), Perris Valley Cemetery District (the Cemetery District), Riverside County Redevelopment Successor Agency (the Successor Agency), and Riverside County Children and Families Commission (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	19%	3%
Business-Type Activities	24%	16%
Aggregate Remaining Fund Information	4%	1%
Discretely Presented Component Units	49%	72%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows, and the respective budgetary comparison for the general fund, the transportation special revenue fund, and the flood control special revenue fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As disclosed in the Note 1 to the financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and 62;* GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25;* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* during fiscal year 2014. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-22, the County's Retirement Plans schedule of funding progress on pages 111-112, and the schedule of funding progress for the County's Other Post Employment Benefit (OPEB) plan on page 113 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and respective budgetary comparison schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and respective budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 5, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S

DISCUSSION AND ANALYSIS

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

Management's Discussion & Analysis *(Unaudited)*

This section of the County of Riverside's (the County) Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal beginning on page v and the County's basic financial statements which begin on page 23.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2013-14, the County's assets and deferred outflow of resources exceeded its liabilities and deferred inflow of resources by $4.6 billion (*net position*). The net position included $690.2 million of unrestricted resources, which may be used to meet the County's ongoing obligations to citizens and creditors; $596.4 million of restricted resources, which is required by external sources or through enabling legislation to be used for specific purposes; and $3.3 billion is net investment in capital assets.

- As of June 30, 2014, the County's governmental funds reported combined fund balances of $1.1 billion, a decrease of $52.2 million in comparison with the prior year. Approximately 19.1% of this amount ($203.4 million) is available for spending at the County's discretion *(unassigned fund balance).*

- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance*) for the general fund was $244.0 million, or approximately 9.9% of total general fund expenditures.

- $231.2 million increase in capital assets net of accumulated depreciation resulted from addition of equipment purchases, acquisition of building and land, and completion of various projects related to roads and storm water drains.

- $21.6 million increase in outstanding long-term debt resulted mainly from bond issuance and net of scheduled retirement of outstanding debts.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements which are comprised of the following three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

In addition to the basic financial statements, *Required Supplementary Information* is included to provide additional detail to support the basic financial statements.

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

The *statement of net position* presents financial information on all of the County's assets, liabilities, deferred inflow/outflows of resources, with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or declining. The statement of net position in summary can be found on page 7, and in more detail on page 23.

The *statement of activities,* presented on page 9 in summary and on pages 24-25 in detail, provides information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. For example, property tax revenues are recorded when accrued but not yet collected, and when expenditures for compensated absences are accrued, but not yet paid.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities)*. The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and cultural services. Governmental activities include five major funds, twenty nonmajor funds, and a representative allocation of the County's internal service funds. The five major governmental funds are the general fund, flood control special revenue fund, transportation special revenue fund, teeter debt service fund, and public facilities improvements capital projects fund. The business-type activities of the County include three major enterprise funds, and two nonmajor funds. The major enterprise funds are the Regional Medical Center (RMC), Waste Management, and Housing Authority.

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

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

The blended component units are:

- County of Riverside Asset Leasing Corporation (CORAL)
- County of Riverside District Court Financing Corporation
- County of Riverside Bankruptcy Court Corporation
- Housing Authority of the County of Riverside
- In-Home Supportive Services Public Authority
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority
- Perris Valley Cemetery District

Fund Financial Statements, illustrated on pages 28-45, provide information regarding the three major categories of County funds – governmental, proprietary, and fiduciary. The focus of governmental and proprietary fund financial statements is on major funds. Major funds are determined based on minimum criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, as amended. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, governmental fund financial statements often have a budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses, and balances of current financial resources. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

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

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service, capital projects, and permanent funds). The governmental fund statements present the financial information of each major fund (the general fund, transportation special revenue fund, flood control special revenue fund, teeter debt service fund, and public facilities improvements capital projects fund) in separate columns.

Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the supplementary information section.

Budgetary comparison statements are also included in the fund financial statements. The statements present the County's annual estimated revenue and appropriation budgets for all governmental fund budgets except for CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority, Public Financing Authority, and Perris Valley Cemetery Endowment Fund. The budgetary comparison statements have been provided to demonstrate compliance with their respective budgets.

Proprietary Funds are used to account for services for which the County charges customers, either outside customers or internal departments of the County. Proprietary funds statements, found on pages 40-43, provide the same type of information as shown in the government-wide financial statements with more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the RMC, Waste Management, Housing Authority, County Service Areas, and Flood Control. RMC, Waste Management, and Housing Authority financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Financial information for the remaining enterprise funds (nonmajor funds) is combined into a single, aggregated presentation. Individual fund statements for County Service Areas and Flood Control are presented in the supplementary information section.

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

Fiduciary Funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements on pages 44-45, are presented on the economic resources measurement focus and the accrual basis of accounting.

Notes to the Basic Financial Statements provide additional information other than that displayed on the face of the financial statements and are essential for fair presentation of the financial information in the government-wide and fund financial statements. The notes can be found on pages 47-109 of this report.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress and employer contribution. Required supplementary information can be found on pages 111-113 of this report.

Combining and individual fund statements and schedules provide information for nonmajor governmental funds, nonmajor enterprise funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 115-166 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of a government's financial position. The table below focuses on the net position and changes in net position in the County's governmental and business-type activities. It presents an analysis of the County's net position as of June 30, 2014, in comparison to the prior fiscal year 2012-13. At the end of current fiscal year, the County reported positive net position in all three categories: net investment in capital assets, restricted net position and unrestricted net position. Total assets and deferred outflow of resources, as indicated below, exceeded liabilities and deferred inflow of resources by $4.6 billion representing a decrease of $23.3 million ($20.2 million changes in net position and restatement of $3.1 million, see Note 3), or 0.5%. A more detailed statement can be found on page 23 in the government-wide financial statements.

Statement of Net Position
June 30, 2014
(In thousands)

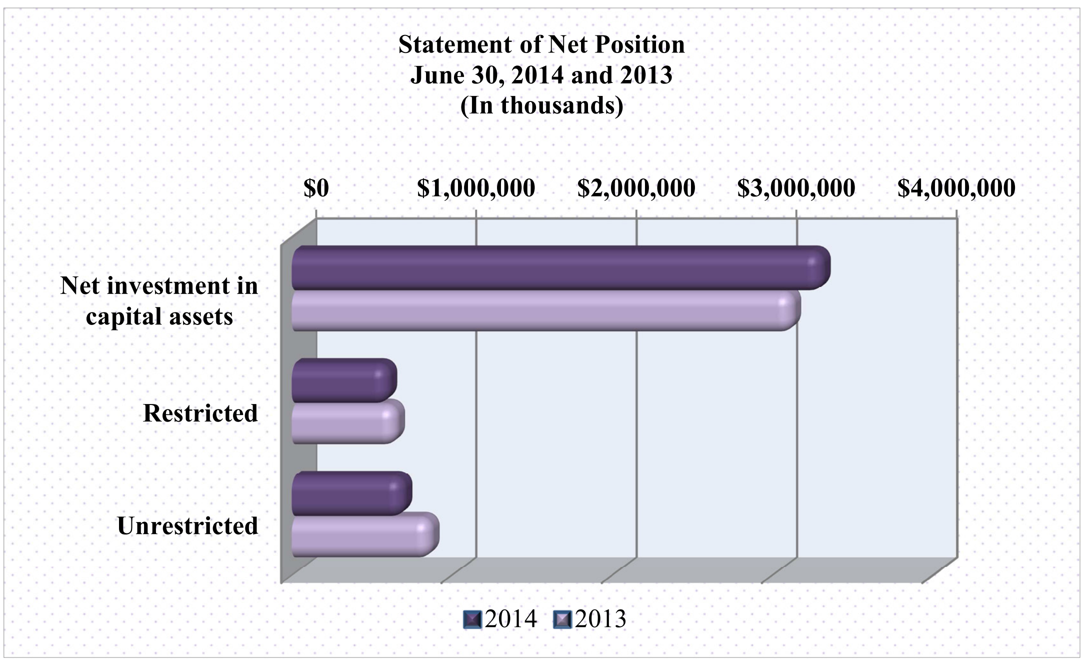
	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2014	2013	2014	2013	2014	2013	%
Assets:							
Current and other assets	$ 2,535,316	$ 2,542,934	$ 469,859	$ 521,110	$ 3,005,175	$ 3,064,044	-1.9%
Capital assets	4,124,395	3,913,392	295,478	275,292	4,419,873	4,188,684	5.5%
Total assets	6,659,711	6,456,326	765,337	796,402	7,425,048	7,252,728	2.4%
Deferred outflows of resources:	25,722	26,821	278	347	26,000	27,168	0.0%
Total deferred outflows of resources	25,722	26,821	278	347	26,000	27,168	0.0%
Liabilities:							
Current liabilities	697,048	651,424	218,048	152,033	915,096	803,457	13.9%
Long-term liabilities	1,585,792	1,492,824	322,076	333,806	1,907,868	1,826,630	4.4%
Total liabilities	2,282,840	2,144,248	540,124	485,839	2,822,964	2,630,087	7.3%
Deferred inflows of resources:	19,706	17,703	8,684	9,118	28,390	26,821	0.0%
Total deferred inflows of resources	19,706	17,703	8,684	9,118	28,390	26,821	0.0%
Net position:							
Net investment in capital assets	3,165,319	2,998,987	147,806	118,594	3,313,125	3,117,581	6.3%
Restricted	499,463	550,326	96,904	94,346	596,367	644,672	-7.5%
Unrestricted	718,105	771,883	(27,903)	88,852	690,202	860,735	-19.8%
Total net position	$ 4,382,887	$ 4,321,196	$ 216,807	$ 301,792	$ 4,599,694	$ 4,622,988	-0.5%

Below are the three components of net position and their respective balances as of June 30, 2014:

- Net investment in capital assets was $3.3 billion, or 72.0%, of the County's total net position compared to $3.1 billion, or 67.4%, for fiscal year 2012-13. This component consists of capital assets such as land and easements, structures and improvements, infrastructure, and equipment, net of accumulated depreciation. The amount is further reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- $596.4 million, or 13.0%, of the County's total restricted net position compared to $644.7 million, or 13.9% for fiscal year 2012-13. This component represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- $690.2 million, or 15.0%, of the County's total net position is unrestricted that may be used to meet the County's ongoing obligations to citizens and creditors. Of this amount, $718.1 million is from governmental activities and $27.9 million deficit from business-type activities, compared to prior year whereas, $771.9 million was from governmental activities and a $88.9 million from business-type activities.



The following table provides information from the Statement of Activities of the County as of June 30, 2014, as compared to the prior year:

Statement of Activities
For the year ended June 30, 2014
(In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2014	2013	2014	2013	2014	2013	%
Revenues:							
Program revenues:							
Charges for services	$ 615,895	$ 588,461	$ 555,966	$ 600,747	$ 1,171,861	$ 1,189,208	-1.5%
Operating grants and contributions	1,593,627	1,503,390	-	-	1,593,627	1,503,390	6.0%
Capital grants and contributions	29,890	27,695	450	698	30,340	28,393	6.9%
General revenues:							
Property taxes	297,107	277,417	-	-	297,107	277,417	7.1%
Sales and use taxes	35,443	29,751	-	-	35,443	29,751	19.1%
Unrestricted intergovernmental revenue	227,303	220,811	-	-	227,303	220,811	2.9%
Investment earnings	11,317	2,035	1,319	(33)	12,636	2,002	531.2%
Other	195,756	206,337	-	-	195,756	206,337	-5.1%
Total revenues	3,006,338	2,855,897	557,735	601,412	3,564,073	3,457,309	3.1%
Expenses:							
General government	228,146	194,641	-	-	228,146	194,641	17.2%
Public protection	1,191,438	1,065,373	-	-	1,191,438	1,065,373	11.8%
Public ways and facilities	108,380	89,469	-	-	108,380	89,469	21.1%
Health and sanitation	460,963	422,982	-	-	460,963	422,982	9.0%
Public assistance	851,246	807,611	-	-	851,246	807,611	5.4%
Education	24,420	18,998	-	-	24,420	18,998	28.5%
Recreation and culture	20,077	12,274	-	-	20,077	12,274	63.6%
Interest on long-term debt	47,236	29,453	-	-	47,236	29,453	60.4%
Regional Medical Center	-	-	482,240	473,916	482,240	473,916	1.8%
Waste Management	-	-	62,721	53,069	62,721	53,069	18.2%
Housing Authority	-	-	94,716	90,678	94,716	90,678	4.5%
Flood Control	-	-	2,561	2,472	2,561	2,472	3.6%
County Service Areas	-	-	429	459	429	459	-6.5%
Total expenses	2,931,906	2,640,801	642,667	620,594	3,574,573	3,261,395	9.6%
Excess (deficiency) before Transfers	74,432	215,096	(84,932)	(19,182)	(10,500)	195,914	-105.4%
Transfer in (out)	(9,645)	(1,049)	9,645	1,049	-	-	0.0%
Change in net position, before extraordinary and special items	64,787	214,047	(75,287)	(18,133)	(10,500)	195,914	-105.4%
Extraordinary items	-	(158,337)	-	154,589	-	(3,748)	-100.0%
Special items	-	-	(9,698)	-	(9,698)	-	100.0%
Change in net position	64,787	55,710	(84,985)	136,456	(20,198)	192,166	-110.5%
Net position, beginning of year, as Restated	4,318,100	4,265,486	301,792	165,336	4,619,892	4,430,822	4.3%
Net position, end of year	$ 4,382,887	$ 4,321,196	$ 216,807	$ 301,792	$ 4,599,694	$ 4,622,988	-0.5%

The following are specific major factors that resulted in the net position changes in governmental activities between fiscal years 2013-14 and 2012-13 as shown in the table of the previous page 9.

Revenues for governmental activities

Revenues from *Charges for services* increased by $27.4 million, or 4.7%. Charges for services are revenues that arise from charges to external customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. The increases were mainly in health services provided to the new population of Medi-Cal patients, lease revenue collected from landfills operated by Waste Management department, and developer mitigation fees from the increased permit activity in the Rancho Bella Vista specific plan located in the third supervisorial district.

Revenues from *Operating grants and contributions* increased by $90.2 million, or 6.0%, due to significant changes in the following state and federal sources:

- $60.0 million in public assistance administrative expense claim for the continued caseload growth in medi-cal expansion related to health care reform by filling additional position for keeping the caseloads more manageable. $20.7 million recognized as revenue from local revenue funds including the mental health service fund, behavior health fund for mental health substance abuse program, and protective service subaccount fund for child welfare services and foster care assistance. $10.2 million in the state allocation of the one-half cent proposition 172 public safety sales tax funds increased due to the improvement in sales activity in the County as the consumer confidence rebounded.

Revenues from *Property taxes* increased by $19.7 million, or 7.1%, due to the 4.0% increase in fiscal year 2013-14 assessment roll value and documentary transfer tax. Additional analysis can be found in general fund financial analysis on page 15.

Revenues from *Sales and used taxes* increased by $5.7 million, or 19.1% were mainly due to a growth in consumer goods sales at the recent expansion of factory outlets in Cabazon, and higher Triple Flip payments driven by one-time allocations and retroactive corrections in the energy and utilities sectors. In addition, a new district tax of 0.25% approved by local voters effective on October 01, 2013 from 7.75% to 8.0%.

Revenues from *Unrestricted intergovernmental revenue* increased by $6.5 million, or 2.9% in property tax in-lieu of vehicle license fee due to the growth in property assessed values and adjustments.

The significant change in *Investment earnings* was due to higher interest rates earned as a result of the improved economic and market conditions.

Other revenue sources decreased by $10.6 million, or 5.1%. The decrease was mainly from a dispute settlement related to the non-participating manufacturers adjustment and donations for environmental preservation.

Expenses for governmental activities

Total expenses for governmental activities were $2.9 billion for the current fiscal year, an increase of $291.1 million or 11.0%, as compared to prior fiscal year. The following are the key components accounting for the variances:

- General government represents $228.1 million, or 7.8%, of the total governmental activities expenses, increased by $33.5 million or 17.2% from prior year due to contribution for the several construction projects from the capital improvement program including new jail facility, emergency operation center, county law building, and courtrooms.

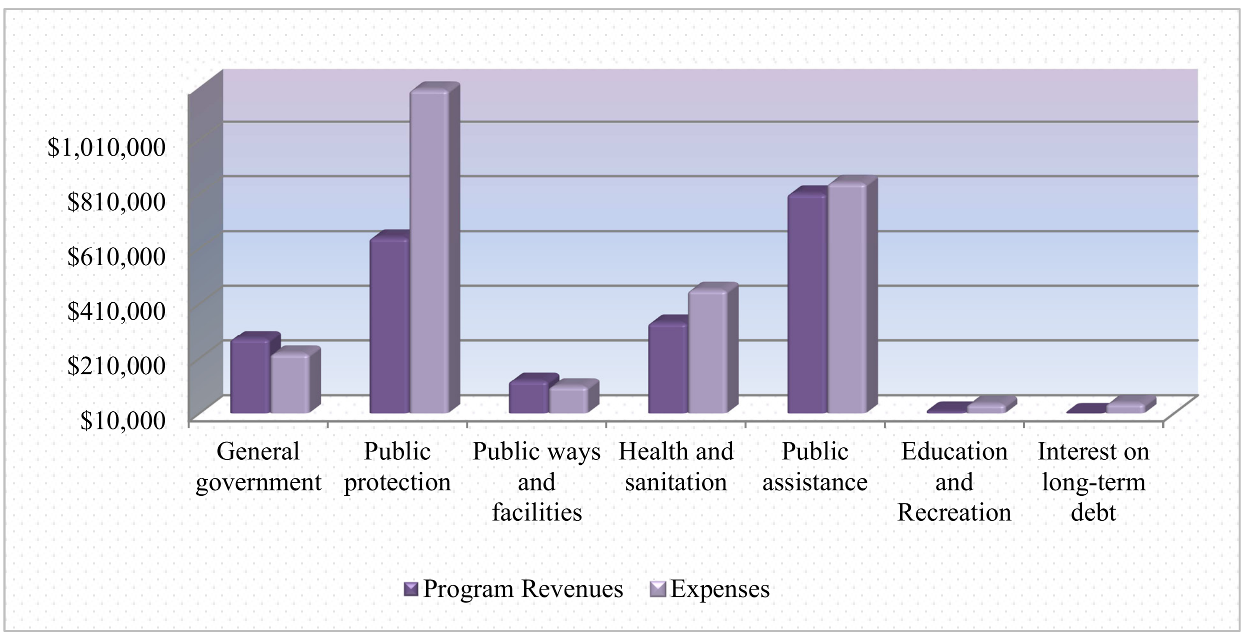
- Public protection represents $1.2 billion, or 40.6%, of the total governmental activities expenses, increased by $126.1 million, or 11.8% from prior year was due to salary and benefit increases including the cost of living adjustments, pension rates and costs continue to rise, an upgraded communication system was implemented during fiscal year 2013-14, and continuation of Assembly Bill (AB) 109 Realignment. Additional analysis can be found in general fund financial analysis on page 16.

- $108.4 million, or 3.7% of the total governmental activities expenses, increased by $18.9 million, or 21.1% for public ways and facilities due to several completion of interchange improvement projects and grade separation projects for eliminating conflicts between railroad operations and vehicular traffic.

- Health and sanitation represents $461.0 million or 15.7% of the total expenses, increased by $38.0 million, or 9.0% from prior year caused by the mental health clinics and services continued to expand with the funding received from the Mental Health Service Act (MHSA) formerly known as Proposition 63. It was approved by California voters to provide a 1.0% tax on personal income over $1.0 million in order to expand and transform the county mental health service system.

- $851.2 million or 29.0% of the total expenses, increased by $43.6 million or 5.4% from prior year for public assistance which was caused by the continued caseload growth and in preparation of Medi-Cal expansion related to healthcare reform. Additional analysis can be found in general fund financial analysis on page 18. The remaining 3.1% represents education for $24.4 million or 0.8%; recreation and culture for $20.1 million or 0.7%, and interest on long-term debt for $47.2 million or 1.6%.

Program Revenues and Expenses - Governmental Activities
For the fiscal year ended June 30, 2014
(In Thousands)



Management's Discussion & Analysis *(Unaudited)*

Business-type Activities

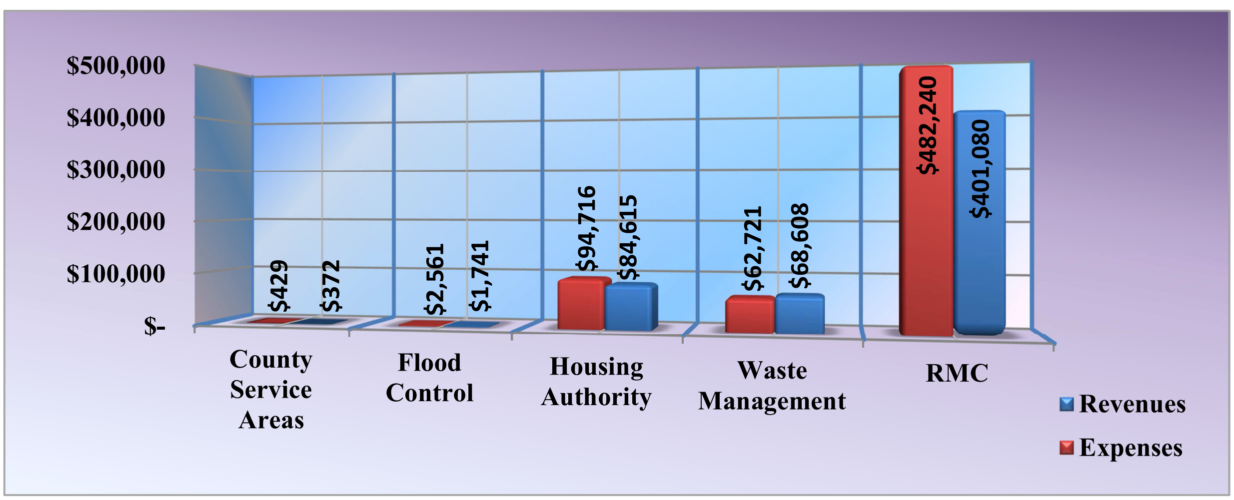
The following are specific major factors that resulted in the net position changes in business-type activities between fiscal years 2012-13 and 2013-14 as shown in the previous table of page 9.

Revenues: The County has three major business-type activities: Riverside County Regional Medical Center (RMC), Waste Management, and Housing Authority. In addition, Flood Control and County Service Areas are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities.

For the current year, $556.0 million or 99.7%, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, $400.6 million, was received by RMC as compared to $450.3 million for the prior fiscal year. The decrease was mainly attributed to the new waiver for Disproportionate Share Hospital Program (DSH) revenue which provided by the State for supplemental payments to uncompensated care has been reduced.

Expenses: Total expenses for business-type activities were $642.7 million for the fiscal year compared to $620.6 million for the prior fiscal year. This represents an increase of $22.1 million or 11.5%. Expenses of $482.2 million or 75.0% were incurred by RMC in the current fiscal year, as compared to $473.9 million or 76.4%, for the prior fiscal year. In addition, expenses for Waste Management department expenses were $62.7 million or 9.8%, compared to $53.1 million or 8.6% from prior fiscal year; Housing Authority expenses were $94.7 million or 14.7% of total expenses for business-type activities, compared to prior fiscal year's expenses of $90.7 million or 14.6%; Flood Control and County Service Areas account for the remaining 0.5% of expenses consistent with the prior fiscal year.

Revenues and Expenses - Business Type Activities
For the fiscal year ended June 30, 2014
(In Thousands)



FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Fund

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of spendable resources. Such information is useful in assessing the County's short-term financial requirements. In particular, the total fund balance less the nonspendable amount may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the general fund, special revenue funds, capital project funds, debt service funds, and permanent fund.

As of June 30, 2014, the County's governmental funds reported combined fund balances of $1.1 billion, a decrease of $52.2 million in comparison with the prior year. The components of total fund balance are as follows (See Note 16 - Fund Balances for additional information):

- Nonspendable fund balance – $4.4 million, are amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance – $486.4 million, are amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – $306.4 million, are amounts that are committed for a specific purpose. These funds require action from the Board of Supervisors to remove or change the specified use.
- Assigned fund balance – $62.0 million, are amounts that have been set aside and are intended to be used for a specific purpose but are neither restricted nor committed. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – $203.4 million, funds that are not reported in any other category and are available for any purpose within the general fund.

Total governmental fund revenue increased by $149.1 million or 5.4%, from the prior fiscal year with $2.9 billion being recognized for the fiscal year ended June 30, 2014. Expenditures increased by $222.4 million or 7.8%, from the prior fiscal year with $3.1 billion being expended for governmental functions during fiscal year 2013-14. Overall, governmental fund balance decreased by $49.1 million or 4.4%. In comparison, fiscal year 2012-13 had a decrease in governmental fund balance of $221.8 million or 16.6%, over fiscal year 2011-12.

The *general fund* is the primary operating fund of the County. At the end of fiscal year 2013-14, the general fund's total fund balance was $363.7 million, as compared to $357.2 million in fiscal year 2012-13. As a measure of the general fund's liquidity, it is useful to compare both total fund balance and spendable fund balance to total fund expenditures. The nonspendable portion of fund balance was $2.0 million, and the spendable portion was $361.6 million. The current year unassigned fund balance is 8.3% of the total general fund expenditures of $2.5 billion, as compared to 8.7% of the prior year expenditures total of $2.3 billion. The total fund balance of the general fund for the current year is 14.8% of the total general fund expenditures as compared to 15.6% for the prior year.

The decrease in Transportation and Land Management Agency fund balance was due to higher road construction costs as a result of the completion of several major interchange improvements and grade separation projects began during the current fiscal year.

Flood control fund balance increased by $3.7 million or 1.4%, $254.9 million from prior year to $258.6 million due to a decrease in inspection costs for developer constructed infrastructure projects.

Public facilities improvement capital project fund balance decreased from $199.6 million to $134.7 million, 32.5% or $64.9 million. The decrease was caused by the construction and remodeling costs related to the major existing projects such as, the expansion of East County Detention Center, Van Horn Juvenile Facility, RMC education building, public defender building remodel, and the new alternate emergency operation center.

Other Governmental Funds

The increase in nonmajor governmental funds fund balance was essentially from a new lease revenue bond issuance for financing the construction, renovation, equipping and furnishing of existing buildings.

Proprietary Funds

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

At the end of the fiscal year, total proprietary fund net position was $339.4 million, compared to $448.3 million for prior fiscal year, decreased by $108.9 million or 24.3%. Of the year ended balances, unrestricted net position was as follows:

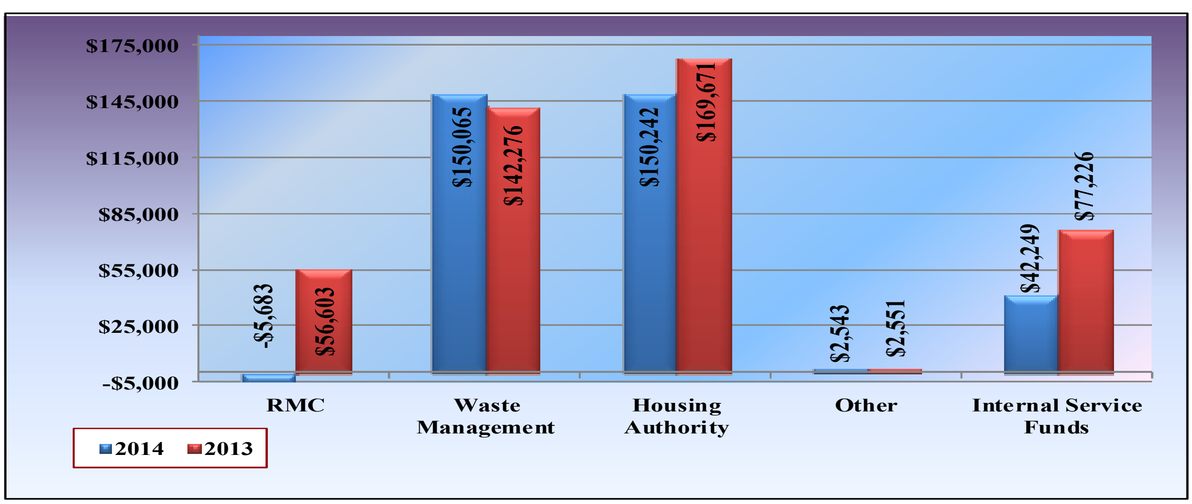
- Regional Medical Center: -$120.2 million
- Waste Management: $50.1 million
- Housing Authority: $120.0 million
- Other enterprise fund activities: $2.5 million
- Internal service fund activities: $22.6 million

RMC's net position decreased by $62.3 million from $56.6 million to $5.7 million deficit. The decrease was attributed to consulting services provided by Huron Consulting Group for health and mental health services delivery strategic planning which involve partnership, joint venture, and alignments with other healthcare providers.

Waste Management's net position increased by $7.8 million, from $142.3 million to $150.1 million. The waste disposal service rate increased to finance the operational costs including salaries increases ranging from 2.7% to 5.5% and higher costs in tire and fuel supplies for landfill equipment.

A decrease of $19.4 million in Housing Authority's net position attributed to the reduction of federal funding and higher operational costs from additional staffs hired and maintenance expenses occurred as planned development projects progressed throughout the year for the Housing Successor Agency.

Proprietary Funds Net Position
For the fiscal year ended June 30, 2014
(In Thousands)



GENERAL FUND FINANCIAL ANALYSIS

Revenues and other financing sources for the general fund, including comparative amounts from the preceding year are shown in the following tabulation:

General Fund - Revenues by Source
For the fiscal year ended June 30, 2014
(In thousands)

	2014		2013		Increase / (Decrease)	
Revenues by Sources	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
Taxes	$ 256,746	10.0%	$ 246,144	10.2%	$ 10,602	4.3%
Intergovernmental revenues	1,653,338	64.6%	1,561,505	64.8%	91,833	5.9%
Charges for services	396,904	15.5%	374,750	15.6%	22,154	5.9%
Other revenue	155,771	6.1%	133,282	5.5%	22,489	16.9%
Other financing sources	97,982	3.8%	94,019	3.9%	3,963	4.2%
Total	$ 2,560,741	100.0%	$ 2,409,700	100%	$ 151,041	6.3%

General fund revenues had an overall increase of $151.0 million, or 6.3%, from the prior year. The increase was due primarily to the changes in the following:

- The changes in *Taxes* during the current fiscal year were due to the 4.0% increase in assessment roll value as the year-over-year growth in average sales price of single family homes in the County, a full 2.0% increase in inflation factor, and a substantial decline in foreclosure homes. Along with the assessment roll increase, the documentary transfer tax from the transfer of real property ownership increased since 2009 as a result of higher sales volume and refinances.

- The increase in *Intergovernmental revenues* was primarily attributed to allocation and realignment revenue from the state and federal aids. See explanation previously discussed on page 10.

- *Charges for services* increased by $22.2 million, or 5.9%, was primarily due to the law enforcement services provided by County's sheriff patrol department and contracted services including fire protection and animal services provided to cities within the County, and real estate fraud prosecution trust fund fee increased from $3.00 to $10.00 per Approved Resolution No. 2013-038.

- The increase in *Other revenue* was mainly due to landfill lease agreement with the Waste Management department, revenue neutrality agreement from the City of Eastvale Inc., and negotiated pass through payments distributed from successor agency former redevelopment agency according to the agreement terms.

- *Other financing sources* increased $4.0 million, or 4.2%, due to reimbursements from other county funds for debt service payments and county program activities.

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

General Fund - Expenditures by Function
For the fiscal year ended June 30, 2014
(In thousands)

	2014		2013		Increase / (Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
General government	$ 106,045	4.2%	$ 103,896	4.3%	$ 2,149	2.1%
Public protection	1,116,621	43.6%	1,043,017	43.7%	73,604	7.1%
Health and sanitation	416,005	16.3%	388,325	16.3%	27,680	7.1%
Public assistance	795,309	31.1%	735,057	30.8%	60,252	8.2%
Other expenditures	19,313	0.8%	22,207	0.9%	(2,894)	-13.0%
Other financing uses	101,021	4.0%	96,547	4.0%	4,474	0.0%
Total	$ 2,554,314	100.0%	$ 2,389,049	100.0%	$ 165,265	6.9%

Total expenditures for general fund were $2.6 billion, an increase of $165.3 million, or 6.9%, from the prior year. Significant changes are as follows:

- An increase of $2.1 million, or 2.1% in *General government* was mainly due to costs associated with the election occurred in fiscal year 2012-13 such as overtime, temporary help, printing/binding, transportation, and equipment purchase.

- The increase in *Public protection* was mainly caused by negotiated salary/benefit increases, increase unincorporated patrol staffing to one sworn officer per 1,000 residents as a result of additional recruiting, testing, hiring, and training costs, an upgraded communication system was implemented during fiscal year 2013-14. In addition, the continuation of AB109 Realignment as a result of additional workload generated by transfer of parole hearings to the District Attorney, pre-trial services, increased jail population, require Every Convict Occupant Reimburse County Expenses (RECORCE) through the recruitment of vacant position, and Juvenile Justice Crime Prevention Act (JJCPA) which address an continuum of responses to at risk youth and juvenile offenders - prevention, intervention, supervision, treatment and incarceration.

- The increase in *Health and sanitation* was due to additional positions that were filled in the detention health department during the year for meeting the needs of inmates in county correctional facilities, and increase in payments for out-of-network health and mental health service providers as of result of medi-cal expansion.

- The increase in *Public assistance* was due to state policy changes related to the California Fostering Connections to Success Act was signed into law September 30, 2010 through AB12 and beginning January 1, 2013, foster youth can remain in foster care up to the age of 20 years of age, and starting January 1, 2014 up to age 21. Caseload growth in demand for services including medi-cal expansion related to health care reform, adult protective services, foster care, in-home support services, calworks, cal fresh, and adoption.

- *Other expenditures* decreased by $2.9 million, or 13.0%, was mainly due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

- The increase in *Other financing uses* was due to the contribution to other county funds for financing debt service payments, construction costs of capital projects, and county program activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Variance between General Fund Original Adopted and Final Amended Budget

Estimated Revenue Variances

The original adopted general fund estimated revenue budget decreased by $31.4 million, or 1.2%, from $2.66 billion to the final amended revenue budget of $2.63 billion. The major changes in appropriations are as follows:

<u>Taxes</u>: Increased by $9.3 million, or 4.0%, $8.8 million of the increase was due to revenue received from the redevelopment agencies' sale of residual assets after dissolution.

<u>Rents and concessions</u>: Increased by $8.5 million, or 41.1%, due to a Landfill Lease Agreement with County's Waste Management Department. In November 2013 the Board of Supervisors approved a landfill lease agreement where the general fund will be receiving $1.8 million on a yearly basis for the next 25 years. This fiscal year the general fund received $8.5 million for fiscal years 2010 thru 2014.

<u>Charges for services</u>: Decreased by $74.9 million, or 15.3%. The primary decrease was mainly due to intergovernmental activities.

Expenditure Appropriation Variances

The original adopted general fund appropriation budget of $2.7 billion decreased by $51.4 million, or 1.9%, during the fiscal year. The major appropriation variances are described below.

<u>General government:</u> The appropriation budget decreased by $38.8 million, or 19.1%.

- Salaries and employee benefits decreased by $4.3 million or 4.9%. The primary decrease of $3.1 million was due to the consolidation of Economic Development Agency and Facilities Management's administrative budgets.

- Other charges decreased by $26.1 million, or 35.0%, mainly due to a reclassification to the category transfers out.

- Appropriation for contingencies decreased by $13.7 million, or 57.0%. The Sheriff's department attributed to $11.1 million of the decrease because their budget had to be increased to be able to meet County's board directive of increasing patrol staffing in unincorporated areas of the County and to fund trial court realignment shortfall.

<u>Public protection</u>: The appropriation budget increased by $28.5 million, or 2.5%.

- Salaries and employee benefits increased by $9.7 million or 1.3%. The Sheriff's department had increases in salaries within its Administration, Patrol and Correction divisions to be able to meet the County's board directive of increasing patrol staffing in unincorporated areas of the County.

- Services and supplies increased by $14.4 million, or 4.4%. $4.0 million of the variance was for fiscal year 2013 encumbrances for various general fund departments. $1.5 million was for unexpected costs incurred by department of Animal Services related to the San Jacinto Valley Animal Shelter, $2.0 million was for Fire department professional services, and $1.3 million was required by Probation department to cover cost related to the implementation of the AB109 Criminal Justice Alignment.

- Capital assets increased by $3.3 million, or 49.7%, with the majority of the increase due to Probation department replacing outdated computer equipment within their field offices and additional costs related to public safety enterprise radios and equipment required for JJCPA program.

Debt service: The appropriation budget decreased by $38.9 million or 48.6%. Principal decreased by $38.9 million, or 51.8%. The primary decrease was mainly due to the elimination of intergovernmental activities.

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

During the year, the general fund had a positive budget variance of approximately $65.4 million resulting from unexpended appropriations of $233.7 million, or 8.7%, and overestimated revenue of $168.3 million, or 6.4%. The following contributed to the variance:

Revenue Variances

General fund actual revenues of $2.5 billion were 6.4%, or $168.3 million, less than the final amended revenue budget of $2.6 billion.

Taxes: Actual revenues were greater than the final amended budget by $14.3 million, or 5.9% due primarily to an increase in property taxes of $2.8 million and an increase in sales and use tax of $5.7 million.

Federal aid: Actual revenues were less than the final amended budget by $87.8 million, or 16.0%. The department of Public Social Services had a decrease of $64.0 million of which approximately $45.0 million was due to the CalWORKS program. Mental Health had lower revenues by $15.2 million and the Probation department had a decrease in revenues of approximately $3.5 million.

Charges for services: Actual revenues were less than the final amended budget by $19.0 million, or 4.6%. The Public Health department noted a decrease in revenues of $3.5 million related to revenues generated through court fines from drunk driving which are then disbursed to the County physicians and hospitals for medical care where there is no other funding source.

Other revenue: Actual revenues were less than the final amended budget by $50.7 million, or 55.2%. A decrease of $35.2 million from CORAL relates to transfers and contributions from other County funds. A decrease of $6.7 million in the department of Public Social Services was due to funding not needed as Federal, State and other funding covered cost in the current year.

Expenditure Variances

General fund actual expenditures of $2.5 billion were 8.7%, or $233.7 million, less than the final amended appropriation budget of $2.7 billion.

General government: Actual expenditures were less than the final amended budget by $58.7 million, or 35.6%.

- Salaries and employee benefits were $5.2 million, or 6.1%, below budget. Decreases were noted in the Assessor by $1.4 million and the Treasurer-Tax Collector by $0.6 million.

- Services and supplies were $5.9 million, or 8.2%, less than budgeted primarily due to a $2.2 million decrease in Executive Office expenditures related to its 911 Communication project.

- Other charges decreased by $36.9 million, or 76.3%, mainly due to decreases in contributions to other funds by the Executive Office and decreases in intergovernmental activities.

- Appropriation for contingencies decreased by $10.3 million, or 100.0%. In order to meet the County's board directive of increasing patrol staffing in unincorporated areas of the County, the Sheriff's department had to request a $10 million budget adjustment that was funded by contingency funds.

Public protection: Actual expenditures were less than the final amended budget by $44.2 million, or 3.8%.

- Salaries and employee benefits were $18.2 million, or 2.4%, less than budgeted primarily due to the District Attorney's by $3.6 million, Juvenile Hall by $3.8 million and Probation's by $10.8 million as a result of unfilled positions.

- Services and supplies were $19.3 million, or 5.6%, less than budgeted mainly due to the Clerk Recorder by $1.2 million and Probation department by $1.7 million primarily due to the implementation of AB109 criminal justice realignment.

- Capital Assets decreased by $4.9 million, or 49.3%, mostly due to the CREST project expenditures.

Health and sanitation: Actual expenditures were less than the final amended budget by $73.4 million, or 15.0%.

- Salaries and employee benefits were $32.7 million, or 13.6%, less than budgeted amounts. Mental Health decrease by $20.9 million, Detention Health System decreased by $3.1 million, and Public Health department decrease by $6.1 million due to positions that were not filled.

- Services and supplies were $12.7 million, or 11.1%, less than budgeted primarily due to a $7.0 million savings in the Public Health Agency as its Information Technology personnel consolidated/relocated under the County's Information Technology department and savings in overhead costs.

- Other charges were $31.7 million, or 14.8%, less than budgeted as the realignment contributions were decreased by $12.1 million. Mental Health had savings of $15.0 million in contracts and medical services.

Public assistance: Actual expenditures were less than the final amended budget by $34.7 million, or 4.2%.

- Salaries and employee benefits were $16.5 million, or 6.1%, less than budgeted mainly due DPSS approved positions that were vacant throughout the fiscal year.

- Services and supplies were $12.5 million, or 13.2%, less than budgeted primarily due to DPSS postponement of several new projects that had been budgeted and the cancellation of several IT contracts.

Debt service: Actual expenditures were less than the final amended budget by $25.6 million, or 62.3%, primarily due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2014, the County's capital assets for both its governmental and business-type activities amounted to $4.4 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, equipment, and infrastructure. The County's infrastructure is comprised of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 5.5% or $231.2 million; from $4.2 billion in fiscal year 2012-13 to $4.4 billion in fiscal year 2013-14.

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

- Infrastructure increased approximately $13.0 million as a result of the completion of the following projects: Liner-Lamb Canyon expansion in the amount of $11.8 million and pavement projects for the Hemet Ryan Airport and Jacqueline Cochran Airport in the amount of $1.2 million.

- Land easements increased approximately $42.9 million as a result of acquisition of the following land: approximately 33.2 acres of Indio land was acquired for $11.6 million, approximately 21.0 acres of the land from the Vernola Family Park was acquired for $4.9 million, 50.2 acres of Van Horn, County Farm and County Circle land was acquired for $6.5 million and 7.1 acres of the Jurupa Aquatic Center land was acquired for $3.6 million. The Flood Control District had land additions of $7.3 million, for which $4.2 million was for the Day Creek-Bellegrave Basin, $1.8 million was for the Temescal Creek Flood Plain acquired for water conservation and habitat mitigation banking, and $1.3 million was for the Green Acres Dam acquired to help alleviate the flooding of properties within the immediate vicinity.

- During the current fiscal year, the RCIT departments consolidated. As a result, the County Innovation Center was acquired to house all employees and information technology equipment. The acquisition increased land by 5.3 acres with a total cost of $4.3 million and structures and improvements increased approximately $24.1 million.

- Equipment increased approximately $104.0 million. The primary increase of $72.6 million consists of communication equipment of which $55.0 million was purchased for the Public Safety Enterprise Communication system and $20.0 million was purchased by the Sheriff department. The remaining balance of $31.3 million was due to increases in office equipment, software, equipment vehicles and other miscellaneous equipment throughout the County.

- Construction in progress increased approximately $47.8 million as a result of costs related to existing and new projects. The major projects were as follows: Flood District incurred $10.6 million in new costs for storm drains, channels and dams. Transportation and Land Management Agency experienced the addition of $10.9 million in various streets, bridges, and signal lights. RCIT incurred $7.0 million in new costs for the Riverside Collaboration Data Center. Additional costs of $11.1 million were incurred by Economic Development Agency for the construction of the Perris Valley Aquatic Center. The Crest project incurred an additional $7.2 million towards the new integrated property tax management system.

Capital Assets (Net of Accumulated Depreciation)
(In Thousands)

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2014	2013	2014	2013	2014	2013	%
Infrastructure	$ 1,419,015	$ 1,415,087	$ 52,936	$ 43,844	$ 1,471,951	$ 1,458,931	0.9%
Land and easements	507,989	469,522	25,777	21,358	533,766	490,880	8.7%
Land improvements	86	87	2,498	3,080	2,584	3,167	-18.4%
Structures and improvements	1,129,652	1,103,314	118,792	121,056	1,248,444	1,224,370	2.0%
Equipment	192,122	110,155	34,117	12,118	226,239	122,273	85.0%
Construction in progress	875,531	815,227	52,528	65,006	928,059	880,233	5.4%
Concession arrangements	-	-	8,830	8,830	8,830	8,830	0.0%
Total capital assets	$ 4,124,395	$ 3,913,392	$ 295,478	$ 275,292	$ 4,419,873	$ 4,188,684	5.5%

Additional information on the County's capital assets can be found in Note 8 on pages 70-72 of this report.

Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. Net bonded debt per capita equaled $384.0 million as of June 30, 2014. The calculated legal debt limit for the County is $2.6 billion.

The following are credit ratings maintained by the County:

	Moody's Investors Services, Inc.	Standard & Poor's Corp.	Fitch
Short-term notes	MIGl	SP-1+	F1+
Long-term general obligation	Aaa	AA+	AA-

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities as of June 30, 2014.

County's Outstanding Debt Obligations
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2014	2013	2014	2013	2014	2013	%
Loan payable	$ 3,890	$ 4,420	$ -	$ -	$ 3,890	$ 4,420	-12.0%
Bonds payable	810,186	744,460	132,941	143,710	943,127	888,170	6.2%
Certificate of participation	240,593	282,095	-	-	240,593	282,095	-14.7%
Capital leases	79,822	67,748	3,854	7,224	83,676	74,972	11.6%
Total outstanding	$ 1,134,491	$ 1,098,723	$ 136,795	$ 150,934	$ 1,271,286	$ 1,249,657	1.7%

Outstanding Debt: The County of Riverside's total debt increased by 1.7% or $21.6 million during the current fiscal year primarily due to addition of $84.5 million bond issuance, offset by $18.5 million refunded bonds and $44.4 million net of scheduled retirement of outstanding debts. Additional information on the County's long-term debt can be found in Note 14 on pages 78-88 of this report.

ECONOMIC FACTORS AND THE FISCAL YEAR 2014-15 BUDGET OUTLOOK

Economists' forecasts for long-term growth in the County are more optimistic. The residential and nonresidential property markets continue to improve while unemployment rates sink to levels consistent with strong economic recovery.

Recent decisions by the state have reshaped the way the County delivers essential public-safety services. The recommended budget includes an additional $33.9 million to fund Board of Supervisors approved initiatives mostly related to the direct impacts of these decisions. These initiatives will be funded with $12.1 million in general-fund discretionary revenue and $21.8 million in Proposition 172 public safety sales-tax allocations.

The County continues to work aggressively to improve the fiscal conditions at RMC. Huron, a consultant hired by the County to assist with improving hospital operations, expects to meet or exceed $55.5 million in recurring annual benefits. The fiscal year 2014-15 budget reflects hospital spending that does not exceed revenue that is generated.

Fiscal year 2014-15 discretionary revenue is expected to increase by approximately 8.3% ($48.9 million) when compared to fiscal year 2013-14 initial budget. The increase is primarily due to growth in assessed valuation for property values. The driving factors in the roll's increase are the average sales price of single family homes in the County has increased by 24.0% and fewer foreclosures which have reduced the number of homes for sales and increased competition for available homes.

The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2014-15.

Source	Final Budget Estimate (In Thousands)
Taxes	$ 233,374
Other Taxes	49,360
Licenses, Permits, Franchise Taxes	5,037
Fines, Forfeitures, Penalties	23,760
Use of Money and Property	2,900
State	211,324
Federal	3,000
Charges for services	595
Miscellaneous	110,240
Total	$ 639,590

The County's employee retirement benefit contribution rate for fiscal year 2014-15 for miscellaneous members is 14.5% and the safety contribution rate is 21.9%.The employer rate for both plans is subject to changes in future years, as it continues to reflect changes in investment return and the County's growth rate, among other factors. Fiscal year 2015-16 rates are projected at 15.5% (Miscellaneous) and 23.3% (Safety). Additional information regarding the County's retirement plans are included in Notes 20, 21, and 22 of the financial statements and schedules of retirement funding progress are included in the required supplementary information section.

Requests for Information

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

BASIC FINANCIAL STATEMENTS- GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF RIVERSIDE
Statement of Net Position
June 30, 2014
(Dollars in Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
ASSETS:					
Cash and investments (Note 4)	$ 1,015,240	$ 70,708	$ 1,085,948	$ 42,039	$ -
Receivables, net (Notes 1 and 6)	425,093	178,907	604,000	4,110	-
Internal balances (Note 7)	51,986	(51,986)	-	-	-
Inventories	5,631	6,960	12,591	-	-
Prepaid items and deposits	5,020	2,905	7,925	-	-
Restricted cash and investments (Notes 4 and 5)	503,422	153,790	657,212	-	11,410
Other noncurrent receivables (Note 6)	40,740	-	40,740	-	39,423
Loans receivable (Note 6)	1,800	73,981	75,781	-	-
Pension asset, net (Notes 20 and 21)	459,564	214	459,778	-	-
OPEB asset, net (Note 22)	26,820	-	26,820	-	-
Land held for resale	-	34,380	34,380	-	-
Capital assets (Note 8):					
Nondepreciable assets	1,383,520	87,135	1,470,655	392	-
Depreciable assets, net	2,740,875	208,343	2,949,218	1,870	-
Total assets	6,659,711	765,337	7,425,048	48,411	50,833
DEFERRED OUTFLOWS OF RESOURCES:					
Defeasance of debt	-	278	278	-	-
Interest rate swap (Note 14)	25,722	-	25,722	-	-
Total deferred outflows of resources	25,722	278	26,000	-	-
LIABILITIES:					
Current liabilities:					
Cash overdrawn (Note 4)	-	40,894	40,894	-	-
Accounts payable	152,649	23,243	175,892	1,790	5
Salaries and benefits payable	79,085	13,312	92,397	96	-
Due to other governments	22,215	137,421	159,636	-	-
Interest payable	9,360	349	9,709	-	490
Deposits payable	761	92	853	-	-
Advances from grantors and third parties (Note 12)	285,723	-	285,723	-	-
Notes payable (Note 13)	119,462	-	119,462	-	-
Other liabilities	2,071	2,737	4,808	-	-
Interest rate swap (Note 14)	25,722	-	25,722	-	-
Long-term liabilities (Note 14):					
Due within one year	216,182	27,242	243,424	87	5,325
Due beyond one year	1,369,610	294,834	1,664,444	70	45,894
Total liabilities	2,282,840	540,124	2,822,964	2,043	51,714
DEFERRED INFLOWS OF RESOURCES:					
Teeter tax loss reserve (Note 15)	19,706	-	19,706	-	-
Service concession arrangement (Note 9 and 15)	-	7,962	7,962	-	-
Other deferred inflows (Note 15)	-	722	722	-	-
Total deferred inflows of resources	19,706	8,684	28,390	-	-
NET POSITION:					
Net investment in capital assets	3,165,319	147,806	3,313,125	2,262	-
Restricted for:					
Children's programs	-	-	-	44,106	-
Community development	169,536	-	169,536	-	-
Debt service	94,785	47,136	141,921	-	-
Health and sanitation	28,225	13,287	41,512	-	-
Public protection	63,534	-	63,534	-	-
Public ways and facilities	141,602	-	141,602	-	-
Other programs	1,781	36,481	38,262	-	-
Unrestricted	718,105	(27,903)	690,202	-	(881)
Total net position	$ 4,382,887	$ 216,807	$ 4,599,694	$ 46,368	$ (881)

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

COUNTY OF RIVERSIDE
Statement of Activities
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 228,146	$ 162,926	$ 119,418	$ -
Public protection	1,191,438	352,178	300,815	-
Public ways and facilities	108,380	35,574	64,594	29,150
Health and sanitation	460,963	53,120	289,702	-
Public assistance	851,246	2,167	810,473	-
Education	24,420	578	7,788	-
Recreation and cultural services	20,077	9,352	837	740
Interest on long-term debt	47,236	-	-	-
Total governmental activities	2,931,906	615,895	1,593,627	29,890
Business-type activities:				
Regional Medical Center	482,240	400,630	-	450
Waste Management Department	62,721	68,608	-	-
Housing Authority	94,716	84,615	-	-
Flood Control	2,561	1,741	-	-
County Service Areas	429	372	-	-
Total business-type activities	642,667	555,966	-	450
Total primary government	$ 3,574,573	$ 1,171,861	$ 1,593,627	$ 30,340
Component units:				
Children and Families Commission	$ 20,116	$ -	$ 21,521	$ -
Palm Desert Financing Authority	7,238	8,261	-	-
Total component units	$ 27,354	$ 8,261	$ 21,521	$ -

General revenues:
Taxes:
Property taxes
Sales and use taxes
Other taxes
Unrestricted intergovernmental revenue
Investment earnings (loss)
Other
Transfers
Total general revenues and transfers
Changes in net position before special items
Special items
Gain on land transfer from RDA Successor
Intergovernmental expense
Changes in net position
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)
NET POSITION, END OF YEAR

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

	Net (Expenses) Revenues and Changes in Net Position				
	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
FUNCTION/PROGRAM ACTIVITIES:					
Primary government:					
Governmental activities:					
General government	$ 54,198	$ -	$ 54,198		
Public protection	(538,445)	-	(538,445)		
Public ways and facilities	20,938	-	20,938		
Health and sanitation	(118,141)	-	(118,141)		
Public assistance	(38,606)	-	(38,606)		
Education	(16,054)	-	(16,054)		
Recreation and cultural services	(9,148)	-	(9,148)		
Interest on long-term debt	(47,236)	-	(47,236)		
Total governmental activities	(692,494)	-	(692,494)		
Business-type activities:					
Regional Medical Center	-	(81,160)	(81,160)		
Waste Management Department	-	5,887	5,887		
Housing Authority	-	(10,101)	(10,101)		
Flood Control	-	(820)	(820)		
County Service Areas	-	(57)	(57)		
Total business-type activities	-	(86,251)	(86,251)		
Total primary government	(692,494)	(86,251)	(778,745)		
Component units:					
Children and Families Commission				$ 1,405	$ -
Palm Desert Financing Authority				-	1,023
Total component units				1,405	1,023
General revenues:					
Taxes:					
Property taxes	297,107	-	297,107	-	-
Sales and use taxes	35,443	-	35,443	-	-
Other taxes	27,764	-	27,764	-	-
Unrestricted intergovernmental revenue	227,303	-	227,303	-	-
Investment earnings (loss)	11,317	1,319	12,636	222	9
Other	167,992	-	167,992	19	-
Transfers	(9,645)	9,645	-	-	-
Total general revenues and transfers	757,281	10,964	768,245	241	9
Changes in net position before special items	64,787	(75,287)	(10,500)	1,646	1,032
Special items					
Gain on land transfer from RDA Successor	-	6,700	6,700	-	-
Intergovernmental expense	-	(16,398)	(16,398)	-	-
Changes in net position	64,787	(84,985)	(20,198)	1,646	1,032
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)	4,318,100	301,792	4,619,892	44,722	(1,913)
NET POSITION, END OF YEAR	$ 4,382,887	$ 216,807	$ 4,599,694	$ 46,368	$ (881)

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

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BASIC FINANCIAL STATEMENTS- FUND FINANCIAL STATEMENTS

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COUNTY OF RIVERSIDE
Balance Sheet
Governmental Funds
June 30, 2014
(Dollars in Thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	General	Transportation	Flood Control	Teeter Debt Service
Assets:				
Cash and investments (Note 4)	$ 129,305	$ 123,831	$ 263,457	$ -
Accounts receivable (Notes 1 and 6)	11,281	941	522	-
Interest receivable (Note 6)	650	38	117	11
Taxes receivable (Note 6)	9,849	11	1,046	70,659
Due from other governments (Note 6)	333,728	16,667	106	-
Due from other funds (Note 7)	11,157	208	13	35
Inventories	1,682	1,089	-	-
Prepaid items and deposits	-	2,600	1,388	-
Restricted cash and investments (Notes 4 and 5)	350,158	-	1,916	57,482
Advances to other funds (Note 7)	5,842	-	-	-
Total assets	853,652	145,385	268,565	128,187
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 853,652	$ 145,385	$ 268,565	$ 128,187
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 61,288	$ 46,200	$ 7,315	$ -
Salaries and benefits payable	68,156	2,017	989	-
Due to other governments	20,395	1,578	32	-
Due to other funds (Note 7)	248	238	59	8,725
Deposits payable	61	358	-	-
Advances from grantors and third parties (Note 12)	268,899	14,819	545	-
Teeter notes payable (Note 13)	-	-	-	119,462
Advances from other funds (Note 7)	5,000	-	-	-
Total liabilities	424,047	65,210	8,940	128,187
Deferred inflows of resources (Note 15)	65,929	-	1,044	-
Fund balances (Note 16):				
Nonspendable	2,045	1,101	1	-
Restricted	117,595	62,767	-	-
Committed	32,820	2,244	258,580	-
Assigned	7,772	14,063	-	-
Unassigned	203,444	-	-	-
Total fund balances	363,676	80,175	258,581	-
Total liabilities, deferred inflows of resources, and fund balances	$ 853,652	$ 145,385	$ 268,565	$ 128,187

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

Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds	
			ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
			Assets:
$ 165,409	$ 129,471	$ 811,473	Cash and investments (Note 4)
-	1,760	14,504	Accounts receivable (Notes 1 and 6)
61	121	998	Interest receivable (Note 6)
-	1,340	82,905	Taxes receivable (Note 6)
287	12,054	362,842	Due from other governments (Note 6)
-	2	11,415	Due from other funds (Note 7)
-	-	2,771	Inventories
-	594	4,582	Prepaid items and deposits
-	93,866	503,422	Restricted cash and investments (Notes 4 and 5)
-	-	5,842	Advances to other funds (Note 7)
165,757	239,208	1,800,754	Total assets
-	-	-	Deferred outflows of resources
$ 165,757	$ 239,208	$ 1,800,754	Total assets and deferred outflows of resources
			LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
			Liabilities:
$ 5,094	$ 8,304	$ 128,201	Accounts payable
-	2,450	73,612	Salaries and benefits payable
-	200	22,205	Due to other governments
-	985	10,255	Due to other funds (Note 7)
-	342	761	Deposits payable
-	1,460	285,723	Advances from grantors and third parties (Note 12)
-	-	119,462	Teeter notes payable (Note 13)
26,000	-	31,000	Advances from other funds (Note 7)
31,094	13,741	671,219	Total liabilities
-	-	66,973	Deferred inflows of resources (Note 15)
			Fund balances (Note 16):
-	1,208	4,355	Nonspendable
123,860	182,139	486,361	Restricted
3,000	9,750	306,394	Committed
7,803	32,370	62,008	Assigned
-	-	203,444	Unassigned
134,663	225,467	1,062,562	Total fund balances
$ 165,757	$ 239,208	$ 1,800,754	Total liabilities, deferred inflows of resources, and fund balances

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

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014
(Dollars in Thousands)

Fund balances - total governmental funds (page 29)		$ 1,062,562
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		4,074,835
Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.		486,384
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.		47,267
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds payable	$ 810,186	
Capital lease obligations	49,938	
Certificates of participation	240,593	
Loans payable	3,890	
Accrued interest payable	9,360	
Accreted interest payable	111,623	
Accrued remediation cost	2,574	
Compensated absences	182,606	(1,410,770)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net position.		122,609
Net position of governmental activities (page 23)		$ 4,382,887

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

COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service
REVENUES:				
Taxes	$ 256,746	$ 7,032	$ 42,584	$ -
Licenses, permits, and franchise fees	16,588	3,114	-	-
Fines, forfeitures, and penalties	81,037	-	-	-
Use of money and property:				
Investment earnings	4,629	637	1,404	258
Rents and concessions	12,269	-	105	-
Aid from other governmental agencies:				
Federal	462,291	27,321	-	-
State	1,107,878	58,306	605	-
Other	83,169	7,468	-	-
Charges for services	396,904	26,271	5,697	-
Other revenue	41,248	17,657	9,412	260
Total revenues	2,462,759	147,806	59,807	518
EXPENDITURES:				
Current:				
General government	106,045	-	-	881
Public protection	1,116,621	5,172	58,036	-
Public ways and facilities	-	163,356	-	-
Health and sanitation	416,005	-	-	-
Public assistance	795,309	-	-	-
Education	586	-	-	-
Recreation and culture	287	-	-	-
Debt service:				
Principal	10,746	-	-	-
Interest	4,729	-	-	-
Cost of issuance	-	-	-	-
Capital outlay	2,965	-	-	-
Total expenditures	2,453,293	168,528	58,036	881
Excess (deficiency) of revenues over (under) expenditures	9,466	(20,722)	1,771	(363)
OTHER FINANCING SOURCES (USES):				
Transfers in	95,017	14,608	2,932	696
Transfers out	(101,021)	(5,021)	(1,047)	(333)
Issuance of debt	-	-	-	-
Issuance of refunding bonds	-	-	-	-
Premium on long-term debt	-	-	-	-
Capital leases	2,965	-	-	-
Total other financing sources (uses)	(3,039)	9,587	1,885	363
NET CHANGE IN FUND BALANCES	6,427	(11,135)	3,656	-
Fund balances, beginning of year, as previously reported	357,249	94,302	254,925	-
Adjustments to beginning fund balances (Note 3)	-	(2,992)	-	-
Fund balances, beginning of year, as restated	357,249	91,310	254,925	-
FUND BALANCES, END OF YEAR	$ 363,676	$ 80,175	$ 258,581	$ -

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

Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds	
			REVENUES:
$ -	$ 55,538	$ 361,900	Taxes
-	675	20,377	Licenses, permits, and franchise fees
-	1,253	82,290	Fines, forfeitures, and penalties
			Use of money and property:
1,000	2,259	10,187	Investment earnings
350	17,201	29,925	Rents and concessions
			Aid from other governmental agencies:
-	54,866	544,478	Federal
-	5,318	1,172,107	State
25,513	20,311	136,461	Other
22,212	32,262	483,346	Charges for services
677	18,801	88,055	Other revenue
49,752	208,484	2,929,126	Total revenues
			EXPENDITURES:
			Current:
69,502	37,784	214,212	General government
-	7,071	1,186,900	Public protection
826	13,783	177,965	Public ways and facilities
-	5,489	421,494	Health and sanitation
-	55,752	851,061	Public assistance
-	18,884	19,470	Education
-	15,624	15,911	Recreation and culture
			Debt service:
-	60,094	70,840	Principal
-	41,224	45,953	Interest
-	623	623	Cost of issuance
-	55,081	58,046	Capital outlay
70,328	311,409	3,062,475	Total expenditures
(20,576)	(102,925)	(133,349)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES):
6,256	128,939	248,448	Transfers in
(50,577)	(95,013)	(253,012)	Transfers out
-	64,000	64,000	Issuance of debt
-	20,510	20,510	Issuance of refunding bonds
-	1,338	1,338	Premium on long-term debt
-	-	2,965	Capital leases
(44,321)	119,774	84,249	Total other financing sources (uses)
(64,897)	16,849	(49,100)	NET CHANGE IN FUND BALANCES
199,560	208,722	1,114,758	Fund balances, beginning of year, as previously reported
-	(104)	(3,096)	Adjustments to beginning fund balances (Note 3)
199,560	208,618	1,111,662	Fund balances, beginning of year, as restated
$ 134,663	$ 225,467	$ 1,062,562	FUND BALANCES, END OF YEAR

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

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COUNTY OF RIVERSIDE

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

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 33)		$ (49,100)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay and other capital projects as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	$ 291,382	
Less loss on disposal of capital assets	21,593	
Less current year depreciation	(118,848)	194,127
Prepaid pension costs and Other Public Employee Benefit (OPEB) costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net position.		8,484
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Proceeds in excess of principal payments		(17,769)
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.		(3,693)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest	(395)	
Change in accreted interest	(16,962)	
Change in long-term compensated absences	(25,979)	(43,336)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net income (loss) of the internal service funds is reported with governmental activities.		(23,926)
Change in net position of governmental activities (page 25)		$ 64,787

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
General Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 233,196	$ 242,488	$ 256,746	$ 14,258
Licenses, permits, and fees	17,646	17,756	16,588	(1,168)
Fines, forfeitures, and penalties	80,339	81,829	81,037	(792)
Use of money and property:				
Investment earnings	2,613	2,613	4,629	2,016
Rents and concessions	20,649	29,131	12,269	(16,862)
Aid from other governmental agencies:				
Federal	544,936	550,065	462,291	(87,774)
State	1,098,095	1,118,042	1,107,878	(10,164)
Other government	81,247	81,247	83,169	1,922
Charges for services	490,773	415,895	396,904	(18,991)
Other revenue	92,987	91,971	41,248	(50,723)
Total revenues	2,662,481	2,631,037	2,462,759	(168,278)
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	88,508	84,182	79,027	(5,155)
Services and supplies	67,478	72,556	66,631	(5,925)
Other charges	74,448	48,368	11,475	(36,893)
Capital assets	214	1,160	975	(185)
Intrafund transfers	(51,165)	(51,913)	(52,063)	(150)
Appropriation for contingencies	24,061	10,343	-	(10,343)
Total general government	203,544	164,696	106,045	(58,651)
Public protection:				
Salaries and employee benefits	752,136	761,838	743,618	(18,220)
Services and supplies	331,340	345,759	326,416	(19,343)
Other charges	49,106	50,187	48,952	(1,235)
Capital assets	6,586	9,861	5,003	(4,858)
Intrafund transfers	(6,801)	(6,807)	(7,368)	(561)
Total public protection	1,132,367	1,160,838	1,116,621	(44,217)
Health and sanitation:				
Salaries and employee benefits	246,742	239,632	206,963	(32,669)
Services and supplies	109,175	114,412	101,733	(12,679)
Other charges	209,081	214,387	182,647	(31,740)
Capital assets	840	1,454	366	(1,088)
Intrafund transfers	(79,979)	(80,506)	(75,704)	4,802
Total health and sanitation	485,859	489,379	416,005	(73,374)

(Continued)

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

COUNTY OF RIVERSIDE

Budgetary Comparison Statement

General Fund (Continued)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
Public assistance:				
Salaries and employee benefits	$ 276,716	$ 271,197	$ 254,661	$ (16,536)
Services and supplies	91,834	94,299	81,832	(12,467)
Other charges	467,357	464,767	458,972	(5,795)
Capital assets	201	201	128	(73)
Intrafund transfers	(416)	(416)	(284)	132
Total public assistance	835,692	830,048	795,309	(34,739)
Education:				
Salaries and employee benefits	289	289	289	-
Services and supplies	304	298	297	(1)
Total education	593	587	586	(1)
Recreation and culture:				
Salaries and employee benefits	93	122	95	(27)
Services and supplies	297	200	190	(10)
Other charges	64	63	2	(61)
Capital assets	1	1	-	(1)
Intrafund transfers	(1)	(1)	-	1
Total recreation and culture	454	385	287	(98)
Debt service:				
Principal	75,052	36,192	10,746	(25,446)
Interest	4,895	4,895	4,729	(166)
Total debt service	79,947	41,087	15,475	(25,612)
Capital outlay	-	-	2,965	2,965
Total expenditures	2,738,456	2,687,020	2,453,293	(233,727)
Excess (deficiency) of revenues over (under) expenditures	(75,975)	(55,983)	9,466	65,449
OTHER FINANCING SOURCES (USES):				
Transfers in	-	95,017	95,017	-
Transfers out	-	(101,021)	(101,021)	-
Capital leases	-	-	2,965	2,965
Total other financing sources (uses)	-	(6,004)	(3,039)	2,965
NET CHANGE IN FUND BALANCE	(75,975)	(61,987)	6,427	68,414
Fund balance, beginning of year	357,249	357,249	357,249	-
FUND BALANCE, END OF YEAR	$ 281,274	$ 295,262	$ 363,676	$ 68,414

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 4,720	$ 4,720	$ 7,032	$ 2,312
Licenses, permits, and franchise fees	2,343	2,343	3,114	771
Use of money and property:				
Investment earnings	277	277	637	360
Aid from other governmental agencies:				
Federal	25,395	25,395	27,321	1,926
State	56,430	56,430	58,306	1,876
Other	10,646	10,646	7,468	(3,178)
Charges for services	81,743	68,212	26,271	(41,941)
Other revenue	10,033	9,105	17,657	8,552
Total revenues	191,587	177,128	147,806	(29,322)
EXPENDITURES:				
Current:				
Public protection	7,145	6,939	5,172	(1,767)
Public ways and facilities	186,145	184,320	163,356	(20,964)
Total expenditures	193,290	191,259	168,528	(22,731)
Excess (deficiency) of revenues over (under) expenditures	(1,703)	(14,131)	(20,722)	(6,591)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	14,608	14,608	-
Transfers out	-	(5,021)	(5,021)	-
Total other financing sources (uses)	-	9,587	9,587	-
NET CHANGE IN FUND BALANCE	(1,703)	(4,544)	(11,135)	(6,591)
Fund balance, beginning of year, as previously reported	94,302	94,302	94,302	-
Adjustments to beginning fund balance	-	-	(2,992)	(2,992)
Fund balance, beginning of year, as restated	94,302	94,302	91,310	(2,992)
FUND BALANCE, END OF YEAR	$ 92,599	$ 89,758	$ 80,175	$ (9,583)

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

COUNTY OF RIVERSIDE
Budgetary Comparison Statement
Flood Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 40,182	$ 40,182	$ 42,584	$ 2,402
Use of money and property:				
Investment earnings	914	914	1,404	490
Rents and concessions	228	228	105	(123)
Aid from other governmental agencies:				
Federal	1	1	-	(1)
State	632	632	605	(27)
Charges for services	4,102	4,102	5,697	1,595
Other revenue	13,764	13,764	9,412	(4,352)
Total revenues	59,823	59,823	59,807	(16)
EXPENDITURES:				
Current:				
Public protection	178,225	177,186	58,036	(119,150)
Total expenditures	178,225	177,186	58,036	(119,150)
Excess (deficiency) of revenues over (under) expenditures	(118,402)	(117,363)	1,771	119,134
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,932	2,932	-
Transfers out	-	(1,047)	(1,047)	-
Total other financing sources (uses)	-	1,885	1,885	-
NET CHANGE IN FUND BALANCE	(118,402)	(115,478)	3,656	119,134
Fund balance, beginning of year	254,925	254,925	254,925	-
FUND BALANCE, END OF YEAR	$ 136,523	$ 139,447	$ 258,581	$ 119,134

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

COUNTY OF RIVERSIDE
Statement of Net Position
Proprietary Funds
June 30, 2014
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
ASSETS:						
Current assets:						
Cash and investments (Note 4)	$ 10	$ 43,213	$ 24,869	$ 2,616	$ 70,708	$ 203,767
Accounts receivable - net (Notes 1 and 6)	58,550	4,468	155	251	63,424	3,801
Interest receivable (Note 6)	-	48	-	5	53	81
Taxes receivable (Note 6)	-	-	-	12	12	-
Due from other governments (Note 6)	112,991	63	2,352	12	115,418	702
Due from other funds (Note 7)	-	-	-	1	1	80
Advances to other funds (Note 7)	-	54,856	-	-	54,856	2,000
Inventories	6,700	260	-	-	6,960	2,861
Land held for sale	-	-	34,380	-	34,380	-
Prepaid items and deposits	2,905	-	-	-	2,905	438
Restricted cash and investments (Notes 4 and 5)	60,543	66,384	23,983	2,880	153,790	-
Total current assets	241,699	169,292	85,739	5,777	502,507	213,730
Noncurrent assets:						
Loans receivable (Note 6)	-	-	73,981	-	73,981	1,800
Pension asset, net (Note 20)	-	214	-	-	214	-
Capital assets (Note 8):						
Nondepreciable assets	52,755	25,020	9,360	-	87,135	917
Depreciable assets	137,661	61,641	9,015	26	208,343	48,643
Total noncurrent assets	190,416	86,875	92,356	26	369,673	51,360
Total assets	432,115	256,167	178,095	5,803	872,180	265,090
DEFERRED OUTFLOWS OF RESOURCES:						
Defeasance of debt (Note 15)	-	-	278	-	278	-
Total deferred outflows of resources	-	-	278	-	278	-
LIABILITIES:						
Current liabilities:						
Cash overdrawn (Note 4)	40,894	-	-	-	40,894	-
Accounts payable	17,949	2,344	9	2,941	23,243	24,449
Salaries and benefits payable	12,414	866	-	32	13,312	5,473
Due to other governments	121,015	8	16,398	-	137,421	10
Due to other funds (Note 7)	624	-	-	3	627	614
Interest payable	344	-	5	-	349	-
Deposits payable	-	38	-	54	92	-
Other liabilities	117	649	1,821	150	2,737	2,071
Accreted interest payable (Note 14)	216	-	-	-	216	-
Accrued closure and post-closure costs (Notes 10 and 23)	-	263	-	-	263	-
Accrued remediation costs (Note 23)	-	156	-	-	156	-
Compensated absences (Notes 1 and 14)	10,345	1,078	-	9	11,432	7,972
Capital lease obligations (Note 14)	2,324	-	-	-	2,324	6,516
Bonds payable (Note 14)	12,696	-	155	-	12,851	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	34,262
Total current liabilities	218,938	5,402	18,388	3,189	245,917	81,367
Noncurrent liabilities:						
Compensated absences (Note 2)	9,549	1,617	1,496	71	12,733	4,067
Advances from other funds (Note 7)	25,856	-	-	-	25,856	5,842
Accreted interest payable (Note 14)	62,565	-	-	-	62,565	-
Accrued closure and post closure care costs (Note 10)	-	55,207	-	-	55,207	-
Accrued remediation costs (Note 10 and 23)	-	35,788	-	-	35,788	-
Capital lease obligations (Notes 1 and 2)	1,530	-	-	-	1,530	23,368
Bonds payable (Note 14)	119,360	-	730	-	120,090	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	108,197
OPEB obligation, net (Note 14 and 22)	-	126	-	-	126	-
Other long-term liabilities (Note 14)	-	-	6,795	-	6,795	-
Total noncurrent liabilities	218,860	92,738	9,021	71	320,690	141,474
Total liabilities	437,798	98,140	27,409	3,260	566,607	222,841
DEFERRED INFLOWS OF RESOURCES:						
Service concession arrangement (Note 9 and 15)	-	7,962	-	-	7,962	-
Other deferred inflows (Note 15)	-	-	722	-	722	-
Total deferred inflows of resources	-	7,962	722	-	8,684	-
NET POSITION:						
Net investment in capital assets	53,946	86,661	7,173	26	147,806	19,676
Restricted for debt service	47,136	-	-	-	47,136	-
Restricted for health and sanitation	-	13,287	-	-	13,287	-
Restricted other	13,413	-	23,068	-	36,481	-
Unrestricted	(120,178)	50,117	120,001	2,517	52,457	22,573
Total net position	$ (5,683)	$ 150,065	$ 150,242	$ 2,543	297,167	$ 42,249
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(80,360)	
Net position of business-type activities					$ 216,807	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
OPERATING REVENUES:						
Net patient revenue (Notes 1 and 18)	$ 351,259	$ -	$ -	$ -	$ 351,259	$ -
Charges for services	14,553	67,071	1,628	1,871	85,123	228,756
Other revenue	34,818	1,537	82,987	242	119,584	42,757
Total operating revenues	400,630	68,608	84,615	2,113	555,966	271,513
OPERATING EXPENSES:						
Cost of material used	-	175	-	-	175	1,808
Personnel services	258,326	15,751	10,661	984	285,722	93,402
Communications	2,429	291	7	-	2,727	1,924
Insurance	5,013	226	244	1	5,484	9,004
Maintenance of building and equipment	13,306	1,633	11,054	66	26,059	22,515
Insurance claims	-	-	-	-	-	117,210
Supplies	67,848	1,926	4	18	69,796	36,764
Purchased services	86,396	1,465	1,256	937	90,054	22,108
Depreciation and amortization	9,947	5,150	1,425	10	16,532	15,286
Rents and leases of equipment	4,254	8,512	17	7	12,790	55,775
Public assistance	-	4	69,706	-	69,710	-
Utilities	3,975	281	565	111	4,932	2,636
Other	11,032	26,139	118	54	37,343	5,636
Total operating expenses	462,526	61,553	95,057	2,188	621,324	384,068
Operating income (loss)	(61,896)	7,055	(10,442)	(75)	(65,358)	(112,555)
NONOPERATING REVENUES (EXPENSES):						
Investment income (loss)	(139)	855	562	41	1,319	1,130
Interest expense	(10,787)	-	(134)	-	(10,921)	(885)
Gain (loss) on disposal of capital assets	19	135	-	-	154	208
Other nonoperating revenues / (expenses)	-	-	-	-	-	(2)
Special items, net loss	-	-	(9,698)	-	(9,698)	-
Total nonoperating revenues (expenses)	(10,907)	990	(9,270)	41	(19,146)	451
Income (loss) before capital contributions and transfers	(72,803)	8,045	(19,712)	(34)	(84,504)	(112,104)
Capital contributions	450	-	475	-	925	82,208
Transfers in	15,001	-	-	41	15,042	6,214
Transfers out	(4,934)	(256)	(192)	(15)	(5,397)	(11,295)
CHANGE IN NET POSITION	(62,286)	7,789	(19,429)	(8)	(73,934)	(34,977)
Net position, beginning of the year	56,603	142,276	169,671	2,551		77,226
NET POSITION, END OF YEAR	$ (5,683)	$ 150,065	$ 150,242	$ 2,543		$ 42,249

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(11,051)
Change in net position of business-type activities	$ (84,985)

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
Cash flows from operating activities						
Cash receipts from customers / other funds	$ 407,589	$ 73,052	$ 84,452	$ 2,168	$ 567,261	$ 270,781
Cash paid to suppliers for goods and services	(157,724)	(40,662)	(83,073)	(1,123)	(282,582)	(268,775)
Cash paid to employees for services	(258,281)	(15,072)	(10,323)	(983)	(284,659)	(88,935)
Net cash provided by (used in) operating activities	(8,416)	17,318	(8,944)	62	20	(86,929)
Cash flows from noncapital financing activities						
Advances from other funds	25,856	-	-	-	25,856	2,500
Advances to other funds	-	(30,856)	-	-	(30,856)	-
Transfers received	15,001	(256)	-	41	14,786	6,214
Transfers paid	(4,934)	-	(192)	(15)	(5,141)	(11,295)
Net cash provided by (used in) noncapital financing activities	35,923	(31,112)	(192)	26	4,645	(2,581)
Cash flows from capital and related financing activities						
Proceeds on disposal of capital assets	19	135	(5,069)	-	(4,915)	(1,594)
Acquisition and construction of capital assets	(15,045)	(16,596)	475	(8)	(31,174)	(32,162)
Principal paid on capital leases	(3,369)	-	885	-	(2,484)	17,784
Premium contributions	450	-	-	-	450	82,208
Acquisition on bonds payable	(10,624)	-	(1,030)	-	(11,654)	-
Interest paid on long-term debt	(11,307)	-	(66)	-	(11,373)	(885)
Net cash provided by (used in) capital and related financing activities	(39,876)	(16,461)	(4,805)	(8)	(61,150)	65,351
Cash flows from investing activities						
Advances to other funds	-	(24,000)	-	-	(24,000)	(2,000)
Proceeds of assets from RDA dissolution			4,744		4,744	-
Interest received on investments	(139)	890	562	40	1,353	1,152
Net cash provided by investing activities	(139)	(23,110)	5,306	40	(17,903)	(848)
Net increase (decrease) in cash and cash equivalents	(12,508)	(53,365)	(8,635)	120	(74,388)	(25,007)
Cash and cash equivalents, beginning of year	32,167	162,962	57,487	5,376	257,992	228,774
Cash and cash equivalents, end of year	$ 19,659	$ 109,597	$ 48,852	$ 5,496	$ 183,604	$ 203,767

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

COUNTY OF RIVERSIDE

Statement of Cash Flows

Proprietary Funds (Continued)

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Business-type Activities - Enterprise Funds					Governmental Activities
	Regional Medical Center	Waste Management	Housing Authority	Other	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash						
Operating income (loss)	$ (61,896)	$ 7,055	$ (10,442)	$ (75)	$ (65,358)	$ (112,555)
Adjustments to reconcile operating income (loss) to net						
Depreciation and amortization	9,947	5,150	1,425	10	16,532	15,286
Decrease (Increase) accounts receivable	(2,139)	(745)	25	52	(2,807)	(609)
Decrease (Increase) taxes receivable	-	-	-	16	16	-
Decrease (Increase) bond issuance cost	-	-	-	-	-	-
Decrease (Increase) due from other funds	9,050	-	-	(1)	9,049	32
Decrease (Increase) due from other governments	48	5,189	(188)	(12)	5,037	(155)
Decrease (Increase) inventories	1,478	(20)	-	-	1,458	618
Decrease (Increase) prepaid items and deposits	2,481	-	4	-	2,485	(70)
Increase (Decrease) accounts payable	6,288	(262)	(126)	101	6,001	(7,512)
Increase (Decrease) due to other funds	318	-	-	(9)	309	547
Increase (Decrease) due to other governments	24,179	3	(847)	-	23,335	2
Increase (Decrease) deposits payable	-	-	-	3	3	-
Increase (Decrease) accreted interest payable	62,781	-	-	-	62,781	-
Increase (Decrease) accrued closure costs	-	1,345	-	-	1,345	-
Increase (Decrease) accrued remediation costs	-	(721)	-	-	(721)	-
Increase (Decrease) other liabilities	(60,996)	79	867	(24)	(60,074)	1,480
Increase (Decrease) estimated claims liability	-	-	-	-	-	11,540
Increase (Decrease) deferred inflows of resources	-	(434)	-	-	(434)	-
Increase (Decrease) salaries and benefits payable	365	143	-	5	513	1,528
Increase (Decrease) compensated absences	(320)	89	338	(4)	103	2,939
Decrease (Increase) pension assets, net	-	447	-	-	447	-
Net cash provided (used) by operating activities	$ (8,416)	$ 17,318	$ (8,944)	$ 62	$ 20	$ (86,929)
Noncash investing, capital, and financing activities:						
Capital lease obligations	$ 681				$ 681	$27,193

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

COUNTY OF RIVERSIDE

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 4)	$ -	$ -	$ 120,662	$ 294,179
Federal agency	18,640	1,822,868	-	-
Cash and equivalent	3,833	374,815	-	-
Commercial paper	5,188	507,400	-	-
Negotiable CDs	520	50,909	-	-
Repos	976	95,454	-	-
Municipal bonds	460	44,985	-	-
Bond - U.S. Treasury	1,856	181,472	-	-
Local agency obligation	4	270	-	-
Accounts receivable	120	13,499	916	386
Interest receivable	-	1,318	33	28
Taxes receivable	-	23	-	32,953
Due from other governments	-	-	21,251	426
Land held for sale	-	-	30,974	-
Total assets	31,597	3,093,013	173,836	327,972
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	-	5,116	-
LIABILITIES:				
Accounts payable	-	-	15,114	185,508
Salaries and benefits payable	-	-	-	6
Due to other governments	-	-	3	142,458
Note payable	-	-	773,625	-
Interest payable	-	-	9,612	-
Accreted interest payable	-	-	5,847	-
Other long-term liabilities	-	-	3,659	-
Total liabilities	-	-	807,860	$ 327,972
NET POSITION:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 31,597	$ 3,093,013	$ (628,908)	

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

COUNTY OF RIVERSIDE

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 968	$ -	$ -
Employee contributions	1,390	-	-
Contributions to pooled investments	-	22,335,115	
Contributions to private-purpose trust	-	-	57,928
Investment income	2,866	-	502
Total additions	5,224	22,335,115	58,430
DEDUCTIONS:			
Distributions from pooled investments	-	22,389,973	-
Distributions from private-purpose trust	-	-	76,946
Administrative and other expenses	7	-	-
Total deductions	7	22,389,973	76,946
Change in net position	5,217	(54,858)	(18,516)
Net position held in trust, beginning of the year	26,380	3,147,871	(610,392)
Net position held in trust, end of the year	$ 31,597	$ 3,093,013	$ (628,908)

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

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BASIC FINANCIAL STATEMENTS-NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Component Units

While each of these component units is legally separate from the County, the County is financially accountable for these entities. Financial accountability is primarily demonstrated by the County's Board acting as, or appointing, the governing board for each of the component units and its ability to impose its will. Because of their relationship with the County and the nature of their operations, component units are, in substance, part of the County's operations and, accordingly, the activities of these component units are combined, or blended with the activities of the County for purposes of reporting in the accompanying basic financial statements. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

In conformity with generally accepted accounting principles, the financial statements of thirteen component units have been included and combined with financial data of the County. Eleven component units have an integral relationship with and serve as an extension of the County. Using the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, management has determined that each entity is presented as a blended component unit due to the composition of each governing board and the control of the day-to-day activities through the budget process. Two component units are presented discretely. Each blended and discretely presented component unit has a June 30 fiscal year-end.

Blended Component Units

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units (Continued)

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

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

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

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

Discretely Presented Component Units

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

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

Palm Desert Financing Authority (PDFA) is a joint powers authority between the County of Riverside and Palm Desert Successor Agency (the Agency) established on January 1, 2002 under Section 6502 of the Joint Powers Act, California Government Code Section 6500. The County and the Agency agreed to create the PDFA for the purpose of establishing a vehicle to reduce local borrowing costs, promote greater use of existing and new financial instruments and mechanisms, and assist local agencies in the financing of public capital improvements. Although the PDFA is a legally separate entity, in substance under GASB Statement No. 61, the County is financially accountable for the PDFA's issuance of the lease revenue bond that is under the PDFA's management (2008 Series A).

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Presentation of Financial Information Related to County Fiduciary Responsibilities

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

Basis of Presentation

Government-wide Financial Statements

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

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Expenses by function have been adjusted for any internal service profit/loss existing at fiscal year-end. In addition, 34.98% or $15.2 million, of the County's $43.5 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Transportation fund accounts for revenue consist primarily of the County's share of highway user taxes and are supplemented by Federal funds, vehicle code fines, and fees and reimbursements for engineering services provided. The fund was established to provide for maintenance and construction of roadways and for specialized engineering services to other governmental units and the public.

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

Teeter debt service fund accounts for revenue from collection of delinquent taxes, which is then used to pay principal of the debt issued to finance the Teeter plan.

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

The County reports the following major enterprise funds:

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

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

Housing Authority was established to provide affordable, decent, safe housing opportunities to low and moderated income families including elderly and handicapped persons, while supporting programs to foster economic self-sufficiency.

The County reports the following additional fund types:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

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

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

Cash and Investments

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

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

Securities, including U.S. Treasury and Agency securities, are carried at fair value/cost based on current market prices on a monthly basis. Repurchase agreements are carried at fair value based on quoted market prices, except for repurchase agreements maturing within ninety days of June 30, 2014, which are carried at cost. Bond anticipation notes are carried at fair value/cost. Commercial paper is carried at amortized cost/cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost. Participating guaranteed

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Cash and Investments (Continued)

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

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

State law requires that the County treasurer hold all operating monies of the County, school districts, and certain special districts. Collectively, these mandatory deposits constituted approximately 76.9% of the funds on deposit in the County treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 23.1% of the total funds on deposit in the County treasury represented discretionary deposits.

Receivables

The RMC accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractuals are $217.6 million and $801.8 million, respectively. The RMC has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The RMC receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the RMC is required to provide services.

Property taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100.0% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total for fiscal year 2013-14 gross assessed valuation of the County was $213.2 billion.

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

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

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

Property taxes are levied on both real and personal property and are recorded as receivables at the date of levy. Secured property taxes are levied on or before the first business day of September of each year. These taxes become a lien on real property on January 1 proceeding the fiscal year for which taxes are levied. Tax payments can be made in two equal installments; the first is due November 1 and are delinquent with penalties after December 10; the second is due February 1 and are delinquent with penalties after April 10. Secured property taxes that are delinquent and unpaid as of June 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 years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Property Taxes (Continued)

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

During fiscal year 1993-94, the County authorized an alternative property tax distribution method referred to as the "Teeter plan." This method allows for a 100.0% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes was distributed. This results in the general fund receiving distributions of approximately 50.0-55.0% in December, 40.0-45.0% in April and the remaining balance in the fall of each year. The Teeter plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a Tax Loss Reserve Fund (TLRF). Any amounts on deposit in the TLRF greater than 1.0% of the tax levy for participating entities may flow to the County general fund. For fiscal year 2013-14, $31.0 million was transferred from the TLRF to the general fund.

Prepaid Items and Inventories

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The prepaid assets recorded in the governmental funds do not reflect current appropriable resources and thus, an equivalent portion of fund balance is nonspendable. The consumption method is used to account for prepaid items. Under the consumption method, prepaid items are recorded as expenditures during the period benefited by the prepayment.

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

Capital Assets

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

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

The estimated useful lives are as follows:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Capital Assets (Continued)

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

Leases

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

Restricted Assets

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

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned, but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2014, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was $218.8 million.

The County allows unlimited accumulation of sick leave. Upon service retirement, disability retirement, or death of an employee or officer, and subject to the provisions of any applicable agreement between the employing agency and the CalPERS, unused accumulated sick leave for most employees with at least 5 but less than 15 years of service shall be credited at the rate of 50.0% of current salary value thereof provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay.

Unused accumulated sick leave for employees with more than 15 or more years of service shall be credited at the rate of the current salary value provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63 and GASB Statement No. 65, the County recognizes deferred outflows and inflows of resources. The deferred outflow of resources is defined as a consumption of net position by the government that is applicable to the future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position by the government that is applicable to a future reporting period. Refer to Note 15 for a detailed listing of the deferred inflows of resources the County has recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Long-term Debt

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

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

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

Landfill Closure and Post-Closure Care Costs

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

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

Interfund Transactions

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

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

Net Position

The government-wide financial statements and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted net position, or unrestricted net position.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Net Positions (Continued)

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

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

Fund Balance

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

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

Fund Balance Policy

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

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

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

The Board establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution (ordinances and resolutions are considered of equal authority with respect to fund balance). This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

Spending Prioritization for Fund Categories

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Minimum Fund Balance Policy for Governmental Funds

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

The County shall commit a portion of the general fund for disaster relief. The use of these funds will be restricted to one-time or short-term expenditures that are the result of a natural disaster or act of terrorism. The funds restricted for this purpose shall be at least 2.0% of discretionary revenue or $15.0 million, whichever is greater.

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

Special revenue fund balances shall be kept at the higher of the minimum level dictated by the funding source or an amount that does not fall below zero. In the event that the fund balance drops below the established minimum levels, the department with primary responsibility for expending the special revenue will develop a plan to replenish the balance to established minimum levels within 2 years and submit the plan to the Board for approval.

The County shall maintain a minimum unassigned fund balance in its general fund of at least 25.0% of the fiscal year's estimated discretionary revenue. A significant portion of the minimum unassigned fund balance may be used for one-time or short-term expenditures caused by an economic crisis and should be designated within an "Economic Uncertainty" account. Use of these stabilization funds should be as the last resort in balancing the County budget. In the general fund unassigned fund balance, commitments for economic uncertainty is $124.7 million and budget stabilization of $53.9 million, which is 29.0% of discretionary revenue.

Use of Estimates

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

Current Governmental Accounting Standards Board Statements

GASB Statement No. 66

In March of 2012, GASB issued Statement No. 66, *Technical Correction – 2012 – an amendment of GASB Statement No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standard Board (FASB) and American Institute of Certificated Public Accountants (AICPA) Pronouncements*. GASB Statement No. 66 amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provisions that limits fund based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, it will cause governments to base their decisions about fund type classification on the nature of the activity to be reported. GASB Statement No.66 also amends GASB Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. GASB Statement No. 66 is effective for periods beginning after December 15, 2012.

GASB Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This resulted from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB Statement No. 67 amends the

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

GASB Statement No. 67 (Continued)

requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. GASB Statement No. 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 70

In October of 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This statement requires a government that extends a non-exchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. GASB Statement No. 70 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

Future Governmental Accounting Standards Board Statements

GASB Statement No. 68

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

Governmental Accounting Standards Board Statement No. 69

In January of 2013, GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations.* The objective of this statement is to establish accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. GASB Statement No. 69 is effective for periods beginning after December 15, 2013. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 71

In November of 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. GASB Statement No. 71 is applied simultaneously with the provision of GASB Statement 68. The County has elected not to early implement this statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

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

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

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

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

Excess of expenditures over appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in capital outlay by $3.0 million in the general fund. This excess of expenditures resulted from the acquisition of $3.0 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases.

NOTE 3 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET POSITION

The County's beginning net position has been restated to reflect the cumulative effect of prior year adjustments. A summary of the restatements as of June 30, 2014 is as follows (In thousands):

Government-wide:

Description	Primary Government: Governmental Activities	Primary Government: Business-type Activities
Government-wide net position as of June 30, 2013, as previously reported	$ 4,321,196	$ 301,792
Fund financial statements:		
Prior period adjustments:		
Accrued developer mitigation fees and capital grant	(1,767)	-
Advance from third party	(1,329)	-
Net position as of June 30, 2013, as restated	$ 4,318,100	$ 301,792

Fund Financials:

Description	Governmental Funds: Major: Transportation Special Revenue	Governmental Funds: Nonmajor Fund: Regional Park and Open-Space Special Revenue	Governmental Funds: Nonmajor Fund: Regional Park and Open-Space Capital Projects
Fund balances as of June 30, 2013, as previously reported	$ 94,302	$ 9,156	$ 8,843
Prior period adjustments:			
Accrued developer mitigation fees and grant (1)	(1,663)	-	(104)
Reclassified fund balances for expenditures not properly recorded (2)	-	2,167	(2,167)
Advance from third party (3)	(1,329)	-	-
Fund balances as of June 30, 2013, as restated	$ 91,310	$ 11,323	$ 6,572

(1) A prior period adjustment of $1.8 million was made to decrease the governmental activities' beginning net position. The adjustment was made due to prior year accrued developer mitigation fees for road projects were uncollectible.

(2) A prior period adjustment of $2.2 million was made to restate the beginning balance of special revenue and capital projects fund by reimbursing special revenue fund for expenditures erroneously recorded for several capital improvement projects which resulted in net to zero.

(3) A prior period adjustment of $1.3 million was made to decrease the governmental activities' beginning net position. The adjustment was made due to prior year advance received from third party that was incorrectly recorded as revenue before the eligibility requirements have been met.

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2014, cash and investments are classified in the accompanying financial statements as follows (In thousands):

	Governmental Activities	Business-type Activities	Discretely Presented Component Unit	Fiduciary Funds	Total
Cash and investments	$ 1,015,240	$ 29,814	$ 42,039	$ 3,524,491	$ 4,611,584
Restricted cash and investments	503,422	153,790	11,410	-	668,622
Total cash and investments	$ 1,518,662	$ 183,604	$ 53,449	$ 3,524,491	$ 5,280,206

As of June 30, 2014, cash and investments consist of the following (In thousands):

Deposits	$ 180,985
Investments	5,099,221
Total cash and investments	$ 5,280,206

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

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

Authorized investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Municipal bonds (MUNI)	3 Years	15%	5% **
U.S. treasuries	5 Years	100%	N/A
Local agency obligations (LAO)	3 Years	2.5%	2.5%
Federal agencies	5 Years	100%	N/A
Commercial paper (CP)	270 Days	40%	5% *
Certificate & time deposits (NCD & TCD)	1 Year	25%	5% *
Repurchase agreements (REPO)	45 Days	40% / 25%	20%
Reverse REPOS	60 Days	10%	10%
Medium term notes (MTNO)	3 Years	20%	5% *
CalTRUST short term fund	Daily Liquidity	1%	1%
Money market mutual funds (MMF)	Daily Liquidity	20%	None
Local agency investment fund (LAIF)	Daily Liquidity	Max $50M	N/A
Cash/deposit account	N/A	N/A	N/A

* Maximum of 5% per issuer in combined commercial paper, certificate & time deposits, and medium term notes.

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

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2014, the County and Component Units had the following investments (In thousands):

	Fair Market Value	Interest Rate Range	Maturity	Weighted Average Maturity (Years)	Minimum Legal Rating	Rating (1) June 30, 2014	% of Portfolio
County treasurer investments							
Federal home loan bank	$ 1,043,020	0.075 - 1.800%	08/14 - 06/19	2.43	N/A	AA+/Aaa	21.56%
Federal national mortgage association	837,666	0.065 - 1.650%	10/14 - 01/19	2.72	N/A	AA+/Aaa	17.32%
Federal home loan mortgage corp.	276,665	0.081 - 1.625%	09/14 - 03/19	3.00	N/A	AA+/Aaa	5.72%
US treasuries	285,173	0.250 - 0.750%	10/14 - 08/17	0.63	N/A	AA+/Aaa	5.90%
Federal farm credit bonds	417,036	0.130 - 0.680%	08/14 - 12/16	0.78	N/A	AA+/Aaa	8.62%
Negotiable certificate of deposits	80,000	0.130 - 0.150%	07/14 - 09/14	0.15	A1/P1	AA-/Aa1	1.65%
Commercial paper	797,349	0.070 - 0.150%	07/14 - 10/14	0.12	A1/P1	AA+/Aa1	16.48%
Wells fargo repo	150,000	0.100%	07/14	0.00	A1/P1	N/R	3.10%
UB Managed Rate	150,000	0.079%	07/14	0.00	N/A	N/R	3.10%
Money market mutual funds (3)	385,000	0.019 - 0.067%	07/14	0.00	AAA/Aaa	AAA/Aaa	7.96%
Municipal bonds	70,691	0.200 - 0.540%	10/14 - 05/16	0.82	AA- (2)	AA+/Aa1	1.46%
Farmer mac	290,145	0.080 - 1.650%	08/14 - 06/19	0.99	N/A	N/R	6.00%
Caltrust short term fund	54,000	0.403%	07/14	0.00	N/A	AAA/Aaa	1.12%
Local agency obligations	425	0.472%	06/20	5.96	N/A	N/R	0.01%
Total county treasurer investments	4,837,170						100.00%
Investments outside the county treasury							
Blended component unit investments							
Money market mutual funds (3)	79,044	0.010 - 0.420%	07/14	0.00	AAA/Aaa	AAA/Aaa	31.54%
Investment agreements	119,219	2.385 - 4.460%	12/14 - 11/36	5.47	AA-/Aa2	AA+/A1	47.57%
Commercial paper	6,995	0.207%	10/14	0.00	AA-/Aa2	AA+/A1	2.79%
Money market mutual funds (4)	39,677	0.000%	N/A	0.00	N/A	N/R	15.83%
Local agency investment funds	5,706	0.000%	N/A	0.00	N/A	N/R	2.27%
Total blended component units	250,641						100.00%
Discretely presented component units							
Palm desert financing authority							
Money market mutual funds (3)	11,410	0.000%	N/A	0.45	AAA	AAA	100.00%
Total discretely presented component units	11,410						100.00%
Total investments	$ 5,099,221						

(1) Investment ratings are from S&P and Moody's.
(2) A rating permitted for the State of California securities.
(3) Government Code requires money market mutual funds to be rated.
(4) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated.

Investment in State Investment Pool

The County of Riverside is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. As of June 30 2014, CORAL has $2.5 million, Housing Authority has $2.5 million and Regional Medical Center has $0.7 million in LAIF.

NOTE 4 – CASH AND INVESTMENTS (Continued)

Investments Authorized by Debt Agreements

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

Disclosures Relating to Interest Rate Risk

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will be able to recover the value of its investment or collateral securities that are in the possession of another party. Neither the California Government Code nor the County's investment policy contain legal or policy requirements that would limit the County's exposure to custodial credit risk for deposits or investments except for the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. GASB Statement No. 40 requires that a disclosure is made with respect to custodial credit risks relating to deposits. The County has cash deposits with fiscal agents in excess of federal depository insurance limits held in collateralized accounts with securities held by Union Bank in the amount of $303.0 million. Investment securities are registered and held in the name of Riverside County.

Concentration of Credit Risk

The investment policy of the County contains certain limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. In accordance with GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, the County should provide information about the concentration of credit risk associated with their investments in any one issuer that represent 5% or more of total County investments. These investments are identified on the investment table on page 61.

Credit Risk

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

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2014 is as follows (In thousands):

General Fund	
Restricted program money	$ 350,158
Total general fund	350,158
Flood Control	
Restricted program money	1,916
Total Flood Control	1,916
Teeter Debt Service	
Teeter commercial paper notes	57,482
Total teeter debt service	57,482
Other Governmental Funds	
1985 Certificates	18,418
1990 Monterey Avenue	131
2003 A Historic Courthouse	477
2005 A Capital Improvement Family Law	3,523
2005 B Historic Refunding	2,881
2006 A Capital Improvements	2,186
2007 A Public Safety & Refunding	5,824
2008 A Southwest Justice Center	1,462
2009 Larson Justice Center	2,724
2009 Public Safety & Woodcrest Lib Refunding	624
2012 CAC Annex	2,541
2013A PD/ Probation and Technology	21,355
2014 A/B Court Facilities Projects	2,086
Bankruptcy Court	7,495
District court Financing Corporation	1,175
Inland Empire Tobacco Securitization Authority	19,573
Public Financing Authority	1,391
Total other governmental funds	93,866
Regional Medical Center	
Hospital bonds	46,466
Restricted program money	14,077
Total Regional Medical Center	60,543
Waste Management	
Remediation costs	28,139
Closure and post-closure care costs	29,200
Customer deposits	445
Deferred revenue	8,562
Deposit payable	38
Total Waste Management	66,384
Housing Authority	
Housing authority bond	23,983
Total Housing Authority	23,983
Other Enterprise Funds	
Restricted program money - Flood	2,880
Total other enterprise funds	2,880
Discretely Presented Component Unit	
Palm Desert Financing Authority	11,410
Total discretely presented component unit	11,410
Total restricted cash and investments	$ 668,622

NOTE 6 – RECEIVABLES

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

Receivables **Governmental activities:**	Accounts	Interest	Taxes	Loans	Due From Other Govts	Total Governmental Activities
General fund	$ 11,281	$ 650	$ 9,849	$ -	$ 333,728	$ 355,508
Transportation	941	38	11	-	16,667	17,657
Flood Control	522	117	1,046	-	106	1,791
Teeter debt service	-	11	70,659	-	-	70,670
Public facilities improvements	-	61	-	-	287	348
Nonmajor governmental funds	1,760	121	1,340	-	12,054	15,275
Internal service funds	3,801	81	-	1,800	702	6,384
Total receivables	$ 18,305	$ 1,079	$ 82,905	$ 1,800	$ 363,544	$ 467,633

Receivables **Business-type activities:**	Accounts	Interest	Taxes	Loans	Due From Other Govts	Allowance for uncollectibles	Total Business-type Activities
Regional Medical Center	$ 1,077,968	$ -	$ -	$ -	$ 112,991	$ (1,019,418)	$ 171,541
Waste Management	4,468	48	-	-	63	-	4,579
Housing Authority	267	-	-	73,981	2,352	(112)	76,488
Nonmajor funds	251	5	12	-	12	-	280
Total receivables	$ 1,082,954	$ 53	$ 12	$ 73,981	$ 115,418	$ (1,019,530)	$ 252,888

NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2014 is as follows (In thousands):

Due to/from other funds:

	Receivable Fund			
Payable Fund	General Fund	Transportation	Flood Control	Teeter Debt Service
General Fund				
Delinquent property tax	$ -	$ -	$ -	$ 35
Interfund activity	1	208	-	-
Total general fund	-	-	-	-
Transportation				
Interfund activity	236	-	-	-
Total transportation	-	-	-	-
Flood Control				
Interfund activity	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service				
Delinquent property tax	250	-	-	-
Interfund activity	8,475	-	-	-
Total teeter debt service	-	-	-	-
Other Governmental Funds				
Interfund activity	985	-	-	-
Total other governmental funds	-	-	-	-
Regional Medical Center				
Law enforcement	624	-	-	-
Total Regional Medical Center	-	-	-	-
Other Enterprise Funds				
Interfund activity	-	-	2	-
Total other enterprise funds	-	-	-	-
Internal Service Funds				
Interfund activity	586	-	11	-
Total internal service funds	-	-	-	-
Total receivable	$ 11,157	$ 208	$ 13	$ 35

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

Advances to/from other funds:

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

The general fund advanced $2.5 million to RCIT for technology initiative costs.

Workers compensation fund advanced $2.0 million to public facilities capital project improvement fund for East County Detention Center.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund				
Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	Total Payable	
				General Fund
$ -	$ -	$ -	$ 35	Delinquent property tax
-	-	4	213	Interfund activity
-	-	-	248	**Total general fund**
				Transportation
2	-	-	238	Interfund activity
-	-	-	238	**Total transportation**
				Flood Control
-	-	59	59	Interfund activity
-	-	-	59	**Total Flood Control**
				Teeter Debt Service
-	-	-	250	Delinquent property tax
-	-	-	8,475	Interfund activity
-	-	-	8,725	**Total teeter debt service**
				Other Governmental Funds
-	-	-	985	Interfund activity
-	-	-	985	**Total other governmental funds**
				Regional Medical Center
-	-	-	624	Law enforcement
-	-	-	624	**Total Regional Medical Center**
				Other Enterprise Funds
-	1	-	3	Interfund activity
-	-	-	3	**Total other enterprise funds**
				Internal Service Funds
-	-	17	614	Interfund activity
-	-	-	614	**Total internal service funds**
$ 2	$ 1	$ 80	$ 11,496	**Total receivable**

Advances to/from other funds (Continued):

Waste Management advance $24.0 million to public facilities capital project improvement fund for East County Detention Center.

Waste Management advanced $25.9 million to RMC for Huron Consulting Services.

Waste Management advanced $5.0 million to general fund to assist with the acquisition of property for Western Riverside County Regional Conservation Authority

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

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

Transfer Out	Transfers In: General Fund	Transportation	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects
General Fund					
Capital projects	$ -	$ -	$ -	$ -	$ 4,799
Debt service	-	-	-	696	-
Operating contribution	-	-	-	-	-
Pension obligation	-	-	-	-	-
Reimbursement	-	2,421	-	-	-
Total general fund	-	-	-	-	-
Transportation					
Capital projects	-	-	-	-	1,285
Pension obligation	-	-	-	-	-
Reimbursement	2,775	-	-	-	-
Total transportation	-	-	-	-	-
Flood Control					
Operating contribution	-	-	-	-	-
Reimbursement	-	-	-	-	-
Total Flood Control	-	-	-	-	-
Teeter Debt Service					
Reimbursement	333	-	-	-	-
Total teeter debt service	-	-	-	-	-
Public Facilities Improvements Capital Projects					
Capital projects	29,908	10,380	-	-	-
Reimbursement	3,227	-	-	-	-
Total public facilities imprv cap prog	-	-	-	-	-
Other Governmental Funds					
Capital projects	-	41	-	-	172
Debt service	-	-	-	-	-
Fire	47,453	-	-	-	-
Pension obligation	166	-	-	-	-
Reimbursement	10,656	1,766	-	-	-
Total other governmental funds	-	-	-	-	-
Regional Medical Center					
Pension obligation	-	-	-	-	-
Total Regional Medical Center	-	-	-	-	-
Waste Management					
Pension obligation	-	-	-	-	-
Total Waste Management	-	-	-	-	-
Housing Authority					
Pension obligation	-	-	-	-	-
Total Housing Authority	-	-	-	-	-
Other Enterprise Funds					
Reimbursement	-	-	-	-	-
Total other enterprise funds	-	-	-	-	-
Internal Service Funds					
Business services	-	-	-	-	-
Pension obligation	-	-	-	-	-
Reimbursement	499	-	2,932	-	-
Total internal service funds	-	-	-	-	-
Total transfers in	$ 95,017	$ 14,608	$ 2,932	$ 696	$ 6,256

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

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers (Continued)

(b) Between Governmental and Business-type Activities:

	Transfers In				
	Other Governmental Funds	Regional Medical Center	Other Enterprise Funds	Internal Service Funds	Total Transfers Out
General Fund					
Capital projects	$ 7,930	$ -	$ -	$ -	$ 12,729
Debt service	43,438	-	-	-	44,134
Operating contribution	-	10,000	-	-	10,000
Pension obligation	23,863	-	-	-	23,863
Reimbursement	7,771	1	-	102	10,295
Total general fund	-	-	-	-	101,021
Transportation					
Capital projects	-	-	-	-	1,285
Pension obligation	922	-	-	-	922
Reimbursement	39	-	-	-	2,814
Total transportation	-	-	-	-	5,021
Flood Control					
Operating contribution	1	-	-	-	1
Reimbursement	900	-	-	146	1,046
Total Flood Control	-	-	-	-	1,047
Teeter Debt Service					
Reimbursement	-	-	-	-	333
Total teeter debt service	-	-	-	-	333
Public Facilities Improvements Capital Projects					
Capital projects	2,059	5,000	-	-	47,347
Reimbursement	2	-	-	1	3,230
Total public facilities imprv cap prog	-	-	-	-	50,577
Other Governmental Funds					
Capital projects	-	-	-	-	213
Debt service	25,216	-	-	-	25,216
Fire	-	-	-	-	47,453
Pension obligation	617	-	-	-	783
Reimbursement	8,926	-	-	-	21,348
Total other governmental funds	-	-	-	-	95,013
Regional Medical Center					
Pension obligation	4,934	-	-	-	4,934
Total Regional Medical Center	-	-	-	-	4,934
Waste Management					
Pension obligation	256	-	-	-	256
Total Waste Management	-	-	-	-	256
Housing Authority					
Pension obligation	192	-	-	-	192
Total Housing Authority	-	-	-	-	192
Other Enterprise Funds					
Reimbursement	-	-	15	-	15
Total other enterprise funds	-	-	-	-	15
Internal Service Funds					
Business services	-	-	-	5,965	5,965
Pension obligation	1,873	-	-	-	1,873
Reimbursement	-	-	26	-	3,457
Total internal service funds	-	-	-	-	11,295
Total transfers in	$ 128,939	$ 15,001	$ 41	$ 6,214	$ 269,704

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows (In thousands):

	Balance July 1, 2013	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2014
Governmental activities:						
Capital assets, not being depreciated:						
Land & easements	$ 469,522	$ -	$ 39,108	$ (641)	$ -	$ 507,989
Construction in progress	815,227	-	171,771	-	(111,467)	875,531
Total capital assets, not being depreciated	1,284,749	-	210,879	(641)	(111,467)	1,383,520
Capital assets, being depreciated:						
Infrastructure						
Flood channels	259,922	-	-	-	-	259,922
Flood storm drains	388,658	-	8,219	-	1,082	397,959
Flood dams and basins	31,215	-	-	-	2,753	33,968
Roads	1,631,202	-	43,833	-	-	1,675,035
Traffic signals	18,973	-	-	-	-	18,973
Bridges	105,200	-	300	-	-	105,500
Runways	22,148	-	-	-	2,031	24,179
Communication towers		-	-	-	16,146	16,146
Parks trails and improvements	12,285	-	-	-	2	12,287
Land improvements	110	-	-	-	-	110
Structures and improvements	1,470,922	-	29,635	(4,041)	32,518	1,529,034
Equipment	412,980	-	56,707	(21,214)	57,014	505,487
Total capital assets, being depreciated	4,353,615	-	138,694	(25,255)	111,546	4,578,600
Less accumulated depreciation for:						
Infrastructure	(1,054,516)	-	(70,438)	-	-	(1,124,954)
Land improvements	(23)	-	(1)	-	-	(24)
Structures and improvements	(367,608)	-	(33,136)	1,362	-	(399,382)
Equipment	(302,825)	-	(30,559)	20,098	(79)	(313,365)
Total accumulated depreciation	(1,724,972)	-	(134,134)	21,460	(79)	(1,837,725)
Total capital assets, being depreciated, net	2,628,643	-	4,560	(3,795)	111,467	2,740,875
Governmental activities capital assets, net	$ 3,913,392	$ -	$ 215,439	$ (4,436)	$ -	$ 4,124,395

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2014 was as follows (In thousands):

	Balance July 1, 2013	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2014
Business-type activities:						
Capital assets, not being depreciated:						
Land & easements	$ 21,358	$ -	$ 4,419	$ -	$ -	$ 25,777
Construction in progress	65,006	-	28,482	(1,505)	(39,455)	52,528
Concession arrangements	8,830	-	-	-	-	8,830
Total capital assets, not being depreciated	95,194	-	32,901	(1,505)	(39,455)	87,135
Capital assets, being depreciated:						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	55,226	-	-	-	11,824	67,050
Infrastructure-other	23,501	-	66	-	1,065	24,632
Structures and improvements	219,914	-	1,024	-	2,732	223,670
Equipment	80,401	425	4,382	(1,792)	23,755	107,171
Total capital assets, being depreciated	390,704	425	5,472	(1,792)	39,376	434,185
Less accumulated depreciation for:						
Land improvements	(8,582)	-	(582)	-	-	(9,164)
Infrastructure-landfill liners	(26,653)	-	(2,735)	-	-	(29,388)
Infrastructure-other	(8,230)	-	(1,128)	-	-	(9,358)
Structures and improvements	(98,858)	-	(6,020)	-	-	(104,878)
Equipment	(68,283)	(425)	(6,067)	1,642	79	(73,054)
Total accumulated depreciation	(210,606)	(425)	(16,532)	1,642	79	(225,842)
Total capital assets, being depreciated, net	180,098	-	(11,060)	(150)	39,455	208,343
Business-type activities capital assets, net	$ 275,292	$ -	$ 21,841	$ (1,655)	$ -	$ 295,478

Depreciation

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

General government	$ 32,088
Public protection	16,648
Health and sanitation	1,376
Public assistance	973
Public ways and facilities	63,238
Recreation and culture	1,107
Education	3,418
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	15,286
Total depreciation expense – governmental functions	$ 134,134

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Regional Medical Center	$ 9,947
Waste Management	5,150
Housing Authority	1,425
County Service Areas	3
Flood Control	7
Total depreciation expense – business-type functions	$ 16,532

Capital Leases

Leased property under capital leases by major class (In thousands):

	Governmental	Business-type
Land	$ 2,223	$ -
Structures and improvements	88,506	-
Equipment	79,608	12,503
Less: Accumulated amortization	(54,052)	(9,573)
Total leased property, net	$ 116,285	$ 2,930

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2014 was as follows (In thousands):

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital assets, not being depreciated:				
Land	$ -	$ 373	$ -	$ 373
Construction in progress	-	19	-	19
Total capital assets, not being depreciated	-	392	-	392
Capital assets, being depreciated				
Building and improvements	-	1,868	-	1,868
Machinery and equipment	44	11	-	55
Total capital assets, being depreciated	44	1,879	-	1,923
Less accumulated depreciation for:				
Building and improvements	-	(7)	-	(7)
Machinery and equipment	(44)	(2)	-	(46)
Total accumulated depreciation	(44)	(9)	-	(53)
Total capital assets, being depreciated, net	-	1,870	-	1,870
Total capital assets, net	$ -	$ 2,262	$ -	$ 2,262

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement No. 60, *Accounting and Financial Reporting for Service* Concession *Arrangements (SCA)* defines an SCA as a type of public-private or public-public partnership. As used in GASB Statement Number 60, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met*:*

a) The transferor conveys to the operator the right and related obligation to provide public service through the use and operation of a capital assets (referred to in the statement as a "facility") in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
b) The operator collects and is compensated by fees from third parties.
c) The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.

The County has determined that the following arrangements meet the criteria set forth above (where the County is the transferor) and therefore included these SCA in the County's financial statements. GASB Statement No. 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as such an operator.

McIntyre Park Campground
On October 15, 1985, and as later amended, the Park District ("the Park") entered into an agreement with California East Coast, Inc. (the "company"), under which the company will operate and collect user fees from a campground, camp store, boat launch and recovery ramp, day-use area and marina fuel station through a lease with the Park at McIntyre County Park through the year 2047. The company will pay the Park between ten and seventeen percent of the revenues it earns from the operation of the campground. The company is required to operate and maintain the campground in accordance with the Lease Contract. The Park reports the campground as a capital asset with a carrying amount of $51.6 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Riviera RV Resort
On or about January 1, 1970, and as later amended, the County of Riverside and later the Park entered into an agreement with Cavan Inc., now Destiny RV, LLC who assigned its lease rights to Riviera-Reynolds (the "company"). Under the terms of the agreement, the company is permitted to engage in the operation of a travel trailer park, rental of spaces in the park, food service operations including a grocery store, boat launching ramp and other associated camping functions through June 2044. The company will pay the Park the greater of $3.0 hundred or seven percent of gross receipts earned from operation of the RV Park. The Park reports the RV Park as a capital asset with a carrying amount of $131.4 thousand at year-end. The Park has received no upfront payments or installment payments that are required to be reported as a deferred inflow of resources on the financial statements. The Park also has no contractual obligations to sacrifice financial resources that meet the criteria to be recognized as a liability.

Edom Hill Transfer Station
On November 2, 2002, the Waste Management Department entered into a 30-year agreement with Burrtec Recovery and Transfer LLC (Burrtec), under which Burrtec has the rights to construct the Edom Hill Transfer Station in order to serve the traditional users/wasteshed of the closed Edom Hill Landfill and operate the transfer station.

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA) (continued)

A summary of the important details and capital assets pertaining to this SCA can be found below. (In thousands)

	Date SCA Entered Into	Term of SCA	Expiration of SCA	Revenue Sharing	Minimum Rent Payment (per month)
McIntyre Park Campground	10/15/1985	62 years	10/15/2047	Between 10.0% and 17.0% of the revenues it earns from the operation of the campground.	$ -
Riviera RV Resort	1/1/1970	43 years	6/30/2044	Greater of $300 or 7.0% of gross receipts earned from operation of the RV park.	-
Edom Hill Transfer Station	11/2/2002	30 years	11/2/2032	Service Fee ranging from $4.41 to $4.13 per ton, Disposal fee of $23.00 per ton, and City Mitigation Fee of $1 per ton for all incoming solid waste	-
					$ -

Capital assets balance for the SCA for the year ended June 30, 2014 and over the term of the agreement are as follows: (In thousands)

	Structures & Structure Improvements
McIntyre Park Campground	$ 52
Riviera RV Resort	131
Edom Hill Transfer Station	8,830
	$ 9,013

The deferred inflows of resources activity for the SCA for the year ended June 30, 2014 are as follows: (In thousands)

	Balance July 1, 2013	Additions/ Restatements	Amortization[1]	Balance June 30, 2014
SCA Capital Assets				
McIntyre Park Campground[2]	$ -	$ -	$ -	$ -
Riviera RV Resort[2]	-	-	-	-
Edom Hill Transfer Station	8,396	-	(434)	7,962
Total Deferred inflows	$ 8,396	$ -	$ (434)	$ 7,962

[1] Amortization calculate using straight-line method for the term of the agreement for the SCA

[2] No upfront payments received or installment payments that are required to be reported as a deferred inflow of resources

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require Waste Management to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste Management will recognize the remaining estimated cost of $19.3 million as the remaining estimated capacity of 15.0 million tons is filled. Waste Management expects all currently permitted landfill capacities to be filled by 2087. The total estimate of $67.4 million is based on what it would cost to perform all closure and post-closure care costs at present value. Actual costs may be different due to inflation, changes in technology, or changes in regulations.

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

Facility Name (City)	Cumulative Expense	Capacity Used as of June 30, 2014 %	Estimated Years Remaining
Anza (Anza)	$ 1,525	100.0	-
Badlands (Moreno Valley)	12,826	60.7	10
Blythe (Blythe)	8,294	36.7	33
Coachella (Coachella)	3,559	100.0	-
Desert Center (Desert Center)	1,558	69.6	73
Double Butte (Winchester)	2,049	100.0	-
Edom Hill (Cathedral City)	7,798	100.0	-
Highgrove (Riverside)	1,828	100.0	-
Lamb Canyon (Beaumont)	19,136	56.8	7
Mead Valley (Perris)	3,284	100.0	-
Mecca II (Mecca)	3,657	99.4	23
Oasis (Oasis)	1,926	84.7	49
	$ 67,440		

Waste Management is required by state and federal laws and regulations to make annual contributions to a trust fund to finance closure and post-closure care. Title 27 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 22228 and 22245 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Department of Resources, Recycling and Recovery (CalRecycle) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste Management has determined that the projected net revenues, after current operating costs, from tipping fees during the 30 year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by the Waste Management and the CalRecycle. Waste Management complies with these requirements and investments of $29.2 million are held for these purposes at June 30, 2014 and are classified as restricted assets in the statement of net position. Waste Management expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future landfill users.

NOTE 11 – OPERATING LEASES

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2014 (In thousands):

Year Ending June 30	
2015	$ 36,558
2016	29,931
2017	25,292
2018	14,127
2019	7,690
2020-2024	15,702
2025-2029	1,305
2030-2034	1,326
2035-2039	1,023
2040-2044	443
Total Minimum Payments	$ 133,397

Total rental expenditure/expense for the year ended June 30, 2014 was $109.5 million, of which $12.8 million was recorded in the enterprise funds.

NOTE 12 – ADVANCES FROM GRANTORS AND THIRD PARTIES

Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when earned. Therefore, the government-wide statement of net position as well as governmental and enterprise funds defer revenue recognition in connection with resources that have been received as of year-end, but not yet earned. Assets recognized in connection with a transaction before the earnings process is complete are offset by a corresponding liability for advances from grantors and third parties.

The balance as of June 30, 2014 of advances from grantors and third parties are as follows (In thousands):

	Balance June 30, 2014
General Fund:	
Advances on state grants for probation services	$ 41,581
Advances on state & federal grants for mental health services	131,481
Advances on state grants & other 3rd party advances for public health services	10,835
Advances on state funding for social services	71,035
Advances on state & federal grants for sheriff services	8,240
Advances on state grants & other 3rd party advances for environmental health services	1,982
Advances on state grants for district attorney services	1,925
Advances from flood control and water conservation district for permits	1,095
Advances on candidate statements for registrar of voters	220
Other advances	505
Total general fund	$ 268,899

NOTE 12 – ADVANCES FROM GRANTORS AND THIRD PARTIES (Continued)

The balance as of June 30, 2014 of advances from grantors and third parties are as follows (In thousands):

Transportation Special Revenue Fund:	
Developer fees	6,224
Senate Bill (SB) 621 Indian gaming	1,028
Advances from developers for median projects	4,144
Survey fees	1,014
Utility relocation	260
Mitigation fees	1,308
Comprehensive transportation plan	17
Plan review and inspection fees	547
Deposit based fees	277
Total transportation special revenue fund	14,819
Flood Special Revenue Fund:	
Advances for flood control projects	545
Total flood special revenue fund	545
Other Governmental Funds:	
Camping and recreation fees	563
Advance from state for community service block grant	290
Advance from state for the employment training panel project	22
Advance from 3rd parties for recreational events	14
Lease revenue from Library Systems & Services Inc.	208
Advance from state for bio-terrorism programs	351
Advances for aviation projects	12
Total other governmental funds	1,460
Grand total of advances from grantors and third parties	$ 285,723

NOTE 13 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On October 16, 2013, the County issued $119.8 million of tax exempt TRAN, which will be repaid on October 15, 2014. The notes were issued with a yield rate of 0.20% for Series Bond D and 0.37% for Series Bond E. This was to provide needed cash to cover the projected intra-period cash-flow deficits of the County's general fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter plan. The current financing takes place through the sale of Tax-exempt Commercial Paper Notes (Teeter notes). During fiscal year 2013-14, the County retired $67.6 million of the $142.8 million principal amount outstanding at June 30, 2013. The County then issued $44.3 million of Series E notes, leaving an outstanding balance of $119.5 million at June 30, 2014.

Short-term debt activity for the year ended June 30, 2014, was as follows (In thousands):

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Fiscal year 2013-14				
TRANs	$ -	$ 119,770	$ (119,770)	$ -
Teeter notes	142,840	44,258	(67,636)	119,462
Total	$ 142,840	$ 164,028	$ (187,406)	$ 119,462

NOTE 14 – LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of capital lease obligations, bonds, notes, and other liabilities which are payable from the general, debt service, enterprise, and internal service funds. The calculated legal debt limit for the County is $2.6 billion.

Capital Leases

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

See Note 8 (Capital Assets) for assets under capital leases and related disclosure information by major asset class.

The following is a schedule by year of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 2014 (In thousands):

Fiscal Year Ending June 30	Palm Desert Financing Authority	Other Governmental Activities	Total Governmental Activities	Business-type Activities
2015	$ 6,316	$ 14,790	$ 21,106	$ 2,340
2016	6,307	11,711	18,018	868
2017	6,313	6,015	12,328	478
2018	6,310	4,223	10,533	214
2019	6,309	3,549	9,858	55
2020-2024	18,921	4,261	23,182	-
2025-2029	-	493	493	-
Total minimum payments	50,476	45,041	95,517	3,955
Less amount representing interest	(11,053)	(4,642)	(15,695)	(101)
Present value of net minimum lease payments	$ 39,423	$ 40,399	$ 79,822	$ 3,854

The statement of net position includes the Palm Desert Financing Authority capital lease of $39.4 million for the construction and acquisition of certain public facilities within the County, including the Palm Desert Sheriff's Station, community centers, the Blythe County Administrative Center, an animal shelter and a clinic facility.

The following schedules provide details of all certificates of participation, bonds payable, and notes payable for the County of Riverside that are outstanding as of June 30, 2014 (In thousands):

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2014
Governmental activities:				
Certificate of participations				
CORAL				
1985 Serial Certificates	$ 169,400	Variable	2015	$ 28,000
1990 Monterey Avenue: Serial Certificates	8,800	Variable	2020	4,400
2005A - Capital Improvement & Family Law Court Refunding: Serial Certificates	28,495	3.00% - 5.00%	2025	20,165

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2014
Certificate of Participation (Continued)				
2005A - Capital Improvement & Family Law Court Refunding: Term Certificate	$ 9,905	5.00%	2033	$ 9,905
2005A - Capital Improvement & Family Law Court Refunding: Term Certificate	13,265	5.00%	2036	13,265
2005B - Historic Courthouse Refunding: Serial Certificates	18,835	3.00% - 5.00%	2025	14,250
2005B - Historic Courthouse Refunding: Term Certificates	3,775	5.00%	2027	3,775
2006 Series A - Capital Improvement Project: Serial Certificates	16,425	3.75% - 5.13%	2026	12,530
2006 Series A - Capital Improvement Project: Term Certificates	7,130	4.75%	2031	7,130
2006 Series A - Capital Improvement Project: Term Certificates	7,050	5.00%	2035	7,050
2006 Series A - Capital Improvement Project: Term Certificates	4,070	4.63%	2037	4,070
2007 Series A - Public Safety Communication and Refunding Projects	73,775	4.00%-5.00%	2017	3,045
2007 Series B - Public Safety Communication and Refunding Projects	37,350	Auction Rate	2021	37,350
2009 Series A - Public Safety Communication and Woodcrest Library Refunding Projects	45,685	Variable	2039	45,345
2009 Larson Justice Center Refunding: Serial Certificates	24,680	2.00%-5.00%	2021	18,800
Total CORAL	468,640			229,080
Court Financing Corportation				
Bankruptcy Courthouse: Acquisition Project Term Certificate	16,120	7.50%	2020	7,290
Total Court Financing Corporaton	16,120			7,290
District Court Financing Corporation				
U.S. District Court Project: Term/Series 1999	2,165	7.59%	2017	2,165
U.S. District Court Project: Term/Series 1999	17,635	1.93%	2015	1,658
U.S. District Court Project: Term/Series 2002	925	3.00%	2020	400
Total District Court Financing Corporation	20,725			4,223
Total certificate of participations	$ 505,485			$ 240,593
Bonds payable				
CORAL				
2012 CAC Annex Refunding Project	$ 33,360	2.00%-5.00%	2031	$ 30,680
2008 A Southwest Justice Center: Term Certificate	78,895	5.16%	2032	78,895
1997 B & C (Hospital): Term Bonds (Series C)	1,733	5.81%	2019	1,733
2013 Probation & RCIT: Term Bonds (Series A)	66,015	3.00%-5.25%	2043	66,015
2014 Lease Refunding Court Facilities Project, Series A	10,890	2.00%-5.00%	2033	10,890
2014 Lease Refunding Court Facilities Project, Series B	7,605	.55%-2.73%	2019	7,605
Total CORAL	198,498			195,818

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2014
Bonds payable (continued)				
Taxable Pension Obligation Bonds				
Pension Obligation Bonds (Series 2005-A)	$ 400,000	4.91%-5.04%	2035	$ 334,510
Total Taxable Pension Obligation Bonds	400,000			334,510
Inland Empire Tobacco Securitization Authority				
Series 2007 A	87,650	4.63%-5.10%	2021	57,144
Series 2007 B	53,758	5.75%	2026	53,758
Series 2007 C-1	53,542	6.63%	2036	53,542
Series 2007 C-2	29,653	6.75%	2045	29,653
Series 2007 D	23,457	7.00%	2057	23,457
Series 2007 E	18,948	7.63%	2057	18,948
Series 2007 F	27,076	8.00%	2057	27,076
Total Inland Empire Tobacco Securitization Authority	294,084			263,578
Riverside County Public Financing Authority				
Series 2012	17,640	3.00% - 5.00%	2021	16,280
Total Riverside County Public Financing Authority	17,640			16,280
Total bonds payable	$ 910,222			$ 810,186
Loans payable				
CORAL				
2011 Monroe Park Building Refunding	$ 5,535	3.54%	2021	$ 3,890
Total 2011 Monroe Park Building Refunding	5,535			3,890
Total loans payable	$ 5,535			$ 3,890
Total governmental activities	$ 1,421,242			$ 1,054,669
Business-type activities:				
Bonds payable				
Regional Medical Center				
1997 A Serial Capital Appreciation Bonds (net of future capital appreciation of $130.5 million)	$ 41,170	5.70% - 6.01%	2026	$ 35,301
1997 Term bond (Series C)	1,532	5.81%	2019	872
2012 Term bond (Series A)	87,510	2.00%-5.00%	2029	92,993
2012 Term bond (Series B)	3,020	3.25%	2019	2,890
Total Regional Medical Center	133,232			132,056

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness	Original Borrowing	Interest Rates to Maturity	Final Maturity	Outstanding at June 30, 2014
Bonds payable (Continued)				
Housing Authority				
1998 Series A: Term Bonds	$ 2,405	6.85%	2018	$ 885
Total Housing Authority	2,405			885
Total bonds payable	$ 135,637			$ 132,941
Total business-type activities	$ 135,637			$ 132,941
Discretely Presented Component Unit:				
Bonds payable				
Palm Desert Financing Authority				
2008 Lease Revenue Bond Series A: Serial Certificate	$ 43,845	4.00%-5.50%	2018	$ 22,619
2008 Lease Revenue Bond Series A: Term Certificate	28,600	6.00%	2022	28,600
Total Palm Desert Financing Authority	72,445			51,219
Total bonds payable	$ 72,445			$ 51,219
Total discretely presented component unit	$ 72,445			$ 51,219

As of June 30, 2014, annual debt service requirements of governmental activities to maturity are as follows (In thousands):

Governmental	Loans Payable		Certificates of Participation	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2015	$ 540	$ 133	$ 30,433	$ 12,124
2016	560	114	32,433	9,288
2017	585	94	18,182	7,711
2018	605	73	18,110	7,398
2019	620	51	19,800	6,387
2020-2024	980	35	60,810	19,689
2025-2029	-	-	24,815	11,590
2030-2034	-	-	18,920	6,490
2035-2039	-	-	16,670	1,569
2040-2044	-	-	420	8
Total	$ 3,890	$ 500	$ 240,593	$ 82,254

Governmental	Bonds Payable	
Fiscal Year Ending June 30	Principal	Interest
2015	$ 31,480	$ 28,903
2016	23,350	31,594
2017	25,640	30,351
2018	105,614	28,048
2019	32,278	24,497
2020-2024	192,940	87,096
2025-2029	92,380	45,105
2030-2034	94,355	24,185
2035-2039	73,652	10,340
2040-2044	18,620	2,884
2045-2049	29,653	1,945
2050-2054	-	-
2055-2059	90,224	4,671
Total	$ 810,186	$ 319,619

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2014, annual debt service requirements of business-type activities to maturity are as follows (In thousands):

Business-type	Bonds Payable		Other Long-term Liabilites	
Fiscal Year Ending June 30	Principal	Interest	Principal	Interest
2015	$ 12,851	$ 6,880	$ -	$ -
2016	13,464	6,952	6,795	-
2017	14,686	6,465	-	-
2018	14,307	5,988	-	-
2019	11,651	8,631	-	-
2020-2024	22,023	82,194	-	-
2025-2029	29,231	37,718	-	-
2030-2034	9,535	381	-	-
Total requirements	127,748	155,209	6,795	-
Bond discount/premium, net	5,848	-	-	-
Loss on defeasance (net)	(655)	-	-	-
Total	$ 132,941	$ 155,209	$ 6,795	$ -

Discretely Presented Component Unit	Bonds Payable	
Fiscal Year Ending June 30	Principal	Interest
2015	$ 5,325	$ 2,940
2016	5,580	2,673
2017	5,880	2,380
2018	6,200	2,057
2019	6,540	1,716
2020-2022	22,060	2,699
Total requirements	51,585	14,465
Bond discount/premium, net	(366)	-
Total	$ 51,219	$ 14,465

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2014 (In thousands):

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Governmental Activities:				
Certificates of Participation:				
Court Financing (U.S. District Court Project)	$ 4,037	$ 479	$ -	$ 4,516
Bonds:				
Inland Empire Tobacco Securitization Authority	90,624	16,483	-	107,107
Total governmental-type activities	$ 94,661	$ 16,962	$ -	$ 111,623
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 61,113	$ 5,990	$ (4,322)	$ 62,781
Total business-type activities	$ 61,113	$ 5,990	$ (4,322)	$ 62,781

The accreted interest payable balances at June 30, 2014 represent accreted interest on the U.S. District Court project, the 2007 Inland Empire Tobacco Securitization Authority Bonds, and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project, $294.1 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $41.2 million for the 1997 A Hospital Serial Capital Appreciation Bonds. The total accreted value on the bonds and certificates upon maturity will be $7.2 million for the U.S. District Court Project, $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds and $3.5 billion for the 2007 Inland Empire Tobacco Securitization Authority Bonds. The County is under no obligation to make payments of accreted value of or redemption premiums, if any, or interest on the Series 2007 Bonds.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The increases of $17.0 million and $1.7 million represent current year's accretion for governmental activities and business-type activities respectively. The accumulated accretion for business-type activities is $62.8 million at June 30, 2014. The accumulated accretion for U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority in governmental activities is $111.6 million. The un-accreted balances at June 30, 2014 are $58.4 million for the 1997-A Hospital Riverside County Regional Medical Center (RCRMC) project, $2.7 million for the U.S. District Court, and $3.4 billion for the Inland Empire Tobacco Securitization Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation / Refunding

On July 1, 2013, Riverside Asset Leasing Corporation issued $66.0 million in lease revenue bonds. The Series 13A (Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) are being issued to acquire, construct, improve, furnish and equip buildings that will house the offices for the County of Riverside's Public Defender, Probation Department and Information and Technology Department. The new bonds have an interest rate of 3.0% to 5.0%.

In June 2014, CORAL issued $18.5 million in lease revenue bonds. The Series 2014 A and B are being issued to provide funds to: currently refund and defease all of the outstanding Taxable Refunding Certificates of Participation (Historic Courthouse Project) 2003 Series A, currently refund and defease all the outstanding County of Riverside Refunding Certificates of Participation (capital facilities projects), 2003 Series B, advance refund and defease all of the outstanding Taxable Refunding Certificates of Participation (Bankruptcy Court Project), Series 2003, and pay costs of issuance in connection with the issuance and delivery of the Series 2014 Bonds. The new bonds have an interest rate of 2.0% to 4.0%.

Defeasance of Debt

In April 2005, CORAL issued $22.6 million of Certificates of Participation, Series B (2005 Series B – Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund $21.1 million of the Historic Courthouse Certificates of Participation. Accordingly, the refunded certificates have been eliminated and the advance refunding certificates have been included in the financial statements. The amount of the defeased debt outstanding at June 30, 2014, was $705.0 thousand.

On December 2009, CORAL issued $24.7 million certificates of participation (2009 Larson Justice Center Project Refunding COP) to provide funds to refund and prepay the certificates of participation relating to 1998 Larson Justice Center Project with an outstanding principal amount of $23.7 million; to fund the reserve fund; and to pay certain cost of issuance incurred in connection with this refunding. The requisition price exceeded the net carry amount of the old debt by $1.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.7 million and a reduction of $1.5 million in future debt service payments.

In December 2009, CORAL also issued $45.7 million certificates of participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding COP) to provide funds to refund and redeem the certificates of participation relating to 2007 Series B Public Safety Communication Project with an outstanding principal amount of $37.4 million; to provide funds to refund; and retire the series 2006 Certificates of Participation Anticipation Note relating to Woodcrest Library Project with an outstanding principal amount of $6.0 million; to fund capitalized interest on a portion of the certificates of participation through July 1, 2012; to fund a security deposit with respect to Base Rental payable under the Sublease; and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carry amount of the old debts by $2.3 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.3 million and an addition of $6.9 million in future debt service payments.

On February 28, 2011, CORAL issued $5.5 million in private placement bonds (2011 Monroe Building) to provide funds to refund and redeem the notes payable relating to the 2007 Monroe Park Building loan with an outstanding principal amount of $5.4 million and to pay certain cost of issuance incurred in connection with this refunding. The reacquisition price exceeded the net carrying amount of the old debt by $140.0 thousand. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $527.2 thousand and a reduction of $339.2 thousand in future debt service payments.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

On February 2012, CORAL issued $33.4 million in lease revenue bonds (2012 County Administrative Center Refunding Projects) to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex with an outstanding principal amount of $31.4 million; to fund the reserve fund, and to pay certain costs of issuance incurred in connection with this refunding and to acquire two office buildings located in Indio, California. The requisition price exceeded the net carry amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $5.0 million and a reduction of $3.6 million in future debt service payments.

In July 2012, CORAL issued $90.5 million in lease revenue bonds (2012 Series A and Taxable Series B County of Riverside Capital Projects) to provide funds to refund and prepay CORAL's Leasehold Revenue Bonds, 1997 Series B with an outstanding principal amount of $64.4 million; to provide funds ($30.0 million) for improvements to the Medical Center Campus; deposit funds into the debt service reserve fund; and pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a redemption premium of $639.6 thousand for the 1997 Series B lease revenue bonds and a net premium of $6.9 million for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carry amount of the old debt by $26.6 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $8.0 million and a reduction of $7.1 million in future debt service payments.

In June 2014, CORAL issued $18.5 million in lease revenue bonds (2014 A & B Court Facilities Project) to provide funds mainly to refund in the 2003 A Historic Courthouse Projects, 2003 B Capital Facilities Project Refunding, and 2003 Bankruptcy Court Project (a County bond) with a total outstanding principal amount of $20.0 million; and to pay certain cost of issuance incurred in connection with this refunding. The refunding resulted in a premium of $756.0 thousand for the 2014 A and B Court Facilities Project. The reacquisition price exceeded the net carry amount of the old debt by $1.5 million. This amount is being netted against the new debt and amortized over the new debt life. The transaction resulted in an economic gain of $4.2 million and a reduction of $3.4 in future debt service payments.

Single Family and Multi-Family Mortgage Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income.

A total of $34.2 million of Mortgage Revenue Bonds have been issued and $29.7 million is outstanding as of June 30, 2014. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or assets of the County, and neither the full faith and credit nor the taxing authority of the County, the State, or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the basic financial statements.

Special Assessment Bonds

Various special districts in the County reporting entity have issued special assessment bonds, totaling $70.8 million at June 30, 2014, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds.

The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the agency funds.

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

NOTE 14 – NOTE LONG-TERM OBLIGATIONS (Continued)

Special Assessment Bonds (Continued)

The Flood Control has issued special assessment bonds, totaling $1.7 million as June 30, 2014, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the reserve fund into the redemption fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County issued $13.5 million of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the lease.

Interest Rate Swap

Objective of the Interest Rate Swap: As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008A Leasehold Revenue Bonds in the notional amount of $76.3 million. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.2%.

Terms: The bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million approximately matches a portion of $78.9 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000, and was amended and restated as of December 10, 2008. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty. The notional value of the swap and the principal amount of the associated debt decline starting in fiscal year 2014-2015. Under the amended and restated swap agreement, CORAL pays Wells Fargo Bank, N.A. a fixed payment rate of 5.2%. CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the bonds, expressed as a decimal, equal to 64.0% of the monthly London Interbank Offered Rate (LIBOR) in the relevant calculation period. Conversely, the bonds' variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA). Under GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap contract qualifies as a derivative financial instrument and a cash flow hedging. CORAL's net cash outflow or payment under the interest rate swap contract was $278.7 thousand for the year ended June 30, 2014.

Fair Value: As of June 30, 2014 and 2013, the swap had a negative fair value of $25.7 million and $26.8 million, respectively, an increase in fair value of $1.1 million occurred during the fiscal year 2013-14. The fair value was recorded in the County's statement of net position as interest rate swap liability and deferred outflow in the assets section. Because the coupons on the Southwest Justice Center Series 2008A Leasehold Revenue Refunding Bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value was the quoted market price from Wells Fargo Bank, N.A. at June 30, 2014.

Credit Risks: The swap counterparty was rated Aa3 by Moody's and AA- by Standard & Poor's and Fitch as of February 2013. The swap agreement specifies that if the long-term senior unsecured debt rating of Wells Fargo, N.A. is withdrawn, suspended or falls below BBB (Standard & Poor) or Baa2 (Moody's), a collateral agreement will be executed within 30 days or the fair value of the swaps will be fully collateralized by the counterparty.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Basis Risks: The swap exposes CORAL to basis risk should the relationship between London Interbank Offered Rate (LIBOR) and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2014, CORAL's rate was 64.0% of LIBOR, or 0.1%, whereas Municipal Swap Index or the reset rate on bonds was 0.1%. The synthetic rate on the bonds at June 30, 2014 was 5.2%.

Termination Risks: CORAL always has the right to terminate the swaps. Wells Fargo Bank, N.A. is limited in so far as both CORAL and the insurer are not performing. The swap may be terminated by CORAL if Wells Fargo Bank, N.A.'s credit quality rating falls below A- as issued by Standard & Poor's or A3 by Moody's. Additionally, the swaps may be terminated by Wells Fargo, N.A. if CORAL's credit quality rating falls below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's or if the bonds credit quality ratings fall below BBB+ as issued by Standard & Poor's or Baa1 as issued by Moody's. If the swaps are terminated, the variable rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swaps had negative fair values, CORAL, would be liable to Wells Fargo Bank, N.A. for a payment equal to the swaps' fair values.

Swap Payment and Associated Debt: Using rates as of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows (In thousands):

	Variable Rate Bonds			
Fiscal Year Ending June 30, 2014	Principal	Interest	Net Swap Payments	Total Interest
2015	$ -	$ 1,099	$ 2,835	$ 3,934
2016	2,470	1,078	2,781	3,859
2017	2,690	1,040	2,685	3,725
2018	2,895	1,000	2,580	3,580
2019	3,000	958	2,470	3,428
2020-2024	18,095	4,054	10,460	14,514
2025-2029	23,370	2,563	6,611	9,174
2030-2034	23,780	679	1,745	2,424
	$ 76,300	$ 12,471	$ 32,167	$ 44,638

As rates vary, variable-rate bond interest payments and net swap payments will vary.

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2014 (In thousands):

	Balance June 30, 2013	New Additions	Payments / Reclass	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 744,460	$ 84,510	$ (18,784)	$ 810,186	$ 31,480
Capital lease obligations	67,748	30,158	(18,084)	79,822	17,252
Certificates of participation	282,095	-	(41,502)	240,593	30,433
Loans payable	4,420	-	(530)	3,890	540
Total debt long-term liabilities	1,098,723	114,668	(78,900)	1,134,491	79,705
Other long-term liabilities:					
Accreted interest payable	94,661	16,962	-	111,623	-
Compensated absences (a)	165,728	30,453	(1,536)	194,645	101,615
Estimated claims liabilities (b)	130,919	49,424	(37,884)	142,459	34,262
Accrued remediation costs (c)	2,793	-	(219)	2,574	600
Total other long-term liabilities	394,101	96,839	(39,639)	451,301	136,477
Total governmental activities – long-term liabilities	$ 1,492,824	$211,507	$(118,539)	$ 1,585,792	$ 216,182

(a) General Fund, Special Revenue Fund, and Internal Service Fund are used to liquidate the compensated absences.
(b) Internal Service Funds are used to liquidate the estimated claims liabilities.
(c) General Fund is used to liquidate the remediation costs.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities (Continued)

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2014 (In thousands):

	Balance June 30, 2013	New Additions	Payments / Reclass	Balance June 30, 2014	Amounts Due Within One Year
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses	$ 143,710	$ -	$(10,769)	$ 132,941	$ 12,851
Capital lease (RMC)	7,224	681	(4,051)	3,854	2,324
Total debt long-term liabilities	150,934	681	(14,820)	136,795	15,175
Other long-term liabilities:					
Accreted interest payable	61,113	5,990	(4,322)	62,781	216
Accrued closure and post-closure costs	54,125	1,345	-	55,470	263
Compensated absences	24,061	3,100	(2,996)	24,165	11,432
Accrued remediation costs	36,665	-	(721)	35,944	156
OPEB obligation, net	113	13	-	126	-
Other long-term liabilities (a)	6,795	-	-	6,795	-
Total other long-term liabilities	182,872	10,448	(8,039)	185,281	12,067
Total business-type activities – long-term liabilities	$ 333,806	$ 11,129	$(22,859)	$ 322,076	$ 27,242
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 56,245	$ -	$ (5,026)	$ 51,219	$ 5,325
Other long-term liabilities:					
Compensated absences	279	82	(204)	157	87
Total discretely presented component unit – long-term liabilities	$ 56,524	$ 82	$ (5,230)	$ 51,376	$ 5,412

(a) The Housing Authority (Business-type Activity) has two notes payable, totaling $6.8 million, under "Other long-term liabilities."

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued $294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County tobacco assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County tobacco assets to the extent consisting of or relating to amounts due to the County after the first $11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County tobacco assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County tobacco assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 16.2% to the County and 83.8% to the Inland Empire Tobacco Securitization Authority for calendar year 2014. During the fiscal year ended June 30, 2014, $19.3 million was received by the Inland Empire Tobacco Securitization Authority; $10.0 million, or 51.9%, was distributed to the County per the above agreement, leaving $9.3 million, or 48.1%, of the specific tobacco settlement revenues available to be pledged (see page 135). The County is under no obligation to make payments of the principal or accreted value of or redemption premiums, if any, or interest on the Series 2007 bonds in the event that revenues are insufficient for the payment thereof.

**** Tobacco settlement revenue required to be paid to the State of California under the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, California, and six other U.S. jurisdictions, in November 1998 in settlement of certain cigarette smoking-related litigation.*

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

The Housing Authority 1998 bonds are secured by an agreement with the City of Corona, which has pledged to pay $218.0 thousand to the Housing Authority each year until the bonds are redeemed in their entirety on December 1, 2018. The bond indenture requires the Housing Authority to remit the entire $218.0 thousand received each year to the bond trustee to pay for the bond's annual debt service payments, which in fiscal year 2014 was $135.0 thousand (principal) and $83.0 thousand (interest).

The Housing Authority reports the $218.0 thousand received each year as revenue. In fiscal year 2013-14, the $218.0 thousand represented about 0.06% of the total expenses of the Housing Authority. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2014, before applying the deferred charge, was $885.0 thousand.

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8.0% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in-lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2014. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County, Flood Control and Park District was $38.4 million, $4.2 million and $386.7 thousand, respectively.

Authorized with the fiscal year 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100.0% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State of California. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The County participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. The receivable sale proceeds were equal to the book value and, as a result, no gain or loss was recorded.

NOTE 15 – DEFERRED INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the County recognized deferred inflows of resources in the governmental and government-wide financial statements. These items are an acquisition of net position by the County that is applicable to a future reporting period. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

The largest portions of the County's deferred inflows of resources are SB90 and Teeter tax loss reserve. SB90 is California SB 90 of 1972 which established a requirement that the State reimburse local government agencies for the costs of new programs or increased levels of service on programs mandated by the State. Teeter tax loss reserve pursuant to California Revenue and Taxation Code Section 4703 was established as a tax loss reserve fund for covering losses that may occur in the amount of tax liens as a result of special sales of tax defaulted property.

Deferred inflows of resources balances for the year ended June 30, 2014 were as follows (In thousands):

	Balance June 30, 2014
Governmental activities:	
General Fund:	
SB 90	$ 40,740
Teeter tax loss reserve	19,706
Property tax	5,095
Sales tax	388
Total general fund	65,929
Flood Control Special Revenue Fund:	
Property tax	981
Special assessments	63
Total special revenue fund	1,044
Total governmental activities	$ 66,973
Business-type activities:	
Housing Authority Fund:	
Grants received in advance	$ 722
Waste Management Fund:	
Service concession arrangement	7,962
Total business-type activities	$ 8,684

NOTE 16 – FUND BALANCES

Fund balances that presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned. (See Note 1 for a description of each categories. A detailed schedule of fund balances as of June 30, 2014 is as follows (In thousands):

	Major Funds				
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Total Major Governmental Funds
Fund balances:					
Nonspendable					
Inventory	$ 1,682	$ 1,089	$ -	$ -	$ 2,771
Prepaid items	-	-	-	-	-
Imprest cash	363	12	1	-	376
Permanent fund	-	-	-	-	-
Total nonspendable	**2,045**	**1,101**	**1**	**-**	**3,147**
Restricted					
Aging	-	-	-	-	-
Air quality planning	446	-	-	-	446
Auto theft interdiction	417	-	-	-	417
CAP local intitiative program	-	-	-	-	-
Child support services	126	-	-	-	126
Code enforcement	81	-	-	-	81
Construction & capital projects	-	-	-	98,262	98,262
Court services	13,165	-	-	-	13,165
Debt services	1,674	-	-	-	1,674
Developer impact fees	1,090	-	-	-	1,090
District attorney	19,002	-	-	-	19,002
Domestic violence	1,390	-	-	-	1,390
Education	88	-	-	-	88
Emergency medical services	6,119	-	-	-	6,119
Equipment	-	676	-	-	676
Environmental health	268	-	-	-	268
Public facilities	285	-	-	23,636	23,921
Fire protection	-	-	-	1,950	1,950
Geographical info system	-	-	-	-	-
Hazmat	2,993	-	-	-	2,993
HUD/CDBG home grants	-	-	-	-	-
Humane services	203	-	-	-	203
Landscape maintenance	-	3,360	-	-	3,360
Libraries	-	-	-	-	-
Lightings maintenance	-	-	-	-	-
Mental health	7,220	-	-	-	7,220
Modernization	11,549	-	-	-	11,549
NPDES	-	-	-	-	-
Other purposes	3,559	-	-	-	3,559
Parks and recreation	-	-	-	12	12
Probation	113	-	-	-	113
Public assistance	2,701	-	-	-	2,701
Public defender	333	-	-	-	333
Public health	745	-	-	-	745
Public protection	-	-	-	-	-
Public safety revenue	29,089	-	-	-	29,089
Roads	-	58,731	-	-	58,731
Sheriff patrol	7,093	-	-	-	7,093
Teeter tax losses	7,846	-	-	-	7,846
Total restricted	**117,595**	**62,767**	**-**	**123,860**	**304,222**

Note: Encumbrances - see Note 23– Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds	Total Governmental Funds	
Nonmajor Funds						
						Fund balances:
						Nonspendable
$ -	$ -	$ -	$ -	$ -	$ 2,771	Inventory
14	-	580	-	594	594	Prepaid items
106	-	-	-	106	482	Imprest cash
-	-	-	508	508	508	Permanent fund
120	**-**	**580**	**508**	**1,208**	**4,355**	**Total nonspendable**
						Restricted
544	-	-	-	544	544	Aging
-	-	-	-	-	446	Air quality planning
-	-	-	-	-	417	Auto theft interdiction
1,269	-	-	-	1,269	1,269	CAP local intitiative program
-	-	-	-	-	126	Child support services
-	-	-	-	-	81	Code enforcement
-	-	27,262	-	27,262	125,524	Construction & capital projects
-	-	-	-	-	13,165	Court services
-	78,253	-	-	78,253	79,927	Debt services
-	-	-	-	-	1,090	Developer impact fees
-	-	-	-	-	19,002	District attorney
-	-	-	-	-	1,390	Domestic violence
198	-	-	-	198	286	Education
-	-	-	-	-	6,119	Emergency medical services
-	-	-	-	-	676	Equipment
-	-	-	-	-	268	Environmental health
-	-	-	-	-	23,921	Public facilities
5,072	-	-	-	5,072	7,022	Fire protection
1,144	-	-	-	1,144	1,144	Geographical info system
-	-	-	-	-	2,993	Hazmat
1,472	-	-	-	1,472	1,472	HUD/CDBG home grants
-	-	-	-	-	203	Humane services
-	-	-	-	-	3,360	Landscape maintenance
25,803	-	-	-	25,803	25,803	Libraries
7,004	-	-	-	7,004	7,004	Lightings maintenance
-	-	-	-	-	7,220	Mental health
-	-	-	-	-	11,549	Modernization
5,858	-	95	-	5,953	5,953	NPDES
2,286	-	-	-	2,286	5,845	Other purposes
805	-	1,418	-	2,223	2,235	Parks and recreation
-	-	-	-	-	113	Probation
1,102	-	-	-	1,102	3,803	Public assistance
-	-	-	-	-	333	Public defender
9,024	-	-	-	9,024	9,769	Public health
5,134	-	-	27	5,161	5,161	Public protection
-	-	-	-	-	29,089	Public safety revenue
6,578	-	-	-	6,578	65,309	Roads
1,791	-	-	-	1,791	8,884	Sheriff patrol
-	-	-	-	-	7,846	Teeter tax losses
75,084	**78,253**	**28,775**	**27**	**182,139**	**486,361**	**Total restricted**

NOTE 16 – FUND BALANCES (Continued)

	Major Funds				
	General Fund	Transportation	Flood Control	Public Facilities Improvements Capital Projects	Total Major Governmental Funds
Fund balances:					
Committed					
Code enforcement	$ -	$ 1,658	$ -	$ -	$ 1,658
Community improvement	565	-	-	-	565
Construction & capital projects	-	374	-	3,000	3,374
Developer impact fees	-	-	-	-	-
Disaster relief	15,000	-	-	-	15,000
District attorney	32	-	-	-	32
EDA special projects	-	-	-	-	-
Education	-	-	-	-	-
Environmental programs	1,910	212	-	-	2,122
Facilities	1,000	-	-	-	1,000
NPDES	-	-	7,799	-	7,799
Other purposes	331	-	-	-	331
Parks	-	-	-	-	-
Planning	142	-	-	-	142
DPSS realignment growth	4,300	-	-	-	4,300
SB90	1,380	-	-	-	1,380
Sheriff correction	7,573	-	-	-	7,573
Solar program	-	-	-	-	-
Youth protection	587	-	-	-	587
Flood protection	-	-	250,781	-	250,781
Total committed	**32,820**	**2,244**	**258,580**	**3,000**	**296,644**
Assigned					
Air quality	-	-	-	-	-
Airports	-	-	-	-	-
California children services	343	-	-	-	343
Capital improvement projects	5	-	-	754	759
Code enforcement	50	-	-	-	50
Construction & capital projects	-	-	-	7,049	7,049
Debt service	-	-	-	-	-
EDA special projects	-	-	-	-	-
Equipment	-	4,414	-	-	4,414
Humane services	247	-	-	-	247
Low income health prog	1,610	-	-	-	1,610
Other purposes	980	-	-	-	980
Parks	-	-	-	-	-
Probation	3,438	-	-	-	3,438
Public health	751	-	-	-	751
RCIT radio project	-	-	-	-	-
Registrar of voters	200	-	-	-	200
Roads	-	9,649	-	-	9,649
Special assessments	-	-	-	-	-
Veterans	148	-	-	-	148
Total assigned	**7,772**	**14,063**	**-**	**7,803**	**29,638**
Unassigned	**203,444**	**-**	**-**	**-**	**203,444**
Total fund balances	**$ 363,676**	**$ 80,175**	**$ 258,581**	**$ 134,663**	**$ 837,095**

Note: Encumbrances - see Note 23 – Contingencies and Commitments

NOTE 16 – FUND BALANCES (Continued)

Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds	Total Governmental Funds	
Nonmajor Funds						
						Fund balances:
						Committed
$ -	$ -	$ -	$ -	$ -	$ 1,658	Code enforcement
-	-	-	-	-	565	Community improvement
-	-	-	-	-	3,374	Construction & capital projects
5,408	-	-	-	5,408	5,408	Developer impact fees
-	-	-	-	-	15,000	Disaster relief
-	-	-	-	-	32	District attorney
1,871	-	-	-	1,871	1,871	EDA special projects
330	-	-	-	330	330	Education
-	-	-	-	-	2,122	Environmental programs
-	-	-	-	-	1,000	Facilities
-	-	-	-	-	7,799	NPDES
-	-	-	-	-	331	Other purposes
1,182	-	-	-	1,182	1,182	Parks
-	-	-	-	-	142	Planning
-	-	-	-	-	4,300	DPSS realignment growth
-	-	-	-	-	1,380	SB90
-	-	-	-	-	7,573	Sheriff correction
959	-	-	-	959	959	Solar program
-	-	-	-	-	587	Youth protection
-	-	-	-	-	250,781	Flood protection
9,750	**-**	**-**	**-**	**9,750**	**306,394**	**Total committed**
						Assigned
36	-	-	-	36	36	Air quality
2,161	-	-	-	2,161	2,161	Airports
-	-	-	-	-	343	California children services
-	-	16,666	-	16,666	17,425	Capital improvement projects
-	-	-	-	-	50	Code enforcement
-	-	-	-	-	7,049	Construction & capital projects
-	2,152	-	-	2,152	2,152	Debt service
494	-	-	-	494	494	EDA special projects
-	-	-	-	-	4,414	Equipment
-	-	-	-	-	247	Humane services
-	-	-	-	-	1,610	Low income health prog
5,352	-	-	-	5,352	6,332	Other purposes
3,443	-	-	-	3,443	3,443	Parks
-	-	-	-	-	3,438	Probation
-	-	-	-	-	751	Public health
-	-	253	-	253	253	RCIT radio project
-	-	-	-	-	200	Registrar of voters
-	-	-	-	-	9,649	Roads
1,813	-	-	-	1,813	1,813	Special assessments
-	-	-	-	-	148	Veterans
13,299	**2,152**	**16,919**	**-**	**32,370**	**62,008**	**Total assigned**
-	**-**	**-**	**-**	**-**	**203,444**	**Unassigned**
$ 98,253	**$ 80,405**	**$ 46,274**	**$ 535**	**$ 225,467**	**$ 1,062,562**	**Total fund balances**

NOTE 17 – RISK MANAGEMENT

The County is self-insured for general liability, medical malpractice, and workers' compensation claims. The County records estimated liabilities for general liability, medical malpractice, and workers' compensation claims filed or estimated to be filed for incidents that have occurred. Estimated liability accruals include those incidents that are reported as well as an amount for those incidents that incurred but are not reported (IBNR) at fiscal year end. The funding of these estimates is based on actuarial experience and projections. The County fully self-insures short-term disability and unemployment insurance. Life insurance and long-term disability programs are fully insured. Depending on the plan, group health, dental, and vision may be either self-insured or fully insured.

The County supplements its self-insurance for general liability, medical malpractice, and workers' compensation with catastrophic excess insurance coverage. General liability utilizes a policy providing coverage on a per occurrence basis. Limits under the policy are $10.0 million, subject to a self-insured retention (SIR) of $1.0 million for each occurrence. A SIR is a form of a deductible. The County also purchases an additional $15.0 million per occurrence in excess of the $10.0 million for a total of $25.0 million in limits. Medical malpractice utilizes an excess policy providing coverage on a per occurrence basis. Limits under the malpractice policy are $20.0 million subject to a SIR of $1.1 million. The maximum limit under the excess workers' compensation, Section A, is statutory (unlimited); Section B, employer liability is $5.0 million per claim. Section A is subject to a $2.0 million SIR for each accident, employee injury, or disease. Settlements have not exceeded coverage for each of the past three fiscal years.

The County's property insurance program provides insurance coverage for all risks subject to a $50.0 thousand per occurrence deductible; flood coverage is subject to a 2.0% deductible per unit within a 100-year flood zone and $25.0 thousand per unit deductible outside a 100-year flood zone. (A 'unit' is defined as; a separate building, contents in a separate building, property in the open (yard) or, time element coverage in a separate building.) The County's property is categorized into four towers and the overall all risk coverage is $600 million. Earthquake (covering scheduled locations equal to or greater than $1.0 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of $90.0 million with an additional $290.5 million excess rooftop limit available to any one tower. The excess rooftop limit may be triggered during the policy year if a covered earthquake event somewhere in the state has depleted the initial underlying limits. Earthquake coverage is subject to a deductible equal to 5.0% of replacement cost value per unit subject to a $100.0 thousand minimum per unit. Boiler and machinery provide up to $100.0 million in limits, with various deductibles. The limits in each tower are shared with other counties on a per event basis. Should a catastrophic event occur and losses exceed the limits, the County would be responsible.

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2014 are reported in these funds. Where certain ISF funds have an accumulated deficit or insufficient reserves, the County provides funding to reduce the deficit and increase the reserves. If the funding is above the Board of Supervisors approved 70.0% confidence level, an appropriate reduction in funding including a one-time holiday on department charges may be granted. For fiscal year 2013-14 the Board of Supervisors approved continued reduced funding at slightly below the 55.0% confidence level for the general liability ISF and for the workers' compensation ISF. Funding for the medical malpractice ISF was at the 70.0% confidence level. Revenues for these internal service funds are primarily provided by other county departments and are intended to cover the self-insured claim payments, insurance premiums, and operating expenses. The revenue is not used to cover catastrophic events and other uninsured liabilities. Cash available in the risk management and workers' compensation ISF at June 30, 2014 plus revenues to be collected during fiscal year 2014-2015 are expected to be sufficient to cover all fiscal year 2014-15 payments. The carrying amount of unpaid claim liabilities is $142.5 million. The liabilities are discounted at 2.0% for general liability and medical malpractice and 2.5% for workers' compensation.

	June 30, 2013	June 30, 2014
Unpaid claims, beginning of year	$ 130,438	$ 130,919
Increase (decrease) in provision for insured events of prior years	(2,148)	2,840
Incurred claims for current year	44,713	46,584
Claim payments	(42,084)	(37,884)
Unpaid claims, end of year	$ 130,919	$ 142,459

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS

The RMC provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP) and Low Income Health Plan (LIHP) which ended on December 31, 2013 and was replaced by the Medi-Cal Managed Care AB85 Expansion Program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. The RMC is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the RMC and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited the RMC's Medicare cost reports thru June 30, 2012 and Medi-Cal cost reports through June 30, 2012. The RMC has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2012. For Medi-Cal Fee for Service, the RMC is final settled thru the California public hospital P-14 cost reports. Notice of final settlement has been received thru June 30, 2007.

In September 2005, the State of California significantly modified its Medi-Cal program under a new waiver with the Centers for Medicare and Medicaid Services (CMS). In connection with the new waiver, the State legislature passed the Medi-Cal Hospital Uninsured Demonstration Project Act, or SB 1100, which replaced the SB 855 and SB 1255 programs. For the SB 1100 program, the State continues to provide supplemental payments to the hospital for uncompensated care. However, the use of intergovernmental transfers (IGTs) by the State, as the non-federal match, was modified to a methodology consisting of CPEs up to 50 percent of costs or Federal Medical Assistance Program (FMAP) rate. The Regional Medical Center has recorded net patient revenue of $89.2 million for SB 1100 for the fiscal year ended June 30, 2014, of which $35.7 million is from the Delivery System Reform Incentive Program (DSRIP), a waiver incentive based payment component of the Section 1115 Medicaid Waiver.

All CPEs reported by the hospital will be subject to state and federal audit and final reconciliation process. If at the end of the final reconciliation process it is determined that the hospital's claimed CPEs resulted in an overpayment to the state, the hospital may be required to return the overpayment whether or not they received the federal matching funds.

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS

Under Title I (Section 6500 et seq.) of the Government Code, the County has participated in jointly governed organizations with various entities for a variety of purposes. The board of directors for each of these organizations is composed of one representative of each member organization. The County maintains no majority influence or budgetary control over the following entities and County transactions with these jointly governed organizations are not material to the financial statements. The following jointly governed organizations were not included as either blended or discretely presented component units in these financial statements.

A representation of the jointly governed organizations on which the County served at June 30, 2014 follows:

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

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Coachella Valley Association of Governments was formed in November 1973. Currently, the association includes the following members: the cities of Blythe, Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, and Rancho Mirage; the local tribes of Agua Caliente Band of Cahuilla Indians and the Cabazon Band of Mission Indians; and Riverside County. The purpose of the Association is to conduct studies and projects designed to improve and coordinate the common governmental responsibilities and services on an area-wide and regional basis.

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

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

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

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

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

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

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

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

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

Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan were formed in January 2004 with the responsibility of issuing the permits required to implement the Multi-Species Habitat Conservation Plan, which will ultimately create a 500,000-acre reserve system in the County. The conservation plan's proposed reserve system protects habitat for 146 varieties of species.

Coachella Valley Conservation Commission (CVCC) was formed in October 2005. The CVCC is a Joint Powers Agreement Agency comprised of the cities of Coachella, Cathedral City, Desert Hot Springs, Indian Wells, Indio, La

NOTE 19 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

Quinta, Palm Desert, Palm Springs, Rancho Mirage, Riverside, and the Coachella Valley Water District as well as the Imperial Irrigation District. The purpose of the CVCC was to implement the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP). The CVMSHCP goal is to enhance and maintain biological diversity and ecosystem processes while allowing future economic growth.

Southern California Regional Airport Authority (SCRAA) was originally founded in 1985 by the joint powers authority to begin the process of regionalizing aviation. It has been reactivated in an attempt to reduce projected future passenger loads at Los Angeles International Airport (LAX), by spreading the growth in commercial air traffic to other regional airports. The Southern California Association of Governments (SCAG) has also coordinated dispersal planning of the significant new MAP (million air passengers) that would have to be absorbed at other airports if LAX's future MAP is reduced.

Coachella Valley Enterprise Zone Authority (CVEZA) was formed in September 2010 by the Joint Powers Agreement comprised of the County of Riverside, the City of Indio, and the City of Coachella. The purpose of the authority is to manage, coordinate, market, and administer economic development programs and projects in the enterprise zone areas.

NOTE 20 – RETIREMENT PLAN

Plan Descriptions

The County, Flood Control, Park District, and Waste Management contract with the CalPERS to provide retirement benefits to its employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and plan beneficiaries. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance.

CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual actuarial valuation report which summarizes plan assets, liabilities, and employer rates for its plans. Under GASB Statement No. 27*, both the County (Miscellaneous and Safety) and Flood Control are considered single-employer defined benefit pension plans, while the Park District and Waste Management are considered cost-sharing multi-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS CAFR may be obtained from: California Public Employees' Retirement System, 400 Q Street, P.O. Box 942701, Sacramento, CA 94229-2701.

**GASB Statement No. 68 replaces GASB Statement No. 27 effective the first fiscal year beginning after June 15, 2014. GASB 68 will require additional reporting.*

Funding Policy

Active plan members in CalPERS may be required to contribute up to 8.0% (Miscellaneous employees) and up to 9.0% (Safety employees) of their annual covered salary as specified in the governing Memorandum of Understanding or as provided by state statue.

The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used to establish the employer contribution rate are adopted by the CalPERS Board of Administration. The County, Flood Control, Park District, and Waste Management are required to contribute the actuarially determined annual required contributions necessary to fund the plans.

NOTE 20 – RETIREMENT PLAN (Continued)

Public Employees' Pension Reform Act (PEPRA)

For some time, pension reform has been a topic of debate at local and national levels. Riverside County took the lead in initiating pension reform with its bargaining units. As a result of bargaining, County employees were required to pay their Employee Paid Member Contribution (EPMC), and a new retirement Tier (Tier II) was added to both the Miscellaneous and Safety units of the County. At the same time, Governor Brown initiated proposals that resulted in changes to the pension benefits. Due to the recent passage of Assembly Bill (AB) 340, which created the Public Employees' Pension Reform Act (PEPRA), new lower retirement benefit formulas, final compensation periods, and new contribution requirements were implemented for new employees hired on or after January 1, 2013. The lower retirement benefit formula as a result of PEPRA (Tier) III is 2% at 62 for Miscellaneous and 2.7% at 57 for Safety. Employee contribution rates for Tier III vary based on PEPRA rules. Listed below is a table with the new retirement options and provision changes.

	Plan	EPMC	Earliest Retirement Age	PEPRA Compensation Limits	Final Compensation	Effective Date
County Plan Tier I						
Miscellaneous	3.0% at 60	Yes	50	N/A	12 months	N/A
Safety	3.0% at 50	Yes	50	N/A	12 months	N/A
County Plan Tier II						
Miscellaneous	2.0% at 60	No	50	N/A	36 months	8/23/2012
Safety	2.0% at 50	No	50	N/A	36 months	8/23/2012
County Plan Tier III(PEPRA)						
Miscellaneous	2.0% at 62	No	52	$ 115,064	36 months	1/1/2013
Safety	2.7% at 57	No	50	138,077	36 months	1/1/2013

Early Retirement Incentive

In fiscal year 2009-10, the County's Board of Supervisors authorized three early retirement incentives for all Miscellaneous and Safety members, excluding Elected Officials covered by the CalPERS Local Miscellaneous and Local Safety contracts (see table below for participation detail). The Early Retirement Incentives offered eligible employees who elected to retire within a designated time period specified by the County, two additional years of service. Eligibility provisions for the Early Retirement Incentive required employees to be in specified job classifications, attainment of at least age 50, and completion of five (5) or more years of service credit with the County.

The County has the option to pay for the cost of each early retirement incentive in a single payment or spread the cost over a 20-year period. The County has elected to pay the cost over a 20-year period. The additional cost will result in increased employer contribution rates and will be payable two years after the end of the fiscal year in which the early retirement incentive window closes.

Early Retirement Incentive Table

Early Retirement Incentive	Window Periods	Total Eligible Employees	Employees Electing Early Retirement Incentive	Estimated Increase in Employer Contribution Rate	FY in Which Employer Contribution Rate will Increase
Local Miscellaneous	01/01 - 03/31/2009	3,400	678	0.4%	2011/2012
Local Safety	07/11 - 10/08/2009 (1) 07/15 - 10/13/2009 (2)	653	151	0.4%	2012/2013
Local Miscellaneous	02/11 - 08/09/2010	3,597	578	0.3%	2013/2014

(1) = District Attorney (2) = Sheriff

NOTE 20 – RETIREMENT PLAN (Continued)

For fiscal year 2013-14, the employer and employee contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
County contribution rates:					
County Tier I	15.6%	24.1%	17.7%	17.4%	20.6%
County Tier II	15.6%	24.1%	17.7%	8.6%	N/A
County Tier III	15.6%	24.1%	17.7%	6.7%	N/A
Plan Members contribution rates					
County Tier I	8.0%	9.0%	8.0%	8.0%	8.0%
County Tier II	7.0%	9.0%	7.0%	7.0%	N/A
County Tier III	6.5%	10.8% *	6.5%	6.5%	N/A

*During the term of Memorandum of Understanding (MOU), the employee contributions pursuant to the cost-sharing provision cannot exceed less than that which the employees are obligated under the MOU to contribute.

Annual Pension Cost

For fiscal year 2013-14, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (In thousands):

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Annual required contribution	$ 130,936	$ 70,751	$ 2,803	$ 839	$ 478
Interest on net pension obligation (asset)	(26,141)	(7,201)	(129)	-	-
Adjustment to annual required contribution	20,187	5,561	341	-	434
Annual pension cost	124,982	69,111	3,015	839	912
Contributions made	(130,936)	(70,751)	(2,876)	(839)	(478)
Increase (decrease) in net pension obligation (asset)	(5,954)	(1,640)	139	-	434
Net pension obligation (asset) beginning of year	(348,545)	(96,010)	(1,667)	-	(648)
Net pension obligation (asset) end of year	$ (354,499)	$ (97,650)	$ (1,528)	$ -	$ (214)

NOTE 20 – RETIREMENT PLAN (Continued)

Three-Year Trend Information
(In thousands)

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
County - Miscellaneous	June 30, 2012	$ 101,805	106.5 %	$ (341,828)
	June 30, 2013	105,898	106.3	(348,545)
	June 30, 2014	124,982	104.8	(354,499)
County - Safety	June 30, 2012	56,859	103.2	(94,160)
	June 30, 2013	60,209	103.1	(96,010)
	June 30, 2014	69,111	102.4	(97,650)
Flood Control	June 30, 2012	2,710	94.9	(1,806)
	June 30, 2013	2,991	95.4	(1,667)
	June 30, 2014	3,015	95.4	(1,528)
Park District	June 30, 2012	793	100.0	-
	June 30, 2013	851	100.0	-
	June 30, 2014	839	100.0	-
Waste Management	June 30, 2012	937	53.7	(1,082)
	June 30, 2013	912	52.4	(648)
	June 30, 2014	912	52.4	(214)

Actuarial Methods and Assumptions

The following information is reflective as of the most recent actuarial valuation:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Actuarial valuation	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Asset valuation method	Market Value	Market Value	Market Value	Market Value	Market Value
Actuarial assumptions:					
Investment rate of return	7.5%	7.5%	7.5%	7.5%	7.5%
Projected salary increases*	3.3%-14.2%	3.3%-14.2%	3.3%-14.2%	3.3%-14.2%	3.3%-14.2%
Inflation	2.8%	2.8%	2.8%	2.8%	2.8%
Payroll growth	3.0%	3.0%	3.0%	3.0%	3.0%

* Projected salary increases vary depending on Age, Service, and Type of Employment.

NOTE 20 – RETIREMENT PLAN (Continued)

Funded Status and the Funding Progress

The following is funded status information for each plan as of June 30, 2014, which is the most recent actuarial valuation date (In thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (Excess of assets over AAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b-a)/c)
County - Miscellaneous	$ 3,974,442	$ 5,008,807	$ 1,034,365	79.35 %	$ 856,593	120.75 %
County - Safety	1,776,122	2,285,586	509,464	77.71	271,367	187.74
Flood Control	102,350	138,854	36,504	73.71	14,937	244.39
Park District**	903,411	1,081,962	178,551	83.50	153,162	116.58
Waste Management**	903,411	1,081,962	178,551	83.50	153,162	116.58

**The amounts disclosed reflect the entire Risk Pool fund in which Park District and Waste Management are included and does not represent their specific assets and liabilities. CalPERS Risk Pool valuation does not report specific assets and liabilities separately.

The Schedule of Funding progress presented as required supplementary information (RSI), following the notes to the financial statements, presents multi-year trend information on whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

NOTE 21 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Contribution Information

Plan Description. The County provides a part-time and temporary employees' retirement plan (the Plan) to provide retirement benefits to eligible employees as a substitute for benefits under social security. The Plan is an IRS Section 401(a) defined benefit plan. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's investment consultant, investment manager and trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value. Participants are immediately 100% vested in the Plan upon enrollment. No financial report has been issued separately for public view under defined benefit pension plan.

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 01, 2013 valuation, the County's current required contribution rate is 0.78%, however, the County elected to contribute 2.6 % of payroll in order to obtain a 90.0% target funded ratio within 5 years. The Plan's current funded ratio is 93.4%. The Plan actuary annually calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Membership for the plan consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Number of participants:	
Active plan members	1,919
Terminated and inactive members	7,142
Retirees	180
Total	9,241

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies

Basis of Accounting. The pension plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments. Prior to the transition to U.S. Bank, investments of the pension trust were fully invested in the County pool and reported at fair value. On September 28, 2010 Plan Investments were transferred to the new Trustee and Investment Manager, U.S. Bank. U.S. Bank invests Plan funds according to the Plan's Investment Policy. As of June 30, 2014, assets were invested in cash equivalents (1.0%), equities (67.0%), and fixed income (32.0%).

Schedule of Annual Pension Cost and the Net Pension Obligation (NPO) for 2014 and the two preceding years were as follows (In thousands):

Fiscal Year Ending	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to the ARC	Annual Pension Cost	Actual Contribution	NPO End of Year	Percentage Contributed
2012	$ 160	$ (240)	$ (747)	$ (827)	$ 559	$ (5,071)	68.00 %
2013	622	(330)	446	738	946	(5,279)	128.00
2014	335	(353)	378	360	968	(5,887)	268.89

Annual Pension Cost and Net Pension Obligation (In thousands):

Annual required contribution	$ 335
Interest on net pension obligation (asset)	(353)
Adjustment to annual required contribution	378
Annual pension cost	360
Contributions made	(968)
Increase (decrease) in net pension obligation (asset)	(608)
Net pension obligation (asset) beginning of year	(5,279)
Net pension obligation (asset) end of year	$ (5,887)

Schedule of Funding Progress

The funded status of the Plan as of July 1, 2013, the most recent actuarial valuation date and the two preceding years were as follows (In thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$ 23,063	$ 27,079	$ 4,016	85.17 %	$ 33,657	11.93 %
July 1, 2012	23,654	24,307	653	97.31	32,424	2.01
July 1, 2013	26,805	28,706	1,901	93.38	33,139	5.74

NOTE 21 – DEFINED BENEFIT PENSION PLAN (Continued)

The schedules of funding progress, presented as required supplementary information (RSI), following the notes to the financial statement, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Methods and Assumptions

The following information is as of the date of the most recent actuarial valuation:

Valuation date	7/1/2013
Actuarial cost method	Projected Unit Credit
Amortization method	Level-Dollar Projected Payroll
Remaining amortization period	20 years - Open
Asset valuation method	Market Value plus Receivables
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	3.0%
Inflation rate	3.0%

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County of Riverside (County) and its Special Districts: Flood Control and Water Conservation District (Flood Control); Regional Parks and Open-Space District (Park District); and Waste Management offer post employment benefits to eligible County retirees. Benefit provisions are established and amended through negotiations between the County and the various bargaining units.

The post employment benefits provide:

- The County provides retiree medical benefits for eligible retirees enrolled in County sponsored plans. The benefits are provided in the form of:
  - Monthly County contributions toward the retiree's medical premium, and
  - Monthly contributions of $25 per month to the Riverside Sheriffs' Association (RSA) Benefit Trust for RSA law enforcement retirees.
- Previously, the County allowed certain retirees to receive coverage prior to age 65 by paying premiums that were developed by blending active and retiree costs, which resulted in an implicit subsidy to retirees. The implicit subsidy has been discontinued since January 1, 2011.

A qualified Internal Revenue Code Section 115 Trust has been established for the County and Special Districts, with the exception of Waste Management, with the California Employers' Retiree Benefit Trust (CERBT) for the purpose of receiving employer contributions that will prefund health and other post employment costs for retirees and their beneficiaries. The CERBT administers each plan's assets and issues a financial report available for public review, which includes financial statements and required supplementary information for the trust fund. The CERBT report may be obtained from CalPERS Affiliate Programs Services Division, CERBT (OPEB), P.O. Box 1494 Sacramento, CA 95812-1494.

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funding Policy and Annual OPEB Cost

It is the policy of the County of Riverside, along with the special districts (Park District and Flood Control) to fully contribute an amount at least equal to the Annual Required Contribution (ARC), as determined by the Post Retirement Benefits Actuarial Valuation Study for each trust. To facilitate funding for the ARC, the County has developed a rate structure. It is the policy of the Waste Management to fund the ARC on a pay-as-you-go basis.

Contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the respective bargaining units. The liabilities and annual cost due to the County's contractual agreements to assist with retiree health care cost are calculated in accordance with Government Accounting Standards Board (GASB) Statement No. 45. GASB requires an Annual Required Contribution (ARC) to be developed each year based on the Plan's assets and liabilities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (12 years for Waste Management).

The County's annual OPEB cost for the current year and the related information for each plan are as follows (In thousands, except for contribution rates):

	County	Flood Control	Park District	Waste Management
Contribution rates:				
County	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$403-$964	$403-$964	$403-$964	$403-$964
Annual required contribution	$ 2,343	$ 18	$ -	$ 126
Interest on net OPEB obligation	(1,882)	(41)	(21)	-
Adjustment to annual required contribution	1,513	35	16	(110)
Annual OPEB cost	1,974	12	(5)	16
Contributions made	(2,343)	(50)	(9)	(3)
Increase in net OPEB obligation (asset)	(369)	(38)	(14)	13
Net OPEB obligation (asset) beginning of year	(25,575)	(539)	(285)	113
Net OPEB obligation (asset) end of year	$ (25,944)	$ (577)	$ (299)	$ 126

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years for each of the plans were as follows (In thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/12	$ 2,119	181.1 %	$ (22,836)
	06/30/13	2,272	220.6	(25,575)
	06/30/14	1,974	118.7	(25,944)
Flood Control	06/30/12	16	437.5	(483)
	06/30/13	13	530.8	(539)
	06/30/14	12	416.7	(577)
Park District	06/30/12	(2)	200.0	(277)
	06/30/13	(4)	100.0	(285)
	06/30/14	(5)	180.0	(299)
Waste Management	06/30/12	(26)	88.4	-
	06/30/13	117	3.4	113
	06/30/14	16	18.8	126

NOTE 22 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress

The following is funded status information for each plan as of June 30, 2014, which is the most recent actuarial valuation date (In thousands):

	County	Flood Control	Park District	Waste Management
Actuarial accrued liability (a)	$ 43,829	$ 546	$ 132	$ 982
Actuarial value of plan assets (b)	26,764	407	259	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 17,065	$ 139	$ (127)	$ 982
Funded ratio (b) / (a)	61.1%	74.5%	196.2%	0.0%
Covered payroll (c)	$ 1,096,375	$ 15,688	$ 4,607	$ 2,495
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	1.6%	0.9%	-2.8%	39.4%

Actuarial valuations are estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the Annual Required Contributions (ARC) of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are projected about the future. The required schedule of funding progress, presented as required supplementary information, provides multi-year trend information reflecting whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant costing methods and projected assumptions were as follows:

	County	Flood Control	Park District	Waste Management
Actuarial valuation date	7/1/2013	7/1/2013	7/1/2013	7/1/2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, open	Level percentage of Payroll, close
Remaining amortization period	30 years	30 years	30 years	10 years
Actuarial assumptions:				
Investment rate of return	7.4%	7.4%	7.4%	4.5%
Projected salary increases	3.0%	3.0%	3.0%	3.0%
Healthcare inflation rate (initial)	5.0%	10.0%	10.0%	10.0%
Healthcare inflation rate (ultimate)	4.0%	5.0%	5.0%	5.0%
Inflation rate	2.8%	2.8%	2.8%	3.0%

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Lawsuits and Other Claims

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

Property Tax Administration Fee

On July 7, 2010, the Court of Appeal of the State of California issued a decision in favor of the cities and against the County of Los Angeles in a case brought by 47 cities regarding the calculation of Property Tax Administration Fees (PTAF). The legal issue in dispute is whether counties can include “flip” and “swap” revenues in the calculation of administrative costs that counties recover from cities. At the trial court level, the court-appointed Referee had concluded that the County of Los Angeles’ calculation of the PTAF starting in fiscal year 2006-07 comported with Section 97.75 of California’s Revenue and Taxation Code. The Court of Appeal reversed the judgment and remanded for further proceedings, holding that the County of Los Angeles’ method of calculating its fee under Section 97.75 was unlawful. It is expected that the County of Los Angeles will petition the California Supreme Court for review. In the opinion of management, the decision to the case is significant for the County of Riverside because of similar claims against this County. The potential financial impact to the County related to the outcome of this case averages approximately $7.2 million in tax administration fees for fiscal year 2006-07 through fiscal year 2011-12. The outstanding balance as of June 30, 2014 was $1.9 million.

County of Riverside Redevelopment Successor Agency

It is reasonably possible that the State Department of Finance could invalidate some but not all of the obligations reported on the Successor Agency’s Recognized Obligation Payment Schedule (ROPS). Sec. 34171 (d) (1) of the Health and Safety Code recognizes bonds as enforceable obligations, as defined by Section 33602 and bonds issued pursuant to Section 58383 of the Government Code, including the required debt service. The majority of the total outstanding obligations reported on the ROPS of the Successor Agency to the RDA (92.0%) consist of bond debt service payments. The range of potential loss of revenue is only between $0 to $126.6 million spread over the remaining life of the Successor Agency through 2045.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2013, identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures that could be disallowed by the granting agencies cannot be determined at this time; however, County management does not expect such amounts, if any, to be material to the basic financial statements. The fiscal year 2013-14 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 31, 2015.

Commitments

At June 30, 2014 the County had various non-cancelable contracts and construction-in-progress with outside contractors. These contracts were financed through either the general fund or capital projects funds. $121.4 million will be payable upon future performance under the contracts.

Landfill Construction and Consulting Contracts

The Waste Management Department entered into various construction and consulting contracts to facilitate its landfill operations and is in the process of installing landfill liners at Lamb Canyon in accordance with State and Federal laws and regulations. Waste Management expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be $7.4 million. These additional costs will be capitalized as the costs are incurred.

NOTE 23 – COMMITMENTS AND CONTINGENCIES (Continued)

Remediation Contingencies

Governmental Funds

Release of gasoline and diesel fuel has been reported at seven underground storage tanks. Orders have been issued by the California Regional Water Quality Control Board (CRWQCB) to assess and cleanup these sites by specific dates. It has determined the remediation plan and monitoring action are required. In addition to groundwater contamination, asbestos has been found in six facilities. As of June 30, 2014 the governmental activities reflect a $2.6 million accrued remediation liability (Note 14). The liability has been calculated using the expected cash flow technique. The liability is subject to change over time. Cost may vary due to price fluctuations, changes in technology, results of environmental studies, changes to statue or regulations and other factors that could result in revisions to these estimates.

Enterprise Funds

Waste Management Department has established restricted cash funds to set aside for future remediation costs as they are required to be performed. Investments of $28.1 million are held for these purposes at June 30, 2014 and are classified as accrued remediation in the statements of net position.

The Department is aware of air/gas contamination at 17 landfills, 11 of which are closed, and required to have corrective action plans. Based on engineering studies, Waste Management estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $35.1 million. At June 30, 2014, the Department has accrued $28.1 million for the estimated costs required by CalRecycle and the Regional Water Quality Control Board (RWQCB), related to the outstanding remediation projects as needed at these landfills.

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchases orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the sources(s) of funding, encumbrances are reported as part of restricted or assigned fund balance on the governmental funds balance sheet. As of June 30, 2014, the encumbrance balances for the governmental funds are reported as follows (In thousands):

	Restricted	Assigned	Total
Major Governmental Funds			
General Fund:			
California children services	$ -	$ 343	$ 343
Capital improvement projects	-	5	5
Code enforcement	-	50	50
Humane services	-	247	247
Low income health program	-	1,610	1,610
Other purposes	-	182	182
Probation	-	2,576	2,576
Public health	-	751	751
Registrar of voters	-	200	200
Transportation:			
Equipment	676	-	676
Public Facilities Improvements Capital Projects:			
Capital improvement projects	-	2,360	2,360
Nonmajor Governmental Funds			
Special Revenue Funds:			
Lightings maintenance	72	-	72
Total Encumbrances	**$ 748**	**$ 8,324**	**$ 9,072**

NOTE 24 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs) and CalPERS Pre-payment Note

On July 1, 2014, the County issued $250.0 million in Tax and Revenue Anticipation Notes in the form of a 2015 Maturity bond due June 30, 2015. The stated interest rate for the bond is set at 1.5% per annum with a yield of 0.12%. Portions of the note proceeds were used to prepay CalPERS contributions for fiscal year 2014-15 in the amount of $86.6 million. Between the prepayment discount of 3.6%, and earnings on cash flow the County expects to net $3.2 million in cost savings. In accordance with California law, the TRANs bonds are general obligations of the County and are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to fiscal year 2015 and legally available for payment thereof. Proceeds for the bonds will be used for fiscal year 2015 general fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Riverside County Bonds and Certificates of Participation

On September 2014, Fitch, one of the three major credit ratings, has assigned the County’s bonds and certificates of participation ratings as follows:

- Riverside County implied general obligation (GO) bond rating at 'AA-',
- Riverside County pension obligation bonds (POB-series 2005A) at ‘A+’.
- Riverside County certificates of participation (COPs- series 2003, 2005A, 2005B, 2007A, 2007B, 2009) at ‘A+’.
- Riverside County Asset Leasing Corporation certification of participation (CORAL- COPS/series 2006A and lease revenue bonds (LRBs), series 1997A, 1997B, 1997C, 2013A) at ‘A+’.
- Riverside County Palm Desert Financing Authority lease revenue bonds (LRBs) (series 2003A) at ‘A+’.
- Riverside County Public Financing Authority (LRBs) (series 2012) at ‘A+’.
- Southwest Communities Financing Authority lease revenue bonds (LRBs) (series 2008A) at 'A+'.

Fitch’s reasoning is summarized in the following paragraphs:

The County’s base suffered significantly during the recession, with budgeted fiscal year 2014 discretionary revenues representing the first year of growth since fiscal year 2008. The challenged revenue environment led to multiple years of significant deficits, which management resolved by instituting a multiyear expenditure reduction plan that achieved structural balance in fiscal year 2013. Audited fiscal year 2013 general fund operations produced a $20.7 million net surplus (a modest 1% of spending), raising the total and unrestricted general fund balances to sound levels of $357.2 million (15% of spending and transfers out) and $252.6 million (10.6%) respectively.

Fiscal year 2014 operations were structurally balanced, and stronger than budgeted revenues helped to add nearly $20.0 million to the County’s budget stabilization reserve. The structural balance results from years of cost-cutting, including hiring freezes, furlough days, early retirements, attrition and layoffs. The fiscal year 2014 performance also reflects an improved revenue environment, with fiscal year 2014 assessed value (AV) up 4.0% year over year and sales tax revenues estimated to climb 8.0%. The recently adopted fiscal year 2015 budget is also balanced and benefits from a further 7.8% increase in AV.

The County’s housing market was one of the worst affected in the nation, with average home values falling over 50.0% and AV contracting 15.7% in fiscal years 2009−2013. The housing market has improved significantly in recent months, with a 16.0% year-over-year gain as of August 2014. Home values remain 30.0% below their prerecession peak but have increased by 48.0% since February 2012. Home price gains have contributed to solid AV growth of 4.0% in fiscal year 2014 and 7.8% for fiscal year 2015.

Regional Medical Center has experienced several consecutive years of structural imbalance that have resulted in operating deficits, reduced reserves and internal borrowing from the County. The hospital reported a $27.1 million deficit for fiscal year 2013 and projected a two-year total of $83.2 million earlier this year, although it now estimates the two-year figure at a much reduced level of $40.0 million. Unrestricted net position have declined accordingly, falling to negative $32.6 million in fiscal year 2013 on a budget of approximately $450.0 million.

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Riverside County Bonds and Certificates of Participation (Continued)

Regional Medical Center's operating deficits are supported by internal borrowing from the County. In addition, the hospital enterprise has received a $26.0 million loan from the County's waste management enterprise to pay consultant fees. The combined estimated borrowings are equivalent to 26.0% of the fiscal year 2013 unrestricted general fund balance, or 2.8% of general fund spending. The County does not anticipate drawing on the general fund for Regional Medical Center. However, the general fund serves as the ultimate financial backstop if Regional Medical Center were unable to ultimately repay the outstanding loan balances. This concern is mitigated by the flexible nature of the internal borrowings and the County's extremely large $1.8 billion pool of additional borrowable resources, if needed.

The County has instituted a hospital turnaround plan with the assistance of Huron Consulting Services, which has a positive record of improving operations in other hospitals. Tangible operational improvements implemented to date include replacing key members of hospital management with experienced turnaround experts and assorted new initiatives anticipated to provide $64.0 million of ongoing savings, equivalent to 14.0% of annual spending.

Teeter Obligation Notes, Series D and E

On October 15, 2014, the County issued $99.4 million in 2014 Teeter Obligation Notes, series D (Tax-Exempt) and $815.0 thousand in 2014 Teeter Obligation Notes, Series E (Taxable) to refund a portion of the outstanding 2013 Teeter Obligation Notes, series D, and the outstanding 2013 Teeter Obligation Notes, Series E, and fund an advance of unpaid property taxes for agencies participating in the County's Teeter plan, and to pay the cost of issuance related to the Notes. The 2014 Notes bear an interest rate of 1.5% f or 2014 Teeter Obligation Note, series D and an interest rate of .4% for 2014 Teeter Obligation Note, Series E and a maturity date of October 14, 2015 when the existing Letter of Credit will expire.

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated the County's miscellaneous and safety contribution rates for fiscal year 2014-15 will be 14.5% and 21.9%, respectively. Fiscal year 2015-16 contribution rates for miscellaneous and safety are estimated at 15.5% and 23.3%, respectively. They will be accounted for in fiscal year 2013-14 and future budget years.

CORAL

In October 2014, CORAL paid off the 1985 Certificates bonds early which had an outstanding balance of $28.0 million as of June 30, 2014.

Housing Authority

The Housing Authority expects to fully engage its mission of providing transitional rental subsidies through its non-profit arm, the Riverside Housing Corporation (RCHC), which received a grant of $135.0 thousand from the California Endowment. The focus of this endeavor will be to serve residents of the eastern Coachella Valley who need affordable, safe, decent, and sanitary housing opportunities, and supportive programs that foster economic opportunities. Another grant for $50.0 thousand is expected to be received from the Coachella Valley Air Quality Enhancement (CVAQ) Project, which would support RCHC's housing objective.

Further, through the RCHC, funds for the Emergency Solutions Grant (ESG) will be directed towards the expansion of eligible activities for emergency shelter and homelessness prevention activities, which include short-term and medium-term rental assistance and services to stabilize and rapidly re-house individuals and households who are homeless or at risk of becoming homeless. ESG funds are provided by the Department of Housing and Urban Development through the Riverside County's Economic Development Agency and the City of Riverside.

Inland Empire Tobacco Securitization Authority

On August 8, 2014, Fitch Ratings lowered the ratings on the Inland Empire Tobacco Securitization Corporation Series 2007 Bonds from a prior rating of B to a new rating B- as a result of Fitch's annual review.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2014

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS

The tables below show a three-year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll (dollars in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2011	$ 3,923,499	$ 4,461,554	$ 538,055	87.94 %	$ 812,363	66.23 %
June 30, 2012	4,172,401	4,708,882	536,481	88.61	836,418	64.14
June 30, 2013	3,974,442	5,008,807	1,034,365	79.35	856,593	120.75

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2011	$ 1,745,937	$ 2,032,001	$ 286,064	85.92 %	$ 273,170	104.72 %
June 30, 2012	1,860,614	2,086,406	225,792	89.18	261,704	86.28
June 30, 2013	1,776,122	2,285,586	509,464	77.71	271,367	187.74

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2011	$ 104,545	$ 125,474	$ 20,929	83.32 %	$ 15,585	134.29 %
June 30, 2012	110,089	131,966	21,877	83.42	15,151	144.39
June 30, 2013	102,350	138,854	36,504	73.71	14,937	244.39

Regional Park and Open-Space District*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	$ 754,859	$ 945,221	$ 190,362	79.86 %	$ 159,157	119.61 %
June 30, 2011	825,991	1,023,127	197,136	80.73	160,900	122.52
June 30, 2012 **	903,411	1,081,962	178,551	83.50	153,162	116.58

*The amounts disclosed are for the entire Risk Pool fund in which Regional Park and Open-Space District participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities. **The most recent funded status information available for the year ended June 30, 2014.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2014

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS (Continued)

(Dollars in Thousands)

Waste Management Department*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	$ 754,859	$ 945,221	$ 190,362	79.86 %	$ 159,157	119.61 %
June 30, 2011	825,991	1,023,127	197,136	80.73	160,900	122.52
June 30, 2012 **	903,411	1,081,962	178,551	83.50	153,162	116.58

*The amounts disclosed are for the entire Risk Pool fund in which Waste Management Department participates and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities. **The most recent funded status information available for the year ended June 30, 2014.

Riverside County - Part-time and Temporary Help Retirement

Six-Year Trend Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)**	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	$ 16,989	$ 19,471	$ 2,482	87.25 %	$ 27,928	8.89 %
June 30, 2009	19,384	21,402	2,018	90.57	26,550	7.60
June 30, 2010	19,992	23,633	3,641	84.59	41,284	8.82
June 30, 2011	23,063	27,079	4,016	85.17	33,657	11.93
June 30, 2012	23,654	24,307	653	97.31	32,424	2.01
June 30, 2013	26,805	28,706	1,901	93.38	33,139	5.74

RETIREMENT PLANS – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County - Part-time and Temporary Help Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2009	$ 227	828 %	$ (2,901)
2010	226	372	(3,515)
2011	156	167	(3,685)
2012	160	568	(5,071)
2013	622	128	(5,279)
2014	335	269	(5,887)

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2014

OPEB - SCHEDULES OF FUNDING PROGRESS

(Dollars in Thousands)

Riverside County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$ 19,460	$ 40,166	$ 20,706	48.45 %	$ 1,012,698	2.04 %
July 1, 2012	22,572	42,850	20,278	52.68	1,026,755	1.97
July 1, 2013	26,764	43,829	17,065	61.06	1,096,375	1.56

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	$ 269	$ 482	$ 213	55.81 %	$ 15,600	1.37 %
July 1, 2012	321	494	173	64.98	15,339	1.13
July 1, 2013	407	546	139	74.54	15,688	0.89

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	$ 147	$ 144	$ (3)	102.08 %	$ 4,429	-0.07 %
July 1, 2011	232	139	(93)	166.91	4,871	-1.91
July 1, 2013	259	132	(127)	196.21	4,607	-2.76

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008 *	$ -	$ 658	$ 658	0.00 %	N/A	N/A
January 1, 2009	-	1,089	1,089	0.00	$ 3,302	32.98 %
July 1, 2012 **	-	982	982	0.00	2,495	39.36

*Estimate only.

**The most recent actuarial valuation.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Investment earnings (loss)	$ -	$ -	$ 258	$ 258
Other revenue	3,431	2,735	260	(2,475)
Total revenues	3,431	2,735	518	(2,217)
EXPENDITURES:				
Current:				
General government	3,431	3,098	881	(2,217)
Total expenditures	3,431	3,098	881	(2,217)
Excess (deficiency) of revenues over (under) expenditures	-	(363)	(363)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	696	696	-
Transfers out	-	(333)	(333)	-
Total other financing sources (uses)	-	363	363	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ -	$ -

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Public Facilities Improvements Capital Projects Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
License, permits, and franchise fees	$ 635	$ -	$ -	$ -
Use of money and property:				
Investment earnings (loss)	1,094	1,094	1,000	(94)
Rents and concessions	350	350	350	-
Aid from other governmental agencies:				
State	8,000	8,000	-	(8,000)
Other	24,708	24,708	25,513	805
Charges for services	73,196	68,214	22,212	(46,002)
Other revenue	21,764	22,203	677	(21,526)
Total revenues	129,747	124,569	49,752	(74,817)
EXPENDITURES:				
Current:				
General government	168,363	154,152	69,502	(84,650)
Public ways and facilities	22,791	13,927	826	(13,101)
Total expenditures	191,154	168,079	70,328	(97,751)
Excess (deficiency) of revenues over (under) expenditures	(61,407)	(43,510)	(20,576)	22,934
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,256	6,256	-
Transfers out	-	(50,577)	(50,577)	-
Total other financing sources (uses)	-	(44,321)	(44,321)	-
NET CHANGE IN FUND BALANCE	(61,407)	(87,831)	(64,897)	22,934
Fund balance, beginning of year	199,560	199,560	199,560	-
FUND BALANCE, END OF YEAR	$ 138,153	$ 111,729	$ 134,663	$ 22,934

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:					
Assets:					
Cash and investments	$ 96,845	$ 6,395	$ 25,696	$ 535	$ 129,471
Accounts receivable	122	1,638	-	-	1,760
Interest receivable	25	87	9	-	121
Taxes receivable	1,340	-	-	-	1,340
Due from other governments	10,555	1,083	416	-	12,054
Due from other funds	2	-	-	-	2
Prepaid items	14	-	580	-	594
Restricted cash and investments	-	72,494	21,372	-	93,866
Total assets	108,903	81,697	48,073	535	239,208
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	$ 108,903	$ 81,697	$ 48,073	$ 535	$ 239,208
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 6,086	$ 1,292	$ 926	$ -	$ 8,304
Salaries and benefits payable	2,340	-	110	-	2,450
Due to other governments	200	-	-	-	200
Due to other funds	222	-	763	-	985
Deposits payable	342	-	-	-	342
Advances from grantors and third parties	1,460	-	-	-	1,460
Total liabilities	10,650	1,292	1,799	-	13,741
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	120	-	580	508	1,208
Restricted	75,084	78,253	28,775	27	182,139
Committed	9,750	-	-	-	9,750
Assigned	13,299	2,152	16,919	-	32,370
Total fund balances	98,253	80,405	46,274	535	225,467
Total liabilities, deferred inflows of resources, and fund balances	$ 108,903	$ 81,697	$ 48,073	$ 535	$ 239,208

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
REVENUES:					
Taxes	$ 55,538	$ -	$ -	$ -	$ 55,538
Licenses, permits and franchise fees	675	-	-	-	675
Fines, forfeitures and penalties	1,253	-	-	-	1,253
Use of money and property:					
Investment earnings (loss)	569	1,561	126	3	2,259
Rents and concessions	8,176	9,025	-	-	17,201
Aid from other governmental agencies:					
Federal	54,866	-	-	-	54,866
State	4,578	-	740	-	5,318
Other	20,311	-	-	-	20,311
Charges for services	28,217	1,730	2,292	23	32,262
Other revenue	9,453	9,281	67	-	18,801
Total revenues	183,636	21,597	3,225	26	208,484
EXPENDITURES:					
Current:					
General government	18,646	12,297	6,841	-	37,784
Public protection	7,071	-	-	-	7,071
Public ways and facilities	13,783	-	-	-	13,783
Health and sanitation	5,489	-	-	-	5,489
Public assistance	55,752	-	-	-	55,752
Education	18,884	-	-	-	18,884
Recreation and culture	14,769	-	855	-	15,624
Debt service:					
Principal	-	60,094	-	-	60,094
Interest	-	41,224	-	-	41,224
Cost of issuance	-	623	-	-	623
Capital outlay	-	1,196	53,885	-	55,081
Total expenditures	134,394	115,434	61,581	-	311,409
Excess (deficiency) of revenues over (under) expenditures	49,242	(93,837)	(58,356)	26	(102,925)
OTHER FINANCING SOURCES (USES):					
Transfers in	17,148	97,369	14,422	-	128,939
Transfers out	(69,685)	(24,926)	(402)	-	(95,013)
Issuance of debt	-	-	64,000	-	64,000
Issuance of refunding bonds	-	20,510	-	-	20,510
Premium on long-term debt	-	1,338	-	-	1,338
Total other financing sources (uses)	(52,537)	94,291	78,020	-	119,774
NET CHANGE IN FUND BALANCES	(3,295)	454	19,664	26	16,849
Fund balances, beginning of year, as previously reported	99,381	79,951	28,881	509	208,722
Adjustments to beginning fund balances	2,167	-	(2,271)	-	(104)
Fund balances, beginning of year, as restated	101,548	79,951	26,610	509	208,618
FUND BALANCES, END OF YEAR	$ 98,253	$ 80,405	$ 46,274	$ 535	$ 225,467

SPECIAL REVENUE FUNDS

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These funds were established for the purpose of accounting for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted in expenditures for the specified purposes.

COMMUNITY SERVICES

This fund provides financing for public services. Public services provided by this fund group are: Housing and Urban Development (HUD) Community Services Grant, EDA Administration, Community Action Partnership, Job Training Partnership, Office on Aging, USEDA (United States Economic Development Administration) Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA U.S. Department of Agriculture Rural Development, Workforce Development, Healthy Kids, and Bio-terrorism Preparedness. The primary source of revenue for this fund is from State/Federal Grants.

COUNTY SERVICE AREAS

This county service area fund was established to provide authorized services such as road, park, lighting maintenance, fire protection, or water to specified areas in the County. They are financed by ad valorem property taxes in the area benefited, or by special assessments levied on specific properties.

REGIONAL PARK AND OPEN-SPACE

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management and transferred regional park responsibility from the County to the Regional Park and Open-Space District.

AIR QUALITY IMPROVEMENT

This fund accounts for Riverside County's portion of State of California motor vehicle fees restricted for the use of reducing air pollution.

IN-HOME SUPPORT SERVICES (IHSS)

The goal of the IHSS program is to enable elderly and/or disabled persons to remain safely in independent living as long as possible. This in-home assistance is designed to allow persons to remain in their home rather than be placed in an institutional setting. IHSS receives revenue for the following services: meal preparation and clean-up, food shopping, bathing, dressing, personal care, domestic services (cleaning), and assistance with medications.

PERRIS VALLEY CEMETERY DISTRICT

The Perris Valley Cemetery District is a public cemetery district operating under the provisions of the Health and Safety Code of the State of California. The Perris Valley Cemetery District was created in July 1927 for the purpose operating a public cemetery for the residents of the Perris Valley.

OTHER SPECIAL REVENUE

This fund provides financing to make services available to the public and governmental agencies. At the current time, the other special revenue fund accounts for the following services: Rideshare, AD CFD Administration, Aviation, Ladera Irrigation, National Date Festival, Cal-ID, Special Aviation, Supervisorial Road Districts, Multi-Species Habitat Conservation Agency, Riverside U.S. Grazing Fees, Mitigation Project Operations, Airport Land Use Commission, Proposition 10, and DNA Identification.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2014
(Dollars in Thousands)

	Community Services	County Service Areas	Regional Park and Open-Space	Air Quality Improvement
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	$ 38,767	$ 20,933	$ 12,424	$ 170
Accounts receivable	46	-	50	-
Interest receivable	3	9	4	-
Taxes receivable	1,058	168	96	-
Due from other governments	8,379	147	757	122
Due from other funds	-	-	-	-
Prepaid items	14	-	-	-
Total assets	48,267	21,257	13,331	292
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 48,267	$ 21,257	$ 13,331	$ 292
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 4,542	$ 237	$ 571	$ 16
Salaries and benefits payable	1,124	225	606	-
Due to other governments	192	1	6	-
Due to other funds	222	-	-	-
Deposits payable	19	43	-	-
Advances from grantors and third parties	871	-	563	-
Total liabilities	6,970	506	1,746	16
Deferred inflows of resources	-	-	-	-
Fund balances (Note 16):				
Nonspendable	81	1	20	-
Restricted	36,001	20,744	-	276
Committed	4,932	-	3,860	-
Assigned	283	6	7,705	-
Total fund balances	41,297	20,751	11,585	276
Total liabilities, deferred inflows of resources, and fund balances	$ 48,267	$ 21,257	$ 13,331	$ 292

In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total	
				ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
				Assets:
$ 1,037	$ 612	$ 22,902	$ 96,845	Cash and investments
-	-	26	122	Accounts receivable
1	-	8	25	Interest receivable
-	5	13	1,340	Taxes receivable
862	-	288	10,555	Due from other governments
-	-	2	2	Due from other funds
-	-	-	14	Prepaid items
1,900	617	23,239	108,903	Total assets
-	-	-	-	Deferred outflows of resources
$ 1,900	$ 617	$ 23,239	$ 108,903	Total assets and deferred outflows of resources
				LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
				Liabilities:
$ -	$ 19	$ 701	$ 6,086	Accounts payable
85	-	300	2,340	Salaries and benefits payable
-	-	1	200	Due to other governments
-	-	-	222	Due to other funds
-	280	-	342	Deposits payable
-	-	26	1,460	Advances from grantors and third parties
85	299	1,028	10,650	Total liabilities
-	-	-	-	Deferred inflows of resources
				Fund balances (Note 16):
5	-	13	120	Nonspendable
1,810	318	15,935	75,084	Restricted
-	-	958	9,750	Committed
-	-	5,305	13,299	Assigned
1,815	318	22,211	98,253	Total fund balances
$ 1,900	$ 617	$ 23,239	$ 108,903	Total liabilities, deferred inflows of resources, and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Community Services	County Service Areas	Regional Park and Open-Space	Air Quality Improvement
REVENUES:				
Taxes	$ 49,738	$ 659	$ 4,136	$ -
Licenses, permits, and franchise fees	-	-	-	-
Fines, forfeitures, and penalties	452	-	3	-
Use of money and property:				
Investment earnings (loss)	289	107	51	2
Rents and concessions	1,105	18	1,188	-
Aid from other governmental agencies:				
Federal	53,462	-	-	-
State	2,584	9	163	525
Other	17,773	126	614	-
Charges for services	1,206	9,257	7,264	-
Other revenue	8,593	21	420	-
Total revenues	135,202	10,197	13,839	527
EXPENDITURES:				
Current:				
General government	11,538	-	-	-
Public protection	-	38	424	335
Public ways and facilities	-	7,537	-	-
Health and sanitation	2,444	775	-	-
Public assistance	55,749	-	-	-
Education	18,884	-	-	-
Recreation and culture	200	895	13,674	-
Total expenditures	88,815	9,245	14,098	335
Excess (deficiency) of revenues over (under) expenditures	46,387	952	(259)	192
OTHER FINANCING SOURCES (USES):				
Transfers in	10,939	1,861	1,612	-
Transfers out	(60,154)	(2,657)	(1,091)	(367)
Total other financing sources (uses)	(49,215)	(796)	521	(367)
NET CHANGE IN FUND BALANCES	(2,828)	156	262	(175)
Fund balances, beginning of year, as previously reported	44,125	20,595	9,156	451
Adjustments to beginning fund balances	-	-	2,167	-
Fund balances, beginning of year, as restated	44,125	20,595	11,323	451
FUND BALANCES, END OF YEAR	$ 41,297	$ 20,751	$ 11,585	$ 276

In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total	
				REVENUES:
$ -	$ 199	$ 806	$ 55,538	Taxes
-	-	675	675	Licenses, permits, and franchise fees
-	-	798	1,253	Fines, forfeitures, and penalties
				Use of money and property:
7	3	110	569	Investment earnings (loss)
-	-	5,865	8,176	Rents and concessions
				Aid from other governmental agencies:
1,090	-	314	54,866	Federal
1,173	3	121	4,578	State
-	22	1,776	20,311	Other
-	241	10,249	28,217	Charges for services
-	-	419	9,453	Other revenue
2,270	468	21,133	183,636	Total revenues
				EXPENDITURES:
				Current:
-	-	7,108	18,646	General government
-	400	5,874	7,071	Public protection
-	-	6,246	13,783	Public ways and facilities
2,270	-	-	5,489	Health and sanitation
3	-	-	55,752	Public assistance
-	-	-	18,884	Education
-	-	-	14,769	Recreation and culture
2,273	400	19,228	134,394	Total expenditures
(3)	68	1,905	49,242	Excess (deficiency) of revenues over (under) expenditures
				OTHER FINANCING SOURCES (USES):
162	-	2,574	17,148	Transfers in
(166)	(71)	(5,179)	(69,685)	Transfers out
(4)	(71)	(2,605)	(52,537)	Total other financing sources (uses)
(7)	(3)	(700)	(3,295)	NET CHANGE IN FUND BALANCES
1,822	321	22,911	99,381	Fund balances, beginning of year, as previously reported
-	-	-	2,167	Adjustments to beginning fund balances
1,822	321	22,911	101,548	Fund balances, beginning of year, as restated
$ 1,815	$ 318	$ 22,211	$ 98,253	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 45,154	$ 49,213	$ 49,738	$ 525
Fines, forfeitures, and penalties	350	350	452	102
Use of money and property:				
Investment earnings (loss)	7	8	289	281
Rents and concessions	1,235	1,235	1,105	(130)
Aid from other governmental agencies:				
Federal	68,121	70,305	53,462	(16,843)
State	2,236	2,574	2,584	10
Other	16,885	16,885	17,773	888
Charges for services	2,663	2,334	1,206	(1,128)
Other revenue	12,091	8,294	8,593	299
Total revenues	148,742	151,198	135,202	(15,996)
EXPENDITURES:				
Current:				
General government	5,770	13,698	11,538	(2,160)
Public protection	44,601	446	-	(446)
Health and sanitation	3,208	3,246	2,444	(802)
Public assistance	75,503	70,173	55,749	(14,424)
Education	20,991	20,158	18,884	(1,274)
Recreation and culture	339	364	200	(164)
Total expenditures	150,412	108,085	88,815	(19,270)
Excess (deficiency) of revenues over (under) expenditures	(1,670)	43,113	46,387	3,274
OTHER FINANCING SOURCES (USES):				
Transfers in	-	10,939	10,939	-
Transfers out	-	(60,154)	(60,154)	-
Total other financing sources (uses)	-	(49,215)	(49,215)	-
NET CHANGE IN FUND BALANCE	(1,670)	(6,102)	(2,828)	3,274
Fund balance, beginning of year	44,125	44,125	44,125	-
FUND BALANCE, END OF YEAR	$ 42,455	$ 38,023	$ 41,297	$ 3,274

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 670	$ 670	$ 659	$ (11)
Use of money and property:				
Investment earnings (loss)	49	49	107	58
Rents and concessions	5	5	18	13
Aid from other governmental agencies:				
State	9	9	9	-
Other	45	45	126	81
Charges for services	11,600	9,911	9,257	(654)
Other revenue	1,131	1,651	21	(1,630)
Total revenues	13,509	12,340	10,197	(2,143)
EXPENDITURES:				
Current:				
Public protection	284	266	38	(228)
Public ways and facilities	11,318	11,270	7,537	(3,733)
Health and sanitation	800	800	775	(25)
Recreation and culture	1,106	2,768	895	(1,873)
Total expenditures	13,508	15,104	9,245	(5,859)
Excess (deficiency) of revenues over (under) expenditures	1	(2,764)	952	3,716
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,861	1,861	-
Transfers out	-	(2,657)	(2,657)	-
Total other financing sources (uses)	-	(796)	(796)	-
NET CHANGE IN FUND BALANCE	1	(3,560)	156	3,716
Fund balance, beginning of year	20,595	20,595	20,595	-
FUND BALANCE, END OF YEAR	$ 20,596	$ 17,035	$ 20,751	$ 3,716

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 4,050	$ 4,050	$ 4,136	$ 86
Fines, forfeitures and penalties	-	-	3	3
Use of money and property:				
Investment earnings (loss)	22	22	51	29
Rents and concessions	1,106	1,370	1,188	(182)
Aid from other governmental agencies:				
State	280	280	163	(117)
Other	-	425	614	189
Charges for services	7,648	8,274	7,264	(1,010)
Other revenue	1,308	404	420	16
Total revenues	14,414	14,825	13,839	(986)
EXPENDITURES:				
Current:				
Public protection	496	454	424	(30)
Recreation and culture	14,652	15,698	13,674	(2,024)
Total expenditures	15,148	16,152	14,098	(2,054)
Excess (deficiency) of revenues over (under) expenditures	(734)	(1,327)	(259)	1,068
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,612	1,612	-
Transfers out	-	(1,091)	(1,091)	-
Total other financing sources (uses)	-	521	521	-
NET CHANGE IN FUND BALANCE	(734)	(806)	262	1,068
Fund balance, beginning of year, as previously reported	9,156	9,156	9,156	-
Adjustments to beginning fund balance	-	-	2,167	2,167
Fund balance, beginning of year	9,156	9,156	11,323	2,167
FUND BALANCE, END OF YEAR	$ 8,422	$ 8,350	$ 11,585	$ 3,235

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Investment earnings (loss)	$ 2	$ 2	$ 2	$ -
State	475	475	525	50
Total revenues	477	477	527	50
EXPENDITURES:				
Current:				
Public protection	682	426	335	(91)
Total expenditures	682	426	335	(91)
Excess (deficiency) of revenues over (under) expenditures	(205)	51	192	141
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(367)	(367)	-
Total other financing sources (uses)	-	(367)	(367)	-
NET CHANGE IN FUND BALANCE	(205)	(316)	(175)	141
Fund balance, beginning of year	451	451	451	-
FUND BALANCE, END OF YEAR	$ 246	$ 135	$ 276	$ 141

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ -	$ -	$ 7	$ 7
Aid from other governmental agencies:				
Federal	1,327	1,567	1,090	(477)
State	1,382	1,642	1,173	(469)
Charges for services	162	-	-	-
Total revenues	2,871	3,209	2,270	(939)
EXPENDITURES:				
Current:				
Health and sanitation	2,871	3,205	2,270	(935)
Public assistance	-	-	3	3
Total expenditures	2,871	3,205	2,273	(932)
Excess (deficiency) of revenues over (under) expenditures	-	4	(3)	(7)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	162	162	-
Transfers out	-	(166)	(166)	-
Total other financing sources (uses)	-	(4)	(4)	-
NET CHANGE IN FUND BALANCE	-	-	(7)	(7)
Fund balance, beginning of year	1,822	1,822	1,822	-
FUND BALANCE, END OF YEAR	$ 1,822	$ 1,822	$ 1,815	$ (7)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Perris Valley Cemetery District Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 210	$ 210	$ 199	$ (11)
Use of money and property:				
Investment earnings (loss)	2	2	3	1
Aid from other governmental agencies:				
State	3	3	3	-
Other	-	-	22	22
Charges for services	265	265	241	(24)
Total revenues	480	480	468	(12)
EXPENDITURES:				
Current:				
Public protection	480	476	400	(76)
Total expenditures	480	476	400	(76)
Excess (deficiency) of revenues over (under) expenditures	-	4	68	64
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(71)	(71)	-
Total other financing sources (uses)	-	(71)	(71)	-
NET CHANGE IN FUND BALANCE	-	(67)	(3)	64
Fund balance, beginning of year	321	321	321	-
FUND BALANCE, END OF YEAR	$ 321	$ 254	$ 318	$ 64

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 706	$ 706	$ 806	$ 100
License, permits, and franchise fees	32	673	675	2
Fines, forfeitures, and penalties	-	809	798	(11)
Use of money and property:				
Investment earnings (loss)	74	74	110	36
Rents and concessions	5,663	5,796	5,865	69
Aid from other governmental agencies:				
Federal	3,915	3,915	314	(3,601)
State	348	348	121	(227)
Other	1,393	1,468	1,776	308
Charges for services	12,345	11,657	10,249	(1,408)
Other revenue	1,231	369	419	50
Total revenues	25,707	25,815	21,133	(4,682)
EXPENDITURES:				
Current:				
General government	7,829	8,019	7,108	(911)
Public protection	6,516	6,367	5,874	(493)
Public ways and facilities	12,806	10,951	6,246	(4,705)
Total expenditures	27,151	25,337	19,228	(6,109)
Excess (deficiency) of revenues over (under) expenditures	(1,444)	478	1,905	1,427
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,574	2,574	-
Transfers out	-	(5,179)	(5,179)	-
Total other financing sources (uses)	-	(2,605)	(2,605)	-
NET CHANGE IN FUND BALANCE	(1,444)	(2,127)	(700)	1,427
Fund balance, beginning of year	22,911	22,911	22,911	-
FUND BALANCE, END OF YEAR	$ 21,467	$ 20,784	$ 22,211	$ 1,427

DEBT SERVICE FUNDS

COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and payment of long-term debt principal and interest.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT FINANCING CORPORATION)

The District Court Financing Corporation is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction, and development of a United States District Courthouse, financed from the proceeds of the sale of certificates.

COUNTY OF RIVERSIDE BANKRUPTCY COURT CORPORATION (BANKRUPTCY COURT)

The Bankruptcy Court is a non-profit public benefit corporation established to assist the County of Riverside in the acquisition, construction, and development of a United States Bankruptcy Court financed from the proceeds of the sale of certificates.

TAXABLE PENSION OBLIGATION BONDS (PENSION OBLIGATION)

This fund is used to account for Series 2005 bonds that were issued to satisfy a portion of Riverside County's unfunded accrued actuarial liability for the California Public Employees' Retirement System (CalPERS).

INLAND EMPIRE TOBACCO SECURITIZATION AUTHORITY

The Inland Empire Tobacco Securitization Authority was established to assist the County of Riverside in the construction of certain capital projects, financed from the proceeds of the tobacco settlement revenues.

PUBLIC FINANCING AUTHORITY

The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the Riverside County Redevelopment Successor Agency and other local agencies.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2014
(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Bankruptcy Court	Pension Obligation
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	$ -	$ -	$ -	$ 6,395
Accounts receivable	-	-	-	1,638
Interest receivable	86	-	-	1
Due from other governments	1,083	-	-	-
Restricted cash and investments	42,860	1,175	7,495	-
Total assets	44,029	1,175	7,495	8,034
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 44,029	$ 1,175	$ 7,495	$ 8,034
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ 1,292	$ -	$ -	$ -
Total liabilities	1,292	-	-	-
Deferred inflows of resources	-	-	-	-
Fund balances (Note 16):				
Restricted	42,737	1,175	7,495	5,882
Assigned	-	-	-	2,152
Total fund balances	42,737	1,175	7,495	8,034
Total liabilities, deferred inflows of resources, and fund balances	$ 44,029	$ 1,175	$ 7,495	$ 8,034

	Inland Empire Tobacco Securitization Authority	Public Financing Authority	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Cash and investments	$ -	$ -	$ 6,395
Accounts receivable	-	-	1,638
Interest receivable	-	-	87
Due from other governments	-	-	1,083
Restricted cash and investments	19,573	1,391	72,494
Total assets	19,573	1,391	81,697
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	$ 19,573	$ 1,391	$ 81,697
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:			
Liabilities:			
Accounts payable	$ -	$ -	$ 1,292
Total liabilities	-	-	1,292
Deferred inflows of resources	-	-	-
Fund balances (Note 16):			
Restricted	19,573	1,391	78,253
Assigned	-	-	2,152
Total fund balances	19,573	1,391	80,405
Total liabilities, deferred inflows of resources, and fund balances	$ 19,573	$ 1,391	$ 81,697

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Bankruptcy Court	Pension Obligation
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 724	$ 23	$ 196	$ 616
Rents and concessions	2,867	2,463	2,308	-
Charges for services	-	-	-	1,730
Other revenue	-	-	-	-
Total revenues	3,591	2,486	2,504	2,346
EXPENDITURES:				
Current:				
General government	1,644	3	5,545	5,000
Debt service:				
Principal	42,240	1,416	1,013	12,275
Interest	16,258	192	434	16,887
Cost of issuance	623	-	-	-
Capital outlay	-	726	470	-
Total expenditures	60,765	2,337	7,462	34,162
Excess (deficiency) of revenues over (under) expenditures	(57,174)	149	(4,958)	(31,816)
OTHER FINANCING SOURCES (USES):				
Transfers in	57,215	-	7,495	32,659
Transfers out	(22,926)	-	(2,000)	-
Issuance of refunding bonds	20,510	-	-	-
Premium on long-term debt	1,338	-	-	-
Total other financing sources (uses)	56,137	-	5,495	32,659
NET CHANGE IN FUND BALANCES	(1,037)	149	537	843
Fund balances, beginning of year	43,774	1,026	6,958	7,191
FUND BALANCES, END OF YEAR	$ 42,737	$ 1,175	$ 7,495	$ 8,034

Inland Empire Tobacco Securitization Authority	Public Financing Authority	Total	
			REVENUES:
			Use of money and property:
$ 2	$ -	$ 1,561	Investment earnings (loss)
-	1,387	9,025	Rents and concessions
-	-	1,730	Charges for services
9,281	-	9,281	Other revenue
9,283	1,387	21,597	Total revenues
			EXPENDITURES:
			Current:
105	-	12,297	General government
			Debt service:
2,435	715	60,094	Principal
6,781	672	41,224	Interest
-	-	623	Cost of issuance
-	-	1,196	Capital outlay
9,321	1,387	115,434	Total expenditures
			Excess (deficiency) of revenues
(38)	-	(93,837)	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
-	-	97,369	Transfers in
-	-	(24,926)	Transfers out
-	-	20,510	Issuance of refunding bonds
-	-	1,338	Premium on long-term debt
-	-	94,291	Total other financing sources (uses)
(38)	-	454	NET CHANGE IN FUND BALANCES
19,611	1,391	79,951	Fund balances, beginning of year
$ 19,573	$ 1,391	$ 80,405	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ -	$ -	$ 616	$ 616
Charges for services	34,163	1,504	1,730	226
Total revenues	34,163	1,504	2,346	842
EXPENDITURES:				
Current:				
General government	5,000	5,000	5,000	-
Debt service:				
Principal	12,275	12,275	12,275	-
Interest	16,887	16,887	16,887	-
Total expenditures	34,162	34,162	34,162	-
Excess (deficiency) of revenues over (under) expenditures	1	(32,658)	(31,816)	842
OTHER FINANCING SOURCES (USES):				
Transfers in	-	32,659	32,659	-
Total other financing sources (uses)	-	32,659	32,659	-
NET CHANGE IN FUND BALANCE	1	1	843	842
Fund balance, beginning of year	7,191	7,191	7,191	-
FUND BALANCE, END OF YEAR	$ 7,192	$ 7,192	$ 8,034	$ 842

CAPITAL PROJECTS FUNDS

COUNTY OF RIVERSIDE

CAPITAL PROJECTS FUNDS

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

PUBLIC SAFETY ENTERPRISE COMMUNICATION (PSEC)

The Public Safety Enterprise Communication fund is a multi-agency undertaking to address the County of Riverside 800 MHz public safety radio coverage and operational problems. The multi-year project will result in either a massive upgrade or a complete replacement of the existing radio system.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

FLOOD CONTROL

This fund is used to finance the construction of flood control channels and projects. Revenues are obtained from property taxes, special assessments, and proceeds of tax allocation bonds.

REGIONAL PARK AND OPEN-SPACE

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management. The Regional Park and Open-Space District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE ENTERPRISE SOLUTIONS FOR PROPERTY TAXATION (CREST)

The Assessor, Auditor-Controller, and Tax Collector teamed up to collectively develop a new integrated property tax management system. The project begins with a business process re-engineering phase that documents the integrated roles of the three departments. This phase identifies the current system's capabilities, strengths, and weaknesses. A second phase of the project builds on this re-engineering initiative to implement a replacement property tax system based on new technology.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Capital Projects Funds
June 30, 2014
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:				
Assets:				
Cash and investments	$ 253	$ -	$ 45	$ 7,682
Interest receivable	-	-	-	4
Due from other governments	-	-	-	416
Prepaid items	580	-	-	-
Restricted cash and investments	-	21,372	-	-
Total assets	833	21,372	45	8,102
Deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	$ 833	$ 21,372	$ 45	$ 8,102
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:				
Liabilities:				
Accounts payable	$ -	$ 742	$ -	$ 4
Salaries and benefits payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	-	742	-	4
Deferred inflows of resources	-	-	-	-
Fund balances (Note 16):				
Nonspendable	580	-	-	-
Restricted	-	17,227	45	8,098
Assigned	253	3,403	-	-
Total fund balances	833	20,630	45	8,098
Total liabilities, deferred inflows of resources, and fund balances	$ 833	$ 21,372	$ 45	$ 8,102

CREST	Total	
		ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
		Assets:
$ 17,716	$ 25,696	Cash and investments
5	9	Interest receivable
-	416	Due from other governments
-	580	Prepaid items
-	21,372	Restricted cash and investments
17,721	48,073	Total assets
-	-	Deferred outflows of resources
$ 17,721	$ 48,073	Total assets and deferred outflows of resources
		LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
		Liabilities:
$ 180	$ 926	Accounts payable
110	110	Salaries and benefits payable
763	763	Due to other funds
1,053	1,799	Total liabilities
-	-	Deferred inflows of resources
		Fund balances (Note 16):
-	580	Nonspendable
3,405	28,775	Restricted
13,263	16,919	Assigned
16,668	46,274	Total fund balances
$ 17,721	$ 48,073	Total liabilities, deferred inflows of resources, and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 1	$ 9	$ 1	$ 48
Aid from other governmental agencies:				
State	-	-	-	740
Charges for services	-	-	-	-
Other revenue	67	-	-	-
Total revenues	68	9	1	788
EXPENDITURES:				
Current:				
General government	13	-	-	-
Recreation and culture	-	-	-	855
Capital outlay	-	52,878	1,007	-
Total expenditures	13	52,878	1,007	855
Excess (deficiency) of revenues over (under) expenditures	55	(52,869)	(1,006)	(67)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	3,943	900	1,647
Transfers out	-	(289)	-	(54)
Issuance of debt	-	64,000	-	-
Total other financing sources (uses)	-	67,654	900	1,593
NET CHANGE IN FUND BALANCES	55	14,785	(106)	1,526
Fund balances, beginning of year, as previously reported	778	5,845	151	8,843
Adjustments to beginning fund balances	-	-	-	(2,271)
Fund balances, beginning of year, restated	778	5,845	151	6,572
FUND BALANCES, END OF YEAR	$ 833	$ 20,630	$ 45	$ 8,098

CREST	Total	
		REVENUES:
		Use of money and property:
$ 67	$ 126	Investment earnings (loss)
		Aid from other governmental agencies:
-	740	State
2,292	2,292	Charges for services
-	67	Other revenue
2,359	3,225	Total revenues
		EXPENDITURES:
		Current:
6,828	6,841	General government
-	855	Recreation and culture
-	53,885	Capital outlay
6,828	61,581	Total expenditures
		Excess (deficiency) of revenues
(4,469)	(58,356)	over (under) expenditures
		OTHER FINANCING SOURCES (USES):
7,932	14,422	Transfers in
(59)	(402)	Transfers out
-	64,000	Issuance of debt
7,873	78,020	Total other financing sources (uses)
3,404	19,664	NET CHANGE IN FUND BALANCES
		Fund balances, beginning of year,
13,264	28,881	as previously reported
-	(2,271)	Adjustments to beginning fund balances
13,264	26,610	Fund balances, beginning of year, restated
$ 16,668	$ 46,274	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ -	$ -	$ 1	$ 1
Other revenue	-	-	67	67
Total revenues	-	-	68	68
EXPENDITURES:				
Current:				
General government	-	68	13	(55)
Total expenditures	-	68	13	(55)
Excess (deficiency) of revenues over (under) expenditures	-	(68)	55	123
NET CHANGE IN FUND BALANCE	-	(68)	55	123
Fund balance, beginning of year	778	778	778	-
FUND BALANCE, END OF YEAR	$ 778	$ 710	$ 833	$ 123

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 1	$ 1	$ 1	$ -
Other revenue	3,705	2,805	-	(2,805)
Total revenues	3,706	2,806	1	(2,805)
EXPENDITURES:				
Capital outlay	3,705	3,705	1,007	(2,698)
Total expenditures	3,705	3,705	1,007	(2,698)
Excess (deficiency) of revenues over (under) expenditures	1	(899)	(1,006)	(107)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	900	900	-
Total other financing sources (uses)	-	900	900	-
NET CHANGE IN FUND BALANCE	1	1	(106)	(107)
Fund balance, beginning of year	151	151	151	-
FUND BALANCE, END OF YEAR	$ 152	$ 152	$ 45	$ (107)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 19	$ 19	$ 48	$ 29
Aid from other governmental agencies:				
State	1,871	224	740	516
Other revenue	3,599	3,599	-	(3,599)
Total revenues	5,489	3,842	788	(3,054)
EXPENDITURES:				
Current:				
Recreation and culture	5,535	5,481	855	(4,626)
Total expenditures	5,535	5,481	855	(4,626)
Excess (deficiency) of revenues over (under) expenditures	(46)	(1,639)	(67)	1,572
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,647	1,647	-
Transfers out	-	(54)	(54)	-
Total other financing sources (uses)	-	1,593	1,593	-
NET CHANGE IN FUND BALANCE	(46)	(46)	1,526	1,572
Fund balance, beginning of year, as previously reported	8,843	8,843	8,843	-
Adjustments to beginning fund balance	-	-	(2,271)	(2,271)
Fund balance, beginning of year, as restated	8,843	8,843	6,572	(2,271)
FUND BALANCE, END OF YEAR	$ 8,797	$ 8,797	$ 8,098	$ (699)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 15	$ 15	$ 67	$ 52
Charges for services	2,458	2,458	2,292	(166)
Other revenue	9,518	1,586	-	(1,586)
Total revenues	11,991	4,059	2,359	(1,700)
EXPENDITURES:				
Current:				
General government	11,976	11,917	6,828	(5,089)
Total expenditures	11,976	11,917	6,828	(5,089)
Excess (deficiency) of revenues over (under) expenditures	15	(7,858)	(4,469)	3,389
OTHER FINANCING SOURCES (USES):				
Transfers in	-	7,932	7,932	-
Transfers out	-	(59)	(59)	-
Total other financing sources (uses)	-	7,873	7,873	-
NET CHANGE IN FUND BALANCE	15	15	3,404	3,389
Fund balance, beginning of year	13,264	13,264	13,264	-
FUND BALANCE, END OF YEAR	$ 13,279	$ 13,279	$ 16,668	$ 3,389

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PERMANENT FUND

COUNTY OF RIVERSIDE

PERMANENT FUND

PERRIS VALLEY CEMETERY ENDOWMENT FUND

This fund is used to account for financial resources to be used for future maintenance of the Perris Valley Cemetery. The resources are derived from an endowment care fee assessed on each sale of a burial right and earnings on these resources. Only income earned on these resources may be used for services, supplies or capital asset acquisition. The principal must be preserved intact.

COUNTY OF RIVERSIDE
Balance Sheet
Permanent Fund
June 30, 2014
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Assets:	
Cash and investments	$ 535
Total assets	535
Deferred outflows of resources	-
Total assets and deferred outflows of resources	$ 535
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities:	
Total liabilities	$ -
Deferred inflows of resources	-
Fund balances (Note 16):	
Nonspendable	508
Restricted	27
Total fund balances	535
Total liabilities, deferred inflows of resources, and fund balances	$ 535

COUNTY OF RIVERSIDE

Statement of Revenues, Expenditures, and Changes in Fund Balance
Permanent Fund
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
REVENUES:	
Interest	$ 3
Charges for services	23
Total revenues	26
EXPENDITURES:	
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	26
NET CHANGE IN FUND BALANCES	26
Fund balance, beginning of year	509
FUND BALANCE, END OF YEAR	$ 535

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NONMAJOR ENTERPRISE FUNDS

COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds are used to account for operations providing goods or services to the general public. The accounting for these funds is similar to private enterprise accounting (accrual). The intent of the County's governing board is that all costs associated with providing these goods or services be financed or recovered primarily through user charges.

COUNTY SERVICE AREAS

These three funds were established to account for revenues, expenses, and the allocation of net income for County Service Areas 62 (sewer), 62 (water), and 122.

FLOOD CONTROL

These three funds were established to account for transactions resulting from topographical map sales, subdivision operations, and issuance of encroachment permits.

COUNTY OF RIVERSIDE
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2014
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
ASSETS:			
Current assets:			
Cash and investments	$ 58	$ 2,558	$ 2,616
Accounts receivable-net	-	251	251
Interest receivable	-	5	5
Taxes receivable	12	-	12
Due from other governments	-	12	12
Due from other funds	-	1	1
Restricted cash and investments	-	2,880	2,880
Total current assets	70	5,707	5,777
Noncurrent assets:			
Capital assets:			
Depreciable assets	18	8	26
Total noncurrent assets	18	8	26
Total assets	88	5,715	5,803
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES:			
Current liabilities:			
Accounts payable	16	2,925	2,941
Salaries and benefits payable	-	32	32
Due to other funds	-	3	3
Deposits payable	54	-	54
Other liabilities	-	150	150
Compensated absences	-	9	9
Total current liabilities	70	3,119	3,189
Noncurrent liabilities:			
Compensated absences	-	71	71
Total noncurrent liabilities	-	71	71
Total liabilities	70	3,190	3,260
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION:			
Net investment in capital assets	18	8	26
Unrestricted	-	2,517	2,517
Total net position	$ 18	$ 2,525	$ 2,543

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
OPERATING REVENUES:			
Charges for services	$ 356	$ 1,515	$ 1,871
Other	16	226	242
Total operating revenues	372	1,741	2,113
OPERATING EXPENSES:			
Personnel services	200	784	984
Insurance	1	-	1
Maintenance of building and equipment	62	4	66
Supplies	6	12	18
Purchased services	26	911	937
Depreciation and amortization	3	7	10
Rents and leases of equipment	-	7	7
Utilities	111	-	111
Other	20	34	54
Total operating expenses	429	1,759	2,188
Operating income (loss)	(57)	(18)	(75)
NONOPERATING REVENUES (EXPENSES):			
Investment income	1	40	41
Total nonoperating revenues (expenses)	1	40	41
Income (loss) before transfers	(56)	22	(34)
Transfers in	15	26	41
Transfers out	(15)	-	(15)
CHANGE IN NET POSITION	(56)	48	(8)
Net position, beginning of year	74	2,477	2,551
NET POSITION, END OF YEAR	$ 18	$ 2,525	$ 2,543

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
Cash flows from operating activities			
Cash receipts from customers / other funds	$ 374	$ 1,794	$ 2,168
Cash paid to suppliers for goods and services	(225)	(898)	(1,123)
Cash paid to employees for services	(200)	(783)	(983)
Net cash provided by (used in) operating activities	(51)	113	62
Cash flows from noncapital financing activities			
Transfers received	15	26	41
Transfers paid	(15)	-	(15)
Net cash provided by (used in) noncapital financing activities	-	26	26
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	-	(8)	(8)
Net cash used in capital and related financing activities	-	(8)	(8)
Cash flows from investing activities			
Interest received on investments	1	39	40
Net cash provided by investing activities	1	39	40
Net increase (decrease) in cash and cash equivalents	(50)	170	120
Cash and cash equivalents, beginning of year	108	5,268	5,376
Cash and cash equivalents, end of year	$ 58	$ 5,438	$ 5,496

	County Service Areas	Flood Control	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (57)	$ (18)	$ (75)
Adjustments to reconcile operating income (loss) to net cash			
Depreciation and amortization	3	7	10
Decrease (Increase) accounts receivable	-	52	52
Decrease (Increase) taxes receivable	2	14	16
Decrease (Increase) due from other funds	-	(1)	(1)
Decrease (Increase) due from other governments	-	(12)	(12)
Increase (Decrease) accounts payable	(2)	103	101
Increase (Decrease) due to other funds	-	(9)	(9)
Increase (Decrease) deposits payable	3	-	3
Increase (Decrease) other liabilities	-	(24)	(24)
Increase (Decrease) salaries and benefits payable	-	5	5
Increase (Decrease) compensated absences	-	(4)	(4)
Net cash provided by (used in) operating activities	$ (51)	$ 113	$ 62

INTERNAL SERVICE FUNDS

COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established to account for the goods and services provided by a County department to other County departments, or to other internal governments, on a cost-reimbursement basis.

RECORDS MANAGEMENT AND ARCHIVES

This fund was established to account for the operations of the Records Management and Archives Program, which is responsible for providing consistent standards and support services that promote responsible record keeping countywide. Sources of revenue include records storage, reformatting, preservation, and consulting services.

FLEET SERVICES

This fund finances the operation and maintenance of County vehicles, including the Sheriff's Department. Revenue is obtained on a cost-reimbursement basis.

INFORMATION SERVICES

These funds are supported by the revenues generated for services including software systems support, computer networks, data structure design, and organization of the County's computer systems.

PRINTING SERVICES

These funds account for the financing of printing and central mail services provided to County departments on a cost-reimbursement basis. This fund also provides services such as the paper reclamation program, which collects and sells County department waste paper for recycling.

SUPPLY SERVICES

This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

OASIS PROJECT

These funds were established to support the implementation, operation, and maintenance of the County's central administrative and financial information system. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT

These funds account for the financing of employee insurance benefits and County self-insurance programs. These funds include medical, dental, disability, and unemployment insurance as well as general liability, medical malpractice, and worker's compensation.

TEMPORARY ASSISTANCE POOL (TAP)

The purpose of this fund is to provide a ready source of temporary workers to County departments, with lower overhead costs than are typically charged by outside temporary employment agencies.

ECONOMIC DEVELOPMENT AGENCY (Facilities Management)

The purpose of this fund was to account for custodial, maintenance, and real estate services provided to other County departments on a cost-reimbursement basis.

FLOOD CONTROL EQUIPMENT

These funds were established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE
Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 1,463	$ 11,871	$ 6,920	$ 2,883	$ 3,960
Accounts receivable-net	-	19	168	17	3
Interest receivable	1	3	1	1	1
Due from other government	-	170	43	74	48
Due from other funds	-	-	4	-	-
Inventories	-	740	1,119	231	361
Prepaid items and deposits	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Total current assets	1,464	12,803	8,255	3,206	4,373
Noncurrent assets:					
Loans receivable	-	-	-	-	-
Capital assets:					
Nondepreciable assets	-	682	235	-	-
Depreciable assets	212	26,132	18,854	1,156	183
Total noncurrent assets	212	26,814	19,089	1,156	183
Total assets	1,676	39,617	27,344	4,362	4,556
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-
LIABILITIES:					
Current liabilities:					
Accounts payable	2	1,059	329	54	525
Salaries and benefits payable	46	175	2,600	87	36
Due to other governments	-	-	-	-	7
Due to other funds	39	-	-	-	-
Other liabilities	-	1,558	-	-	50
Compensated absences	56	238	4,668	123	45
Capital lease obligation	-	5,512	1,004	-	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	143	8,542	8,601	264	663
Noncurrent liabilities:					
Compensated absences	42	280	1,470	51	37
Advances from other funds	-	-	2,500	-	-
Capital lease obligation	-	6,627	16,741	-	-
Estimated claims liabilities	-	-	-	-	-
Total noncurrent liabilities	42	6,907	20,711	51	37
Total liabilities	185	15,449	29,312	315	700
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
NET POSITION:					
Net investment in capital assets	212	14,675	1,344	1,156	183
Unrestricted	1,279	9,493	(3,312)	2,891	3,673
Total net position	$ 1,491	$ 24,168	$ (1,968)	$ 4,047	$ 3,856

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
						ASSETS:
						Current assets:
$ -	$ 163,814	$ 593	$ 6,731	$ 5,532	$ 203,767	Cash and investments
-	3,585	-	-	9	3,801	Accounts receivable-net
-	71	-	1	2	81	Interest receivable
-	-	-	367	-	702	Due from other government
-	-	-	14	62	80	Due from other funds
-	-	-	175	235	2,861	Inventories
-	367	-	71	-	438	Prepaid items and deposits
-	2,000	-	-	-	2,000	Advances to other funds
-	169,837	593	7,359	5,840	213,730	Total current assets
						Noncurrent assets:
-	1,800	-	-	-	1,800	Loans receivable
						Capital assets:
-	-	-	-	-	917	Nondepreciable assets
-	25	-	48	2,033	48,643	Depreciable assets
-	1,825	-	48	2,033	51,360	Total noncurrent assets
-	171,662	593	7,407	7,873	265,090	Total assets
-	-	-	-	-	-	DEFERRED OUTFLOWS OF RESOURCES
						LIABILITIES:
						Current liabilities:
-	20,511	29	1,807	133	24,449	Accounts payable
-	1,135	134	1,152	108	5,473	Salaries and benefits payable
-	-	-	1	2	10	Due to other governments
-	-	-	560	15	614	Due to other funds
-	3	-	460	-	2,071	Other liabilities
-	1,181	269	1,365	27	7,972	Compensated absences
-	-	-	-	-	6,516	Capital lease obligation
-	34,262	-	-	-	34,262	Estimated claims liability
-	57,092	432	5,345	285	81,367	Total current liabilities
						Noncurrent liabilities:
-	1,017	7	961	202	4,067	Compensated absences
-	-	-	3,342	-	5,842	Advances from other funds
-	-	-	-	-	23,368	Capital lease obligation
-	108,197	-	-	-	108,197	Estimated claims liabilities
-	109,214	7	4,303	202	141,474	Total noncurrent liabilities
-	166,306	439	9,648	487	222,841	Total liabilities
-	-	-	-	-	-	DEFERRED INFLOWS OF RESOURCES
						NET POSITION:
-	25	-	48	2,033	19,676	Net investment in capital assets
-	5,331	154	(2,289)	5,353	22,573	Unrestricted
$ -	$ 5,356	$ 154	$ (2,241)	$ 7,386	$ 42,249	Total net position

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 1,669	$ 27,668	$ 57,215	$ 4,762	$ 8,702
Other revenue	-	150	794	2,379	6,770
Total operating revenues	1,669	27,818	58,009	7,141	15,472
OPERATING EXPENSES:					
Cost of materials used	-	1,752	-	-	-
Personnel services	1,067	3,497	43,330	1,743	727
Communications	30	90	933	30	18
Insurance	33	75	205	13	17
Maintenance of building and equipment	62	2,878	6,539	470	177
Insurance claims	-	-	-	-	-
Supplies	21	10,417	763	3,124	14,531
Purchased services	5	844	3,464	992	256
Depreciation and amortization	26	7,606	6,374	271	20
Rents and leases of equipment	288	1,106	4,264	1	-
Utilities	33	113	1,057	22	13
Other	18	260	493	95	67
Total operating expenses	1,583	28,638	67,422	6,761	15,826
Operating income (loss)	86	(820)	(9,413)	380	(354)
NONOPERATING REVENUES (EXPENSES):					
Investment income (loss)	7	47	36	14	16
Interest expense	-	(131)	(753)	-	-
Gain (loss) on disposal of capital assets	-	122	12	-	-
Other nonoperating revenues (expenses)	-	(2)	-	-	-
Total nonoperating revenues (expenses)	7	36	(705)	14	16
Income (loss) before capital contributions	93	(784)	(10,118)	394	(338)
Capital contributions	-	38	-	-	-
Transfers in	-	-	3,795	-	-
Transfers out	(21)	(76)	(888)	(38)	(15)
CHANGE IN NET POSITION	72	(822)	(7,211)	356	(353)
Net position, beginning of year	1,419	24,990	5,243	3,691	4,209
NET POSITION, END OF YEAR	$ 1,491	$ 24,168	$ (1,968)	$ 4,047	$ 3,856

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
						OPERATING REVENUES:
$ 17	$ 40,733	$ 4,233	$ 82,492	$ 1,265	$ 228,756	Charges for services
-	13,888	2	13,270	5,504	42,757	Other revenue
17	54,621	4,235	95,762	6,769	271,513	Total operating revenues
						OPERATING EXPENSES:
-	-	-	-	56	1,808	Cost of materials used
-	14,996	2,948	22,817	2,277	93,402	Personnel services
-	335	39	263	186	1,924	Communications
-	8,478	10	173	-	9,004	Insurance
-	973	84	10,791	541	22,515	Maintenance of building and equipment
-	117,210	-	-	-	117,210	Insurance claims
-	4,434	160	2,058	1,256	36,764	Supplies
-	4,873	1,346	9,190	1,138	22,108	Purchased services
-	64	-	19	906	15,286	Depreciation and amortization
-	1,417	259	48,437	3	55,775	Rents and leases of equipment
-	81	18	1,299	-	2,636	Utilities
-	2,928	164	1,305	306	5,636	Other
-	155,789	5,028	96,352	6,669	384,068	Total operating expenses
17	(101,168)	(793)	(590)	100	(112,555)	Operating income (loss)
						NONOPERATING REVENUES (EXPENSES):
-	943	5	23	39	1,130	Investment income (loss)
(1)	-	-	-	-	(885)	Interest expense
-	-	-	-	74	208	Gain (loss) on disposal of capital assets
-	-	-	-	-	(2)	Other nonoperating revenues (expenses)
(1)	943	5	23	113	451	Total nonoperating revenues (expenses)
16	(100,225)	(788)	(567)	213	(112,104)	Income (loss) before capital contributions
-	82,170	-	-	-	82,208	Capital contributions
7	2,159	-	50	203	6,214	Transfers in
(3,764)	(2,468)	(547)	(464)	(3,014)	(11,295)	Transfers out
(3,741)	(18,364)	(1,335)	(981)	(2,598)	(34,977)	CHANGE IN NET POSITION
3,741	23,720	1,489	(1,260)	9,984	77,226	Net position, beginning of year
$ -	$ 5,356	$ 154	$ (2,241)	$ 7,386	$ 42,249	NET POSITION, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2014
(Dollars in Thousands)

	Records Management and Archives	Fleet Service	Information Services	Printing Services	Supply Services
Cash flows from operating activities					
Cash receipts from internal services provided	$ 1,686	$ 27,851	$ 57,860	$ 7,141	$ 15,428
Cash paid to suppliers for goods and services	(474)	(16,110)	(17,044)	(4,809)	(14,590)
Cash paid to employees for services	(1,065)	(3,503)	(38,601)	(1,718)	(719)
Net cash provided (used) by operating activities	147	8,238	2,215	614	119
Cash flows from noncapital financing activities					
Advances from other funds	-	-	2,500	-	-
Advances to other funds	-	-	-	-	-
Transfers received	-	-	3,795	-	-
Transfers paid	(21)	(76)	(888)	(38)	(15)
Net cash provided (used) by noncapital financing activities	(21)	(76)	5,407	(38)	(15)
Cash flows from capital and related financing activities					
Proceeds on disposal of capital assets	-	120	12	-	-
Acquisition and construction of capital assets	-	(9,798)	(21,770)	(586)	-
Principal paid on capital leases	-	2,416	15,657	-	-
Capital contributions	-	38	-	-	-
Interest paid on long-term debt	-	(131)	(753)	-	-
Net cash provided (used) by capital and related financing activities	-	(7,355)	(6,854)	(586)	-
Cash flows from investing activities					
Interest received on investments	7	48	36	14	16
Net cash provided by investing activities	7	48	36	14	16
Net increase (decrease) in cash and cash equivalents	133	855	804	4	120
Cash and cash equivalents, beginning of year	1,330	11,016	6,116	2,879	3,840
Cash and cash equivalents, end of year	$ 1,463	$ 11,871	$ 6,920	$ 2,883	$ 3,960
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 86	$ (820)	$ (9,413)	$ 380	$ (354)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	26	7,606	6,374	271	20
Decrease (Increase) accounts receivable	-	(2)	(130)	-	4
Decrease (Increase) due from other funds	17	56	(4)	-	-
Decrease (Increase) due from other governments	-	(21)	(15)	-	(48)
Decrease (Increase) inventories	-	-	617	(4)	(11)
Decrease (Increase) prepaid items and deposits	-	-	-	-	-
Increase (Decrease) accounts payable	(1)	168	58	(33)	450
Increase (Decrease) due to other funds	17	-	(1)	-	-
Increase (Decrease) due to other governments	-	(1)	-	-	-
Increase (Decrease) other liabilities	-	1,258	-	(25)	50
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(1)	17	1,335	8	4
Increase (Decrease) compensated absences	3	(23)	3,394	17	4
Net cash provided (used) by operating activities	$ 147	$ 8,238	$ 2,215	$ 614	$ 119
Noncash investing, capital, and financing activities:					
Capital lease obligations		$ 8,945	$ 18,537		

OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total	
						Cash flows from operating activities
$ 17	$ 54,142	$ 4,235	$ 95,677	$ 6,744	$ 270,781	Cash receipts from internal services provided
(6)	(137,907)	(2,093)	(72,206)	(3,536)	(268,775)	Cash paid to suppliers for goods and services
(964)	(14,819)	(2,867)	(22,515)	(2,164)	(88,935)	Cash paid to employees for services
(953)	(98,584)	(725)	956	1,044	(86,929)	Net cash provided (used) by operating activities
						Cash flows from noncapital financing activities
-	-	-	-	-	2,500	Advances from other funds
-	(2,000)	-	-	-	(2,000)	Advances to other funds
7	2,159	-	50	203	6,214	Transfers received
(3,764)	(2,468)	(547)	(464)	(3,014)	(11,295)	Transfers paid
(3,757)	(2,309)	(547)	(414)	(2,811)	(4,581)	Net cash provided (used) by noncapital financing activities
						Cash flows from capital and related financing activities
-	(1,800)	-	-	74	(1,594)	Proceeds on disposal of capital assets
447	(20)	-	-	(435)	(32,162)	Acquisition and construction of capital assets
(289)	-	-	-	-	17,784	Principal paid on capital leases
-	82,170	-	-	-	82,208	Capital contributions
(1)	-	-	-	-	(885)	Interest paid on long-term debt
157	80,350	-	-	(361)	65,351	Net cash provided (used) by capital and related financing activities
						Cash flows from investing activities
2	960	5	24	40	1,152	Interest received on investments
2	960	5	24	40	1,152	Net cash provided by investing activities
(4,551)	(19,583)	(1,267)	566	(2,088)	(25,007)	Net increase (decrease) in cash and cash equivalents
4,551	183,397	1,860	6,165	7,620	228,774	Cash and cash equivalents, beginning of year
$ -	$ 163,814	$ 593	$ 6,731	$ 5,532	$ 203,767	Cash and cash equivalents, end of year
						Reconciliation of operating income (loss) to net cash provided (used) by operating activities
$ 17	$ (101,168)	$ (793)	$ (590)	$ 100	$ (112,555)	Operating income (loss)
						Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities
-	64	-	19	906	15,286	Depreciation and amortization
-	(479)	-	-	(2)	(609)	Decrease (Increase) accounts receivable
-	-	-	(14)	(23)	32	Decrease (Increase) due from other funds
-	-	-	(71)	-	(155)	Decrease (Increase) due from other governments
-	-	-	15	1	618	Decrease (Increase) inventories
-	(62)	-	(8)	-	(70)	Decrease (Increase) prepaid items and deposits
(6)	(8,659)	(12)	548	(25)	(7,512)	Increase (Decrease) accounts payable
-	-	(1)	560	(28)	547	Increase (Decrease) due to other funds
-	-	-	1	2	2	Increase (Decrease) due to other governments
-	3	-	194	-	1,480	Increase (Decrease) other liabilities
-	11,540	-	-	-	11,540	Increase (Decrease) estimated claims liability
(251)	146	24	154	92	1,528	Increase (Decrease) salaries and benefits payable
(713)	31	57	148	21	2,939	Increase (Decrease) compensated absences
$ (953)	$ (98,584)	$ (725)	$ 956	$ 1,044	$ (86,929)	Net cash provided (used) by operating activities
						Noncash investing, capital, and financing activities:
$ (289)					$ 27,193	Capital lease obligations

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FIDUCIARY FUNDS

COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These funds were established for the purpose of accounting for assets held in trustee or agency capacity for others and therefore cannot be used to support the government's own programs and are excluded from the government-wide financial statements.

OTHER

This fund was established to account for a wide array of fiduciary responsibilities. Some of these responsibilities include tax payments clearing, asset forfeiture, State Controller clearing, child support collections, undistributed bond proceeds, and family support clearing.

PAYROLL DEDUCTIONS

The purpose of this fund is to collect deductions from employee wages. The deductions are owed to a variety of third parties for health insurance, union dues, unemployment insurance, withholding tax, flexible spending accounts, and dental insurance.

PROPERTY TAX ASSESSMENTS

The Property Tax Assessment Agency Fund was set up to help Riverside County account for apportioned taxes clearing, delinquent mobile home fees, property tax refunds, special assessments, and Teeter Plan collections.

WARRANTS

This fund was established as a clearing fund for various categories of warrants issued by Riverside County.

COUNTY OF RIVERSIDE

Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2014
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 106,043	$ 11,115	$ 80,826	$ 96,195	$ 294,179
Accounts receivable	386	-	-	-	386
Interest receivable	18	-	10	-	28
Taxes receivable	49	-	32,904	-	32,953
Due from other governments	426	-	-	-	426
Total assets	$ 106,922	$ 11,115	$ 113,740	$ 96,195	$ 327,972
LIABILITIES:					
Accounts payable	$ 77,544	$ 11,115	$ 654	$ 96,195	$ 185,508
Salaries and benefits payable	6	-	-	-	6
Due to other governments	29,372	-	113,086	-	142,458
Total liabilities	$ 106,922	$ 11,115	$ 113,740	$ 96,195	$ 327,972

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Other				
Assets				
Cash and investments	$ 87,556	$ 5,229,391	$ 5,210,904	$ 106,043
Accounts receivable	47	4,457	4,118	386
Interest receivable	25	36	43	18
Taxes receivable	68	49	68	49
Due from other governments	350	428	352	426
Total assets	$ 88,046	$ 5,234,361	$ 5,215,485	$ 106,922
Liabilities				
Accounts payable	$ 69,087	$ 637,507	$ 629,050	$ 77,544
Salaries and benefits payable	6	6	6	6
Due to other governments	18,953	4,583,066	4,572,647	29,372
Total liabilities	$ 88,046	$ 5,220,579	$ 5,201,703	$ 106,922
Payroll Deductions				
Assets				
Cash and investments	$ 11,123	$ 1,948,846	$ 1,948,854	$ 11,115
Total assets	$ 11,123	$ 1,948,846	$ 1,948,854	$ 11,115
Liabilities				
Accounts payable	$ 11,123	$ 1,354,071	$ 1,354,079	$ 11,115
Total liabilities	$ 11,123	$ 1,354,071	$ 1,354,079	$ 11,115
Property Tax Assessments				
Assets				
Cash and investments	$ 76,342	$ 4,329,670	$ 4,325,186	$ 80,826
Interest receivable	13	21	24	10
Taxes receivable	36,065	32,904	36,065	32,904
Total assets	$ 112,420	$ 4,362,595	$ 4,361,275	$ 113,740
Liabilities				
Accounts payable	$ 599	$ 251,864	$ 251,809	$ 654
Due to other governments	111,821	4,348,187	4,346,922	113,086
Total liabilities	$ 112,420	$ 4,600,051	$ 4,598,731	$ 113,740

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2014

(Dollars in Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Warrants				
Assets				
Cash and investments	$ 51,752	$ 9,833,177	$ 9,788,734	$ 96,195
Total assets	$ 51,752	$ 9,833,177	$ 9,788,734	$ 96,195
Liabilities				
Accounts payable	$ 51,752	$ 5,539,421	$ 5,494,978	$ 96,195
Total liabilities	$ 51,752	$ 5,539,421	$ 5,494,978	$ 96,195
Total Agency Funds				
Assets				
Cash and investments	$ 226,773	$ 21,341,084	$ 21,273,678	$ 294,179
Accounts receivable	47	4,457	4,118	386
Interest receivable	38	57	67	28
Taxes receivable	36,133	32,953	36,133	32,953
Due from other governments	350	428	352	426
Total assets	$ 263,341	$ 21,378,979	$ 21,314,348	$ 327,972
Liabilities				
Accounts payable	$ 132,561	$ 7,782,863	$ 7,729,916	$ 185,508
Salaries and benefits payable	6	6	6	6
Due to other governments	130,774	8,931,253	8,919,569	142,458
Total liabilities	$ 263,341	$ 16,714,122	$ 16,649,491	$ 327,972

STATISTICAL SECTION

Statistical Section

This section of the Riverside County Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

<u>**Contents**</u> <u>**Table(s)**</u>

Financial Trends Information **T1 – T5**

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

Net Position by Component
Changes in Net Position
Governmental Activities Tax Revenues by Source
Fund Balances of Governmental Funds
Changes in Fund Balances of Governmental Funds

Revenue Capacity Information **T6 – T10**

These tables contain information to assist readers in understanding and assessing the factors affecting the County's local revenue sources, property tax, sales tax, and other taxes.

General Government Tax Revenues by Source
Assessed Value and Estimated Actual Value of Taxable Property
Property Tax Rates, Direct and Overlapping Governments
Principal Property Tax Payers
Property Tax Levies and Collections

Debt Capacity Information **T11 – T15**

These tables contain information to assist readers in understanding and assessing the County's current level of outstanding debt, and the County's ability to issue additional debt.

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt Outstanding
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
Pledged-Revenue Coverage

Economic and Demographic Information **T16 – T17**

These tables provide economic and demographic information to assist readers in understanding the socioeconomic environment within which the County operates, and to facilitate the comparisons of financial information over time.

Demographic and Economic Statistics
Principal Employers

Operating Information **T18 – T20**

These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

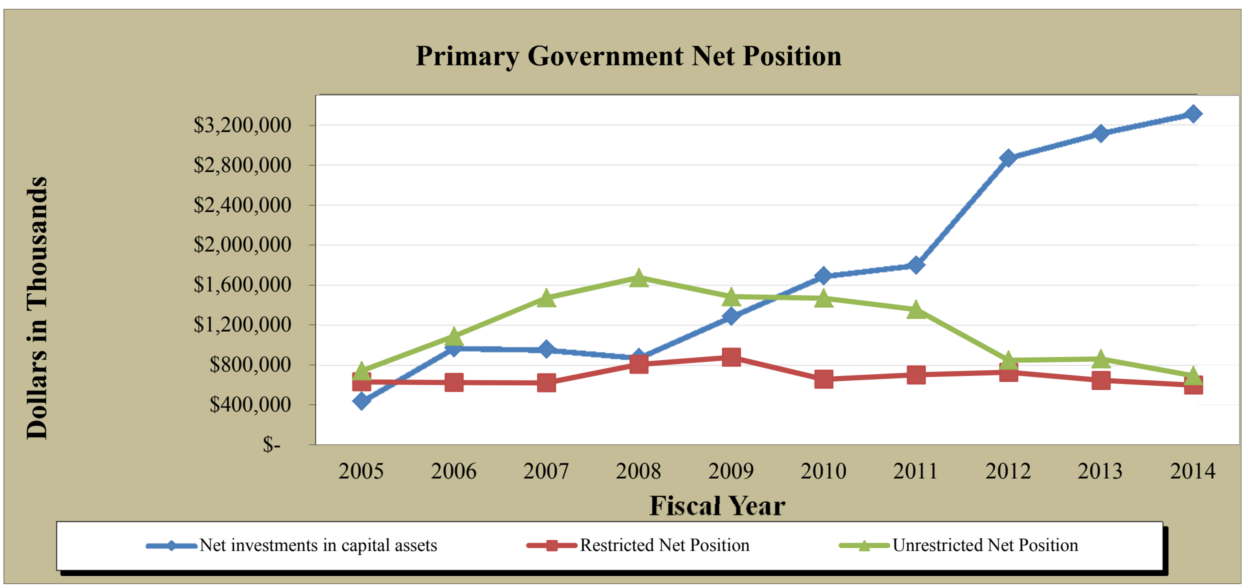
Full-time Equivalent County Government Employees by Function/Program
Operating Indicators by Function
Capital Asset Statistics by Function

Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years. The County implemented GASB Statement No. 34 in fiscal year 2001-02. Statistical Tables present information for the last eight years beginning with the first year after GASB Statement No. 34 implementation.

Table 1

COUNTY OF RIVERSIDE
Net Position by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

	Fiscal Year ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Governmental activities					
Net investments in capital assets	$ 3,165,319	$ 2,998,987	$ 2,740,429	$ 1,687,128	$ 1,594,275
Restricted	499,463	550,326	683,835	656,347	604,942
Unrestricted	718,105	771,883	851,269	1,295,657	1,395,141
Governmental activities, total net position	$ 4,382,887	$ 4,321,196	$ 4,275,533	$ 3,639,132	$ 3,594,358
Business-type activities					
Net investments in capital assets	$ 147,806	$ 118,594	$ 130,510	$ 113,489	$ 96,901
Restricted	96,904	94,346	41,103	43,086	50,386
Unrestricted	(27,903)	88,852	(5,456)	59,550	72,397
Business-type activities, total net position	$ 216,807	$ 301,792	$ 166,157	$ 216,125	$ 219,684
Primary government					
Net investments in capital assets	$ 3,313,125	$ 3,117,581	$ 2,870,939	$ 1,800,617	$ 1,691,176
Restricted	596,367	644,672	724,938	699,433	655,328
Unrestricted	690,202	860,735	845,813	1,355,207	1,467,538
Primary government, total net position	$ 4,599,694	$ 4,622,988	$ 4,441,690	$ 3,855,257	$ 3,814,042



Source: Auditor-Controller, County of Riverside

Table 1

2009	2008	2007	2006	2005	
					Governmental activities
$ 1,204,971	$ 802,981	$ 903,076	$ 930,800	$ 407,762	Net investments in capital assets
824,139	769,368	569,477	582,037	584,441	Restricted
1,402,813	1,572,150	1,370,350	999,992	671,917	Unrestricted
$ 3,431,923	$ 3,144,499	$ 2,842,903	$ 2,512,829	$ 1,664,120	Governmental activities, total net position
					Business-type activities
$ 81,512	$ 69,441	$ 53,321	$ 40,986	$ 29,583	Net investments in capital assets
52,502	36,074	50,629	41,287	45,362	Restricted
80,238	101,683	100,567	85,971	67,502	Unrestricted
$ 214,252	$ 207,198	$ 204,517	$ 168,244	$ 142,447	Business-type activities, total net position
					Primary government
$ 1,286,483	$ 872,422	$ 956,397	$ 971,786	$ 437,345	Net investments in capital assets
876,641	805,442	620,106	623,324	629,803	Restricted
1,483,051	1,673,833	1,470,917	1,085,963	739,419	Unrestricted
$ 3,646,175	$ 3,351,697	$ 3,047,420	$ 2,681,073	$ 1,806,567	Primary government, total net position

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Program revenues					
Governmental activities:					
Charges for services:					
General government	$ 162,926	$ 138,851	$ 147,510	$ 159,570	$ 140,723
Public protection	352,178	339,379	316,778	326,237	331,162
Other activities	100,791	110,231	116,509	105,931	95,438
Operating grants and contributions	1,593,627	1,503,390	1,447,694	1,393,016	1,384,791
Capital grants and contributions	29,890	27,695	27,909	32,114	31,112
Governmental activities program revenues	2,239,412	2,119,546	2,056,400	2,016,868	1,983,226
Business-type activities:					
Charges for services:					
Regional Medical Center	400,630	450,340	371,827	386,533	367,273
Other activities	155,336	150,407	133,838	140,327	134,257
Capital grants and contributions	450	698	335	-	1,165
Business-type activities program revenues	556,416	601,445	506,000	526,860	502,695
Primary government program revenues	2,795,828	2,720,991	2,562,400	2,543,728	2,485,921
Expenses					
Governmental activities:					
General government	228,146	194,641	270,474	298,032	323,949
Public protection	1,191,438	1,065,373	1,047,202	1,021,288	1,062,213
Public ways and facilities	108,380	89,469	84,797	87,424	31,024
Health and sanitation	460,963	422,982	374,950	369,984	347,634
Public assistance	851,246	807,611	827,092	907,202	820,637
Education	24,420	18,998	10,376	15,816	19,866
Recreation and cultural services	20,077	12,274	15,806	9,364	12,206
Interest on long-term debt	47,236	29,453	39,098	88,998	80,754
Governmental activities expenses	2,931,906	2,640,801	2,669,795	2,798,108	2,698,283
Business-type activities:					
Regional Medical Center	482,240	473,916	417,074	401,120	389,991
Waste Management Department	62,721	53,069	57,272	56,688	49,956
Housing Authority	94,716	90,678	91,469	86,027	81,426
Flood Control	2,561	2,472	2,306	3,711	3,233
County Service Areas	429	459	456	383	454
Business-type activities expenses	642,667	620,594	568,577	547,929	525,060
Primary government expenses	3,574,573	3,261,395	3,238,372	3,346,037	3,223,343
Net (expense)/revenue					
Governmental activities	(692,494)	(521,255)	(613,395)	(781,240)	(715,057)
Business-type activities	(86,251)	(19,149)	(62,577)	(21,069)	(22,365)
Primary government, net (expense) / revenue	$ (778,745)	$ (540,404)	$ (675,972)	$ (802,309)	$ (737,422)

Source: Auditor-Controller, County of Riverside

Table 2

2009	2008	2007	2006	2005	
					Program revenues
					Governmental activities:
					Charges for services:
$ 143,644	$ 171,403	$ 171,070	$ 174,781	$ 125,937	General government
311,565	316,719	307,288	286,877	235,873	Public protection
100,819	123,483	130,837	113,413	97,182	Other activities
1,344,611	1,315,716	1,210,941	1,100,674	983,290	Operating grants and contributions
29,771	25,333	48,186	31,001	64,252	Capital grants and contributions
1,930,410	1,952,654	1,868,322	1,706,746	1,506,534	Governmental activities program revenues
					Business-type activities:
					Charges for services:
360,584	333,414	337,905	330,125	354,510	Regional Medical Center
139,206	146,065	137,706	135,266	125,945	Other activities
310	306	261	227	-	Capital grants and contributions
500,100	479,785	475,872	465,618	480,455	Business-type activities program revenues
2,430,510	2,432,439	2,344,194	2,172,364	1,986,989	Primary government program revenues
					Expenses
					Governmental activities:
285,393	331,741	296,917	259,993	187,911	General government
1,095,587	1,122,370	935,550	801,044	792,287	Public protection
31,283	20,558	57,578	61,443	79,649	Public ways and facilities
392,945	330,206	350,082	350,451	290,001	Health and sanitation
770,484	752,779	688,213	634,522	552,298	Public assistance
15,954	17,977	14,847	11,168	10,112	Education
6,039	12,457	11,941	7,188	8,617	Recreation and cultural services
89,741	96,173	81,197	75,721	48,717	Interest on long-term debt
2,687,426	2,684,261	2,436,325	2,201,530	1,969,592	Governmental activities expenses
					Business-type activities:
379,278	353,481	329,128	290,962	356,255	Regional Medical Center
61,116	64,538	60,772	66,453	55,563	Waste Management Department
81,139	74,252	70,218	62,909	62,206	Housing Authority
3,816	5,201	6,242	5,705	4,928	Flood Control
457	343	329	285	320	County Service Areas
525,806	497,815	466,689	426,314	479,272	Business-type activities expenses
3,213,232	3,182,076	2,903,014	2,627,844	2,448,864	Primary government expenses
					Net (expense)/revenue
(757,016)	(731,607)	(568,003)	(494,784)	(463,058)	Governmental activities
(25,706)	(18,030)	9,183	39,304	1,183	Business-type activities
$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	Primary government, net (expense) / revenue

Continued

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Continued:					
Primary government, net (expense) / revenue	$ (778,745)	$ (540,404)	$ (675,972)	$ (802,309)	$ (737,422)
General revenues and other changes in net position					
Governmental activities:					
Taxes:					
Property taxes	297,107	277,417	322,337	367,867	440,282
Sales tax and use tax	35,443	29,751	26,744	45,489	36,289
Other taxes	27,764	37,883	6,715	9,004	8,610
Intergovernmental revenue - not restricted to programs:					
Unrestricted intergovernmental revenue	227,303	220,811	226,384	235,153	246,493
Fines, forfeitures, and penalties	-	-	-	-	-
Investment earnings	11,317	2,035	11,801	19,494	29,026
Other	167,992	168,454	169,398	142,966	91,044
Transfers	(9,645)	(1,049)	(11,702)	(10,355)	(17,436)
Governmental activities	757,281	735,302	751,677	809,618	834,308
Business-type activities:					
Investment earnings	1,319	(33)	907	538	1,442
Gain on sale of capital assets	-	-	-	-	-
Other	-	-	-	6,617	-
Transfers	9,645	1,049	11,702	10,355	17,436
Business-type activities	10,964	1,016	12,609	17,510	18,878
Total primary government	768,245	736,318	764,286	827,128	853,186
Change in net position					
Governmental activities	64,787	214,047	138,282	28,378	119,251
Business-type activities	(75,287)	(18,133)	(49,968)	(3,559)	(3,487)
Primary government change in net position	$ (10,500)	$ 195,914	$ 88,314	$ 24,819	$ 115,764

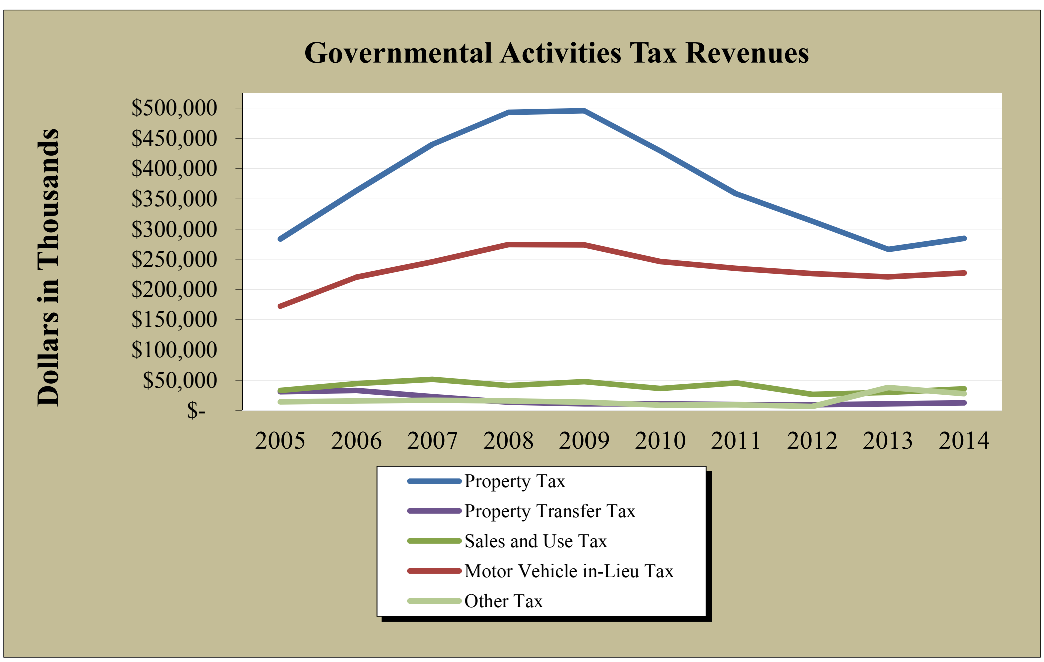
Table 2

2009	2008	2007	2006	2005	
					Continued:
$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	Primary government, net (expense) / revenue
					General revenues and other changes in net position
					Governmental activities:
					Taxes:
506,222	506,327	462,817	396,167	314,666	Property taxes
47,683	40,985	51,093	44,286	33,091	Sales tax and use tax
13,771	15,898	16,865	15,603	13,885	Other taxes
					Intergovernmental revenue - not restricted to programs:
273,825	274,282	245,723	220,190	172,265	Unrestricted intergovernmental revenue
-	-	-	-	70,578	Fines, forfeitures, and penalties
87,041	138,071	122,517	78,288	39,907	Investment earnings
121,880	85,924	13,191	96,265	99,330	Other
(25,713)	(10,322)	(16,892)	19,888	(31,000)	Transfers
1,024,709	1,051,165	895,314	870,687	712,722	Governmental activities
					Business-type activities:
6,142	10,389	10,198	6,381	4,234	Investment earnings
-	-	-	-	346	Gain on sale of capital assets
-	-	-	-	-	Other
25,713	10,322	16,892	(19,888)	31,000	Transfers
31,855	20,711	27,090	(13,507)	35,580	Business-type activities
1,056,564	1,071,876	922,404	857,180	748,302	Total primary government
					Change in net position
267,693	319,558	327,311	375,903	249,664	Governmental activities
6,149	2,681	36,273	25,797	36,763	Business-type activities
$ 273,842	$ 322,239	$ 363,584	$ 401,700	$ 286,427	Primary government change in net position

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

Fiscal Year Ending June 30th	Property Tax	Property Transfer Tax	Sales and Use Tax	Unrestricted Intergovernmental Revenue	Other Tax	Total
2014	$ 284,819	$ 12,288	$ 35,443	$ 227,303	$ 27,764	$ 587,617
2013	266,294	11,123	29,751	220,811	37,883	565,862
2012	312,972	9,365	26,744	226,384	6,715	582,180
2011	357,908	9,959	45,489	235,153	9,004	657,513
2010	429,604	10,678	36,289	246,493	8,610	731,674
2009	495,598	10,624	47,683	273,825	13,771	841,501
2008	492,849	13,478	40,985	274,282	15,898	837,492
2007	439,981	22,836	51,093	245,723	16,865	776,498
2006	363,407	32,760	44,286	220,190	15,603	676,246
2005	283,660	31,006	33,091	172,265	13,885	533,907



Source: Auditor-Controller, County of Riverside

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Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
General Fund					
Nonspendable	$ 2,045	$ 3,247	$ 1,834	$ 2,214	$ 3,201
Restricted	117,595	101,440	101,651	98,552	93,653
Committed	32,820	42,183	52,439	50,097	250,444
Assigned	7,772	10,460	8,764	3,463	2,998
Unassigned	203,444	199,919	171,910	189,236	36,190
Total general fund	363,676	357,249	336,598	343,562	386,486
Transportation					
Nonspendable	1,101	1,044	1,014	-	-
Restricted	62,767	79,127	95,805	-	-
Committed	2,244	1,310	1,811	-	-
Assigned	14,063	12,821	4,935	-	-
Total transportation	80,175	94,302	103,565	-	-
Flood Control					
Nonspendable	1	1	1	1	1
Committed	258,580	253,117	252,368	237,211	222,944
Assigned	-	1,807	3,890	13,741	18,979
Total Flood Control	258,581	254,925	256,259	250,953	241,924
Public Facilities Improvements					
Restricted	123,860	153,404	131,184	158,628	200,501
Committed	3,000	1,912	-	6,451	10,850
Assigned	7,803	44,244	111,324	128,023	127,302
Total public facilities improvements	134,663	199,560	242,508	293,102	338,653
Redevelopment Capital Projects					
Nonspendable	-	-	-	72,055	79,257
Committed	-	-	-	115,617	93,028
Assigned	-	-	-	83,881	96,062
Total redevelopment capital projects	-	-	-	271,553	268,347
Nonmajor Governmental Funds					
Nonspendable	1,208	1,168	1,241	84,769	84,744
Restricted	182,139	174,552	354,214	410,787	434,900
Committed reported in:					
Special revenue funds	9,750	15,763	12,973	21,381	6,196
Debt service funds	-	-	-	1,206	1,206
Capital projects funds	-	151	323	1,690	355
Assigned	32,370	17,088	25,763	86,572	30,314
Total nonmajor governmental funds	225,467	208,722	394,514	606,405	557,715
Total all governmental funds	$ 1,062,562	$ 1,114,758	$ 1,333,444	$ 1,765,575	$ 1,793,125

Note: In fiscal year 2010-11 the County implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned. Fiscal year 2009-10 fund balances have been recharacterized to comply with GASB Statement No. 54 in order to facilitate year-to-year comparisons. In fiscal year 2011-12 Redevelopment Capital Projects are reported under the Successor Agency.

In fiscal year 2012-13 Transportation became a major fund, therefore only fiscal year 2011-12 and 2012-13 are presented for comparison purposes.

Source: Auditor-Controller, County of Riverside

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Continued)
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2009	**2008**	**2007**	**2006**	**2005**
General Fund					
Reserved	$ 91,196	$ 84,466	$ 88,233	$ 100,436	$ 121,249
Unreserved, designated	203,821	335,630	339,773	277,833	185,014
Unreserved, undesignated	77,104	58,672	142,958	68,649	46,191
Total general fund	372,121	478,768	570,964	446,918	352,454
Transportation					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Total transportation	-	-	-	-	-
Flood Control					
Reserved	1,794	4,500	-	940	3,914
Unreserved, designated	30,149	1,755	134,396	133,906	-
Unreserved, undesignated	196,973	193,170	32,724	3,044	120,052
Total Flood Control	228,916	199,425	167,120	137,890	123,966
Public Facilities Improvements					
Reserved	538,431	590,915	256,338	222,983	175,699
Unreserved, undesignated	-	-	-	-	-
Total public facilities improvements	538,431	590,915	256,338	222,983	175,699
Redevelopment Capital Projects					
Reserved	189,627	122,036	269,263	88,391	61,460
Unreserved, undesignated	116,076	234,582	118,186	120,313	75,702
Total redevelopment capital projects	305,703	356,618	387,449	208,704	137,162
Nonmajor Governmental Funds					
Reserved	371,076	331,147	192,566	196,938	149,222
Unreserved, designated reported in:					
Special revenue funds	27,666	37,121	53,268	78,501	86,593
Capital projects funds	6,933	6,935	9,671	2,056	1,805
Unreserved, undesignated reported in:					
Special revenue funds	151,939	139,367	115,637	106,564	197,438
Capital projects funds	-	-	-	-	-
Total nonmajor governmental funds	557,614	514,570	371,142	384,059	435,058
Total all governmental funds	$ 2,002,785	$ 2,140,296	$ 1,753,013	$ 1,400,554	$ 1,224,339

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Revenues					
Taxes	$ 361,900	$ 347,166	$ 355,796	$ 427,892	$ 439,435
Licenses, permits, and franchise fees	20,377	18,798	19,513	20,294	19,197
Fines, forfeitures, and penalties	82,290	86,381	90,163	95,290	114,320
Use of money and property:					
Investments earnings (loss)	10,187	2,370	10,827	18,305	26,929
Rents and concessions	29,925	19,246	19,588	17,659	17,393
Aid from other governmental agencies:					
Federal	544,478	569,330	577,654	609,531	636,167
State	1,172,107	1,047,485	986,658	921,329	857,191
Other	136,461	132,120	156,678	130,362	172,598
Charges for services	483,346	464,274	449,888	458,744	469,340
Other revenue	88,055	91,329	95,119	95,279	65,711
Total revenues	2,929,126	2,778,499	2,761,884	2,794,685	2,818,281
Expenditures					
General government	214,212	208,242	291,227	311,025	554,315
Public protection	1,186,900	1,117,397	1,072,442	1,081,489	1,068,051
Public ways and facilities	177,965	177,467	168,015	176,184	130,310
Health and sanitation	421,494	393,557	375,668	353,904	341,244
Public assistance	851,061	798,850	802,104	824,471	812,848
Education	19,470	18,819	18,942	19,282	18,910
Recreation and culture	15,911	16,590	15,220	18,755	12,620
Debt service:					
Principal	70,840	55,363	65,002	80,928	73,378
Interest	45,953	27,988	49,041	83,902	78,689
Cost of issuance	623	378	15	5,212	1,819
Capital outlay	58,046	25,427	22,583	30,439	39,844
Total expenditures	3,062,475	2,840,078	2,880,259	2,985,591	3,132,028
Revenues over (under) expenditures	(133,349)	(61,579)	(118,375)	(190,906)	(313,747)
Other financing sources (uses)					
Transfers in	248,448	231,574	323,052	267,985	463,296
Transfers out	(253,012)	(233,809)	(332,724)	(277,943)	(479,143)
Issuance of debt	64,000	-	-	170,481	81,745
Issuance of refunding bonds	20,510	19,140	33,360	-	70,365
Discount on long-term debt	-	-	-	-	(626)
Premium on long-term debt	1,338	759	2,840	-	937
Redemption of refunded debt	-	(18,155)	(32,797)	-	-
Payment to escrow agent	-	-	-	-	(65,713)
Proceeds from the sale of capital assets	-	-	-	6	-
Capital leases	2,965	1,721	2,671	8,321	31,018
Total other financing sources (uses)	84,249	1,230	(3,598)	168,850	101,879
Net change in fund balances	$ (49,100)	$ (60,349)	$ (121,973)	$ (22,056)	$ (211,868)
Debt service as a % of non-capital expenditures	4.21%	3.35%	4.50%	6.17%	5.85%

Source: Auditor-Controller, County of Riverside

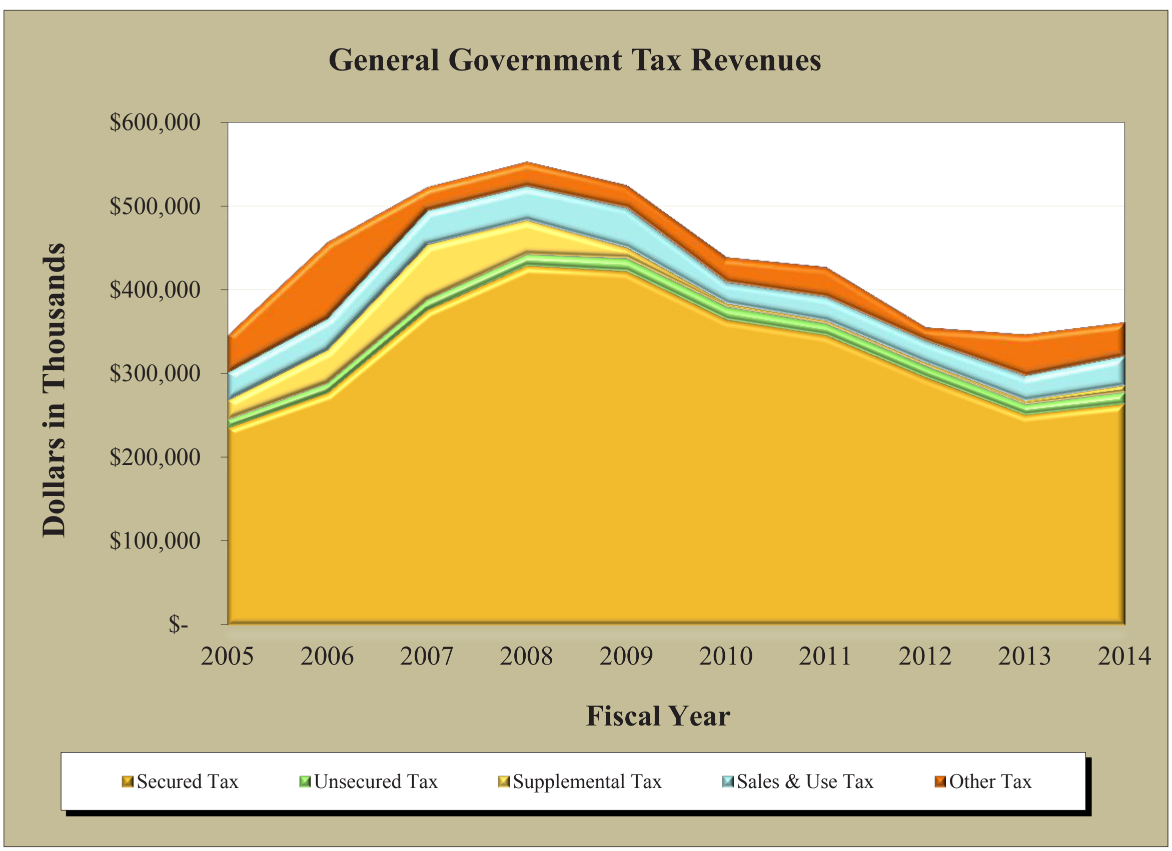
Table 5

2009	2008	2007	2006	2005	
					Revenues
$ 525,238	$ 553,158	$ 523,028	$ 457,117	$ 346,248	Taxes
22,546	24,652	25,981	21,733	22,343	Licenses, permits, and franchise fees
108,572	92,029	82,946	62,984	70,578	Fines, forfeitures, and penalties
					Use of money and property:
81,040	128,307	113,789	73,838	37,624	Investments earnings (loss)
17,151	15,486	43,171	41,798	39,831	Rents and concessions
					Aid from other governmental agencies:
546,030	544,587	496,685	451,036	446,628	Federal
955,389	971,299	937,630	830,634	705,289	State
140,757	103,858	89,111	69,042	55,661	Other
460,439	447,889	431,676	439,594	383,497	Charges for services
84,348	102,132	115,863	110,870	146,800	Other revenue
2,941,510	2,983,397	2,859,880	2,558,646	2,254,499	Total revenues
					Expenditures
430,712	409,336	320,254	270,340	250,568	General government
1,126,662	1,083,719	972,006	855,133	1,039,822	Public protection
148,544	152,603	157,055	141,017	111,088	Public ways and facilities
390,668	375,259	348,921	346,738	339,444	Health and sanitation
766,407	747,576	686,295	629,553	652,069	Public assistance
15,731	17,907	14,830	11,108	9,889	Education
12,801	11,647	11,707	12,727	20,058	Recreation and culture
					Debt service:
54,587	46,483	44,222	45,516	34,452	Principal
86,768	91,126	78,204	73,707	46,439	Interest
2,436	3,868	5,565	4,925	9,283	Cost of issuance
48,899	36,691	58,525	25,639	9,680	Capital outlay
3,084,215	2,976,215	2,697,584	2,416,403	2,522,792	Total expenditures
(142,705)	7,182	162,296	142,243	(268,293)	Revenues over (under) expenditures
					Other financing sources (uses)
538,029	805,400	313,044	294,835	203,411	Transfers in
(562,345)	(814,607)	(328,624)	(277,680)	(229,835)	Transfers out
-	294,084	34,173	178,750	596,330	Issuance of debt
78,895	111,125	259,600	-	74,200	Issuance of refunding bonds
-	(2,898)	-	-	-	Discount on long-term debt
-	3,272	2,876	857	4,827	Premium on long-term debt
-	-	-	-	-	Redemption of refunded debt
(76,300)	(24,290)	(103,396)	(35,684)	(53,338)	Payment to escrow agent
-	1,159	916	2,064	35	Proceeds from the sale of capital assets
22,746	8,670	8,811	7,929	6,616	Capital leases
1,025	381,915	187,400	171,071	602,246	Total other financing sources (uses)
$ (141,680)	$ 389,097	$ 349,696	$ 313,314	$ 333,953	Net change in fund balances
5.54%	5.28%	5.07%	5.47%	3.35%	Debt service as a % of non-capital expenditures

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)
June 30, 2014

Fiscal Year Ending June 30th	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
2014	$ 264,643	$ 13,597	$ 8,165	$ 35,443	$ 40,052	$ 361,900
2013	251,236	12,459	4,714	29,751	49,006	347,166
2012	295,974	13,499	3,498	26,626	16,199	355,796
2011	346,356	13,404	3,681	28,393	36,058	427,892
2010	364,810	15,270	3,778	25,762	29,815	439,435
2009	422,329	15,071	12,981	47,683	27,174	525,238
2008	428,790	13,193	40,815	40,985	29,375	553,158
2007	375,924	12,301	65,537	40,607	28,659	523,028
2006	277,266	11,405	39,661	37,532	91,253	457,117
2005	235,636	9,501	23,129	33,091	44,891	346,248



Source: Auditor-Controller, County of Riverside

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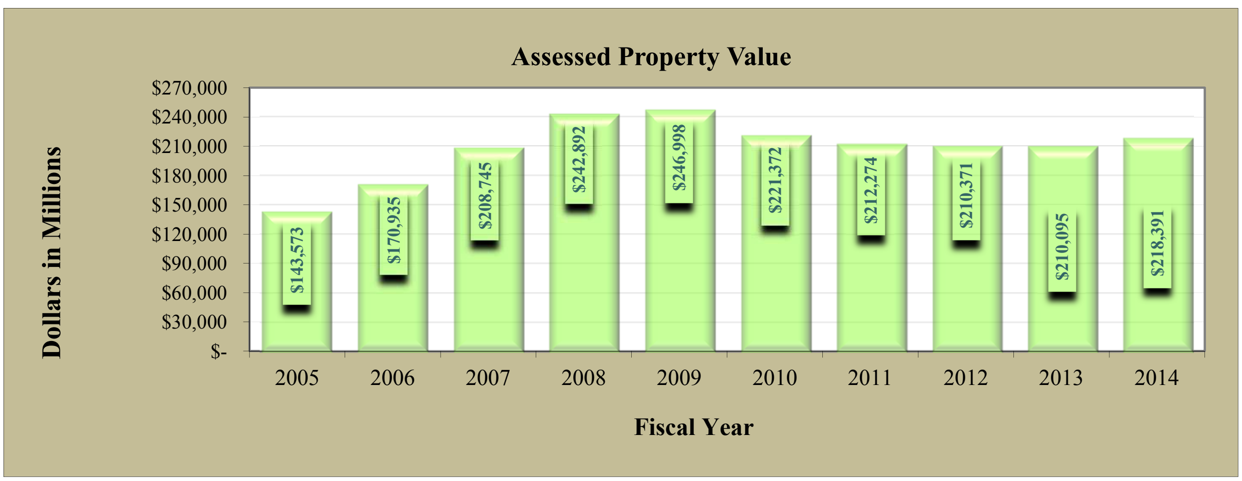
Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Real property					
Secured property	$ 210,523,063	$ 201,971,552	$ 202,313,851	$ 204,153,163	$ 213,144,336
Unsecured property	7,868,150	8,123,443	8,057,242	8,121,065	8,227,172
Total gross assessed value	218,391,213	210,094,995	210,371,093	212,274,228	221,371,508
Less:					
Tax-exempt real property	7,300,462	7,116,048	6,818,361	6,673,229	6,424,030
Total taxable assessed value	$ 211,090,751	$ 202,978,947	$ 203,552,732	$ 205,600,999	$ 214,947,478
Total direct tax rate	1.1383	1.1434	1.1254	1.1254	1.1222
Estimated actual taxable value	$ 281,454,335	$ 270,638,596	$ 271,403,643	$ 274,134,665	$ 286,596,637
Assessed value as a % of actual value	77.59%	77.63%	77.51%	77.43%	77.24%



Source: Auditor-Controller, County of Riverside

Table 7

2009	2008	2007	2006	2005	
					Real property
$ 238,312,506	$ 235,351,116	$ 202,009,520	$ 164,618,837	$ 137,784,611	Secured property
8,685,393	7,540,803	6,735,421	6,316,569	5,787,971	Unsecured property
246,997,899	242,891,919	208,744,941	170,935,406	143,572,582	**Total gross assessed value**
					Less:
6,111,231	5,574,813	5,125,567	5,014,256	4,730,573	Tax-exempt real property
$ 240,886,668	$ 237,317,106	$ 203,619,374	$ 165,921,150	$ 138,842,009	**Total taxable assessed value**
1.1095	1.0919	1.0772	1.0805	1.0866	**Total direct tax rate**
$ 321,182,224	$ 316,422,808	$ 271,492,499	$ 221,228,200	$ 185,122,679	**Estimated actual taxable value**
76.90%	76.76%	76.89%	77.27%	77.56%	**Assessed value as a % of actual value**

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
June 30, 2014

Fiscal Year Ending June 30th	County Direct Rates		Range of Overlapping Rates			
	Riverside County General Purpose	Riverside County Debt Service	Total City Rate	Total School Districts Rate	Total Special Districts Rate	Total Direct & Overlapping Rates
2014	1.00000%	0.13830%	0% to .00673%	.01768% to .17571%	0% to .55075%	1.13830% to 1.55075%
2013	1.00000%	0.14340%	0% to .00572%	.01702% to .17570%	0% to .58076%	1.14340% to 1.58076%
2012	1.00000%	0.12540%	0% to .00571%	.01700% to .14030%	0% to .53864%	1.12540% to 1.53864%
2011	1.00000%	0.12540%	0% to .00575%	.01499% to .13224%	0% to .50000%	1.12540% to 1.50000%
2010	1.00000%	0.12220%	.00064% to .00577%	.01242% to .12628%	0% to .50000%	1.12220% to 1.50000%
2009	1.00000%	0.10950%	.00119% to .00747%	.01254% to .10963%	0% to .50000%	1.10950% to 1.50000%
2008	1.00000%	0.09190%	.00178% to .00627%	.00549% to .08521%	0% to .50000%	1.09190% to 1.50000%
2007	1.00000%	0.07720%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1.07720% to 1.54324%
2006	1.00000%	0.08050%	.00426% to .00861%	.01435% to .10210%	0% to .50997%	1.08050% to 1.50997%
2005	1.00000%	0.08660%	.00529% to .01092%	.01192% to .09581%	0% to .50000%	1.08660% to 1.50000%

Note: Total direct tax rate encompasses general levy, special assessments, and fixed charges.

Overlapping governments in the context of the statistical section, all local governments located wholly or in part within the geographic boundaries of the reporting government.

Overlapping rate in the context of the statistical section, an amount or percentage applied to a unit of a specific revenue base by governments that overlap geographically, at least in part, with the government preparing the statistical section information.

Source: Auditor-Controller, County of Riverside

Table 9

COUNTY OF RIVERSIDE
Principal Property Tax Payers
(Dollars in Thousands)
Current Year and Nine Years Ago
June 30, 2014

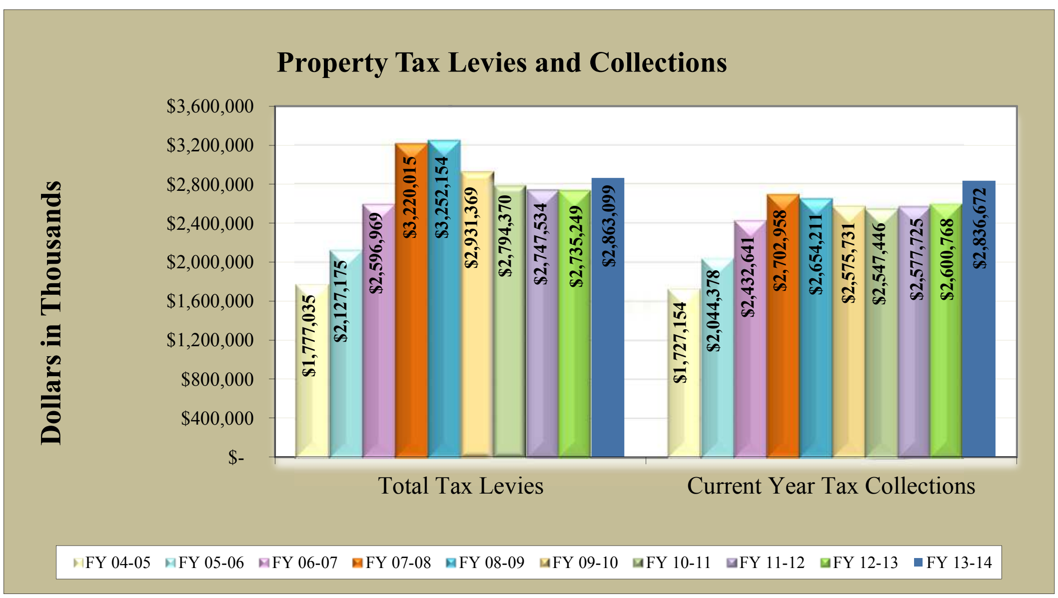
Tax payer	Fiscal Year 2014 Taxable Assessed Value	Fiscal Year 2014 Percentage of Total County Taxable Assessed Value	Fiscal Year 2005 Taxable Assessed Value	Fiscal Year 2005 Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 27,265	0.92%	-	-
CPV Sentinel LLC	8,528	0.29%	-	-
Verizon California Inc.	7,445	0.25%	7,460	0.43%
So. California Gas Co.	6,464	0.22%	-	-
Inland Empire Energy Center, LLC	4,725	0.16%	-	-
Walgreen Co.	3,047	0.10%	-	-
So. California Edison Co.	-	-	7,276	0.42%
Tyler Mall LTD Partnership	2,986	0.10%	-	-
Time Warner Cable Pacific West LLC	2,923	0.10%	-	-
Lowes Hiw Inc.	2,740	0.09%	-	-
Target Corp	2,655	0.09%	-	-
Centex Homes	-	-	5,251	0.30%
KB Home Coastal Inc.	-	-	3,924	0.22%
So. California Gas Co.	-	-	3,621	0.21%
Pulte Home Corp	-	-	3,221	0.18%
Blythe Energy, LLC	-	-	3,099	0.18%
P.G.C. C.	-	-	2,906	0.17%
KSL Desert Resorts, Inc.	-	-	2,448	0.14%
Murdy S.P.:	-	-	2,338	0.13%
Total	$ 68,778	2.32%	$ 41,544	2.38%

Source: Treasurer-Tax Collector, County of Riverside

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2014

		Collected within the Fiscal Year of the Levy			Total Collections as of 6/30	
Fiscal Year Ending June 30th	**Total Secured Tax Levy for Fiscal Year**	**Amount**	**Percentage of Levy**	**Collections in Subsequent Years**	**Amount**	**Percentage of Levy**
2014	$ 2,863,099	$ 2,836,672	99.08%	$ -	$ 2,836,672	99.08%
2013	2,735,249	2,600,768	95.08%	74,320	2,675,088	97.80%
2012	2,747,534	2,577,725	93.82%	90,100	2,667,825	97.10%
2011	2,794,370	2,547,446	91.16%	104,466	2,651,912	94.90%
2010	2,931,369	2,575,731	87.87%	134,100	2,709,831	92.44%
2009	3,252,154	2,654,211	81.61%	199,368	2,853,579	87.74%
2008	3,220,015	2,702,958	83.94%	225,248	2,928,206	90.94%
2007	2,596,969	2,432,641	93.67%	131,299	2,563,940	98.73%
2006	2,127,175	1,972,483	92.73%	71,896	2,044,379	96.11%
2005	1,777,035	1,673,434	94.17%	53,720	1,727,154	97.19%



*Delinquent taxes reported by year of collection; data by levy year unavailable.

Source: Auditor-Controller, County of Riverside

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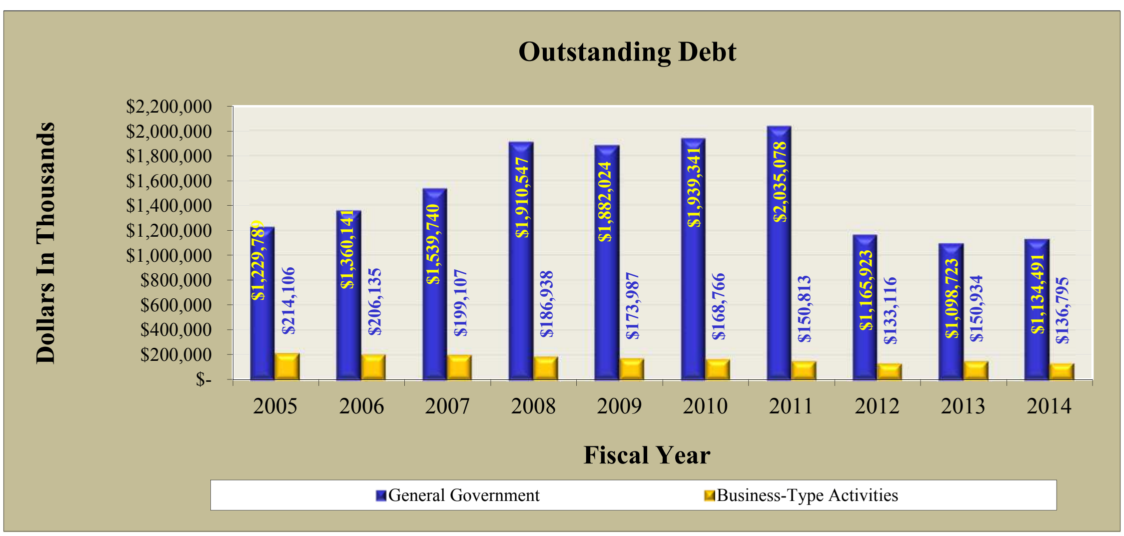
Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2014

				Fiscal Year Ending June 30th	
	2014	**2013**	**2012**	**2011**	**2010**
General government					
Bonds	$ 810,186	$ 744,460	$ 750,492	$ 1,551,323	$ 1,408,017
Certificates of participation	240,593	282,095	309,511	367,272	385,447
Note and loans	3,890	4,420	4,925	5,355	21,987
Capital leases	79,822	67,748	100,995	111,128	123,890
Business-type activities					
Bonds	132,941	143,710	121,061	134,983	147,924
Certificates of participation	-	-	-	-	-
Capital leases	3,854	7,224	12,055	15,830	20,842
Total primary government	$ 1,271,286	$ 1,249,657	$ 1,299,039	$ 2,185,891	$ 2,108,107
Percentage of personal income	1.64%	1.66%	1.78%	3.07%	3.37%
Per capita	$ 558	$ 554	$ 583	$ 986	$ 985



Note: Per Capita is an estimate for fiscal years 2013 and 2014

Source: California State Department of Finance
Auditor-Controller, County of Riverside
Bureau of Economic Analysis

Table 11

2009	2008	2007	2006	2005	
					General government
$ 1,359,277	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028	Bonds
391,914	408,024	335,866	348,486	325,572	Certificates of participation
13,222	310,809	310,139	113,383	150,344	Note and loans
117,611	105,317	87,337	83,829	75,845	Capital leases
					Business-type activities
159,959	170,814	181,263	191,142	200,555	Bonds
-	-	-	-	1,040	Certificates of participation
14,028	16,124	17,844	14,993	12,511	Capital leases
$ 2,056,011	$ 2,097,485	$ 1,738,847	$ 1,566,276	$ 1,443,895	**Total primary government**
3.28%	3.25%	2.90%	2.81%	2.92%	**Percentage of personal income**
$ 975	$ 1,004	$ 856	$ 807	$ 769	**Per capita**

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2014

				Fiscal Year Ending June 30th	
	2014	**2013**	**2012**	**2011**	**2010**
Bonds	$ 943,127	$ 888,170	$ 871,553	$ 1,686,306	$ 1,555,941
Less:					
Amounts available in debt service fund	80,405	79,951	78,236	151,405	127,206
Total net obligation bonds outstanding	$ 862,722	$ 808,219	$ 793,317	$ 1,534,901	$ 1,428,735
Percentage of estimated					
Actual taxable value of property	0.31%	0.30%	0.29%	0.56%	0.51%
Per capita	$ 378	$ 358	$ 356	$ 692	$ 668

Table 12

2009	2008	2007	2006	2005	
$ 1,519,236	$ 1,257,211	$ 987,661	$ 1,005,585	$ 878,583	**Bonds**
					Less:
147,568	119,597	73,308	79,935	61,941	Amounts available in debt service fund
$ 1,371,668	$ 1,137,614	$ 914,353	$ 925,650	$ 816,642	**Total net obligation bonds outstanding**
					Percentage of estimated
0.43%	0.36%	0.34%	0.43%	0.32%	**Actual taxable value of property**
$ 651	$ 545	$ 450	$ 477	$ 435	**Per capita**

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Govermental Activities Debt
as of June 30, 2014
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 10,952,503	89.53%	$ 9,805,737
Subtotal, overlapping debt			9,805,737
County of Riverside direct debt			1,146,766
Total direct and overlapping debt			$ 10,952,503

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the County of Riverside. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

Source: California Municipal Statistics, Inc.

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Table 14

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2014

	Fiscal Year Ending June 30th				
	2014	**2013**	**2012**	**2011**	**2010**
Debt limit	$ 2,638,634	$ 2,537,237	$ 2,544,409	$ 2,570,012	$ 2,686,843
Total net debt applicable to limit	(862,722)	(808,219)	(793,317)	(1,534,901)	(1,428,735)
Legal debt margin	$ 1,775,912	$ 1,729,018	$ 1,751,092	$ 1,035,111	$ 1,258,108
Total net debt applicable to the limit as a percentage of debt limit	34.0%	31.8%	31.2%	59.7%	53.2%

Legal Debt Margin Calculated for Fiscal Year 2014

Assessed value	$ 213,210,306
Less: Homeowners exemptions	2,119,554
Total assessed value	211,090,751
Debt limit (1.25% of total assessed value)	2,638,634
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	943,127
Less: Amount set aside for repayment of general obligation debt	80,405
Total net debt applicable to limit	862,722
Legal debt margin	$ 1,775,912

Definitions: Debt limit - the maximum amount of outstanding gross or net debt legally permitted.
Debt margin - the difference between debt limit and existing debt.
Legal debt margin - the excess of the amount of debt legally authorized over the amount of debt outstanding.

Source: Auditor-Controller, County of Riverside

Table 14

2009	2008	2007	2006	2005	
$ 3,011,083	$ 2,966,464	$ 2,598,369	$ 2,125,832	$ 1,735,525	Debt limit
(1,211,709)	(966,800)	(733,090)	(603,194)	(616,087)	Total net debt applicable to limit
$ 1,799,374	$ 1,999,664	$ 1,865,279	$ 1,522,638	$ 1,119,438	Legal debt margin
40.2%	32.6%	28.2%	28.4%	35.5%	Total net debt applicable to the limit as a percentage of debt limit

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2014

Fiscal Year Ending June 30th	Lease Revenue Bonds: Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service: Principal	Debt Service: Interest	Coverage
2014	$ 13,547	$ 1,666	$ 11,881	$ 16,370	$ 16,147	36.54%
2013	25,182	1,517	23,665	14,159	12,707	88.09%
2012	22,779	2,805	19,974	16,325	15,583	62.60%
2011	16,067	2,072	13,995	15,355	16,039	44.58%
2010	30,318	3,336	26,982	14,455	16,642	86.77%
2009	39,334	10,682	28,652	13,160	16,865	95.43%
2008	60,656	43,790	16,866	12,545	17,116	56.86%
2007	31,046	5,939	25,107	12,115	16,976	86.31%
2006	25,371	785	24,586	11,600	17,355	84.91%
2005	21,601	676	20,925	11,175	17,551	72.84%

Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

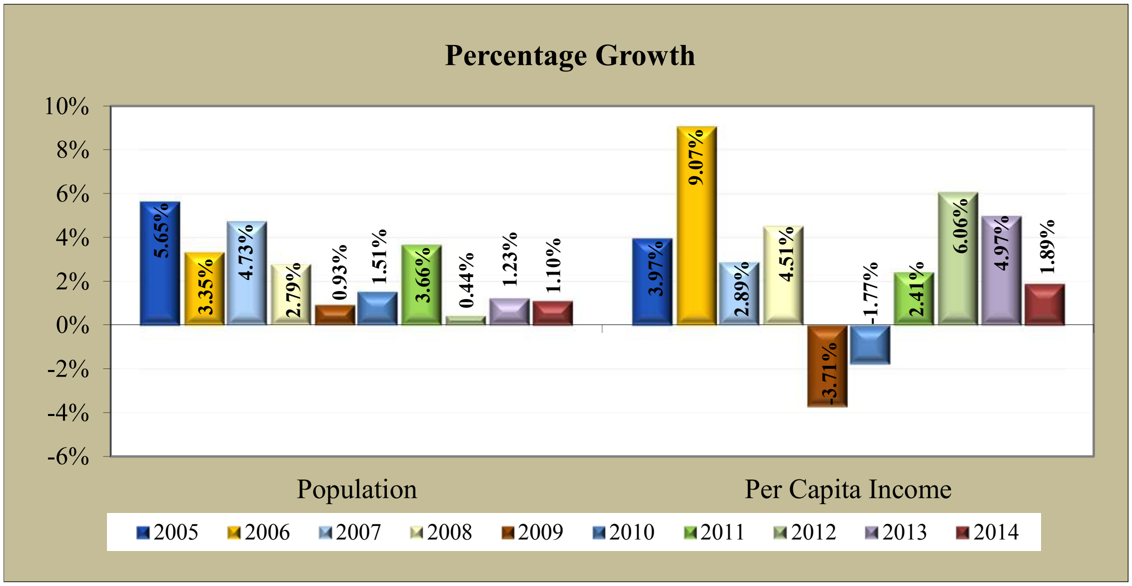
Table 15

Inland Empire Tobacco Securitization Bonds						
Revenue from Tobacco Settlement	Less: Operating Expenses	Net Available Revenue	Debt Service			
			Principal	Interest	Coverage	Fiscal Year
$ 9,283	$ 105	$ 9,178	$ 2,435	$ 6,781	99.59%	**2014**
15,687	123	15,564	8,650	7,193	98.24%	**2013**
9,462	107	9,355	1,655	5,301	134.49%	**2012**
9,290	123	9,167	6,135	3,615	94.02%	**2011**
6,496	155	6,341	3,610	3,794	85.64%	**2010**
9,500	134	9,366	4,235	3,995	113.80%	**2009**
7,798	2,448	5,350	3,785	3,306	75.45%	**2008**
-	-	-	-	-	0.00%	**2007**
-	-	-	-	-	0.00%	**2006**
-	-	-	-	-	0.00%	**2005**

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Ten Fiscal Years
June 30, 2014

Fiscal Year Ending June 30th	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2014	2,279,967	$ 76,626,000 [1]	$ 33,949 [1]	426,227	8.40%
2013	2,255,059	74,082,000 [1]	33,320 [1]	425,968	10.20%
2012	2,227,577	71,555,000	31,742	425,707	12.60%
2011	2,217,778	69,438,900	29,927	424,086	14.40%
2010	2,139,535	64,376,498	29,222	423,986	14.50%
2009	2,107,653	63,228,086	29,748	419,643	14.00%
2008	2,088,322	64,504,000	30,894	420,450	8.40%
2007	2,031,625	61,024,000	29,560	404,331	5.70%
2006	1,939,814	53,246,505	28,730	394,687	5.10%
2005	1,877,000	49,443,185	26,342	380,267	5.20%



Notes 1: Projection based on 10 years' running average (2003 - 2012)

Source: Bureau of Economic Analysis
Riverside County Superintendent of Schools
State of California, Employment Development Department
California State Department of Finance

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago
June 30, 2014

	Fiscal Year			
	2014		2005	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	19,916	2.30%	16,907	2.33%
March Air Reserve Base	8,500	0.98%	-	-
Stater Brothers Market	6,900	0.80%	5,600	0.77%
University of California Riverside	5,514	0.64%	-	-
Kaiser Permanente Riverside Medical Center	5,270	0.61%	2,893	0.40%
Pechanga Resort & Casino	4,500	0.52%	-	-
Corona-Norco Unified School District	4,300	0.50%	-	-
Wal-Mart	4,068	0.47%	-	-
Riverside Unified School District	4,000	0.46%	-	-
Hemet Unified School District	3,572	0.41%	-	-
Fleetwood Enterprises, Inc.	-	-	2,386	0.33%
Eisenhower Medical Center	-	-	1,972	0.27%
Valley Health System	-	-	1,756	0.24%
Riverside Community Hospital	-	-	1,641	0.23%
KSL Desert Resorts Inc.	-	-	1,600	0.22%
Ralph's Grocery Co.	-	-	1,500	0.21%
The Press Enterprise Co.	-	-	1,168	0.16%
Total	66,540	7.69%	37,423	5.16%

Source: Economic Development Agency

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years
June 30, 2014

			Full-time	Equivalent	Employees
	2014	**2013**	**2012**	**2011**	**2010**
Function/Program					
General government					
Legislative and administrative	86	89	81	87	98
Finance	415	399	405	411	438
Counsel	66	65	65	64	70
Personnel	157	154	159	172	167
Elections	24	25	34	39	42
Communication	-	-	11	11	12
Property management	394	397	507	531	500
Promotion	43	45	117	139	180
Other general	85	32	31	32	36
Public protection					
Judicial	1,239	1,221	1,294	1,345	1,444
Police protection	2,410	2,351	2,304	2,408	2,449
Detention and correction	2,216	2,169	2,085	2,067	2,076
Fire protection	212	212	200	198	188
Protection/inspection	83	86	86	87	100
Other protection	830	544	600	615	669
Administration	81	82	75	62	65
Public ways and facilities					
Public ways	375	370	411	413	465
Parking facilities	17	20	18	18	20
Health and sanitation					
Health	2,075	1,959	2,118	2,063	2,024
Hospital care	35	37	34	31	31
Public health ambulatory care	-	266	-	-	-
California children's services	139	134	140	138	143
Public assistance					
Aid programs	3,610	3,484	3,334	3,089	3,132
Veterans' services	13	13	12	12	12
Other assistance	271	291	289	355	348
Education, recreation and culture					
Library services	7	7	10	1	-
Agricultural extension	5	5	5	5	5
Cultural services	2	2	3	3	3
County business-type functions					
Hospital care	2,517	2,581	2,351	2,295	2,246
Sanitation	153	153	160	174	198
Internal service	2,763	2,641	2,775	2,315	2,418
Special districts/Component units	719	693	660	591	547
Total	21,042	20,527	20,374	19,771	20,126

Note: Temporary employees, 2,500, filled as of 5/01/14, are included in the total number employees.
Source: County of Riverside, FY2014-15 Recommended Budget

Table 18

2009	2008	2007	2006	2005	Function/Program
					General government
92	96	92	93	87	Legislative and administrative
456	522	477	445	424	Finance
69	69	69	58	52	Counsel
182	216	191	179	160	Personnel
41	40	39	31	34	Elections
11	10	-	-	-	Communication
494	468	387	323	305	Property management
186	177	168	142	126	Promotion
36	39	-	-	1	Other general
					Public protection
1,485	1,506	1,371	1,204	1,150	Judicial
2,586	2,474	2,354	2,113	1,926	Police protection
2,220	2,174	1,972	1,811	1,748	Detention and correction
190	199	165	145	126	Fire protection
98	114	274	254	233	Protection/inspection
737	778	541	523	441	Other protection
58	60	50	39	36	Administration
					Public ways and facilities
506	532	517	497	488	Public ways
-	-	-	-	-	Parking facilities
					Health and sanitation
2,075	2,214	2,023	1,939	1,862	Health
30	30	31	28	30	Hospital care
-	-	-	-	-	Public health ambulatory care
148	168	159	152	143	California children's services
					Public assistance
3,159	3,297	2,948	2,841	2,796	Aid programs
12	13	12	11	10	Veterans' services
285	305	302	283	309	Other assistance
					Education, recreation and culture
1	1	1	1	1	Library services
5	6	5	5	4	Agricultural extension
3	2	2	2	2	Cultural services
					County business-type functions
2,186	2,097	1,889	1,680	1,589	Hospital care
211	206	170	158	149	Sanitation
1,723	2,202	2,934	2,538	2,147	**Internal service**
533	534	526	540	528	**Special districts/Component units**
19,818	20,549	19,669	18,035	16,907	**Total**

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2014

	Fiscal Year Ending June 30th				
Function/Program	**2014**	**2013**	**2012**	**2011**	**2010**
Agricultural Commissioner					
Export phytosanitary certificates	16,067	18,346	19,875	20,406	25,745
Pesticide use inspections	834	783	793	764	682
Weights and measures regulated	138,321	138,547	137,727	134,290	131,175
Agriculture quality inspections	524	456	553	693	643
Plant pest inspections	11,635	10,361	11,931	9,584	9,667
Nursery acreage inspected	7,064	6,156	6,920	6,338	6,923
Weights and measures inspected	80,461	63,653	51,074	56,751	77,278
Assessor-Clerk-Recorder					
Assessments	909,432	906,467	904,706	904,040	941,928
Official records recorded	530,777	648,812	592,531	612,804	673,674
Vital records copies issued	85,309	78,405	78,768	80,391	87,194
Official records copies issued	22,329	32,792	26,153	28,990	26,348
Auditor-Controller					
Invoices paid	425,003	426,660	389,798	412,374	488,192
Vendor warrants (checks) issued	232,034	259,458	255,463	265,979	300,428
Active vendors	84,680	80,011	78,887	65,090	64,761
Payroll warrants (checks) issued	524,990	509,376	509,468	506,870	532,904
Average payroll warrants (checks) per pay period	20,192	19,591	19,595	19,495	19,737
Audits per fiscal year	34	25	26	26	30
Tax bills levied	998,203	984,268	972,577	999,241	977,115
Tax refunds/roll changes processed	38,739	63,500	79,606	123,476	115,904
Community Action Partnership					
Utility assistance (households)	16,087	13,911	21,912	22,207	27,956
Weatherization (households)	479	179	842	1,375	2,083
Energy education attendees	4,991	6,368	14,950	13,807	11,725
Disaster relief (residents)	24,274	11,316	13,968	12,058	17,989
Income tax returns prepared	3,453	3,111	2,711	3,006	2,257
After school programs (students)	20,700	19,200	20,700	18,400	13,800
Homeless program (bed nights)	-	-	-	-	-
Homeless program (meals)	-	-	-	-	-
Leadership program enrollment	-	-	166	593	182
Mediation (cases)	2,723	1,905	2,181	2,178	2,237
Public Health					
Facilities inspections	35,325	32,045	36,201	31,801	31,213
Environmental Health					
Patient visits	124,099	135,795	109,870	106,532	142,617
Patient services	363,442	353,269	392,621	390,607	313,409
Animal Control Services					
Animal impounds	37,037	35,201	36,518	49,408	62,770
Spays and neuters	13,690	11,908	9,771	8,305	7,225
Animal licenses	122,105	-	-	-	-

Note:
a - Number of pamphlets mailed
b - Program not yet started / not tracked
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008
d - Phytosanitary = Plant pest cleanliness
e - Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Table 19

2009	2008	2007	2006	2005		Function/Program
						Agricultural Commissioner
36,772	29,288	22,266	21,746	20,037	d	Export phytosanitary certificates
831	903	840	1,199	1,105	e	Pesticide use inspections
129,528	129,726	121,986	120,211	114,529		Weights and measures regulated
668	643	1,061	541	1,067		Agriculture quality inspections
48,944	25,987	14,532	4,975	5,933		Plant pest inspections
7,627	7,851	9,226	7,382	7,431		Nursery acreage inspected
80,862	83,269	97,039	150,308	101,223		Weights and measures inspected
						Assessor-Clerk-Recorder
942,174	938,462	920,555	896,998	859,413		Assessments
682,708	773,308	957,123	1,082,688	1,039,166		Official records recorded
97,422	97,427	88,640	82,015	73,379		Vital records copies issued
33,135	34,711	35,319	35,691	36,480		Official records copies issued
						Auditor-Controller
522,097	504,866	449,367	457,439	472,942		Invoices paid
320,613	255,767	237,645	235,044	242,763		Vendor warrants (checks) issued
59,685	75,575	68,358	62,699	56,686		Active vendors
532,202	522,215	496,386	469,692	449,011		Payroll warrants (checks) issued
20,469	20,085	19,092	18,065	17,270		Average payroll warrants (checks) per pay period
30	31	34	37	20		Audits per fiscal year
974,041	1,004,076	1,069,352	1,039,358	988,487		Tax bills levied
152,672	89,527	98,769	124,973	93,718		Tax refunds/roll changes processed
						Community Action Partnership
12,869	9,902	13,337	10,944	11,783		Utility assistance (households)
1,033	853	465	801	795		Weatherization (households)
10,775	19,396	14,590	10,389	11,508	a	Energy education attendees
15,336	16,366	13,551	8,605	1,514	b	Disaster relief (residents)
2,011	1,828	1,384	2,651	-	b	Income tax returns prepared
11,000	10,905	10,905	537	51		After school programs (students)
-	12,822	13,198	31,328	40,245	c	Homeless program (bed nights)
-	25,644	26,396	142,578	372,048	c	Homeless program (meals)
-	209	-	113	11	b	Leadership program enrollment
1,821	2,144	2,133	2,099	2,002		Mediation (cases)
						Public Health
34,273	33,009	31,760	32,000	40,642		Facilities inspections
						Environmental Health
125,767	149,223	139,885	123,843	135,539		Patient visits
466,800	601,889	438,639	369,041	339,095		Patient services
						Animal Control Services
71,834	30,305	27,362	29,206	20,467		Animal impounds
8,480	7,208	5,645	5,806	2,401		Spays and neuters
-	-	-	-	-		Animal licenses

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2014

Function/Program	Fiscal Year Ending June 30th 2014	2013	2012	2011	2010
County Library					
Total circulation - books	3,023,637	3,059,094	3,387,218	3,724,657	3,718,343
Reference questions answered	371,953	434,057	441,269	404,913	370,619
Patron door count	3,919,125	4,148,012	4,080,738	731,699	3,599,064
Programs offered	6,819	6,521	8,382	7,624	7,214
Program attendance	139,223	143,053	163,692	163,416	148,612
County Regional Medical Center					
Emergency room treatments	88,853	119,606	101,952	99,706	96,993
Emergency room services - MH	13,531	14,275	16,750	15,376	14,288
Clinic visits	124,255	125,471	127,546	129,041	131,624
Admissions	22,738	24,260	23,949	23,638	23,536
Patient days	118,467	124,599	121,949	123,250	121,915
Discharges	22,773	24,279	23,694	23,668	23,559
Fire					
Medical assistance	99,058	97,054	96,843	97,066	94,193
Fires extinguished	13,632	13,517	12,990	4,271	4,449
Other services	20,846	20,049	11,856	16,522	17,076
Communities served	94	94	78	78	78
Mental Health					
Mental health clients (crisis/long-term care)	39,765	37,591	35,696	33,260	30,657
Substance abuse clients	15,457	15,755	17,849	16,987	16,736
Detention clients	13,188	11,899	10,544	8,874	10,831
Probate conservatorship clients	379	355	351	424	474
Mental health conservatorship clients	942	858	879	832	675
Probation					
Adults on probation	16,922	17,406	14,992	16,271	17,790
Juveniles in secure detention	156	194	193	225	248
Juveniles in treatment facilities	79	86	107	128	125
Juveniles in detention facilities	7,154	8,505	9,148	10,741	11,385
Public Social Services					
CalWORKs clients	33,159	33,341	33,682	33,412	31,022
Food stamp clients	121,949	116,333	107,076	91,606	74,484
Medi-Cal clients	186,911	135,570	130,562	124,061	116,758
In-home support services	23,061	20,641	19,070	18,201	16,852
Foster care placements	3,725	3,237	3,113	3,130	3,085
Child welfare services	9,958	9,178	9,664	9,916	9,591
Homeless program (bed nights)	8,296	8,296	8,331	10,746	12,900
Homeless program (meals)	16,592	16,592	16,660	21,494	25,800

Note: a - Average monthly
b - Average daily
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008

Source: Various County Departments

Table 19

2009	2008	2007	2006	2005	Function/Program
					County Library
3,464,547	3,280,929	2,352,624	2,051,276	2,324,539	Total circulation - books
382,795	426,533	383,428	454,590	430,226	Reference questions answered
3,170,424	2,744,576	2,352,403	2,433,646	2,226,360	Patron door count
5,618	5,570	4,546	2,353	2,274	Programs offered
127,717	103,393	80,100	84,994	45,605	Program attendance
					County Regional Medical Center
88,459	82,584	76,666	73,448	68,105	Emergency room treatments
9,702	7,867	7,624	7,536	8,076	Emergency room services - MH
129,171	124,318	123,479	106,943	109,568	Clinic visits
23,253	23,433	24,393	22,262	21,723	Admissions
118,452	115,811	112,138	105,203	96,820	Patient days
23,238	23,440	24,430	22,244	21,741	Discharges
					Fire
91,707	89,404	89,329	86,129	80,484	Medical assistance
4,406	5,659	6,372	5,060	14,696	Fires extinguished
18,486	19,472	16,310	19,035	10,870	Other services
78	78	78	78	78	Communities served
					Mental Health
30,065	29,814	28,476	26,435	26,578	Mental health clients (crisis/long-term care)
18,712	17,746	18,597	18,120	18,188	Substance abuse clients
12,781	9,441	5,522	6,351	6,041	Detention clients
256	206	232	266	281	Probate conservatorship clients
240	279	279	294	275	Mental health conservatorship clients
					Probation
17,469	17,022	15,974	16,051	13,937	Adults on probation
241	293	343	322	310	Juveniles in secure detention
112	113	126	113	98	Juveniles in treatment facilities
10,783	12,463	14,283	13,218	12,405	Juveniles in detention facilities
					Public Social Services
26,905	22,310	20,336	19,880	20,846	CalWORKs clients
52,877	36,339	30,781	28,749	27,992	Food stamp clients
107,904	101,542	105,578	108,887	110,994	Medi-Cal clients
16,307	14,845	13,934	12,590	12,171	In-home support services
3,486	5,057	4,306	5,175	5,088	Foster care placements
10,217	11,912	12,333	11,639	11,153	Child welfare services
10,854	-	-	-	-	Homeless program (bed nights)
21,707	-	-	-	-	Homeless program (meals)

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2014

			Fiscal Year Ending June 30th				
			2014	**2013**	**2012**	**2011**	**2010**
Function/Program							
Registrar of Voters							
	Voting precincts		846	1,218	853	1,649	2,370
	Polling places		545	642	522	746	1,158
	Voters	a	887,000	943,402	852,217	1,009,933	1,815,892
	Poll workers		2,200	2,960	2,300	3,281	4,186
Sheriff							
	Number of bookings		60,826	57,330	53,691	53,974	55,306
	Coroner case load		12,164	11,639	10,947	10,555	10,027
	Calls for services	b	176,339	172,664	176,062	232,821	255,601
TLMA - Building & Safety							
	Building permits issued		905	1116	836	863	1,568
	Building plans checked		799	908	740	817	1,537
	Building structures inspected		957	901	676	1168	1,774
Veterans' Services							
	Phone inquiries answered		31,445	36,107	36,707	43,617	41,569
	Client interviews		17,448	14,714	14,990	15,630	25,209
	Claims filed		5,998	5,735	6,030	5,485	5,581
	Emails		3,138	-	-	-	-
Waste Management							
	Landfill tonnage		1,383,266	1,102,626	1,071,309	1,071,394	1,032,942
	Recycling tonnage		2,503	2,679	2,206	2,499	1,803

Notes: a - Number of voters that were mailed voting materials for all elections in the fiscal year
b - Unincorporated areas
c - Program not yet started / not tracked

Source: Various County Departments

2009	2008	2007	2006	2005		Function/Program
						Registrar of Voters
2,387	3,474	1,472	1,872	1,160		Voting precincts
1,205	2,017	610	1,060	613		Polling places
1,747,556	1,705,406	931,821	1,658,509	870,300		Voters
6,287	8,355	2,622	3,992	2,692		Poll workers
						Sheriff
62,007	59,054	61,697	56,926	55,375		Number of bookings
9,582	9,394	9,212	8,943	8,558		Coroner case load
302,400	280,000	279,415	250,000	240,182		Calls for services
						TLMA - Building & Safety
1,337	2,658	5,786	10,232	9,980		Building permits issued
1,220	2,328	5,151	8,759	8,251		Building plans checked
2,650	4,506	8,580	9,593	8,182		Building structures inspected
						Veterans' Services
39,393	29,553	23,287	21,917	25,276	c	Phone inquiries answered
13,955	10,571	8,199	7,467	7,559	c	Client interviews
5,812	5,194	3,786	3,372	3,503	c	Claims filed
-	-	-	-	-	c	Emails
						Waste Management
1,024,267	1,220,124	1,325,284	1,423,469	1,328,935		Landfill tonnage
2,356	3,385	3,048	3,758	2,619		Recycling tonnage

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Ten Fiscal Years
June 30, 2014

	Fiscal Year Ending June 30th				
Function/Program	**2014**	**2013**	**2012**	**2011**	**2010**
County Libraries					
Branch libraries	35	35	33	33	33
Book mobiles	2	2	2	2	2
Books in collection	1,393,689	1,657,925	1,570,834	1,668,434	1,612,925
County Regional Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	44	37	32	30	30
Beds licensed	439	439	439	439	439
Fire					
Stations	37	38	42	46	49
Trucks	145	142	145	156	154
Parks and Recreation					
Regional parks	11	11	11	12	12
Historic sites	5	5	5	4	4
Nature centers	4	4	4	4	4
Archaeological sites	6	6	6	6	6
Wildlife reserves	9	9	9	9	9
RV and mobile home parks	3	3	3	3	3
Managed areas	5	5	5	5	5
Recreational facilities	3	2	2	2	-
Sheriff					
Patrol stations	10	10	10	10	10
Patrol vehicles	928	916	915	896	883
Waste Management					
Landfills	6	6	6	6	6
Capacity in tons	54,230,474	54,230,474	54,189,339	54,177,558	51,794,663

Source: Various County Departments

Table 20

Function/Program	2009	2008	2007	2006	2005
County Libraries					
Branch libraries	33	33	29	29	29
Book mobiles	2	2	2	2	2
Books in collection	1,564,186	1,552,108	1,784,149	1,221,744	1,477,670
County Regional Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	30	30	30	30	30
Beds licensed	439	439	439	439	439
Fire					
Stations	49	49	49	48	48
Trucks	149	143	141	135	125
Parks and Recreation					
Regional parks	13	13	13	13	13
Historic sites	6	6	6	6	6
Nature centers	5	5	5	5	5
Archaeological sites	7	7	7	7	7
Wildlife reserves	16	16	16	16	16
RV and mobile home parks	-	-	-	-	-
Managed areas	-	-	-	-	-
Recreational facilities	-	-	-	-	-
Sheriff					
Patrol stations	10	10	10	10	10
Patrol vehicles	923	974	702	598	583
Waste Management					
Landfills	6	6	6	7	7
Capacity in tons	51,794,663	51,609,663	51,609,663	52,392,284	50,948,302

Riverside County Comprehensive Annual Financial Report

Paul Angulo, CPA, M.A.
County Auditor-Controller

APPENDIX C

BOOK-ENTRY ONLY SYSTEM

None of the County, the Authority, the Trustee or the Underwriters can or do give any assurances that DTC, the Participants or others will distribute payments of principal of or interest on the Series 2015 Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices 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. None of the County, the Authority, the Trustee or the Underwriters is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2015 Bonds or any error or delay relating thereto.

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the County, the Authority, the Trustee and the Underwriters believe to be reliable, but none of the County, the Authority, the Trustee or the Underwriters takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2015 Bond certificate will be issued for each maturity of the Series 2015 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, defaults, and proposed amendments to the Series 2015 Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority, as the issuer of the Series 2015 Bonds, 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 Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Series 2015 Bonds are required to be printed and delivered in such principal amount or amounts, in authorized denominations, and registered in whatever name or names DTC shall designate.

Risks Regarding the Book-Entry Only System

AS LONG AS CEDE & CO. OR ITS SUCCESSOR IS THE REGISTERED HOLDER OF THE SERIES 2015 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED HOLDERS OR OWNERS OF THE SERIES 2015 BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTEXT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2015 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE. Each person for whom a Participant acquires an interest in the Series 2015 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such person, forwarded in writing by such Participant and to receive notification of all interest payments.

NONE OF THE AUTHORITY, THE COUNTY, THE TRUSTEE OR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION WITH RESPECT TO THE PAYMENTS TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS, THE SELECTION OF THE BENEFICIAL INTERESTS IN THE SERIES 2015 BONDS TO BE REDEEMED IN THE EVENT OF REDEMPTION OF LESS THAN ALL SERIES 2015 BONDS OF A PARTICULAR MATURITY OR THE PROVISION OF NOTICE TO THE DIRECT PARTICIPANTS, ANY INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE SERIES 2015 BONDS. NO ASSURANCE CAN BE GIVEN BY THE COUNTY, THE AUTHORITY, THE TRUSTEE OR THE UNDERWRITERS THAT DTC, DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR OTHER NOMINEES OF THE BENEFICIAL OWNERS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO THE BENEFICIAL OWNERS, THAT THEY WILL DISTRIBUTE NOTICES, INCLUDING REDEMPTION NOTICES (REFERRED TO ABOVE), RECEIVED AS THE REGISTERED OWNER OF THE SERIES 2015 BONDS TO THE BENEFICIAL OWNERS, THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

In the event the Authority determines not to continue the book-entry system or DTC determines to discontinue its services with respect to the Series 2015 Bonds, and the Authority does not select another qualified securities depository, the Authority shall deliver one or more Series 2015 Bonds in such principal amount or amounts, in authorized denominations, and registered in whatever name or names, as DTC shall designate. In such event, transfer and exchanges of Series 2015 Bonds will be governed by the provisions of the Indenture.

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APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Indenture, the Facility Lease and the Site Lease are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2015 Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

DEFINITIONS

"Additional Bonds" means the additional bonds authorized by a Supplemental Indenture that are authenticated and delivered by the Trustee under and pursuant to the Indenture.

"Additional Payments" means the additional payments payable by the County under and pursuant to the Facility Lease as summarized herein in paragraph (b) under the caption "THE FACILITY LEASE – Rental Payments – Rental Payments."

"Additional Project" means, to the extent identified by the County as such, the public facilities to be acquired and constructed with the proceeds of Additional Bonds.

"Annual Debt Service" means, for any Bond Year, the sum of (1) the interest payable on all Outstanding Bonds in such Bond Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds), (2) the principal amount of all Outstanding Serial Bonds maturing by their terms in such Bond Year, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid in such Bond Year (together with the redemption premiums, if any, thereon).

"Assignment Agreement" means that certain Assignment Agreement, dated as of June 1, 2015, by and between the Authority and the Trustee, as it may from time to time be amended.

"Authority" means the Riverside County Public Financing Authority or its successors and assigns.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Average Annual Debt Service" means an amount equal to the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Payment Date" means 15th day of the month preceding each Interest Payment Date.

"Base Rental Payments" means the aggregate base rental payments with interest components and principal components payable by the County under and pursuant to the Facility Lease, as summarized herein in paragraph (a) under the caption "THE FACILITY LEASE – Rental Payments – Rental Payments."

"Beneficial Owner" shall have the meaning set forth in the Continuing Disclosure Agreement.

"Bond Insurance Policy" means the Bond Insurance Policy, if any, issued by the applicable Insurer and guaranteeing, in whole or in part, the scheduled payment of principal of and interest on a Series of Bonds when due.

"Bonds" means the Series 2015 Bonds and all Additional Bonds.

"Bond Year" means the period from each November 1 to and including the following October 31 during the term of the Indenture, except for that the first Bond Year shall begin on the Closing Date and end on October 31, 2015.

"Business Day" means a day other than (i) Saturday or Sunday or (ii) a day on which banking institutions in Los Angeles, California, New York, New York, or the city or cities in which the principal designated trust office of the Trustee are closed or (iii) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Indenture, and, unless otherwise specifically provided in the Indenture, no interest shall accrue for the period from and after such nominal date.

"Capitalized Interest Account" means the account by that name established pursuant to the Indenture.

"Certificate of Completion" means a Certificate of the County filed with the Trustee, stating that construction of a Project has been substantially completed and that all Construction Costs have been paid or provided for.

"Certificate," "Statement," "Written Request" and "Requisition" of the Authority or of the County means, respectively, a written certificate, statement, request or requisition signed in the name of the Authority by its Chairman, Vice Chairman, Secretary or Assistant Secretary, or any other person designated and authorized to sign for the Authority in writing to the Trustee, and with respect to the County means the County Executive Officer, the Deputy County Executive Officer, the County Finance Director, or such other person as may be designated and authorized to sign for the County in writing to the Trustee. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing Date" means the date on which the Bonds are initially delivered to the Underwriter.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Costs" means all costs of constructing a Project, including, but not limited to:

(1) all costs which the County shall be required to pay to a manufacturer, vendor or contractor or any other person under the terms of any contract or contracts for the construction, installation or improvement of a Project;

(2) obligations of the County or others incurred for labor and materials (including obligations payable to the County or others for actual out-of-pocket expenses of the County or others) in connection with the construction, installation or improvements of a Project, including reimbursement to the County or others for all advances and payments made in connection with a Project prior to or after delivery of the Bonds.

(3) the costs of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect during the course of construction, installation or improvement of a Project;

(4) all costs of engineering and architectural services, including the actual out-of-pocket costs of the County for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees and sales commissions, and for supervising construction, installation and improvement, as well as for the performance of all other duties required by or consequent to the proper construction, installation or improvement of a Project; and

(5) any sums required to reimburse the County for advances made by the County for any of the above items or for any other costs incurred and for work done by the County which are properly chargeable to the construction, installation or improvement of a Project.

"Construction Fund" means the fund by that name established pursuant to the Indenture.

"Continuing Disclosure Agreement" means collectively, the Continuing Disclosure Agreement executed by the County at the time of the initial issuance of the Series 2015 Bonds, together with any Continuing Disclosure Agreement executed by the County at the time of the execution and delivery of any Additional Bonds, as originally executed and as each such Agreement may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the fund by that name established in accordance with the Indenture.

"Costs of Issuance" means all the costs of executing and delivering the Bonds, including, but not limited to, all printing, document preparation and legal expenses in connection with the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement, the Bonds and the preliminary official statement and final official statement pertaining to the Bonds; rating agency fees; financial advisor fees; title insurance fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the issuance and sale of the Bonds and the lease of the Leased Property; any computer and other expenses incurred in connection with the Bonds; the fees and expenses of the Trustee, including fees and expenses of their respective counsel; and other fees and expenses incurred in connection with the execution of the Bonds, to the extent such fees and expenses are approved by the County.

"County" means the County of Riverside, a political subdivision duly organized and existing under the Constitution and laws of the State of California.

"Defeasance Securities" means any of the following:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation);

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations;
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA); and
- State and Local Government Series; and

(3) Obligations described in paragraph (7) of the definition of Permitted Investments.

"Designated Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in the Indenture, except for purposes of payment, registration, transfer, exchange and surrender of Bonds, means the corporate trust office of the Trustee in Los Angeles, California, or such other office specified by the Trustee.

"DTC" means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Bonds including any such successor appointed pursuant to the Indenture.

"Event of Default" means any occurrence or event specified in and defined by the Indenture.

"Expiry Date" means ______ 1, 20__.

"Facility Lease" means that certain Facility Lease, dated as of June 1, 2015, with respect to the Leased Property, by and between the County, as sublessee, and the Authority, as sublessor, as originally executed and as it may be amended from time to time.

"Financial Newspaper" means The Wall Street Journal or The Bond Buyer or, if neither such newspaper is being regularly published, any other newspaper or journal publishing financial news and selected by the County that is printed in the English language, is customarily published on each Business Day and is circulated in Los Angeles, California and New York, New York.

"Fitch" means Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Leased Property or to persons on or about the Leased Property or (ii) cause the Leased Property to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("RCRA"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Hazardous Waste Control Law ("HWCL"), Cal. Health & Safety Code §§ 25100 et seq.; the Hazardous Substance Account Act ("HSAA"), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety Code §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Leased Property or the owners and/or occupants of property adjacent to or surrounding the Leased Property, or any other person coming upon the Leased Property or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Indenture" means the Indenture by and among the Trustee, the County and the Authority, dated as of June 1, 2015, as originally executed and as it may from time to time be amended or supplemented in accordance with the Indenture.

"Insurance Consultant" means an individual or firm retained by the County as an independent insurance consultant, experienced in the field of risk management.

"Insurance Proceeds and Condemnation Awards Fund" means the fund by that name established in accordance with the Indenture.

"Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance obtained by the County to insure the payment of principal of and interest on a Series of Bonds issued under the Indenture, when due otherwise than by acceleration, and which, in fact, are at any time insuring such Series of Bonds. All consents, approvals or actions required by the Insurer shall mean the unanimous action of all Insurers if there is more than a single Insurer. There is no Insurer with respect to the Series 2015 Bonds.

"Interest Fund" means the fund by that name established in accordance with the Indenture.

"Interest Payment Date" means November 1, 2015 and each May 1, and November 1, thereafter.

"Interest Period" means each period from and including one Interest Payment Date to but excluding the next following Interest Payment Date, except that the initial Interest Period will be the period from and including the date of the initial delivery of the Series 2015 Bonds to but excluding November 1, 2015.

"Joint Powers Agreement" means that certain Amended and Restated Joint Exercise of Powers Agreement, dated as of May 15, 1999, by and between the County and the Redevelopment Agency of the County.

"Leased Property" means the real property and all the improvements thereon or to be located thereon described in the Indenture, and in the Site Lease and in the Facility Lease (as the same may be changed from time to time by Removal or Substitution, as defined in the Facility Lease).

"Lease Year" means the period from each July 1 to and including the following June 30 during the term of the Facility Lease; *provided* that the initial Lease Year shall commence on the Closing Date and the final Lease Year shall terminate on the Expiry Date.

"Mandatory Sinking Account Payment" means the principal amount of any Bond required to be paid on each Mandatory Sinking Account Payment Date pursuant to the terms of the Indenture or any Supplemental Indenture.

"Mandatory Sinking Account Payment Date," if applicable, means November 1 of each year set forth in the Indenture and in any Supplemental Indenture.

"Maximum Annual Debt Service" means an amount equal to the largest Annual Debt Service for all future Bond Years beginning in the Bond Year in which the calculation is made.

"Moody's" means Moody's Investors Service, Inc. a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the County.

"Outstanding" when used as of any particular time with reference to Bonds, means all Bonds, including, but not limited to, the Bonds as described in the Indenture, except:

(1) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation;

(2) Bonds which pursuant to the Indenture are not deemed outstanding;

(3) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(4) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered by the Trustee pursuant to the Indenture.

"Owner" means any person who shall be the registered owner of any Outstanding Bond as indicated in the registration books of the Trustee.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Facility Lease, permit to remain unpaid; (ii) the Assignment Agreement, as it may be amended from time to time; (iii) the Facility Lease, as it may be amended from time to time; (iv) the Site Lease, as it may be amended from time to time; (v) the Indenture, as it may be amended from time to time; (vi) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (vii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of recordation of the Facility Lease in the office of the County Recorder of the County of Riverside; (viii) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions, all of a non-monetary nature, established following the date of recordation of the Facility Lease and to which the Authority and the County consent in writing and certify to the Trustee will not materially impair the ownership interests of the Authority or use of the Leased Property by the County; and (ix) subleases and assignments of the County which will not adversely affect the exclusion from gross income of interest on the Bonds.

"Permitted Investments" means any of the following to the extent then permitted by applicable laws and any investment policies of the County:

(1) Defeasance Securities;

(2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

— Export-Import Bank;
— Rural Economic Community Development Administration;
— U.S. Maritime Administration;
— Small Business Administration;
— U.S. Department of Housing & Urban Development (PHAs);
— Federal Housing Administration; and
— Federal Financing Bank.

(3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

— Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
— Obligations of the Resolution Funding Corporation (REFCORP);
— Senior debt obligations of the Federal Home Loan Bank System; and
— Senior debt obligations of other Government Sponsored Agencies approved by the Insurer.

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank).

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P.

(7) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (2) of the definition of "Defeasance Securities" contained in the Indenture, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(8) Municipal Obligations rated in the top two rating categories or higher by both Moody's and S&P.

(9) Investment Agreements rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel);

(10) Any investment authorized by California Government Code Section 53601;

(11) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to the Indenture;

(12) The Riverside County Treasury Pool; and

(13) Other forms of investments rated in the top two rating categories or higher by Moody's or S&P (supported, as may be required, by appropriate opinions of counsel).

Any references to long-term rating categories in this definition of "Permitted Investments" shall not take into account any plus or minus sign or numerical modifiers.

"Principal Fund" means the fund by that name established in accordance with the Indenture.

"Principal Payment" means the principal amount of Bonds required to be paid on each Principal Payment Date.

"Principal Payment Date" means November 1 of each year, commencing November 1, 20__.

"Project" means the public facilities described in the Indenture.

"Rebate Requirement" means the Rebate Requirement as defined in the Tax Certificate.

"Record Date" means the close of business on the 15th day of the month preceding any Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established in accordance with the Indenture.

"Removal" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease as provided in the Facility Lease.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Payments.

"Representation Letter" means the Letter of Representations from the County and the Trustee to DTC, or any successor securities depository for the Bonds, in which the County and the Trustee make certain representations with respect to the Bonds, the payment with respect thereto and delivery of notices with respect thereto.

"Reserve Fund" means the fund by that name established in accordance with the Indenture.

"Reserve Fund Credit Facility" shall mean a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in the Reserve Fund in lieu of or in partial substitution for cash or securities on deposit therein.

"Reserve Fund Requirement" means with respect to all Outstanding Bonds an amount equal to the lesser of (i) 50% of the maximum annual debt service attributable to the Outstanding Bonds or (ii) 125% of average annual debt service attributable to the Outstanding Bonds; *provided however*, that the Reserve Fund Requirement when issuing a new Series of Bonds shall be the least of (i) or (ii) above, but limited to the addition to the Reserve Fund of no more than 10% of the proceeds from the sale of such new Series of Bonds.

"Revenue Fund" shall have the meaning given to such term in the Indenture.

"Revenues" means all Base Rental Payments pursuant to the Facility Lease, and all other benefits, charges, income, proceeds, profits, receipts, rents and revenues derived by the Authority from the operation or use of the Leased Property, including interest or profits from the investment of money in any account or fund (other than the Rebate Fund) pursuant to the Indenture.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the County by notice in writing to the Authority and the Trustee.

"Series", when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture or a Supplemental Indenture authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2015 Bonds" means the Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project), Series 2015.

"Serial Bonds" means Bonds for which no sinking fund payments are provided.

"Site Lease" means that certain Site Lease, dated as of June 1, 2015, with respect to the Leased Property, by and between the County, as lessor, and the Authority, as lessee, as originally executed and as it may be amended from time to time.

"Substitution" means the release of all or a portion of the Leased Property from the leasehold of the Facility Lease and of the Site Lease, and the lease of substituted real property and improvements under the Facility Lease and under the Site Lease as provided in the Facility Lease.

"Supplemental Indenture" means an agreement amending or supplementing the terms of the Indenture entered into pursuant to the terms of the Indenture.

"Surplus Subaccount" means the account by that name established in accordance with the Indenture.

"Tax Certificate" means that Tax Certificate and Agreement, by and between the County and the Authority, executed at the time of execution and delivery of a Series of Bonds relating to the requirements of Section 148 of the Code, as such Tax Certificate and Agreement may be amended or supplemented.

"Term Bonds" means Bonds which are payable on or before their specified maturity dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a designated corporate trust office located at Los Angeles, California, or any other bank or trust company which may at any time be substituted in its place as provided in the Indenture.

"Underwriter" means collectively Merrill Lynch, Pierce, Fenner & Smith Incorporated and Stifel, Nicolaus & Company, Incorporated, as co-senior underwriters and Citigroup Global Markets Inc. and Raymond James, as co-managers.

THE INDENTURE

The Bonds

Transfer and Payment of Bonds; Exchange of Bonds. All Bonds may be presented for transfer by the Owner thereof, in person or by his attorney duly authorized in writing, at the Designated Corporate Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. The Trustee may treat the Owner of any Bond as the absolute owner of such Bond for all purposes, whether or not such Bond shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the principal of, premium, if any, and interest on such Bond shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability of by such Bond to the extent of the sum or sums so paid.

Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall execute and deliver a new Bond or Bonds in the same principal amount in Authorized Denominations. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Bonds may be presented for exchange at the Designated Corporate Trust Office of the Trustee, for a like aggregate principal amount of Bonds of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period in which the Trustee is selecting Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption from and after the date of mailing the notice of redemption thereof.

Book-Entry Bonds. Notwithstanding any provision of the Indenture to the contrary, the transfer provisions of the Indenture do not apply if the ownership of the Bonds is in book-entry form.

(a) Except as provided in subparagraph (d) of this section, the registered Owner of all of the Bonds shall be DTC, and the Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Notwithstanding anything to the contrary contained in the Indenture, payment of interest with respect to any Bond registered as of each Record Date in the name of Cede & Co. shall be made by wire transfer of same-day funds to the account of Cede & Co. on the Interest Payment Date for the Bonds at the address indicated on the Record Date or special record date for Cede & Co. in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture or as otherwise provided in the Representation Letter.

(b) The Bonds shall be initially executed and delivered in the form of separate single fully registered Bonds in the amount of each separate stated maturity of the Bonds. Upon initial execution and delivery, the ownership of such Bonds shall be registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of Cede & Co., as nominee of DTC. The Trustee and the County shall treat DTC (or its nominee) as the sole and exclusive Owner of the Bonds registered in its name for the purposes of payment of the principal, premium, if any, or interest with respect to the Bonds, selecting the Bonds or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners under the Indenture, registering the transfer of Bonds, obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever, and neither the Trustee nor the County shall be affected by any notice to the contrary. Neither the Trustee nor the County shall have any responsibility or obligation to any person claiming a beneficial ownership interest in the Bonds under or through DTC, or any other person which is not shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture as being an Owner, with respect to (i) the accuracy of any records maintained by DTC; (ii) the payment by DTC of any amount of the principal, premium, if any, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Owners under the Indenture or the selection by DTC of any person to receive payment in the event of a partial redemption of the Bonds; or (iv) any consent given or other action taken by DTC as Owner. The Trustee shall pay all principal, premium, if any, and interest on the Bonds only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the County's obligations with respect to the principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. Except under the conditions of (d) below, no person other than DTC shall receive an executed Bond representing the right to receive principal, premium, if any and interest pursuant to the Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Indenture with respect to Record Dates, the term "Cede & Co." in the Indenture shall refer to such new nominee of DTC.

(c) In order to qualify the Bonds for DTC's book-entry system, the County and the Trustee will execute, countersign and deliver to DTC the Representation Letter. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this section or in any other way impose upon the Trustee, the County or the Authority any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture.

(d) In the event (i) DTC, including any successor as securities depository for the Bonds, determines not to continue to act as securities depository for the Bonds, or (ii) the County determines that the incumbent securities depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the County will discontinue the book-entry system with the incumbent securities depository for the Bonds. If the County determines to replace the incumbent securities depository for the Bonds with another qualified securities depository, the County shall prepare or direct the preparation of a new single, separate fully registered Bond for the aggregate outstanding principal amount of Bonds of each maturity, registered in the name of such successor or substitute qualified securities depository, or its nominee, or make such other arrangement acceptable to the County, the Trustee and the successor securities depository for the Bonds as are not inconsistent with the terms of the Indenture. If the County fails to identify another qualified successor securities depository for the Bonds to replace the incumbent securities depository, then the Bonds shall no longer be restricted to being registered in the Bond registration books required to be kept by the Trustee pursuant to the provisions of the Indenture in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository for the Bonds, or its nominee, shall designate. In such event the Trustee shall execute and deliver a sufficient quantity of Bonds as to carry out the transfers and exchanges provided in this section. All such Bonds shall be in fully registered form in denominations authorized by the Indenture.

(e) Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of DTC, or its nominee, all payments with respect to the principal, premium, if any, and interest on such Bond and all notices with respect to such Bonds shall be made and given, respectively, as provided in the Representation Letter.

(f) In connection with any notice or other communication to be provided to Owners pursuant to the Indenture by the County or the Trustee with respect to any consent or other action to be taken by Owner, the County or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Bond Registration Books. The Trustee will keep sufficient books for the registration and transfer of the Bonds, which books shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds on such books as provided in the Indenture. The Trustee will, upon written request, make copies of the foregoing available to any Owner of at least five percent in aggregate principal amount of Outstanding Bonds or his agent duly authorized in writing.

Temporary Bonds. The Bonds may be initially delivered in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and shall contain such reference to any of the provisions of the Indenture as may be appropriate. Every temporary Bond shall be authenticated and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Bonds. If the Trustee authenticates and delivers temporary Bonds, it will authenticate definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered at the Designated Corporate Trust Office of the Trustee, in exchange for such definitive Bonds, and until so exchanged such temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds executed and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, interest rate and payment date in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall authenticate and deliver a new Bond of like tenor, numbered as the Trustee shall determine, in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee shall require payment of a sum not exceeding the actual cost of preparing each new Bond authenticated and delivered by it under this section and of the expenses which may be incurred by it under this section. Any Bond authenticated and delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Indenture with all other Bonds secured by the Indenture, and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the amount of Bonds which may be executed and delivered under the Indenture or for the purpose of determining any percentage of Bonds Outstanding under the Indenture, but both the original and replacement Bond shall be treated as one and the same. Notwithstanding any other provision of this section, in lieu of authenticating and delivering a new Bond for a Bond which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Bond, the Trustee may make payment of such Bond to the Owner thereof on or after the maturity date.

Execution and Delivery of Additional Bonds. The County, the Authority and the Trustee may, by execution of a Supplemental Indenture without the consent of the Owners, provide for the execution and delivery of Additional Bonds payable from additional Revenues. The Trustee may authenticate and deliver to or upon the request of the County such Additional Bonds, and the proceeds of such Additional Bonds may be applied to any lawful purposes of the County or the Authority, but such Additional Bonds may only be authenticated and delivered upon compliance by the County with the provisions of the Indenture and subject to the following specific conditions, which are made conditions precedent to the execution and delivery of any such Additional Bonds:

(a) Neither of the County nor the Authority shall be in default under the Indenture or any Supplemental Indenture or under the Facility Lease or the Site Lease;

(b) Said Supplemental Indenture shall provide that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement;

(c) The dated date and the maturity dates of, and the Mandatory Sinking Account Payment dates, if any, for such Additional Bonds; *provided* that (i) each maturity date shall fall upon November 1, (ii) the final maturity date shall not exceed the remaining useful life of the Leased Property, (iii) all such Additional Bonds of like maturity shall be identical in all respects, except as to number and denomination and (iv) serial maturities for Serial Bonds or sinking fund payments for Term Bonds, or any combination thereof, shall be established to provide for the retirement of such Additional Bonds on or before their respective maturity dates;

(d) The interest payment dates for such Additional Bonds, which shall be Interest Payment Dates;

(e) The aggregate principal amount of Bonds authenticated and delivered and at any time Outstanding under the Indenture or under any Supplemental Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture;

(f) The Site Lease and the Facility Lease shall have been amended, to the extent necessary, so as to increase the Base Rental Payments payable by the County thereunder by an aggregate amount at least sufficient to pay the principal of and interest on such Additional Bonds as the same become due *provided, however*, that no such amendment shall be made such that Base Rental Payments, including any such amendment, in any year shall be in excess of the annual fair rental value of the Leased Property, and evidence of the satisfaction of this condition shall be made by a Certificate of the County, as required by the Indenture; and

Any Additional Bonds shall be on a parity with the Bonds and each Owner thereof shall have the same rights upon an Event of Default as the Owner of any other Bonds executed and delivered under the Indenture, except as otherwise provided in the Supplemental Indenture under which Additional Bonds are executed and delivered.

The County shall cause to be given to each rating agency rating the Bonds, and the Insurer, notice of any execution and delivery of Additional Bonds.

Proceedings for Authorization of Additional Bonds. Whenever the County and the Authority shall determine to authorize the execution and delivery of any Additional Bonds pursuant to the Indenture, the County, the Authority and the Trustee shall enter into a Supplemental Indenture without the consent of the Owners of any Bonds, providing for the execution and delivery of such Additional Bonds, specifying the maximum principal amount of such Additional Bonds and prescribing the terms and conditions of such Additional Bonds.

Such Supplemental Indenture shall prescribe the form or forms of such Additional Bonds and, subject to the provisions of the Indenture, shall provide for the distinctive designation, denominations, method of numbering, dates, Principal Payment Dates, interest rates, Interest Payment Dates, provisions for redemption (if desired) and places of payment of principal and interest.

Before such Additional Bonds shall be executed and delivered, the County and the Authority shall file or cause to be filed the following documents with the Trustee:

(a) An Opinion of Counsel (which may rely upon the Certificate of the County required by the Indenture and such other opinions and certificates as may be appropriate) to the effect that (1) that such

Counsel has examined the Supplemental Indenture and the amendment, if any, to the Site Lease and the Facility Lease required by the Indenture; (2) that the execution and delivery of the Additional Bonds have been sufficiently and duly authorized by the County and the Authority; (3) that said amendments to the Site Lease and the Facility Lease and the Supplemental Indenture, when duly executed by the County and the Authority, will be valid and binding obligations of the County and the Authority; (4) that said amendments to the Site Lease and the Facility Lease have been duly authorized, executed and delivered; and (5) that the amendments to the Site Lease and the Facility Lease do not adversely affect the tax-exempt status of interest on by Outstanding Bonds;

(b) A Certificate of the County that the requirements of the Indenture have been met, including a Certificate of the County as to the annual fair rental value of the Leased Property; which Certificate may assume the timely construction and completion of any Additional Project to be financed with the proceeds of Additional Bonds so long as the proceeds of Additional Bonds or other funds of the County have been deposited with the Trustee (i) in the Construction Fund, in an amount reasonably expected to be sufficient to provide for the Construction Costs of such Additional Project, and (ii) in the Capitalized Interest Account, in an amount sufficient to pay interest on the Additional Bonds for the period of time from their date of issuance until 6 months following the expected delivery date of the Certificate of Completion with respect to such Additional Project;

(c) Certified copies of the resolutions of the County and the Authority, authorizing the execution of the amendments to the Site Lease and Facility Lease required by the Indenture;

(d) An executed counterpart or duly authenticated copy of the amendments to the Site Lease and Facility Lease required by the Indenture;

(e) Certified copies of the policies of insurance required by the Facility Lease or certificates thereof, which shall evidence that the amounts of the insurance required under the Facility Lease have been increased, if necessary, to cover the amount of such Additional Bonds; and

(f) A CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the Facility Lease.

Upon the delivery to the Trustee of the foregoing instruments so as to permit the execution and delivery of the Additional Bonds in accordance with the Supplemental Indenture then delivered to the Trustee, the Trustee shall authenticate and deliver said Additional Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the request of, the County.

Proceeds of Bonds

<u>Construction Fund</u>.

(a) The Trustee shall hold the moneys in the Construction Fund and shall disburse such moneys therefrom to pay Construction Costs. Such disbursements shall be made from time to time upon receipt of a Written Request of the County on behalf of the Authority which:

(i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred, is a Construction Cost and is a proper charge against the Construction Fund and has not been the basis of any previous disbursement;

(ii) specifies in reasonable detail the nature of the obligation; and

(iii) is accompanied by a bill or statement of account for each obligation.

(b) If at any time there are insufficient moneys in the Costs of Issuance Fund to disburse moneys in accordance with the Indenture, the Trustee shall disburse from the Construction Fund, subject to this section, such additional amounts as are necessary to pay such Costs of Issuance.

(c) Upon the delivery to the Trustee of a Certificate of Completion, the Trustee shall transfer any remaining balance of money in the Construction Fund, first, to the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, second, to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Fund Requirement, and third, the remainder to a separate subaccount within the Principal Fund, which the Trustee shall establish and hold in trust, and which shall be entitled the "Surplus Subaccount." The moneys in the Surplus Subaccount shall be applied (unless some other application of such moneys would not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of interest on the Bonds) as directed in writing by the County to pay principal on the Series of Bonds from which such moneys were derived as such principal becomes due and payable, in annual amounts which bear the same ratio to the principal amount of such Series of Bonds maturing in such year that the amount deposited in the Surplus Subaccount bears to the original principal amount of such Series of Bonds. Notwithstanding the Indenture, the moneys in the Surplus Subaccount shall be invested at a yield no higher than the yield on such Outstanding Series of Bonds (unless, in the opinion of Bond Counsel, investment at a higher yield would not adversely affect the tax-exempt status of interest on the Bonds), and all such investment income shall be deposited in the Surplus Subaccount and expended or reinvested as provided above.

Reserve Fund.

(a) There is established in trust under the Indenture a special fund designated as the "Reserve Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. Moneys in the Reserve Fund shall be in the amount of the Reserve Fund Requirement and shall be used and withdrawn by the Trustee solely for the purposes set forth in the Indenture.

(i) If, on any Interest Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Interest Fund is insufficient to pay the interest due with respect to the Bonds on such Interest Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Interest Fund an amount sufficient to make up such deficiency.

(ii) If, on any Principal Payment Date or any Mandatory Sinking Account Payment Date (or on any earlier date as specified in a Reserve Fund Credit Facility or Reserve Fund investment), the amount on deposit in the Principal Fund is insufficient to pay the principal due with respect to the Bonds on such Principal Payment Date or Mandatory Sinking Account Payment Date, the Trustee shall transfer from the Reserve Fund and deposit in the Principal Fund an amount sufficient to make up such deficiency.

(iii) Monies on deposit in the Reserve Fund shall be withdrawn and transferred by the Trustee to be applied for the final payment on the Bonds.

In the event of any withdrawal or transfer from the Reserve Fund, the Trustee shall, within five days thereafter, provide written notice to the County of the amount and the date of such transfer. If at any time the balance in the Reserve Fund shall be reduced below the Reserve Fund Requirement, the first of Base Rental Payments thereafter payable by the County under the Facility Lease and not needed to pay the interest and principal components of Base Rental Payments payable by the County under the Facility Lease to the Owners on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account

Payment Date shall be used to increase the balance in the Reserve Fund to the Reserve Fund Requirement. If after the payment of principal and interest on any Interest Payment Date the balance in the Reserve Fund shall be in excess of the Reserve Fund Requirement the Trustee shall transfer such excess to the Revenue Fund. At the termination of the Facility Lease in accordance with its terms, any balance remaining in the Reserve Fund shall be released and may be transferred to such other fund or account of the County, or otherwise used by the County for any other lawful purposes, as the County may direct in writing. For purposes of determining the amount on deposit in the Reserve Fund, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment.

(b) At the option of the County, one or more Reserve Fund Credit Facilities may be substituted for the funds held by the Trustee in the Reserve Fund such that the amount available to be drawn under such Reserve Fund Credit Facilities together with funds remaining in the Reserve Fund satisfies the Reserve Fund Requirement.

If the County exercises its option to substitute a Reserve Fund Credit Facility for all or a portion of the moneys held by the Trustee in the Reserve Fund, then such moneys, on or after the date that the Reserve Fund Credit Facility becomes effective, at the option of the County, shall be transferred (A) to the Revenue Fund and on each applicable Principal Payment Date a *pro rata* portion thereof shall be transferred to the Principal Fund and used to pay a portion of the principal of the Bonds due on such Principal Payment Date, or (B) to a construction fund to be held by the County and used for capital projects of the County in accordance with the Tax Certificate. Neither the County nor the Trustee may invest such amounts transferred so as to produce a yield greater than the yield permitted under the Tax Certificate. In the event any Reserve Fund Credit Facility is scheduled to terminate prior to the final maturity date of the Bonds and such Reserve Fund Credit Facility is not extended, renewed or replaced with another Reserve Fund Credit Facility or with cash or Permitted Investments in the amount of such Reserve Fund Credit Facility, the Trustee shall draw on or make a claim under such Reserve Fund Credit Facility ten days prior to the date of such expiration in an amount equal to the lesser of (i) the maximum amount available thereunder or (ii) the Reserve Fund Requirement, in either case for deposit into the Reserve Fund.

In the event a Reserve Fund Credit Facility is substituted for all or a portion of the moneys held by the Trustee in the Reserve Fund pursuant to the terms of the Indenture, then, notwithstanding any other provision of the Indenture, (1) the Trustee shall draw upon the Reserve Fund Credit Facility for amounts which the terms of the Indenture require to be transferred from the Reserve Fund; *provided* that the Trustee shall first draw upon any cash or Permitted Investments on deposit in the Reserve Fund before drawing upon any Reserve Fund Credit Facility, and thereafter shall draw upon all such Reserve Fund Credit Facilities on a *pro rata* basis, and (2) amounts required by the terms of the Indenture to be deposited or transferred to the Reserve Fund (a) in the event the Reserve Fund Credit Facility has been drawn upon, shall be first paid to the provider of such Reserve Fund Credit Facility if the County has an outstanding reimbursement obligation to such provider resulting from such draw, which payment shall result in an increase in the amount then available under the Reserve Fund Credit Facility equal to such payment and (b) to the extent all such draws on Reserve Fund Credit Facilities have been paid, then, second, shall be transferred or deposited to the Reserve Fund in amount such that after giving effect to the deposit the amount on deposit in the Reserve Fund is equal to the Reserve Fund Requirement.

The County shall be permitted to make use of a Reserve Fund Credit Facility pursuant to the Indenture at any time.

For purposes of this subsection (b), the term "substitution" shall include such initial funding of the Reserve Fund Requirement by means of a Reserve Fund Credit Facility instead of by deposit of moneys, and shall not be read to mean that the County must first make an initial cash deposit in the Reserve Fund before invoking this subsection (b) and satisfying the Reserve Fund Requirement by securing and implementing a Reserve Fund Credit Facility.

Cost of Issuance Fund. There is established in trust under the Indenture a special fund designated as the "Cost of Issuance Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds held by the Trustee. The moneys in the Costs of Issuance Fund shall be applied to the payment of Costs of Issuance of the Bonds, upon a Written Request of the County on behalf of the Authority. All payments from the Costs of Issuance Fund shall be reflected in the Trustee's regular accounting statements. On or before 6 months after the issuance of any Series of Bonds, the Trustee shall transfer any amounts then remaining in the Cost of Issuance Fund to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Fund Requirement, then to the Construction Fund.

Revenues

Pledge of Revenues; Revenue Fund.

(a) There is established a special fund designated as the "Revenue Fund" which shall be held by the Trustee and which shall be kept separate and apart from all other funds and moneys held by the Trustee. The County, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of its right, title and interest in and to all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund), subject to the provisions of the Indenture permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth in the Indenture, and in and to the Revenues, which shall be used for the punctual payment of the interest and principal of the Bonds and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. It is the intent of the parties to the Indenture that the Authority shall not have any right, title, in or to the Revenues. In the event, however, that it should be determined that the Authority has any right, title or interest in or to the Revenues, then the Authority, pursuant to the Indenture, irrevocably pledges and transfers to the Trustee, for the benefit of the Owners, all of such right, title and interest, which shall be used for the punctual payment of the interest and principal of the Bonds. These pledges shall constitute a first and exclusive lien on the funds established under the Indenture and the Revenues in accordance with the terms of the Indenture subject in all events to the power of the County and the Authority to cause the execution and delivery of Additional Bonds pursuant to the Indenture which shall be on a parity with the Bonds Outstanding.

(b) All Revenues shall be paid directly by the County to the Trustee, and if received by the Authority at any time shall be deposited by the Authority, as the case may be, with the Trustee within one Business Day after the receipt thereof. All Revenues and the proceeds of rental interruption insurance, if any, shall be deposited by the Trustee in the Revenue Fund and all amounts on deposit therein shall be held in trust by the Trustee, which fund the Trustee, pursuant to the Indenture, agrees to establish and maintain for the benefit of the Owners until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding; *provided, however*, and notwithstanding the foregoing, if the Trustee receives Revenues in an amount in excess of the amount necessary to pay the amount due and owing on the next Interest Payment Date, Principal Payment Date or Mandatory Sinking Account Payment Date, as the case may be, after giving effect to the funds then on deposit in the Revenue Fund not needed for any other purpose under the Indenture, and if the amount then in the Reserve Fund is at least equal to the Reserve Fund Requirement and there exists no Event of Default under the Indenture, then amounts in the Revenue Fund not needed to make such payments may be utilized by the Trustee, as directed in writing by the County, to make any regular periodic payment due to provider of a Reserve Fund Credit Facility or a Reserve Fund investment which provides for such payments, if any, or for any other purpose.

Deposit of Revenues. Except as otherwise provided in this section, the Trustee shall deposit the amounts in the Revenue Fund at the time and in the priority and manner provided in the Indenture in the following respective funds, each of which the Trustee, pursuant to the Indenture, agrees to establish and maintain until all required Revenues are paid in full pursuant to the Facility Lease or until such date as the Bonds are no longer Outstanding, and the moneys in each of such funds shall be disbursed only for the purposes and uses authorized in the Indenture. The Trustee shall establish and maintain the Capitalized Interest Account within the Interest Fund until the date all amounts are transferred therefrom in accordance with subsection (a) of this section.

(a) **Interest Fund and Capitalized Interest Account.** The Trustee, on each Interest Payment Date, shall deposit in the Interest Fund a sufficient amount of money such that the aggregate of amounts therein equal the interest coming due on such Interest Payment Date; *provided*, *however*, that on each Interest Payment Date occurring on or before the delivery to the Trustee of a Certificate of Completion in connection with an Additional Project, before making said deposit, if and to the extent available in the Capitalized Interest Account within the Interest Fund, an amount equal to the aggregate amount of interest coming due on such Interest Payment Date, shall be transferred from the Capitalized Interest Account within the Interest Fund to the Interest Fund. Moneys in the Interest Fund shall be used by the Trustee for the purpose of paying the interest on the Bonds when due and payable.

(b) **Principal Fund.** The Trustee, on each Principal Payment Date and Mandatory Sinking Account Payment Date, shall deposit in the Principal Fund a sufficient amount of money such that the aggregate of amounts therein equal the principal coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. Monies in the Principal Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal of the Bonds when due and payable at maturity or upon earlier redemption from Mandatory Sinking Account Payments.

(c) **Redemption Fund.** The Trustee, on the redemption date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental Payment is paid to the Trustee pursuant to the Facility Lease, shall deposit in the Redemption Fund that amount of moneys representing the portion of the Base Rental Payments designated as prepaid Base Rental Payments. Monies in the Redemption Fund shall be used and withdrawn by the Trustee for the purpose of paying the principal, premium, if any, and interest of the Bonds to be prepaid.

Application of Insurance Proceeds and Condemnation Awards. The Trustee shall not be responsible for the sufficiency of any insurance required by the Facility Lease and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County. Delivery to the Trustee of the schedule of insurance policies under the Facility Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies.

Except as provided in the Indenture, in the event of any damage to or destruction of any part of the Leased Property, caused by the perils covered by the policies of insurance required to be maintained by the County pursuant to the Facility Lease, the County and the Authority shall cause the proceeds of such insurance (other than rental interruption insurance which is to be placed in the Revenue Fund) to be used in accordance with the Facility Lease. The Trustee shall hold said proceeds in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund." The Trustee shall only make disbursements from the Insurance Proceeds and Condemnation Awards Fund upon receipt of a Written Request of the County on behalf of the Authority, which (i) states with respect to each disbursement to be made: (A) the requisition number, (B) the name and address of the person, firm or authority to whom payment is due, (C) the amount to be disbursed, and (D) that each obligation therein has been properly incurred for the purpose of repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds and is a proper charge against the Insurance Proceeds and Condemnation Awards Fund and has not been the basis of any previous disbursement; (ii) specifies in reasonable detail the nature of the obligation; and (iii) is accompanied by a bill or statement of account for each obligation. Any balance of said proceeds not required for such repair, reconstruction or replacement as evidenced by a Certificate of the County to the effect that such repair, reconstruction or replacement has been completed and all amounts owing therefor have been paid or provision for the payment therefor has been made shall be transferred by the Trustee to Redemption Fund and applied in the manner provided by the Indenture. Alternatively, the County, at its option, and if the proceeds of such insurance together with any other moneys then available for the purpose are at least sufficient to redeem all Outstanding Bonds, may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon shall cause said proceeds to be transferred to the Redemption Fund and used for the redemption of Outstanding Bonds pursuant to the Indenture; *provided*, that if the County elects to so redeem the Outstanding Bonds, then the County shall make said election within 45 days after the damage to or destruction of the Leased Property. Notwithstanding any other provision in the Indenture, the County shall only redeem less than all of the Outstanding Bonds if the annual fair rental value of the Leased Property after such damage, destruction or condemnation is at least equal to the aggregate annual amount of principal and interest of the Outstanding Bonds not being prepaid.

The proceeds of any award in eminent domain shall be transferred by the County to the Trustee for deposit in the Redemption Fund and applied to the redemption of Outstanding Bonds pursuant to the Indenture.

Title Insurance. Proceeds of any policy of title insurance received by the County, the Authority or the Trustee in respect of the Leased Property shall be applied and disbursed by the County, the Authority or the Trustee as follows:

(a) If the County determines that the title defect giving rise to such proceeds has not materially affected the operation of the Leased Property and will not result in an abatement of Rental Payments payable by the County under the Facility Lease, such proceeds shall be deposited first in the Rebate Fund to the extent the amount on deposit therein is less than the Rebate Requirement, then in the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement, and thereafter amounts not required to be so deposited shall be remitted to the County and used for any lawful purpose thereof; or

(b) If any portion of the Leased Property has been affected by such title defect, and if the County determines that such title defect will result in an abatement of Rental Payments payable by the County under the Facility Lease, then the County, the Authority or the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the Indenture.

Particular Covenants

Compliance with Indenture. The Trustee will not execute or deliver any Bonds in any manner other than in accordance with the provisions of the Indenture, and neither of the County or the Authority will suffer or permit any default by them to occur under the Indenture, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms of the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Facility Lease and Site Lease. Subject to the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability – No Liability by the Authority to the Owners," the County and the Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Facility Lease and Site Lease required to be complied with, kept, observed and performed by them and, together with the Trustee, will enforce the Facility Lease and Site Lease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Trustee, the County and the Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County will keep the Leased Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, other than Permitted Encumbrances (with respect to the Leased Property, as such term is defined in the Facility Lease, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Property, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to take any necessary steps to defend against or to so comply within such ten-day period) may defend against any and all actions or proceedings in which the validity of the Indenture is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings; *provided, however*, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its liability under the Indenture to defend the validity of the Indenture and to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, neither the County nor the Authority will create or suffer to be created any pledge of or lien on the Revenues other than as provided or permitted under the Indenture.

Prosecution and Defense of Suits. The County will promptly take such action from time to time as may be necessary or proper, in its reasonable discretion, to remedy or cure any known cloud upon or defect in the title to the Leased Property or any portion thereof, whether now existing or hereafter developing, and will prosecute all actions, suits or other proceedings as may be appropriate for such purpose.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by it relating to the receipt, deposit and disbursement of the Revenues, and such accounting records shall be available for inspection by the County or the Authority at reasonable hours, under reasonable conditions and with reasonable notice. The Trustee shall deliver a monthly accounting to the County; *provided* that the Trustee shall not be obligated to report as to any fund or account that (a) has a balance of zero and (b) has not had any activity since the last reporting date.

Recordation and Filing. The Authority will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain the Facility Lease, Site Lease, Assignment Agreement and the Indenture at all times as a security interest in the Revenues, all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to perfect, preserve and protect fully the security of the Owners and the rights and security interests of the Trustee, and the Authority will do whatever else may be necessary or be reasonably required in order to perfect and continue the liens of the Facility Lease, Site Lease, Assignment Agreement and the Indenture.

Further Assurances. Whenever and so often as requested to do so by the Trustee or any Owner, the County and the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Assignment Agreement, Facility Lease or Site Lease.

Rebate Fund; Tax Covenants.

(a) In addition to the other funds and accounts created pursuant to the Indenture, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained under the Indenture designated the "Rebate Fund" (the "Rebate Fund"). Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts requested by the County to comply with the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the County. Except as provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as such term is defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the County, the Authority, the Trustee nor the Owner of any Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this section and by the Tax Certificate. The County shall provide written directions to the Trustee, including supplying all necessary information that is available to it in the manner provided in the Tax Certificate, and except as otherwise expressly provided in the Indenture, the Trustee shall not be required to take any actions under the Indenture in the absence of written directions by the County, and shall have no liability or responsibility to enforce compliance by the County with the terms of the Tax Certificate or this section. The Trustee agrees to comply with all Written Requests of the County given in accordance with the Tax Certificate. The County shall provide the Trustee with written evidence that the computation of the Rebate Requirement has been made. Any funds remaining in the Rebate Fund after payment or redemption of all of the Bonds and payment and satisfaction of any Rebate Requirement, shall, after payment of all fees and expenses of the Trustee, be withdrawn and remitted to the County.

(b) Notwithstanding any other provision of the Indenture, including, in particular, as summarized herein under the heading "THE INDENTURE – Defeasance", the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this section and the Tax Certificate shall survive the defeasance or payment in full of the Bonds. The Authority specifically covenants to comply with the provisions and procedures of the Tax Certificate.

(c) Notwithstanding any provisions of this section, if the Authority shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the Trustee, the Authority and the County may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding the Indenture as summarized herein under the heading "THE INDENTURE – Default and Limitations of Liability", the covenants under the Indenture shall be deemed to be modified to that extent.

(d) The provisions of this section shall not apply to any Series of Bonds which the Authority shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

<u>Continuing Disclosure</u>. The County, pursuant to the Indenture, covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the County to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of the Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall) or any Owner or Beneficial Owner of Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this section; *provided*, that the Trustee shall only be required to take an action under this section to the extent funds have been provided to it or it has been otherwise indemnified to its reasonable satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys.

Default and Limitations of Liability

<u>Events of Default</u>. The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal of or premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) default by the County in the observance of any of the covenants, agreements or conditions on its part in the Indenture contained, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the County and the Authority by the Trustee, or to the County, the Authority and the Trustee by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; *provided, however*, that if such default can be remedied but not within such 30-day period and if the County has taken all action reasonably possible to remedy such default within such 30-day period, such default shall not become an Event of Default for so long as the County shall diligently proceed to remedy the same in accordance with and subject to any directions or limitations of time reasonably established by the Trustee; or

(d) an event of default shall have occurred and be continuing under the Facility Lease.

<u>Action on Default</u>. In each and every case during the continuance of an Event of Default, the Trustee or the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (subject to the provisions of the Indenture) shall be entitled, upon notice in writing to the County and the Authority to exercise any of the remedies granted to the County under the Facility Lease and to the Authority under the Facility Lease, and in addition, to take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the Indenture.

Notwithstanding anything to the contrary in the Indenture, the Authority shall have no obligation to and instead the Trustee may, without further direction from the Authority, take any and all steps, actions and proceedings, to enforce any or all rights of the Authority (other than those specifically retained by the Authority pursuant to the Indenture and the Assignment Agreement) under the Indenture or the Facility Lease, including, without limitation, the rights to enforce the remedies upon the occurrence and continuation of an Event of Default and the obligations of the County under the Facility Lease.

Other Remedies of the Trustee. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County, the Authority or any director, officer or employee thereof, and to compel the County or the Authority or any such director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any default under the Indenture to require the County and the Authority to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Indenture may be enforced and exercised from time to time and as often as the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner or Owners, then subject to any adverse determination, the Trustee or such Owner or Owners and the County and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. No remedy conferred in the Indenture upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Authority to the Owners. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof (including the County), nor the faith and credit of the Authority is pledged to the payment of the principal (or redemption price) of or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Site Lease, the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The Trustee acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then the Trustee shall give notice to the County in accordance with the Indenture to pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Except as expressly provided in the Indenture, the Authority shall have no obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Facility Lease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental Payments and the performance of the other agreements and covenants required to be performed by it contained in the Facility Lease or in the Indenture, the County shall not have any obligation or liability to the Owners with respect to the Indenture or the preparation, execution, delivery or transfer of the Bonds or the disbursement of the Revenues by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

No Liability by the Trustee to the Owners. Except as expressly provided in the Indenture, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County or the Authority of the other agreements and covenants required to be performed by them, respectively contained in the Facility Lease or Site Lease or in the Indenture.

Application of Amounts After Default. Notwithstanding anything to the contrary contained in the Indenture, after a default by the County, all funds and accounts held by the Trustee and all payments received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Facility Lease, and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Facility Lease, shall be deposited into the Revenue Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Indenture as summarized herein under the heading "THE INDENTURE – The Trustee - Compensation and Indemnification of the Trustee"; and

(b) to the payment of all amounts then due as interest with respect to the Bonds, and thereafter to the payment of all amounts due as principal with respect to the Bonds, in respect of which or for the benefit of which, money has been collected (other than Bonds which have matured or otherwise become payable prior to such Event of Default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts due and payable with respect to such Bonds.

Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Bonds in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless such Owner has previously given written notice to the Trustee of a continuing Event of Default; the Owners of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture; such Owner or Owners have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in principal amount of the Outstanding Bonds; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Owner of Bonds, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Indenture, except in the manner provided in the Indenture and for the equal and ratable benefit of all the Owners of Bonds. Nothing in the Indenture contained shall, however, affect or impair the right of any Owner to enforce the payment of the principal of or the redemption price of and the interest of any Bond at and after the maturity or earlier redemption.

The Trustee

Employment of the Trustee. The County and the Authority appoint and employ the Trustee to receive, deposit and disburse the Rental Payments, to authenticate, deliver and transfer the Bonds and to perform the other functions contained in the Indenture; all in the manner provided in the Indenture and subject to the conditions and terms of the Indenture. By executing and delivering the Indenture, the Trustee accepts the appointment and employment referred to in the Indenture and accepts the rights and obligations of the Trustee provided in the Indenture, subject to the conditions and terms of the Indenture. The Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Duties, Removal and Resignation of the Trustee. The County and the Authority may, by an instrument in writing and upon 30 days written notice remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), but any such successor Trustee shall be a bank with trust powers or trust company doing business and having a designated corporate trust office in California or New York, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the County, the Authority and the Insurer and by mailing notice, first class, postage prepaid, of such resignation to the Owners at their addresses appearing on the books required to be kept by the Trustee pursuant to the provisions of the Indenture. Upon receiving such notice of resignation, the County and the Authority shall promptly appoint a successor Trustee by an instrument in writing; *provided, however*, that in the event the County and the Authority do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its advances and expenditures under the Indenture, including but not limited to payments due any provider of a Reserve Fund Credit Facility or Reserve Fund investment which provides for such payments, advances to and fees and expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; *provided, however*, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture or under the Facility Lease (except that such compensation or reimbursement may be made from the Cost of Issuance Fund held by the Trustee to the extent provided in the Indenture). The Trustee may take whatever legal actions are lawfully available to it directly against the County or the Authority. The rights of the Trustee under the Indenture are in addition to the rights granted to the Trustee pursuant to the Facility Lease.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers under the Indenture.

The County, pursuant to the Indenture, covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties under the Indenture, including the costs of expenses of defending against any claim of liability including, without limitation, any claim arising out of the use, presence, storage, disposal or lease of any Hazardous Substances on or about the Leased Property, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. Such indemnity shall survive the discharge of the Indenture or the resignation or removal of the Trustee.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, opinion, notice, request, requisition, resolution, direction, instruction, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at the request of any such person unless such Bond shall be deposited with the Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Trustee. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners of the Bonds pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee, against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. The Trustee may consult with counsel, who may be counsel to the County or the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith. If requested by the County, counsel to the Trustee shall be of recognized national standing in the field of law relating to municipal bonds.

The Trustee shall not be responsible for the sufficiency or adequacy of the Bonds, the Facility Lease, the Site Lease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Bonds or of the title to or value of the Leased Property.

The Trustee shall not be required to take notice or be deemed to have notice of any default or Event of Default under the Indenture or an Event of Default under the Indenture, except failure of any of the payments to be made to the Trustee required to be made under the Indenture unless the Trustee shall be specifically notified in writing of such default or Event of Default by the County, the Authority or by the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or the Authority, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it under the Indenture by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the default or misconduct of any such agent, attorney or receiver selected by it with reasonable care. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established under the Indenture, except only for its own willful misconduct or negligence.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of not less than a majority (or other percentage provided for in the Indenture) in aggregate principal amount of the Bonds at the time Outstanding relating to the exercise of any right or remedy available to the Trustee under the Indenture.

The Trustee makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the County of the Leased Property. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Facility Lease, the Site Lease or the Indenture for the existence, furnishing or use of the Property.

Every provision of the Indenture, the Facility Lease, the Site Lease and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of the Indenture, including without limitation, this section.

In acting as Trustee under the Indenture, the Trustee acts solely in its capacity as Trustee for the Owners and not in its individual or personal capacity, and all persons, including without limitation, the Owners, the County and the Authority, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Indenture for payment, except as otherwise specifically provided in the Indenture. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

The recitals of facts, covenants and agreements in the Indenture and in the Bonds shall be taken as statements, covenants and agreements of the County or the Authority, as the case may be, and the Trustee assumes no responsibility for the correctness of the same.

Amendment or Supplement to the Indenture

Amendment or Supplement. The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, are filed with the Trustee. No such amendment or supplement shall (1) extend the Principal Payment Date of any Bond or reduce the rate of interest represented thereby or extend the time of payment of such interest or reduce the amount of principal represented thereby or reduce the amount of any Mandatory Sinking Account Payment without the prior written consent of the Owner of each Bond so affected, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Indenture or supplement to the Indenture without the prior written consent of the Owners of all Bonds then Outstanding, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) modify any provision of the Indenture expressly recognizing or granting rights in or to the Insurer in any manner which affects the rights of the Insurer under the Indenture without its prior written assent thereto, or (5) amend this section without the prior written consent of the Insurer and the Owners of all Bonds then Outstanding.

The Indenture and the rights and obligations of the County, the Authority, the Owners and the Trustee under the Indenture may also be amended or supplemented at any time by an amendment of the Indenture or supplement to the Indenture which shall become binding upon execution, but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required to be observed or performed in the Indenture by the County or the Authority, or to surrender any right or power reserved in the Indenture to or conferred in the Indenture on the County or the Authority, and which in either case shall not materially adversely affect the interests of the Owners; or

(b) to provide for additional or substitute Leased Property as may be requested from time to time by the County in accordance with the Facility Lease; or

(c) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Indenture or in regard to questions arising under the

Indenture which the County or the Authority may deem desirable or necessary and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Owners; or

(d) to provide for the execution and delivery of Additional Bonds in accordance with the Indenture; or

(e) for any other reason, *provided* such amendment or supplement does not materially adversely affect the interests of the Owners or the Insurer, *provided further* that the County, the Authority and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this subsection (e) have been met with respect to such amendment or supplement.

Any provision of the Indenture expressly recognizing or granting rights in or to the Insurer may not be amended in any manner which affects the rights of the Insurer under the Indenture without the prior written consent of the Insurer.

Disqualified Bonds. Bonds actually known by the Trustee to be owned or held by or for the account of the County (but excluding Bonds held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in the Indenture, and shall not be entitled to consent to or take any other action provided in the Indenture, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for in the Indenture shall be deemed effective, to reveal if the Bonds as to which such consent is given are disqualified as provided in this section.

Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as provided in the Indenture as summarized herein under the heading "THE INDENTURE - Amendment or Supplement to the Indenture," the Trustee may determine that the Bonds may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond and presentation of such Bond for such purpose at the Designated Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Trustee shall receive an Opinion of Counsel advising that new Bonds modified to conform to such action are necessary, modified Bonds shall be prepared, and in that case upon demand of the Owner of any Outstanding Bonds such new Bonds shall be exchanged at the Designated Corporate Trust Office of the Trustee, without cost to each Owner for Bonds then Outstanding upon surrender of such Outstanding Bonds.

Amendment by Mutual Consent. The provisions of the Indenture shall not prevent any Owner from accepting any amendment as to the particular Bonds owned by such person, *provided* that due notation thereof is made on such Bonds.

Opinion of Counsel. In executing any amendment or supplement to the Indenture, the Trustee may conclusively rely upon an Opinion of Counsel to the effect that all conditions precedent for the execution of an amendment or supplement to the Indenture have been satisfied.

Defeasance

Discharge of Bonds and Indenture. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest and principal represented thereby at the times and in the manner stipulated in the Indenture and therein, then such Owners shall cease to be entitled to the pledge of and lien on the Revenues as provided in the Indenture, and all agreements and covenants of the County, the Authority and the Trustee to such Owners under the Indenture shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in this subsection (b) if (i) in case said Bonds are to be prepaid on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Indenture, notice of redemption of such Bonds on said redemption date, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities which are not callable or subject to redemption prior to their respective maturity dates, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant or other independent financial consultant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event any of said Bonds are not to be prepaid within the next succeeding 60 days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed pursuant to the Indenture, a notice to the Owners of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this subsection (b) and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to this subsection (b) nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; *provided* that Defeasance Securities deposited with the Trustee pursuant to this subsection (b) may be sold upon the written request of the County and the proceeds concurrently reinvested in other Defeasance Securities which satisfy the conditions of (ii) above provided that the Trustee receives an Opinion of Counsel to the effect that such sale and reinvestment does not adversely affect the exclusion of interest on the Bonds from federal income taxes, and *provided further* that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Defeasance Securities maturing at times and in amounts, together with the other moneys and payments with respect to securities then held by the Trustee pursuant to this subsection (b), sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due with respect to said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments not needed to pay when due the principal or redemption price (if applicable) of and interest to become due with respect to said Bonds on or prior to such redemption date or maturity date thereof shall, upon receipt by the Trustee of a Written Request of the County, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge. Nothing in this subsection (b) shall preclude redemptions pursuant to the Indenture.

Any release under this subsection (b) shall be without prejudice to the right of the Trustee to be paid reasonable compensation for all services rendered by it under the Indenture and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of trusts by the Indenture created and the performance of its powers and duties under the Indenture; *provided however*, that the Trustee shall have no right, title or interest in, or lien on, any moneys or securities deposited pursuant to the Indenture as summarized herein under the heading "THE INDENTURE - Defeasance."

(c) After the payment or deemed payment of all the interest and principal of all Outstanding Bonds as provided in this section, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Indenture, and the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Indenture which are not required for the payment of the principal of, premium, if any, and interest on, such Bonds. Notwithstanding the discharge and satisfaction of the Indenture, Owners of Bonds shall thereafter be entitled to payments due under the Bonds pursuant to the Facility Lease, but only from amounts deposited pursuant to subsection (a) above and from no other source.

(d) Notwithstanding anything in this section to the contrary, in the event that the principal, interest, or both due on the Bonds shall be paid by the Insurer pursuant to the Bond Insurance Policy, the Bonds shall not be considered paid by the County or the Authority under the Indenture, and all covenants, agreements and other obligations of the Authority and the County to the benefit of the Owners shall continue to exist and shall run to the benefit of the Insurer and the Insurer shall be subrogated to the rights of the Owners.

Unclaimed Moneys. Anything contained in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the principal of, premium, if any, and interest on, any of the Bonds which remain unclaimed for two years after the date when the payments on such Bonds have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the principal of, premium, if any, and interest on, such Bonds have become payable, shall be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the principal of, premium, if any, and interest on, such Bonds; *provided, however*, that before being required to make any such payment to the County, the Trustee shall mail a notice to the Owner that such unclaimed funds shall be returned to the County within 30 days.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the County, the Authority, the Trustee, the Insurer and the Owners, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation of the Indenture, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the County or the Authority shall be for the sole and exclusive benefit of the County, the Authority, the Trustee, the Insurer and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever any of the County, the Authority, or the Trustee or any officer thereof is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the County, the Authority, or the Trustee or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the County, the Authority, or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of the Indenture.

Any declaration, consent, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the County, the Authority or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer, employee or agent of the County, the Authority or the Trustee shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of, premium, if any, and interest on, the Bonds, but nothing contained in the Indenture shall relieve any member, officer, employee or agent of the County from the performance of any official duty provided by any applicable provisions of law or by the Facility Lease, the Site Lease or the Indenture.

Acquisition of Bonds by County. All Bonds acquired by the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Content of Certificates. Every Certificate of the County or Authority with respect to compliance with any agreement, condition, covenant or term contained in the Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

Any Certificate of the County or the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the County upon a representation by an officer or officers of the County, unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

Publication for Successive Weeks. Any publication required to be made under the Indenture for two successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

Funds. Any fund required to be established and maintained under the Indenture by the County or the Trustee may be established and maintained in the accounting records of the County or the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The County and the Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; *provided, however*, that the County and the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

Investments. Any moneys held by the County in the funds and accounts established under the Indenture shall be invested only in Permitted Investments. Any moneys held by the Trustee in the funds and accounts established under the Indenture shall be invested by the Trustee upon the written request of the County Treasurer only in Permitted Investments. In the absence of such direction, moneys shall be invested in a money market fund in accordance with subsection (6) of Permitted Investments. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this section. The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Any interest or profits on such investments in any funds and accounts (other than the Reserve Fund and the Rebate Fund) shall be retained therein. For purposes of determining the amount on deposit in any fund or account under the Indenture, all investments shall be valued annually at the amortized cost thereof (exclusive of accrued but unpaid interest, but inclusive of commissions). Investments in the Reserve Fund shall mature, or be subject to tender, redemption or withdrawal at the option of the holder thereof, not later than five years from the date of investment. Any Permitted Investments that are registrable securities shall be registered in the name of the Trustee, as trustee under the Indenture.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required in the Indenture to be observed or performed by or on the part of the County, the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void to the extent contrary to law and shall be deemed separable from the remaining agreements, conditions, covenants and terms of the Indenture and shall in no way affect the validity of the Indenture or of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

California Law. The Indenture shall be construed and governed in accordance with the laws of the State of California.

Effective Date. The Indenture shall become effective upon its execution and delivery.

THE FACILITY LEASE

The Leased Property

Lease of the Leased Property. The Authority leases to the County, and the County rents and hires from the Authority, the Leased Property on the conditions and terms set forth in the Facility Lease. The County, pursuant to the Facility Lease, agrees and covenants that during the term of the Facility Lease, except as provided in the Facility Lease, it will use the Leased Property for public purposes so as to afford the public the benefits contemplated by the Facility Lease and so as to permit the Authority to carry out its agreements and covenants contained in the Facility Lease and in the Indenture, and the County further agrees and covenants that during the term of the Facility Lease that it will not abandon or vacate the Leased Property.

Quiet Enjoyment. The parties to the Facility Lease mutually covenant that the County, so long as it observes and performs the agreements, conditions, covenants and terms required to be observed or performed by it contained in the Facility Lease and is not in default under the Facility Lease, shall at all times during the term of the Facility Lease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Right of Entry and Inspection. The Authority shall have the right to enter the Leased Property and inspect the Leased Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Facility Lease and for all other lawful purposes.

Prohibition Against Encumbrance or Sale. The County and the Authority will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Leased Property, except Permitted Encumbrances, and except incident to the execution and delivery of Additional Bonds as contemplated by the Facility Lease. The County and the Authority will not sell or otherwise dispose of the Leased Property or any property essential to the proper operation of the Leased Property, except as otherwise provided in the Facility Lease. Notwithstanding anything to the contrary contained in the Facility Lease, the County may assign, transfer or sublease any and all of the Leased Property or its other rights under the Facility Lease, *provided* that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Authority under the Facility Lease, (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations under the Facility Lease, (c) the assignment, transfer or sublease shall not result in a breach of any covenant of the County contained in any other section of the Facility Lease, (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Leased Property for all purposes shall be first allocated to the Facility Lease, as the same may be amended from time to time before or after any such assignment, transfer or sublease and (e) no such assignment, transfer or sublease shall confer upon the parties thereto any remedy which allows reentry upon the Leased Property unless concurrently with granting such remedy the same shall be also granted under the Facility Lease by an amendment to the Facility Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease.

Liens. In the event the County shall at any time during the term of the Facility Lease cause any improvements to the Leased Property to be constructed or materials to be supplied in or upon or attached to the Leased Property, the County shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon, about or relating to the Leased Property and shall keep the Leased Property free of any and all liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, and the enforcement thereof is not stayed or if so stayed such stay thereafter expires, the County shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County shall forthwith pay and discharge or cause to be paid and discharged such judgment. The County shall, to the maximum extent permitted by law, indemnify and hold the Authority and its assignee and its directors, officers and employees harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Substitution or Removal of Leased Property.

(a) The County may amend the Facility Lease and the Site Lease to substitute other real property and/or improvements (the "Substituted Property") for existing Leased Property and/or to remove real property (including undivided interests therein) and/or improvements from the definition of Leased Property, and upon compliance with all of the conditions set forth in subsection (b) below. After a

Substitution or Removal, the part of the Leased Property for which the Substitution or Removal has been effected shall be released from the leasehold under the Facility Lease and under the Site Lease.

(b) No Substitution or Removal shall take place under the Facility Lease until the County delivers to the Authority and the Trustee the following:

(i) A Certificate of the County containing a description of all or part of the Leased Property to be released and, in the event of a Substitution, a description of the Substituted Property to be substituted in its place;

(ii) A Certificate of the County (A) stating that the annual fair rental value of the Leased Property after a Substitution or Removal, in each year during the remaining term of the Facility Lease, is at least equal to the maximum annual Base Rental Payments payable under the Facility Lease attributable to the Leased Property prior to said Substitution or Removal, as determined by the County on the basis of commercially reasonable evidence of the annual fair rental value of the Leased Property after said Substitution or Removal; and (B) demonstrating that the useful life of the Leased Property after Substitution or Removal equals or exceeds the remaining term of the Facility Lease;

(iii) An Opinion of Counsel to the effect that the amendments to the Facility Lease and to the Site Lease contemplating Substitution or Removal have been duly authorized, executed and delivered and constitute the valid and binding obligations of the County and the Authority enforceable in accordance with their terms;

(iv) (A) In the event of a Substitution, a policy of title insurance in an amount equal to the same proportion of the principal amount as the principal portion of the Base Rental Payments for the Substituted Property bears to the total principal portion of the Base Rental Payments payable under the Facility Lease, insuring the County's leasehold interest in the Substituted Property (except any portion thereof which is not real property) subject only to Permitted Encumbrances, together with an endorsement thereto making said policy payable to the Trustee for the benefit of the Owners of the Series 2015 Bonds and any Additional Bonds, and (B) in the event of a partial Removal, evidence that the title insurance in effect immediately prior thereto is not affected;

(v) In the event of a Substitution, an opinion of the County Counsel of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (4) above do not interfere with the beneficial use and occupancy of the Substituted Property described in such policy by the County for the purposes of leasing or using the Substituted Property;

(vi) An Opinion of Counsel that the Substitution or Removal does not cause the interest with respect to the Bonds to be includable in gross income of the Owners thereof for federal income tax purposes; and

(vii) Evidence that the County has complied with the covenants contained in clauses (a), (b) and (c) of the section entitled "Insurance" of the Facility Lease with respect to the Substituted Property.

Term of the Facility Lease

Commencement of the Facility Lease. The effective date of the Facility Lease is the Closing Date, and the term of the Facility Lease shall end on the Expiry Date, unless such term is extended or sooner terminated as provided in the Facility Lease. If on the Expiry Date, the rental payable under the Facility Lease shall not be fully paid and all Bonds shall not be fully paid and retired, or if the rental payable under the Facility Lease shall have been abated at any time and for any reason, then the term of the

Facility Lease shall be extended until ten days after the rental payable under the Facility Lease shall be fully paid and all Bonds shall be fully paid, except that the term of the Facility Lease shall in no event be extended beyond November 1, 20__. If prior to the Expiry Date, the rental payable under the Facility Lease shall be fully paid and all Bonds shall have been fully paid, or deemed fully paid, in accordance with the Indenture, the term of the Facility Lease shall end ten days thereafter or ten days after written notice by the County to the Authority to the effect that the rental payable under the Facility Lease shall be fully paid and all Bonds have been fully paid, whichever is earlier, and the Facility Lease shall thereupon terminate.

Use of Proceeds; Tax Covenants

Use of Proceeds. The parties to the Facility Lease agree that the proceeds of the Bonds will be used by the Authority to pay Construction Costs with respect to the Project, to fund the Reserve Fund and to pay Costs of Issuance and incidental and related expenses.

Tax Covenants.

(a) The County will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, and specifically the County will not directly or indirectly use or make any use of the proceeds of the Bonds or any other funds of the County or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" subject to federal income taxation by reason of Section 148 of the Code or "private activity bonds" subject to federal income taxation by reason of Section 141(a) of the Code or obligations subject to federal income taxation because they are "federally guaranteed" as provided in Section 149(b) of the Code; and to that end the County, with respect to the proceeds of the Bonds and such other funds, will comply with all requirements of such sections of the Code to the extent that such requirements are, at the time, applicable and in effect; *provided*, that if the County shall obtain an Opinion of Counsel to the effect that any action required under this section is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Code, the County may rely conclusively on such opinion in complying with the provisions of the Facility Lease. In the event that at any time the County is of the opinion that for purposes of this section it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise the County shall so instruct the Trustee in writing, and the Trustee shall take such action in accordance with such instructions.

(b) To the ends covenanted in this section, the County specifically, pursuant to the Facility Lease, agrees to ensure that the following requirements are met:

(i) The County will not invest or allow to be invested proceeds of the Bonds at a yield in excess of the yield on the Bonds, except to the extent allowed under the Tax Certificate.

(ii) The County will rebate or cause to be rebated any amounts due to the federal government, as provided in the Tax Certificate.

(c) The provisions of this section shall not apply to any Series of Bonds which the County shall certify to the Trustee is not intended to comply with the requirements of the Code necessary to make interest on such Series of Bonds excludable from gross income for federal income tax purposes.

Rental Payments

Rental Payments. The County agrees to pay to the Authority, its successors or assigns, without deduction or offset of any kind, as rental for the use and occupancy of the Leased Property, the following amounts at the following times:

(a) Base Rental. Subject to the immediately following sentence, the County shall pay to the Authority rental under the Facility Lease as Base Rental Payments for the use and occupancy of the Leased Property for each Lease Year or portion thereof, at the times and in the amounts set forth in the Base Rental Payment Schedule attached to the Facility Lease, and made a part of the Facility Lease. The interest components of the Base Rental Payments shall be paid by the County as and constitute interest paid on the principal components of the Base Rental Payments to be paid by the County under the Facility Lease.

If the term of the Facility Lease shall have been extended pursuant to the Facility Lease, Base Rental Payment installments shall continue to be payable on the Base Rental Payment Dates, continuing to and including the date of termination of the Facility Lease. Upon such extension of the Facility Lease, the County shall deliver to the Trustee a Certificate setting forth the extended rental payment schedule, which schedule shall establish the Base Rental Payments at an amount sufficient to pay all unpaid principal and interest on the Bonds.

(b) Additional Payments. The County shall also pay in addition to the Base Rental Payments, to the Authority or the Trustee, as provided in the Facility Lease, such amounts ("Additional Payments") in each year as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received under the Facility Lease or in any way arising due to the transactions contemplated by the Facility Lease but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the County shall have the right to protest any such taxes or assessments and to require the Authority or the Trustee, at the County's expense, to protest and contest any such taxes or assessments levied upon them and that the County shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Authority or the Trustee;

(ii) All reasonable fees, charges and expenses of the Trustee for services rendered under the Indenture as provided in the Indenture, as and when the same become due and payable;

(iii) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Facility Lease, the Site Lease or the Indenture; and

(iv) The reasonable fees and expenses of the Authority or any agent or attorney selected by the Authority to act on its behalf in connection with the Facility Lease, the Site Lease, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale and delivery of any such Bonds or in connection with any litigation, investigation or other proceeding which may at any time be instituted involving the Facility Lease, the Site Lease, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the County, the Leased Property, its properties, assets or operations or otherwise in connection with the administration of the Facility Lease, the Site Lease, the Bonds or the Indenture.

Such Additional Payments shall be billed to the County by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the County within thirty (30) days after receipt of the bill by the County.

(c) Consideration.

(i) Such payments of Base Rental Payments for each Lease Year or portion thereof during the term of the Facility Lease shall constitute, together with the Additional Payments, the total amount due for such Lease Year or portion thereof and shall be paid or payable by the County for and in consideration of the right of the use and possession of, and the continued quiet use and enjoyment of, the Leased Property. On the Closing Date, the County shall deliver a certificate to the Authority and the Trustee, which shall set forth the annual fair rental value of the Leased Property. The parties to the Facility Lease have agreed and determined that the annual fair rental value of the Leased Property is not less than the maximum Base Rental Payments payable under the Facility Lease in any year. In making such determinations of annual fair rental value, consideration has been given to a variety of factors including the replacement costs of the existing improvements on the Leased Property, other obligations of the parties under the Facility Lease, the uses and purposes which may be served by the improvements on the Leased Property and the benefits therefrom which will accrue to the County and the general public.

(ii) The parties to the Facility Lease acknowledge that they may amend the Facility Lease from time to time to increase the Base Rental Payments payable under the Facility Lease so that Additional Bonds may be executed, authenticated and issued pursuant to the Facility Lease and the Indenture. The proceeds of such Additional Bonds shall be used for any lawful purpose. Notwithstanding anything to the contrary contained in the Facility Lease, the Facility Lease may not be amended in a manner such that the sum of Base Rental Payments, including Base Rental Payments payable pursuant to such amendment, in any year is in excess of the annual fair rental value of the Leased Property and other land and improvements leased to the County under the Facility Lease.

(d) Payment; Credit. Each installment of Base Rental Payments payable under the Facility Lease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the designated corporate trust office of the Trustee in Los Angeles, California, or such other place as the Authority shall designate. Any such installment of rental accruing under the Facility Lease which shall not be paid when due shall remain due and payable until received by the Trustee, except as provided in the Facility Lease as summarized herein under the caption "Rental Abatement" below, and to the extent permitted by law shall bear interest at the rate of ten percent per annum from the date when the same is due under the Facility Lease until the same shall be paid. Notwithstanding any dispute between the County and the Authority, the County shall make all rental payments when due, without deduction or offset of any kind, and shall not withhold any rental payments pending the final resolution of any such dispute. In the event of a determination that the County was not liable for said rental payments or any portion thereof, said payments or excess of payments, as the case may be, shall, at the option of the County, be credited against subsequent rental payments due under the Facility Lease or be refunded at the time of such determination. Amounts required to be deposited by the County with the Trustee pursuant to this section on any date shall be reduced to the extent of available amounts on deposit on such date in the Revenue Fund, the Interest Fund or the Principal Fund. Any payment scheduled to be made on a date which is not a Business Day shall be made on the next succeeding Business Day.

Annual Budgets; Reporting Requirements. The County covenants to take such action as may be necessary to include all Base Rental Payments and Additional Payments due under the Facility Lease in its operating budget for each Fiscal Year commencing after the date of the Facility Lease (an "Operating Budget") and to make all necessary appropriations for such Base Rental Payments and Additional Payments.

Application of Rental Payments. All Base Rental Payments received shall be applied first to the interest components of the Base Rental Payments due under the Facility Lease, then to the principal components (including any prepayment premium components) of the Base Rental Payments due under the Facility Lease and thereafter to all Additional Payments due under the Facility Lease, but no such application of any payments which are less than the total rental due and owing shall be deemed a waiver of any default under the Facility Lease.

Rental Abatement. Except to the extent of (a) amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (b) amounts received in respect of rental interruption insurance, and (c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Bonds, during any period in which, by reason of material damage, destruction, title defect, condemnation, there is substantial interference with the use and possession by the County of any portion of the Leased Property, rental payments due under the Facility Lease with respect to the Leased Property shall be abated to the extent that the annual fair rental value of the portion of the Leased Property in respect of which there is no substantial interference is less than the annual Base Rental Payments, in which case rental payments shall be abated only by an amount equal to the difference. In the event the County shall assign, transfer or sublease any or all of the Leased Property or other rights under the Facility Lease, as permitted by the Facility Lease, for purposes of determining the annual fair rental value available to pay Base Rental Payments, annual fair rental value of the Leased Property shall first be allocated to the Facility Lease as provided therein and summarized herein under the caption "THE FACILITY LEASE - The Leased Property - Prohibition Against Encumbrance or Sale." Any abatement of rental payments pursuant to this section shall not be considered an Event of Default as defined in the Facility Lease. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Facility Lease by virtue of any such interference and the Facility Lease shall continue in full force and effect. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the substantial completion of the work of repair or replacement of the portions of the Leased Property so damaged, destroyed, defective or condemned.

In the event that rental is abated, in whole or in part, pursuant to this section due to damage, destruction, title defect or condemnation of any part of the Leased Property and the County is unable to repair, replace or rebuild the Leased Property from the proceeds of insurance, if any, the County agrees to apply for and to use its best efforts to obtain any appropriate state and/or federal disaster relief in order to obtain funds to repair, replace or rebuild the Leased Property.

Prepayment of Rental Payments. The County may prepay, from eminent domain proceeds or net insurance proceeds received by it pursuant to the Facility Lease, all or any portion of the components of Base Rental Payments payable under the Facility Lease relating to any portion of the Leased Property then unpaid, in whole on any date, or in part on any date in integral multiples of an Authorized Denomination so that the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2015 Bonds and any Additional Bonds which shall be payable after such prepayment date shall each be in an integral multiple of an Authorized Denomination and shall be as nearly proportional as practicable to the aggregate annual amounts of principal components of Base Rental Payments payable under the Facility Lease represented by the Series 2015 Bonds and any Additional Bonds.

The County may prepay, from any source of available moneys pursuant to the Indenture, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Facility Lease then unpaid so that the aggregate annual amounts of principal components of Base Rental Payments under the Facility Lease which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of principal components represented by the Series 2015 Bonds and any Additional Bonds unpaid prior to the prepayment date, at a prepayment amount equal to the principal component prepaid plus accrued interest thereon to the date of prepayment plus any applicable premium.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Authority and the Trustee describing such event, specifying the order of Principal Payment Dates and specifying the date on which the prepayment will be made, which date shall be not less than 30 nor more than 60 days from the date such written notice is given to the Authority and the Trustee.

Obligation to Make Rental Payments. The agreements and covenants on the part of the County contained in the Facility Lease shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the agreements and covenants contained in the Facility Lease agreed to be carried out and performed by the County.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE BONDS NOR THE OBLIGATION TO MAKE RENTAL PAYMENTS AND TO PAY ADDITIONAL RENT CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Additional Bonds. In addition to the Series 2015 Bonds to be executed, authenticated and issued under the Indenture the County and the Authority may, from time to time, but only upon satisfaction of the conditions to the issuance of Additional Bonds set forth in the Indenture, enter into a Supplemental Indenture to issue Additional Bonds on a parity with the Series 2015 Bonds and any previously executed, authenticated and issued Additional Bonds (unless otherwise provided in the related Supplemental Indenture), the proceeds of which may be used for any lawful purpose by the County, as provided in the Supplemental Indenture; *provided* that prior to or concurrently with the execution and delivery of the Additional Bonds, the County and the Authority shall have entered into an amendment to the Facility Lease, providing for an increase in the Base Rental Payments to be made under the Facility Lease subject to the limitations set forth in the Facility Lease.

Maintenance; Taxes; Insurance and Other Charges

Maintenance of the Leased Property by the County. The County agrees that, at all times during the term of the Facility Lease, it will, at its own cost and expense, maintain, preserve and keep, or cause to be maintained, preserved and kept, the Leased Property and every portion thereof in good repair, working order and condition and that it will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. The Authority shall have no responsibility in any of these matters or for the making of additions or improvements to the Leased Property.

Taxes, Other Governmental Charges and Utility Charges. The parties to the Facility Lease contemplate that the Leased Property will be used for public purposes by the County and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to real and personal property, respectively. In the event that the use, possession or acquisition by the County or the Authority of the Leased Property is found to be subject to taxation in any form, the County will pay during the term of the Facility Lease, as the same respectively become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the

Leased Property and any other property acquired by the County in substitution for, as a renewal or replacement of, or a modification, improvement or addition to, the Leased Property, as well as all gas, water, steam, electricity, heat, power, air conditioning, telephone, utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Leased Property; *provided*, that with respect to any governmental charges or taxes that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are accrued during such time as the Facility Lease is in effect.

Insurance. The County shall secure and maintain or cause to be secured and maintained at all time with insurers of recognized responsibility all coverage on the Leased Property required by this section. Such insurance shall consist of :

(a) A policy or policies of insurance against loss or damage to the Leased Property known as "all risk," including flood, but excluding earthquake, which shall be maintained at any time in an amount per occurrence at least equal to the lesser of (i) the cumulative replacement values of the Leased Property and, in the case of a policy covering more than the Leased Property, as permitted by the next succeeding sentence, any other property which is the subject of a lease, installment purchase agreement or other financing arrangement for which bonds, certificates of participation or other obligations shall have been issued ("Obligations") or (ii) the aggregate amount of the principal component of the then-remaining Base Rental Payments payable under the Facility Lease; *provided* that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood or similar event, a specified smaller amount is believed to be reasonable given the nature of the risks insured and the proximity of the insured properties to each other. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in an amount per occurrence in the aggregate to the amount required by the preceding sentence. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss (except for flood, in which case the deductible may not exceed $250,000 for any one loss). The County may obtain such coverage as a joint insured with one or more other public agencies located within or outside of the County which may be limited in an amount per occurrence in the aggregate for all insureds as described in the first sentence of this paragraph (a) and which may be limited in a cumulative amount of claims during a 12-month period in the aggregate for all insureds in an amount not less than $500,000,000. Otherwise conforming policies satisfying the requirements of this paragraph (a) may provide that amounts payable as coverage for rental interruption under this paragraph (a) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa. The County is, however, under no obligation to provide insurance against loss or damage occasioned by the perils of earthquake.

(b) In the event that such coverage is not included in paragraph (a) above, boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property in an amount not less than $75,000,000 per accident; *provided, however*, that the amount of coverage required by this sentence may be reduced to a smaller amount if an Insurance Consultant retained by the County provides written advice to the Trustee that, based upon its evaluation of the County's maximum foreseeable loss in the event of loss or damage by steam boilers, pressure vessels and similar apparatus now or hereafter installed on the Leased Property, a specified smaller amount is believed to be reasonable. Such insurance may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County which may be limited in amount to $75,000,000 per accident. Such insurance may at any time include a deductible clause providing for a deductible not to exceed $100,000 for any one loss. The County may obtain such coverage as a joint insured with one or more public agencies located within or without the County which may be limited in amount to $75,000,000 per accident. Otherwise conforming policies satisfying the requirements of this paragraph (b) may provide that amounts payable as coverage for rental interruption under this paragraph (b) may be reduced by amounts payable under paragraph (c) for the same occurrence, and vice versa.

(c) So long as any Bonds are Outstanding, rental interruption insurance to cover loss, total or partial, of the use of any part of the Leased Property as a result of any of the hazards covered by the insurance required pursuant to paragraph (a) or (b) above, as the case may be, in an amount sufficient at all times to pay the total rent payable under the Facility Lease for a period of not less than two years' Base Rental Payments for the Leased Property; *provided* that such rental interruption insurance may be included in the policy or policies provided pursuant to paragraph (a) or (b) without increasing the aggregate limits for coverage with respect to any hazard covered thereby. Such insurance also may be in the form of a policy which covers the Leased Property and one or more additional parcels of real property leased or owned by the County. The County also may obtain an otherwise conforming policy required by this paragraph (c) as a joint insured with one or more other public agencies within or without the County which may, with respect to any hazard, be limited in aggregate amount for all insureds to the amount of the policy or policies required pursuant to paragraph (a) or (b) above, as the case may be, which insures against such hazard. Otherwise conforming policies satisfying the requirements of this paragraph (c) may provide that amounts payable as coverage under this paragraph (c) may be reduced by amounts payable for rental interruption under paragraph (a) or (b), as the case may be, for the same occurrence, and vice versa.

The County shall collect, adjust and receive all moneys which may become due and payable under any policies contemplated by paragraphs (a) and (b) above, and, may compromise any and all claims thereunder and shall transfer the net proceeds of such insurance as provided in the Facility Lease or in the Indenture. The Trustee shall not be responsible for the sufficiency of any insurance required in the Facility Lease. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the County.

Any insurance policy issued pursuant to paragraph (a) or (b) above shall be so written or endorsed as to make losses, if any, payable to the County, the Authority and the Trustee as their respective interests may appear and the net proceeds of the insurance required by paragraphs (a) or (b) above shall be applied as provided in the Facility Lease. The net proceeds, if any, of the insurance policy described in paragraphs (a) and (b) above shall be payable to the County for deposit in the Insurance Proceeds and Condemnation Awards Fund. The net proceeds, if any, of the insurance policy described in paragraph (c) above shall be payable to the Trustee and deposited in the Revenue Fund. Each insurance policy provided for in this section shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interests of the Authority or the Trustee without first giving written notice thereof to the Authority and the Trustee at least 30 days in advance of such intended cancellation or modification.

The County shall file a Certificate of the County with the Trustee and the Insurer not later than January 31 of each year certifying that the insurance policies required by this section are in full force and effect and that the Authority and/or the Trustee is named as a loss payee on each insurance policy which the Facility Lease requires to be so endorsed. The County will provide the Insurer with copies of such insurance policies upon request. The Trustee shall have no responsibility whatsoever for determining the adequacy of any insurance required under the Facility Lease.

Advances. In the event the County shall fail to maintain the full insurance coverage required by the Facility Lease or shall fail to keep the Leased Property in good repair and operating condition, the Authority may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Authority shall become Additional Payments, which amounts the County agrees to pay within 30 days of a written request therefor, together with interest thereon at the maximum rate allowed by law.

Title Insurance. The County, pursuant to the Facility Lease, covenants and agrees to deliver or cause to be delivered to the Trustee on the Closing Date a CLTA leasehold owner's policy or policies, or a commitment for such policy or policies, with respect to the Leased Property with liability in the aggregate amount equal to the principal component of all Base Rental Payments payable under the Facility Lease. Such policy or policies, when issued, shall name the Trustee as the insured and shall insure the leasehold estate of the County in the Leased Property subject only to Permitted Encumbrances.

Damage, Destruction, Title Defect and Condemnation

Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds. If prior to the termination of the term of the Facility Lease (a) the Leased Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Leased Property or any portion thereof or the estate of the County or the Authority in the Leased Property or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or Authority acting under governmental authority, then the County and the Authority will cause the net proceeds of any insurance claim or condemnation award to be applied to the prompt repair, restoration, modification, improvement or replacement of the damaged, destroyed, defective or condemned portion of the Leased Property, and any balance of the net proceeds remaining after such work has been completed shall be paid to the County; *provided*, that the County, at its option and provided the proceeds of such insurance or condemnation award together with any other moneys then available for the purpose are at least sufficient to prepay the aggregate annual amounts of principal and interest components of the Base Rental Payments due under the Facility Lease attributable to the portion of the Leased Property so destroyed, damaged, defective or condemned (determined by reference to the proportion which the annual fair rental value of the destroyed, damaged, defective or condemned portion thereof bears to the annual fair rental value of the Leased Property), may elect not to repair, reconstruct or replace the damaged, destroyed, defective or condemned portion of the Leased Property and thereupon shall cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Indenture as summarized in this Official Statement under the caption "The Series 2015 Bonds – Redemption - *Extraordinary Redemption*" for redemption from the net proceeds of any insurance or condemnation award with respect to the Leased Property or portions thereof. Notwithstanding any other provision in the Facility Lease, the County shall only prepay less than all of the principal component of the then-remaining Base Rental Payments if the annual fair rental value of the Leased Property after such damage, destruction, title defect or condemnation is at least equal to the aggregate annual amount of the principal and interest components of the Base Rental Payments not being prepaid.

In the event that the proceeds, if any, of said insurance or condemnation award are insufficient either to (i) repair, rebuild or replace the Leased Property so that the fair rental value of the Leased Property would be at least equal to the Base Rental Payments or (ii) to redeem all the Outstanding Bonds, both as provided in the preceding paragraph, then the County may, in its sole discretion, budget and appropriate an amount necessary to effect such repair, rebuilding or replacement or redemption; *provided* that the failure of the County to so budget and/or appropriate shall not be a breach of or default under the Facility Lease.

Disclaimer of Warranties; Vendor's Warranties; Use of the Leased Property

Disclaimer of Warranties. NEITHER THE TRUSTEE NOR THE AUTHORITY MAKES ANY AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE LEASED PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT NEITHER THE TRUSTEE NOR THE

AUTHORITY IS A MANUFACTURER OF ANY PORTION OF THE LEASED PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE LEASED PROPERTY AS-IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY. In no event shall the Authority or the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Facility Lease or the existence, furnishing, functioning or the County's use of the Leased Property as provided by the Facility Lease.

Use of the Leased Property; Improvements. The County will not use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Facility Lease. The County shall provide all permits and licenses, if any, necessary for the use of the Leased Property. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each portion of the Leased Property) with all laws of the jurisdictions in which its operations involving any portion of the Leased Property may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the County adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Facility Lease.

Assignment; Indemnification; Non-Liability

Assignment by Authority. The parties understand that certain of the rights of the Authority under the Facility Lease and under the Site Lease will be assigned to the Trustee pursuant to the Assignment Agreement, and accordingly the County agrees to make all payments due under the Facility Lease to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Facility Lease or otherwise) that the County may from time to time have against the Authority. The County agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements, which may be reasonably requested by the Authority or the Trustee to protect their interests in the Leased Property during the term of the Facility Lease.

Assignment by County. The Facility Lease and the interest of the County in the Leased Property may not be assigned or encumbered by the County except as permitted by the Facility Lease.

Indemnification. The County shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their respective directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the issuance of the Bonds, the entering into of the Facility Lease, the use of the Leased Property and each portion thereof or any accident in connection with the operation, use, condition or possession of the Leased Property or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim arising out of the use, presence, storage, disposal or release of any Hazardous Substances on or about the Leased Property; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations under the Facility Lease or the termination of the Facility Lease for any reason. The County, the Trustee and the Authority mutually agree to promptly give notice to each other of any claim or liability indemnified against by the Facility Lease following the learning thereof by such party.

Non-Liability of the Authority. The Authority shall not be obligated to pay the principal (or redemption price) of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to the Facility Lease. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof, nor the faith and credit of the Authority or any member is pledged to the payment of the principal (or redemption price) or interest on the Bonds. The Authority shall not be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under or by reason of or in connection with the Facility Lease, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the County under the Facility Lease.

The County acknowledges that the Authority's sole source of moneys to repay the Bonds will be provided by the payments made by the County to the Trustee pursuant to the Facility Lease, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and agrees that if the payments to be made under the Facility Lease shall ever prove insufficient to pay all principal (or redemption price) and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the County shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal (or redemption price) or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the County, the Authority or any third party, subject to any right of reimbursement from the Trustee, the Authority or any such third party, as the case may be, therefor.

Waiver of Personal Liability. No member, officer, agent or employee of the Authority or any director, officer, agent or employee of the County shall be individually or personally liable for the payment of any principal (or redemption price) or interest on the Bonds or any other sum under the Facility Lease or be subject to any personal liability or accountability by reason of the execution and delivery of the Facility Lease; but nothing contained in the Facility Lease shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by the Facility Lease.

Default

(a) The following events shall be "Events of Default" under the Facility Lease and the terms "Event of Default" and "Default" shall mean, whenever they are used in the Facility Lease, any one or more of the following events:

(i) The County shall fail 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 pursuant to the Facility Lease, *provided*, that the failure to deposit any Base Rental Payments abated pursuant to the Facility Lease shall not constitute an Event of Default;

(ii) The County shall fail to pay any item of Additional Payments when the same shall become due and payable pursuant to the Facility Lease; or

(iii) The County shall breach any other terms, covenants or conditions contained in the Facility Lease or in the Indenture, and shall fail to remedy any such breach with all reasonable dispatch within a period of 30 days after written notice thereof from the Authority to the County; *provided, however*, that if the failure stated in the notice cannot be corrected within such period, then the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within such period and is diligently pursued until the default is corrected.

(b) Upon the happening of any of the Events of Default specified in subsections (a) or (e) under this caption, it shall be lawful for the Authority or its assignee, subject to the terms of the Facility

Lease, to exercise any and all remedies available or granted to it pursuant to law or under the Facility Lease.

(c) Upon the occurrence of an Event of Default, the Authority or its assignee must thereafter maintain the Facility Lease in full force and effect and may only recover rent and other monetary charges as they become due, all without terminating the County's right to possession of the Leased Property, regardless of whether or not the County has abandoned the Leased Property; **THIS SHALL BE THE SOLE AND EXCLUSIVE REMEDY AVAILABLE AGAINST THE COUNTY UNDER THE FACILITY LEASE OR OTHERWISE.** In such event, the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Facility Lease to be kept or performed by the County and, to pay the rent to the end of the term of the Facility Lease and further agrees to pay said rent and/or rent deficiency punctually at the same time and in the same manner as provided in the Facility Lease for the payment of rent under the Facility Lease (without acceleration).

(d) The Authority expressly waives the right to receive any amount from the County pursuant to Section 1951.2(a)(3) of the California Civil Code.

(e) In addition to any Event of Default resulting from breach by the County of any agreement, condition, covenant or term of the Facility Lease, if the County's interest in the Facility Lease or any part thereof assigned, sublet or transferred without the written consent of the Authority (except as otherwise permitted by the Facility Lease), either voluntarily or by operation of law; or the County or any assignee shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity, wherein or whereby the County asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the County shall make a general or any assignment for the benefit of its creditors; or the County shall abandon or vacate the Leased Property or any portion thereof (except as permitted by the Facility Lease); then in each and every such case the County shall be deemed to be in default under the Facility Lease.

(f) Neither the County nor the Authority shall be in default in the performance of any of its obligations under the Facility Lease (except for the obligation to make Base Rental Payments pursuant to the Facility Lease) unless and until it shall have failed to perform such obligation within 30 days after notice by the County or the Authority, as the case may be, to the other party properly specifying wherein it has failed to perform such obligation.

(g) The County and Authority and its successors and assigns shall honor the exclusive rights of the County to use the Leased Property.

Miscellaneous

Binding Effect. The Facility Lease shall inure to the benefit of and shall be binding upon the Authority and the County and their respective successors and assigns.

Trustee as Third Party Beneficiary. The Trustee is designated a third party beneficiary under the Facility Lease for the purpose of enforcing any of the rights under the Facility Lease assigned to the Trustee under the Assignment Agreement.

Net Lease. It is the purpose and intent of the Authority and the County that lease payments under the Facility Lease shall be absolutely net to the Authority so that the Facility Lease shall yield to the

Authority the lease payments, free of any charges, assessments or impositions of any kind charged, assessed or imposed on or against the Leased Property, and without counterclaim, deduction, defense, deferment or set-off by the County except as specifically otherwise provided in the Facility Lease. The Authority shall not be expected or required to pay any such charge, assessment or imposition, or be under any obligation or liability under the Facility Lease except as expressly set forth in the Facility Lease, and all costs, expenses and obligations of any kind relating to the maintenance and operation of the Leased Property which may arise or become due during the term of the Facility Lease shall be paid by the County.

Amendments. The Facility Lease may be amended in writing as may be mutually agreed by the Authority and the County, subject to the written approval of the Trustee; *provided*, that no such amendment which materially adversely affects the rights of the Owners shall be effective unless it shall have been consented to by the Owners of more than 50% in principal amount of the Bonds Outstanding, and *provided further*, that no such amendment shall (a) extend the payment date of any Base Rental Payment, or reduce the interest, principal or prepayment premium component of any Base Rental Payment, without the prior written consent of the Owner of each Bond so affected, or (b) reduce the percentage of the principal amount of the Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Facility Lease.

The Facility Lease and the rights and obligations of the Authority and the County under the Facility Lease may also be amended or supplemented at any time by an amendment of the Facility Lease or supplement to the Facility Lease which shall become binding upon execution without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, conditions, covenants and terms required by the Authority or the County to be observed or performed in the Facility Lease and other agreements, conditions, covenants and terms thereafter to be observed or performed by the Authority or the County, or to surrender any right or power reserved in the Facility Lease to or conferred in the Facility Lease on the Authority or the County, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Facility Lease or in regard to questions arising under the Facility Lease which the Authority or the County may deem desirable or necessary and not inconsistent with the Facility Lease, and which shall not materially adversely affect the interests of the Owners;

(c) to effect a Substitution or Removal in accordance with the Facility Lease;

(d) to facilitate the issuance of Additional Bonds as provided in the Facility Lease; or

(e) to make any other addition, amendment or deletion which does not materially adversely affect the interests of the Owners or the Insurer.

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Facility Lease, all of the obligations of the County under the Facility Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; *provided, however*, if any Outstanding Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments under the Facility Lease pursuant to the Indenture, then the obligation of the County under the Facility Lease to make Base Rental Payments under the Facility Lease shall continue in full force and effect until the Outstanding Bonds so deemed paid have in fact been paid, but such payments shall be made solely and exclusively from moneys and securities deposited with the Trustee as contemplated by the Indenture, and that shall be the sole source of satisfaction of the County's obligation to make Base Rental Payments.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Facility Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Facility Lease shall be affected thereby, and each provision of the Facility Lease shall be valid and enforceable to the fullest extent permitted by law.

California Law. The Facility Lease shall be governed by and construed and interpreted in accordance with the laws of the State of California.

SITE LEASE

Leased Property. The County leases to the Authority and the Authority rents and hires from the County, on the terms and conditions set forth in the Site Lease, the Leased Property.

Term.

(a) The term of the Site Lease will commence on the Closing Date and shall end on the Expiry Date, unless such term is sooner terminated or is extended as provided in the Site Lease. If prior to the Expiry Date all Base Rental Payments under the Facility Lease shall have been paid, or provision therefor has been made in accordance with the Indenture, the term of the Site Lease shall end simultaneously therewith.

(b) If the Facility Lease is extended beyond the Expiry Date pursuant to the terms thereof, the Site Lease shall also be extended to the day following the date of termination of the Facility Lease.

Rent. The Authority shall pay to the County an advance rent of $1, which, together with the execution and delivery of the Facility Lease, shall constitute full consideration for the Site Lease over its term. The Authority waives any right that it may have under the laws of the State of California to receive a rebate of such rent in full or in part in the event there is a substantial interference with the use and right of possession by the Authority of the Leased Property or portion thereof as a result of material damage, destruction or condemnation

Purpose. The Authority shall use the Leased Property solely for the purpose of subleasing the same to the County; *provided*, that in the event of default by the County under the Facility Lease, the Authority may exercise the remedies provided in the Facility Lease.

Owner in Fee. The County covenants that it is the owner of the Leased Property free and clear of all liens, claims or encumbrances which affect marketability.

Assignments and Leases. Unless the County shall be in default under the Facility Lease, the Authority may not, without the prior written consent of the County, assign its rights under the Site Lease or sublet the Leased Property except that the County expressly approves and consents to the assignment and transfer of the Authority's right, title and interest in the Site Lease to the Trustee pursuant to the Assignment Agreement.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Termination. The Authority agrees, upon the termination of the Site Lease, to quit and surrender the Leased Property in the same good order and condition as the same was in at the time of commencement of the terms under the Site Lease, reasonable wear and tear excepted, and agrees that any permanent improvements to the Leased Property at the time of the termination of the Site Lease shall remain thereon and title thereto shall vest in the County.

Default. In the event the Authority shall be in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, which default continues for thirty (30) days following notice and demand for correction thereof to the Authority, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and of the Facility Lease shall be deemed to occur as a result thereof; *provided*, that so long as the Bonds executed and delivered pursuant to the Indenture are Outstanding, the County shall have no power to terminate the Site Lease by reason of any default on the part of the Authority, if such termination would affect or impair any assignment of the Facility Lease then in effect between the Authority and the Trustee that authenticates and delivers the Bonds.

Quiet Enjoyment. The Authority at all times during the term of the Site Lease shall peaceably and quietly have, hold and enjoy the Leased Property.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely corporate liabilities of the Authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease for anything done or omitted to be done by the Authority under the Site Lease.

Eminent Domain. In the event the whole or any portion of the Leased Property is taken by eminent domain proceedings, the interest of the Authority shall be recognized and is determined to be the amount of the then unpaid Base Rental Payments payable under the Facility Lease, and the amount of the unpaid Additional Payments due under the Facility Lease, and the balance of the award, if any, shall be paid to the County.

Amendments. The Site Lease may be amended for the purpose of affecting a Substitution or Removal, as further described in the Facility Lease, and in the manner and under the circumstances described in connection with the amendment of the Facility Lease, as further described in the Facility Lease.

Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms of the Site Lease shall to any extent be declared invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, the finding or order or decree of which becomes final, none of the remaining agreements, conditions, covenants or terms of the Site Lease shall be affected thereby, and each provision of the Site Lease shall be valid and enforceable to the fullest extent permitted by law.

Governing Law. The Site Lease is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Riverside, California (the "County"), in connection with the issuance, execution and delivery of $__________ aggregate principal amount of the Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project) Series 2015 (the "Bonds"). The Bonds are being delivered pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture") by and among the Riverside County Public Financing Authority (the "Authority"), the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). The County is executing this Disclosure Certificate as the "Obligated Person" in connection with the Bonds, as further defined and described in Section 1 below. The County covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County, as the "Obligated Person" under the Rule (as hereinafter defined) for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as hereinafter defined).

Section 2. Definitions. The definitions set forth in the Indenture apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the County or, any successor Dissemination Agent designated in writing by the County, and which has filed with the County a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Marketplace Access (EMMA) website of the MSRB, currently located at *http://emma.msrb.org*.

"Official Statement" shall mean the official statement relating to the Bonds, dated ___________, 2015.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with the offerings of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than 60 days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the audited financial statements for the 2014-15 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Authority stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided**.**

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Bonds, updated to incorporate information for the most recent Fiscal Year:

(a) The audited financial statements of the County for the preceding Fiscal Year, prepared in accordance with Generally Accepted Accounting Principles applicable to governmental entities. If the County's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in the format similar to the financial statement contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) A description of any occurrence which would adversely impact the County's beneficial use and possession of the Leased Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Base Rental Payment; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to 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:

(i) principal or interest payment delinquencies;

(ii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iii) unscheduled draws on credit enhancements reflecting financial difficulties;

(iv) substitution of credit or liquidity providers or their failure to perform;

(v) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;

(vi) defeasances;

(vii) rating changes;

(viii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

Note: An event described in item (viii) above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Authority in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(b) 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) non-payment related defaults;

(ii) modifications to the rights of the Holders of the Bonds;

(iii) optional, contingent or unscheduled calls;

(iv) release, substitution or sale of property securing repayment of the Bonds;

(v) appointment of a successor or additional trustee or the change or name of a trustee; or

(vi) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the Authority or the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the County with its obligations under this Disclosure Certificate no longer shall be required in any or all respects, then the County's obligations under this Disclosure Certificate shall terminate to a like extent. If either such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the County) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out-of-pocket expenses (including, but not limited to, attorney's fees). The Dissemination Agent (if other than the County) shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The Dissemination Agent may resign by providing 30 days written notice to the County.

Section 8. Amendment. Notwithstanding any other provision of this Disclosure Certificate, the County may amend or waive any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Authority (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the County agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent is not acting in any fiduciary capacity for the Holders, Beneficial Owners or any other party. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Holders and Beneficial Owners from time to time of the Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Bonds that is not in default, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one in the same instrument.

Date: ____________, 2015

COUNTY OF RIVERSIDE, CALIFORNIA

By: [Form only]______________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	COUNTY OF RIVERSIDE, CALIFORNIA
Name of Bond Issue:	Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project), Series 2015 (the "Bonds")
Date of Delivery:	________, 2015

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Bonds. The County anticipates that the Annual Report will be filed by ____________.

Dated: ___________________

COUNTY OF RIVERSIDE, CALIFORNIA

By: [To be signed only if filed]__________________
Authorized Officer

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, proposes to render its final approving opinion with respect to the Series 2015 Bonds in substantially the following form:

[Date of Delivery]

Riverside County Public Financing Authority
Riverside, California

County of Riverside
Riverside, California

Riverside County Public Financing Authority
Lease Revenue Bonds (Capital Facilities Project), Series 2015
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Riverside County Public Financing Authority (the "Authority") in connection with issuance of $__________ aggregate principal amount of Riverside County Public Financing Authority Lease Revenue Bonds (Capital Facilities Project), Series 2015 (the "Series 2015 Bonds"), issued pursuant to an Indenture, dated as of June 1, 2015 (the "Indenture"), by and among the Authority, the County of Riverside (the "County") and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed a Facility Lease, dated as of June 1, 2015 (the "Facility Lease") between the Authority and the County, a Site Lease, dated as of June 1, 2015 (the "Site Lease"), between the County and the Authority, a Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Authority, and an Assignment Agreement, dated as of June 1, 2015 (the "Assignment Agreement"), between the Authority and the Trustee, opinions of counsel to the Authority, the County and the Trustee, certificates of the Authority, the County, the Trustee and others and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series 2015 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the County. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Facility Lease, the Site Lease, the Assignment Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the interest on the Series 2015 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2015 Bonds, the Facility Lease, the Site Lease, the Indenture, the Assignment Agreement, and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the liens of the Facility Lease, the Site Lease or the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2015 Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2015 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series 2015 Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. Interest on the Series 2015 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series 2015 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2015 Bonds.

Faithfully yours,