NEW ISSUE – FULL BOOK-ENTRY

Rating: Standard & Poor's: AA-
See: "RATING" herein.

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2014A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2014B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2014 Bonds is exempt from State of California personal income taxes. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

$10,890,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014A

$7,605,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014B (TAXABLE)

Dated: Date of Delivery

Due: November 1, as shown on the inside cover

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

The County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A (the "Series 2014A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable") (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds") are being issued pursuant to a Master Trust Indenture, dated as of June 1, 2014 (the "Master Indenture"), by and between the County of Riverside Asset Leasing Corporation (the "Corporation") and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of June 1, 2014, (the "First Supplemental Indenture" and, together with the Master Indenture, the "Indenture"), by and between the Corporation and Trustee. The Series 2014 Bonds are being issued to provide funds to: (i) currently refund and defease all of the outstanding County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A, (ii) currently refund and defease all of the outstanding County of Riverside Refunding Certificates of Participation (Capital Facilities Projects), 2003 Series B, (iii) advance refund and defease all of the outstanding Taxable Refunding Certificates of Participation (Bankruptcy Court Project), Series 2003, and (iv) pay costs of issuance in connection with the issuance and delivery of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING."

The Series 2014 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014 Bonds, and individual purchases of the Series 2014 Bonds will be made in book-entry form only. Principal of, premium, if any, and interest on the Series 2014 Bonds will be payable by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Series 2014 Bonds, as described herein. See APPENDIX B: "BOOK-ENTRY SYSTEM." The Series 2014 Bonds will be issued in denominations of $5,000 and any integral multiple thereof. Interest on the Series 2014 Bonds will be payable on May 1 and November 1 of each year, commencing November 1, 2014, at the rates shown on the inside cover. See "DESCRIPTION OF THE SERIES 2014 BONDS – General."

The Series 2014 Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity as described herein.

The Series 2014 Bonds are payable from and secured solely by Revenues of the Corporation pledged under the Indenture, consisting primarily of Base Rental Payments to be received by the Corporation from the County of Riverside, California (the "County") under a Master Lease Agreement, dated as of June 1, 2014 (the "Master Lease"), by and between the Corporation and the County, for the right to use and occupy certain real property and improvements (the "Property"), as more fully described herein. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, of material damage, destruction, title defect or condemnation of the Property that substantially interferes with the County's use and possession of any portion of the Property. Subsequent to the issuance of the Series 2014 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue Additional Bonds payable from the Revenues and secured by a pledge of the Revenues equal to the pledge securing the Series 2014 Bonds under the Indenture. The Property may be used to secure such Additional Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Additional Bonds."

The Series 2014 Bonds are limited obligations of the Corporation and are payable from the Revenues comprised primarily of Base Rental Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2014 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, and interest on the Series 2014 Bonds as provided in the Indenture. The Series 2014 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof, and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of, redemption premium, if any, or interest on the Series 2014 Bonds. The Corporation has no taxing power.

The Series 2014 Bonds are offered when, as and if issued, subject to approval of validity by Kutak Rock LLP, Los Angeles, California, Bond Counsel to the Corporation, and subject to certain other conditions. Certain legal matters will be passed upon for the Corporation and the County by County Counsel. Kutak Rock LLP, Los Angeles, California, served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriter by its counsel, Jones Hall, A Professional Law Corporation. It is expected that the Series 2014 Bonds in book-entry form will be available for delivery through DTC in New York, New York, on or about June 5, 2014.

RAYMOND JAMES®

Dated: May 6, 2014

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

$10,890,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE REFUNDING BONDS
(COURT FACILITIES PROJECT), SERIES 2014A

Base CUSIP®: 76911A

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® Suffix
2014	$685,000	2.000%	0.200%	100.729	CN3
2015	570,000	3.000	0.430	103.597	CP8
2016	590,000	4.000	0.710	107.832	CQ6
2017	620,000	4.000	1.030	109.913	CR4
2018	640,000	4.000	1.420	110.979	CS2
2019	380,000	4.000	1.830	111.118	CT0
2020	395,000	4.000	2.140	111.076	CU7
2021	415,000	4.000	2.420	110.651	CV5
2022	430,000	4.000	2.640	110.190	CW3
2023	445,000	5.000	2.840	117.716	CX1
2024	465,000	5.000	3.000	117.759	CY9
2025	490,000	3.000	3.250	97.631	CZ6
2026	505,000	5.000	3.390	114.014[c]	DA0
2027	530,000	5.000	3.460	113.357[c]	DB8
2028	555,000	3.500	3.820	96.477	DC6
2029	580,000	5.000	3.610	111.965[c]	DD4
2030	605,000	5.000	3.690	111.231[c]	DE2
2031	635,000	4.000	4.070	99.129	DF9
2032	665,000	4.000	4.125	98.395	DG7
2033	690,000	4.000	4.160	97.880	DH5

C: Priced to first optional par call of November 1, 2024.

$7,605,000
COUNTY OF RIVERSIDE ASSET LEASING CORPORATION
LEASE REVENUE REFUNDING BONDS
(COURT FACILITIES PROJECT), SERIES 2014B (TAXABLE)

Base CUSIP®: 76911A

Maturity Date (November 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP® Suffix
2014	$1,175,000	0.546%	0.546%	100.000	DJ1
2015	1,255,000	0.842	0.842	100.000	DK8
2016	1,265,000	1.123	1.123	100.000	DL6
2017	1,280,000	1.740	1.740	100.000	DM4
2018	1,305,000	2.328	2.328	100.000	DN2
2019	1,325,000	2.728	2.728	100.000	DP7

COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

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

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

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

SPECIAL SERVICES

Special Counsel

Kutak Rock LLP
Los Angeles, California

Disclosure Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman, Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Corporation, the County or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2014 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2014 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the County since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2014 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

The County maintains a website at http://www.countyofriverside.us, however, the information presented there is neither part of this Official Statement nor incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2014 Bonds.

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OFFICIAL STATEMENT

$10,890,000 COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014A	$7,605,000 COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014B (TAXABLE)

INTRODUCTION

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2014 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Introduction or on the cover page and not otherwise defined herein shall have the respective meanings assigned to them elsewhere in this Official Statement or APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – Definitions."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the County of Riverside, California (the "County"), the County has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Purpose and Overview

The purpose of this Official Statement, including the cover page, inside front cover and appendices hereto (the "Official Statement"), is to provide certain information concerning the issuance of the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A (the "Series 2014A Bonds") and the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable) (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds"). The Series 2014 Bonds are being issued to provide funds to: (i) currently refund and defease all of the outstanding County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A, (ii) currently refund and defease all of the outstanding County of Riverside Refunding Certificates of Participation (Capital Facilities Projects), 2003 Series B, (iii) advance refund and defease all of the outstanding County of Riverside Taxable Refunding Certificates of Participation (Bankruptcy Court Project), Series 2003, and (iv) pay costs of issuance in connection with the issuance and delivery of the Series 2014 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "PLAN OF REFUNDING" herein.

Pursuant to a Master Site and Facilities Lease, dated as of June 1, 2014, as initially executed and as it may from time to time be amended or supplemented in accordance with its terms (the "Site Lease"), between the County and the County of Riverside Asset Leasing Corporation (the "Corporation"), the County has leased to the Corporation certain real property and the buildings and improvements located thereon (the "Property"). Pursuant to a Master Lease Agreement, dated as of June 1, 2014, as initially executed and as it may from time to time be amended or supplemented in accordance with the terms thereof (the "Master Lease"), by and between the Corporation and the County, the Corporation has leased the Property back to the County for the County's use and occupancy. On or before each Base Rental Payment Date, the County will be obligated under the Master Lease to pay Base Rental Payments and other payments to the Trustee (described herein) each year during the term of the Master Lease. The Trustee will apply the Base Rental Payments it receives to pay the principal of, premium, if any, and interest with respect to the Series 2014 Bonds when due, in accordance with a Master Trust Indenture, dated as of June 1, 2014, (the "Master Trust Indenture"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of June 1, 2014 (the "First Supplemental Indenture," and together with the Master Trust Indenture, the "Indenture"), by and between the Corporation and Trustee. The Indenture provides the terms of the Series 2014 Bonds and governs the security and payment of the principal of, premium, if any, and interest on the Series 2014 Bonds.

Security and Sources of Payment for the Series 2014 Bonds

The Series 2014 Bonds are limited obligations of the Corporation payable solely from, and secured solely by, Revenues of the Corporation, consisting primarily of Base Rental Payments to be received by the Corporation from the County under the Master Lease. The Base Rental Payments are to be paid by the County for its right of use and occupancy of the Property. The County has agreed in the Master Lease to make all Base Rental Payments, subject to abatement of such Base Rental Payments in the event, and to the extent, that 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 Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – The Property."

The County will be obligated under the Master Lease to pay the Base Rental Payments and Additional Payments to the Corporation (together, the "Master Lease Payments") each year during the term of the Master Lease. The County has covenanted in the Master Lease to take such action as may be necessary to include all Master Lease Payments in each of its annual budgets and to make the necessary annual appropriations for all Master Lease Payments. The covenants of the County are deemed to be and shall constitute duties imposed by law. Additionally, the County has covenanted to procure, or cause to be procured and maintained, throughout the term of the Master Lease, insurance on the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Base Rental Payments; Additional Payments" and "– Insurance." See also APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE AGREEMENT – Fire and Extended Coverage Insurance" and "– Rental Interruption or Use and Occupancy Insurance."

No Debt Service Reserve Fund

The Series 2014 Bonds are payable solely from, and secured solely by, Revenues of the Corporation, consisting primarily of Base Rental Payments to be received by the Corporation from the County under the Master Lease. No debt service reserve fund has been, or will be, established by the County or the Corporation under the Indenture to make payments of principal of, and interest on, the Series 2014 Bonds in the event Base Rental Payments are not made on a timely basis by the County, the amount of such Base Rental Payments is insufficient to make such payments or other sources are not otherwise available to make such payments.

Additional Bonds

Subsequent to the issuance of the Series 2014 Bonds, the Corporation may at any time, subject to conditions described in the Indenture, issue additional Series of Bonds ("Additional Bonds"), pursuant to a Supplemental Indenture, payable from Revenues and secured by a pledge and lien upon Revenues as provided in the Indenture equal to and on a parity with the pledge and lien securing the Series 2014 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Additional Bonds" and

APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE–Additional Bonds." The Series 2014 Bonds and any Additional Bonds issued under the Indenture are collectively referred to herein as the "Bonds."

Assignment

Pursuant to an Assignment Agreement, dated as of June 1, 2014 (the "Assignment Agreement"), the Corporation has assigned to the Trustee for the benefit of the Owners of the Series 2014 Bonds (i) its rights, title and interests in the Site Lease and the Master Lease, including the Corporation's right to receive Base Rental Payments, and (ii) its rights to enforce payment of the Base Rental Payments when due and to exercise its remedies in the event of a default.

Bonds Constitute Limited Obligations

The Series 2014 Bonds are limited obligations of the Corporation and are payable, as to interest thereon and principal thereof, from the Revenues comprised primarily of Base Rental Payments paid by the County pursuant to the Master Lease for the use and occupancy of the Property and from amounts on deposit in certain funds pledged under the Indenture. The Series 2014 Bonds are equally and ratably secured solely by a pledge of the Revenues, which Revenues shall be held in trust for the security and payment of the principal of, redemption premiums, if any, and interest on the Series 2014 Bonds as provided in the Indenture. The Series 2014 Bonds do not constitute a debt, liability or obligation of the County or of the State of California (the "State") or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing is pledged to the payment of the principal of or interest on the Series 2014 Bonds. The Corporation has no taxing power. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS – Pledge Under the Indenture" and "– Base Rental Payments; Additional Payments – Limited Obligation."

Risk Factors

There are certain risks associated with the purchase of the Series 2014 Bonds, some of which are set forth herein. See "RISK FACTORS." Risk factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating the purchase of Series 2014 Bonds.

Continuing Disclosure

The County will agree to file with the EMMA System, during the time the Series 2014 Bonds are Outstanding, certain financial information and operating data and notices of the occurrence of certain events in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). See "CONTINUING DISCLOSURE."

Summaries Not Definitive

Brief descriptions of the Series 2014 Bonds, the Corporation, the County and the Property are included in this Official Statement, together with summaries of the Site Lease, the Master Lease, the Assignment Agreement and the Indenture. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2014 Bonds, the Site Lease, the Master Lease, the Assignment Agreement and the Indenture are qualified in their entirety by reference to the actual documents, or with respect to the Series 2014 Bonds, the forms thereof included in the Indenture, copies of all of which are available for inspection at the corporate trust office of the Trustee at Wells Fargo Bank, National Association, 333 South Grand Avenue, 5th Floor, Los Angeles, California 90071.

Additional Information

The County regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Owner of the Series 2014 Bonds may obtain a copy of any such report, as available, from the Trustee. Additional information regarding this Official Statement may be obtained by contacting the Trustee.

DESCRIPTION OF THE SERIES 2014 BONDS

The following is a summary of certain provisions of the Series 2014 Bonds. Reference is made to the Series 2014 Bonds for the complete text thereof and to the Indenture for a more detailed description of these provisions. The discussion herein is qualified by such reference. See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

General

The Series 2014 Bonds will be issued in the aggregate principal amount and will mature on the maturity dates shown on the inside cover page of this Official Statement. The Series 2014 Bonds will be dated the date of original issuance and will bear interest on the unpaid principal amount thereof as described below.

The Depository Trust Company, or DTC, will act as the initial securities depository for the Series 2014 Bonds, which will be issued initially pursuant to a book-entry only system. See APPENDIX B: "BOOK-ENTRY SYSTEM." Under the Indenture, the Corporation may appoint a successor securities depository to DTC for the Series 2014 Bonds. The holders of the Series 2014 Bonds have no right to a book-entry only system for the Series 2014 Bonds. The information under this caption, "DESCRIPTION OF THE SERIES 2014 BONDS" is subject in its entirety to the provisions described in APPENDIX B: "BOOK-ENTRY SYSTEM" while the Series 2014 Bonds are in the book-entry only system.

Interest on the Series 2014 Bonds will be payable semiannually on May 1 and November 1 of each year, commencing November 1, 2014 (each an "Interest Payment Date"), and will be calculated on the basis of a 360 day year composed of twelve 30-day months. Each Series 2014 Bond will be issued in fully registered form in the denomination of $5,000 or any integral multiple thereof, and will bear interest from the Interest Payment Date next preceding its date of authentication, unless such date of authentication is during the period commencing after the fifteenth (15th) day of the month (whether or not such day is a Business Day) immediately preceding an Interest Payment Date (the "Record Date") through and including the next succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or before the first Record Date, in which event it shall bear interest from the date of issuance of the Series 2014 Bonds; provided, that if on the date of authentication of any Series 2014 Bond, interest is then in default on any Outstanding Series 2014 Bonds, such Series 2014 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

Payment of Principal and Interest

The Series 2014 Bonds will be issued as fully registered bonds in the name of Cede & Co., as nominee of DTC, in book-entry form and shall be evidenced by one bond for each maturity bearing a specified interest rate, in the principal amount of the respective maturities. Individual purchases of interests in the Series 2014 Bonds will be made in book-entry form only in Authorized Denominations. Purchasers of interests will not receive certificates representing their interests in the Series 2014 Bonds. For a description of the method of payment of principal, premium, if any, and interest on the Series 2014

Bonds and matters pertaining to transfers and exchanges while in the book-entry system, see APPENDIX B: "BOOK-ENTRY SYSTEM."

So long as Cede & Co. is the registered owner of the Series 2014 Bonds, the Trustee for the Series 2014 Bonds will pay principal of, premium, if any, and interest on the Series 2014 Bonds to DTC, which will remit principal, premium, if any, and interest payments to the Beneficial Owners of the Series 2014 Bonds (as described in APPENDIX B: "BOOK-ENTRY SYSTEM").

In the event the Series 2014 Bonds are no longer in a book-entry system, principal or redemption price of the Series 2014 Bonds will be payable at the Corporate Trust Office of the Trustee, and interest payments on the Series 2014 Bonds will be paid by check from the Trustee mailed by first class mail on such Interest Payment Date to such Owner of the Series 2014 Bonds as of the applicable Record Date; provided, however, that if an Owner of $1,000,000 or more aggregate principal amount of the Series 2014 Bonds gives the Trustee written notice received by the Trustee prior to the applicable Record Date, the payment of principal and redemption price of, and interest on the Series 2014 Bonds (other than the final payment of principal thereof), will be payable by wire transfer of immediately available funds.

Redemption of the Series 2014 Bonds

Optional Redemption. The Series 2014B Bonds are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing before November 1, 2025 are not subject to optional redemption prior to maturity. The Series 2014A Bonds maturing on or after November 1, 2025, shall be subject to redemption prior to their respective stated maturities, at the option of the Corporation, from any source of available funds, in whole or in part, on any date on and after November 1, 2024, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, together with accrued interest to the date fixed for redemption.

Selection of the Series 2014A Bonds for Optional Redemption. The Series 2014A Bonds are subject to optional redemption in such order or maturity (except mandatory sinking fund payments on the Series 2014A Bonds subject to mandatory sinking fund redemption) as the Corporation may direct (and proportional if no specific order of redemption is designated by the Corporation) and by lot, selected in such manner as the Trustee (or DTC, as long as DTC is the securities depository for the Series 2014A Bonds) shall deem appropriate, within a maturity.

Upon surrender of a Series 2014A Bond to be redeemed, in part only, the Trustee will authenticate for the Owner thereof a new Series 2014A Bond or Series 2014A Bonds of the same maturity and interest rate equal to the principal amount of the unredeemed portion of the Series 2014A Bond surrendered.

Purchase in Lieu of Redemption. In lieu of redemption, the Corporation may direct the Trustee (or another agent appointed by the Corporation for such purpose) to purchase all, or a lesser portion in Authorized Denominations, of the Series 2014A Bonds called for optional redemption upon direction to the Trustee (or such other agent) as set forth in the Indenture. No notice of the purchase in lieu of redemption is required to be given to the Owners (other than the notice of redemption otherwise required). On or prior to the scheduled redemption date, any such direction to purchase may be withdrawn by the Corporation, in which case the scheduled optional redemption of the Series 2014A Bonds shall occur as set forth in the redemption notice related thereto.

Extraordinary Redemption from Net Proceeds. The Series 2014 Bonds are subject to redemption prior to their respective maturity dates, in Authorized Denominations, upon notice as provided in the Indenture, on any date, in whole or in part, as provided in the Indenture, from net insurance proceeds (including self-insurance proceeds) or condemnation awards with respect to any portion of the Property destroyed, damaged, stolen or taken, at the principal amount thereof together with accrued interest to the date of redemption, without premium.

If less than all Outstanding Series 2014 Bonds are to be redeemed at any time from net insurance proceeds (including self-insurance proceeds) or condemnation awards, the Trustee shall use the net insurance proceeds (including self-insurance proceeds) or condemnation awards attributable to the portion of the Property destroyed, damaged, stolen or taken, to redeem, randomly by lot among those Series and maturities of Series 2014 Bonds determined by the County, and proportionally if not so designated, provided however that the redemption of Series 2014 Bonds pursuant hereto shall not cause the total of all Master Lease Payments for the Property to be greater than the total fair rental value of the Property in accordance with the Master Lease. Subject to the foregoing, if less than all Outstanding Series 2014 Bonds maturing by their terms on any one date are to be so redeemed at any one time, the Trustee shall select randomly by lot the Series 2014 Bonds of such maturity date to be redeemed in any manner that it deems appropriate.

Notice of Redemption. Notice of redemption will be mailed by the Trustee, not less than 30 nor more than 60 days prior to the redemption date, to (a) the respective Owners of the Series 2014 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee by first class mail or (b) with respect to the Series 2014 Bonds held by DTC to DTC by registered mail or by overnight delivery. Each notice of redemption will state the date of such notice, the redemption price, the name and appropriate address of the Trustee, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Series 2014 Bonds of such maturity to be redeemed and, in the case of Series 2014 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Series 2014 Bonds thereof, and in the case of a Series 2014 Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Series 2014 Bonds be then surrendered at the address of the Trustee specified in the redemption notice.

Failure to give the notice described herein or any defect therein shall not in any manner affect the redemption of any Series 2014 Bond.

Any notice of optional redemption of the Series 2014 Bonds may be conditional, and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, said notice shall be of no force and effect, and the Corporation will not be required to redeem the Series 2014 Bonds thereby called for redemption, and the redemption will be cancelled. In addition, the

Corporation may, at its option, on or prior to the date fixed for optional redemption in any notice of redemption of the Series 2014 Bonds, rescind and cancel such notice of redemption.

Effect of Redemption. Provided that notice of redemption has been duly given as described above and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the Series 2014 Bonds (or portions thereof) so called for redemption shall be held by the Trustee, on the redemption date designated in such notice, the Series 2014 Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice, together with interest accrued thereon to the date fixed for redemption. In such case, interest on the Series 2014 Bonds so called for redemption shall cease to accrue, said Series 2014 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Series 2014 Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the date fixed for redemption.

PLAN OF REFUNDING

Historic Courthouse Certificates Refunding

A portion of the proceeds of the Series 2014A Bonds will be used to defease and prepay on June 6, 2014 (the "Historic Courthouse Prepayment Date") all of the outstanding County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A (the "Historic Courthouse Certificates"), evidencing and representing the proportionate undivided interests in lease payments for certain property pursuant to a lease agreement with the Corporation, of which $10,900,000 aggregate principal amount is currently outstanding at a prepayment price of 100% of the principal amount thereof together with the unpaid accrued interest to the Historic Courthouse Prepayment Date. The Historic Courthouse Certificates are described in more detail in the following table:

Maturity Date (November 1)	Principal Amount	Prepayment Date*	CUSIP Number†
2014	$335,000	June 6, 2014	768901NH9
2015	$350,000	June 6, 2014	768901NJ5
2016	$365,000	June 6, 2014	768901NK2
2017	$385,000	June 6, 2014	768901NL0
2018	$400,000	June 6, 2014	768901NM8
2023	$2,320,000	June 6, 2014	768901NN6
2028	$2,955,000	June 6, 2014	768901NP1
2033	$3,790,000	June 6, 2014	768901NQ9
	$10,900,000		

Pursuant to the terms of the First Supplemental Indenture, the Corporation will transfer a portion of the proceeds of the Series 2014A Bonds to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Historic Courthouse Trustee"), pursuant the Trust Agreement, dated as of April 1, 1997, by and between the County and the Historic Courthouse Trustee, as supplemented pursuant to the First Supplemental Trust Agreement, dated as of December 1, 2003, by and between the County and the Historic Courthouse Trustee (collectively, the "Historic Courthouse Trust Agreement"), for deposit by the Historic Courthouse Trustee into the Prepayment Account established under the Historic Courthouse

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*The Historic Courthouse Certificates will be prepaid on June 6, 2014 at a prepayment price of 100% of the principal thereof, plus accrued interest.

† CUSIP numbers are provided only for the convenience of the reader. Neither the County nor the Corporation takes any responsibility for the accuracy of such CUSIP numbers or for any changes or errors in this list of CUSIP numbers.

Trust Agreement (the "Historic Courthouse Prepayment Account"). In addition, the County will direct the Historic Courthouse Trustee to transfer moneys on deposit in the Reserve Fund with respect to the Historic Courthouse Certificates to the Historic Courthouse Prepayment Account to be applied to the prepayment of the Historic Courthouse Certificates. Amounts in the Historic Courthouse Prepayment Account will be held uninvested as cash. Sufficient moneys will be deposited in the Historic Courthouse Prepayment Account to pay the prepayment price of the Historic Courthouse Certificates on the Historic Courthouse Prepayment Date. The Historic Courthouse Prepayment Account shall be held by the Historic Courthouse Trustee in irrevocable trust and used solely for the payment of the prepayment price of the Historic Courthouse Certificates and any unpaid interest accrued thereon to the Historic Courthouse Prepayment Date, subject only to the transfer to the Series 2014A Interest Account of any monies not required for such purpose.

Upon such deposit and compliance with certain notice requirements set forth in the Historic Courthouse Trust Agreement, the liability of the County under the First Amendment to Facilities Lease, dated as of December 1, 2003, between the County and the Corporation, will cease, and the Historic Courthouse Certificates will no longer be outstanding, except that the owners of the Historic Courthouse Certificates will be entitled to payment thereof solely from the amounts on deposit in the Historic Courthouse Prepayment Account. See also "ESTIMATED SOURCES AND USES OF FUNDS."

Capital Facilities Certificates Refunding

A portion of the proceeds of the Series 2014A Bonds will be used to defease and prepay on June 6, 2014 (the "Capital Facilities Prepayment Date") all of the outstanding County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B (the "Capital Facilities Certificates"), evidencing and representing the proportionate undivided interests in lease payments for certain property pursuant to a lease agreement with the Corporation, of which $1,830,000 aggregate principal amount is currently outstanding at a prepayment price of 100% of the principal amount thereof together with the unpaid accrued interest to the Capital Facilities Prepayment Date. The Capital Facilities Certificates are described in more detail in the following table:

Maturity Date (November 1)	Principal Amount	Prepayment Date*	CUSIP Number†
2014	$340,000	June 6, 2014	768901MU1
2015	$350,000	June 6, 2014	768901MV9
2016	$365,000	June 6, 2014	768901MW7
2017	$380,000	June 6, 2014	768901MX5
2018	$395,000	June 6, 2014	768901MY3
	$1,830,000		

Pursuant to the terms of the First Supplemental Indenture, the Corporation will transfer a portion of the proceeds of the Series 2014A Bonds to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Capital Facilities Trustee"), pursuant the Trust Agreement, dated as of December 1, 2003, by and among the County, the Corporation and the Capital Facilities Trustee (the "Capital Facilities Trust Agreement"), for deposit by the Capital Facilities Trustee into the Prepayment Account established under the Capital Facilities Trust Agreement (the "Capital Facilities Prepayment Account"). In addition, the County will direct the Capital Facilities Trustee to transfer moneys on deposit in the

*The Capital Facilities Certificates will be prepaid on June 6, 2014 at a prepayment price of 100% of the principal thereof, plus accrued interest.

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Reserve Fund, Construction Account and Administrative Expense Fund with respect to the Capital Facilities Certificates to the Capital Facilities Prepayment Account to be applied to the prepayment of the Capital Facilities Certificates. Amounts in the Capital Facilities Prepayment Account will be held uninvested as cash. Sufficient moneys will be deposited in the Capital Facilities Prepayment Account to pay the prepayment price of the Capital Facilities Certificates on the Capital Facilities Prepayment Date. The Capital Facilities Prepayment Account shall be held by the Capital Facilities Trustee in irrevocable trust and used solely for the payment of the prepayment price of the Capital Facilities Certificates and any unpaid interest accrued thereon to the Capital Facilities Prepayment Date, subject only to the transfer to the Series 2014A Interest Account of any monies not required for such purpose. See also "ESTIMATED SOURCES AND USES OF FUNDS."

Upon such deposit and compliance with certain notice requirements set forth in the Capital Facilities Trust Agreement, the liability of the County under the Lease Agreement, dated as of December 1, 2003, between the Corporation and the County will cease, and the Capital Facilities Certificates will no longer be outstanding, except that the owners of the Capital Facilities Certificates will be entitled to payment thereof solely from the amounts on deposit in the Capital Facilities Prepayment Account.

Bankruptcy Court Certificates Refunding

A portion of the proceeds of the Series 2014B Bonds will be used to defease and prepay on November 1, 2014 (the "Bankruptcy Court Prepayment Date") all of the outstanding County of Riverside Taxable Refunding Certificates of Participation (Bankruptcy Court Project), Series 2003 (the "Bankruptcy Court Certificates"), evidencing and representing the proportionate undivided interests in lease payments for certain property pursuant to a lease agreement with the County of Riverside Court Financing Corporation (the "Bankruptcy Court Corporation"), of which $7,290,000 aggregate principal amount is currently outstanding at a prepayment price of one hundred percent of the principal amount thereof together with the unpaid accrued interest to the Bankruptcy Court Prepayment Date. The Bankruptcy Court Certificates are described in more detail in the following table:

Maturity Date (November 1)	Principal Amount	Prepayment Date*	CUSIP Number†
2014	$1,060,000	November 1, 2014	768901MG2
2019	$6,230,000	November 1, 2014	768901MH0
	$7,290,000		

Pursuant to the terms of the First Supplemental Indenture, the Corporation will transfer a portion of the proceeds of the Series 2014B Bonds to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Bankruptcy Court Trustee"), pursuant a Trust Agreement, dated as of April 1, 2003 (the "Bankruptcy Court Trust Agreement"), by and among the County, the Bankruptcy Court Corporation and the Bankruptcy Court Trustee for deposit by the Bankruptcy Court Trustee into the Prepayment Account established under the Bankruptcy Court Trust Agreement (the "Bankruptcy Court Prepayment Account"). In addition, the County will direct the Bankruptcy Court Trustee to transfer certain moneys on deposit in certain funds and accounts under the Bankruptcy Court Trust Agreement to the Bankruptcy Court Prepayment Account to be applied to the prepayment of the Bankruptcy Court Certificates. Amounts in the Bankruptcy Court Prepayment Account will be held uninvested as cash. Sufficient moneys will be deposited in the Bankruptcy Court Prepayment Account to pay the prepayment

*The Bankruptcy Court Certificates will be prepaid on November 1, 2014 at a prepayment price of 100% of the principal thereof, plus accrued interest.

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price of the Bankruptcy Court Certificates on the Bankruptcy Court Prepayment Date. The Bankruptcy Court Prepayment Account shall be held by the Bankruptcy Court Trustee in irrevocable trust and used solely for the payment of the prepayment price of the Bankruptcy Court Certificates and any unpaid interest accrued thereon to the Bankruptcy Court Prepayment Date, subject only to the transfer to the Series 2014A Interest Account of any monies not required for such purpose. See also "ESTIMATED SOURCES AND USES OF FUNDS."

Upon such deposit and compliance with certain notice requirements set forth in the Bankruptcy Court Trust Agreement, the liability of the County under the Lease Agreement, dated as of April 1, 2003, will cease, and the Bankruptcy Court Certificates will no longer be outstanding, except that the owners of the Bankruptcy Court Certificates will be entitled to payment thereof solely from the amounts on deposit in the Escrow Fund.

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of the estimated sources and uses of funds with respect to the Series 2014 Bonds:

Sources of Funds	Series 2014A Bonds	Series 2014B Bonds	Total
Par Amount	$10,890,000.00	$7,605,000.00	$18,495,000.00
Plus Premium/(Less Discount)	755,778.85		755,788.85
Transfers from Historic Courthouse Trust Agreement	879,987.50		879,987.50
Transfers from Capital Facilities Trust Agreement	423,341.97		423,341.97
Total Sources	$12,949,108.32	$7,605,000.00	$20,554,108.32
Uses of Funds			
Deposit to Historic Courthouse Prepayment Account	$10,952,688.13		$10,952,688.13
Deposit to Capital Facilities Prepayment Account	1,837,164.31		1,837,164.31
Deposit to Bankruptcy Court Prepayment Account		$7,494,877.00	7,494,877.00
Costs of Issuance[(1)]	159,255.88	110,123.008	269,378.88
Total Uses	$12,949,108.32	$7.605,000.00	$20,554,108.32

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

DEBT SERVICE REQUIREMENTS

Under the Master Lease, Base Rental Payments payable by the County to the Corporation are due and payable by the County on each April 15 and October 15, commencing October 15, 2014. Pursuant to the Indenture, on May 1 and November 1 of each year, commencing on November 1, 2014, the Trustee will apply such amounts as are necessary to make principal and interest payments with respect to the Series 2014 Bonds as the same shall become due and payable, as shown in the following table:

DEBT SERVICE SCHEDULE

Bond Year Ending November 1	Series 2014A Principal	Series 2014A Interest	Series 2014B Principal	Series 2014B Interest	Series 2014 Total Principal and Interest(1)
2014	$685,000.00	$178,373.47	$1,175,000.00	$48,661.37	$2,087,034.84
2015	570,000.00	426,125.00	1,255,000.00	113,571.46	2,364,696.46
2016	590,000.00	409,025.00	1,265,000.00	103,004.36	2,367,029.36
2017	620,000.00	746,050.00	1,280,000.00	88,798.40	2,374,223.40
2018	640,000.00	360,625.00	1,305,000.00	66,526.40	2,372,151.40
2019	380,000.00	335,025.00	1,325,000.00	36,146.00	2,076,171.00
2020	395,000.00	319,825.00			714,825.00
2021	415,000.00	304,025.00			719,025.00
2022	430,000.00	287,425.00			717,425.00
2023	445,000.00	270,225.00			715,225.00
2024	465,000.00	247,975.00			712,975.00
2025	490,000.00	224,725.00			714,725.00
2026	505,000.00	210,025.00			715,025.00
2027	530,000.00	184,775.00			714,775.00
2028	555,000.00	158,275.00			713,275.00
2029	580,000.00	138,850.00			718,850.00
2030	605,000.00	109,850.00			714,850.00
2031	635,000.00	79,600.00			714,600.00
2032	665,000.00	54,200.00			719,200.00
2033(2)	690,000.00	27,600.00			717,600.00
	$10,890,000.00	$4,711,973.47	$7,605,000.00	$456,707.99	$23,663,681.46

(1) Represents total debt service of the Series 2014 Bonds, but does not include any payments on any other outstanding lease revenue bonds of the County or the Corporation, which like the Series 2014 Bonds, are payable from lease payments by the County made from its General Fund.
(2) Final Maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS

Pledge Under the Indenture

The Indenture provides that the Series 2014 Bonds and any Additional Bonds, are payable from, and secured solely by a lien on, (a) all Base Rental Payments paid by the County pursuant to the Master Lease as further described below and (b) interest and profits from the investment of money in any fund, account and subaccount established in the Indenture, other than any Rebate Fund, deposited in the Bond Fund, all on the terms and conditions set forth in the Indenture (collectively, the “Revenues”). As and to the extent set forth in the Indenture, all the Revenues are pledged for the security and payment of the Series 2014 Bonds and any Additional Bonds, provided, however that out of the Revenues certain amounts may be applied for other purposes as provided in the Indenture.

The Corporation may, from time to time, enter into Supplemental Indentures without the consent of the Owners of the Series 2014 Bonds for the purpose of issuing Additional Bonds, payable from and secured by a pledge of Revenues as provided in the Indenture, equal to the pledge securing the Outstanding Series 2014 Bonds, subject to the limitations and conditions set forth in the Indenture. See "– Additional Bonds" below.

Base Rental Payments; Additional Payments

General. Revenues of the Corporation pledged under the Indenture to the payment of the Series 2014 Bonds consist primarily of the Base Rental Payments to be made by the County to the Corporation under the Master Lease. The County has covenanted in the Master Lease to pay to the Corporation, on or before the Base Rental Payment Dates, as rental for the use and occupancy of the Property, the Base Rental Payments for all of the Property plus Additional Payments in amounts required by the Corporation for the payment of all costs and expenses incurred by the Corporation in connection with the Property as described in the Master Lease, including without limitation, the fees, costs and expenses to the Property. The County must make all Base Rental Payments and Additional Payments (together, the "Master Lease Payments") when due, without any deduction or offset of any kind, and notwithstanding any dispute between the County and the Corporation regarding a Base Rental Payment, the County must not withhold any such Base Rental Payment pending final resolution of the dispute.

The Trustee, as assignee of the Corporation, will receive the Base Rental Payments for the benefit of the Owners of the Series 2014 Bonds and credit such Base Rental Payments to the Bond Fund established pursuant to the Indenture. The Trustee will apply the Revenues held in the Bond Fund on each Interest Payment Date to pay principal and interest due on such date on the Series 2014 Bonds.

Under the Master Lease, such payments of Base Rental Payments and Additional Payments for each Base Rental Period or portion thereof during the term of the Master Lease will constitute the total rental for such Base Rental Period or portion thereof and will be paid or payable by the County from funds of the County lawfully available therefor for and in consideration of the right of the use and occupancy of, and the continued quiet use and enjoyment of, the Property by the County for and during such Base Rental Period.

The County's obligation to pay Base Rental Payments and Additional Payments as provided in the Master Lease is not in any manner contingent upon or limited to the receipt of moneys due and to become due to the County under the GSA Lease Agreement (as defined below). The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Master Lease, notwithstanding any subletting or granting of concessions which may be made. Nothing contained in the Master Lease shall be construed to relieve the County from its obligation to pay Base Rental Payments and Additional Payments as provided in the Master Lease or to relieve the County from any other obligations contained therein.

Covenant to Budget and Appropriate. Pursuant to the Master Lease, the County covenants to take such action as may be necessary to include Master Lease Payments due under the Master Lease in its annual budgets and to make the necessary annual appropriations for all such payments. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for Master Lease Payments, at any time and from time to time during any fiscal year, in the event that the actual Master Lease Payments paid in any fiscal year exceed the pro rata portion of the appropriations then contained in the County's budget. Such covenants are deemed to be duties imposed by law, and it is 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 such covenants.

Limited Obligation. The Bonds are limited obligations of the Corporation and payable, as to principal thereof, premium, if any, and interest thereon solely from the Revenues comprised primarily of Base Rental Payments paid by the County for the use and occupancy of the Property, pursuant to the Master Lease, and from amounts on deposit in certain funds pledged under the Indenture. The obligation of the County to make Base Rental Payments and Additional Payments under the Master Lease does not constitute an obligation 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 Series 2014 Bonds nor the obligation of the County to make these Master Lease Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "RISK FACTORS – Base Rental Payments Not County Debt."

Abatement. Base Rental Payments are paid by the County in each Base Rental Period for and in consideration of the right of use and occupancy of the Property during each such period. Except to the extent of (a) amounts held by the Trustee in the Bond 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 2014 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 Property, Master Lease Payments will be abated to the extent that the total fair rental value of the portion of the Property of which there is no substantial interference, if any, is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments will be abated only by the amount equal to the difference. Such abatement will continue for the period commencing with the date of such damage, destruction, title defect or condemnation and ending with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned.

In order to mitigate the risk that an abatement event will cause a disruption in the payment of Master Lease Payments, the Master Lease requires the County to maintain use and occupancy insurance against loss of use caused by hazards covered by property insurance required by the Master Lease. During any period of abatement with respect to all or any part of the Property, the Trustee is required to use the proceeds of the use and occupancy insurance to make payments of principal and interest on the Series 2014 Bonds. In lieu of abatement of Master Lease Payments, the County in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Property, or portion thereof, pursuant to the substitution provisions of the Master Lease. See "– Substitution, Removal or Addition of Property" below.

In the event the Property cannot be repaired, replaced or rebuilt from the proceeds of insurance, if any, the County agrees to apply for and use its best efforts to obtain any state and/or federal disaster relief funds to repair, replace or rebuild the Property. See "– Insurance" below and APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE LEASE AGREEMENT – Fire and Extended Coverage Insurance" and "– Rental Interruption or Use and Occupancy Insurance."

Any abatement of Master Lease Payments shall not be considered an Event of Default under the Master Lease, but shall result in the extension of the date on which the Master Lease's term expires (the "Expiry Date") by a period equal to the period of abatement for which Base Rental Payment has not been paid in full (but in no event later than 10 years after the then-existing Expiry Date), and Base Rental Payment for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon.

As further described below under the caption "The Property," the Property is subleased by the County to the GSA pursuant to the GSA Lease Agreement (each as defined below). The County's obligation to pay Base Rental Payments and Additional Payments as provided in the Master Lease is not in any manner contingent upon or limited to the receipt of moneys due and to become due to the County under the GSA Lease Agreement. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Master Lease, notwithstanding any subletting or granting of concessions which may be made. The failure of the GSA to perform its obligations under the GSA is not an abatable event under the Master Lease.

The Property

In 1997, the County acquired the Property, which consists of the United States Bankruptcy Courthouse located at 3420 12th Street, Riverside, California, with amounts from its General Fund. Construction of the Bankruptcy Courthouse was completed in March of 1997. The Bankruptcy Courthouse is located on approximately 1.25 acres of land in the city of Riverside. The Bankruptcy Courthouse is a three-story building consisting of approximately 68,143 square feet including the U.S. Marshal and Public Lobby on the first floor, Administrative Offices and the U.S. Attorneys' Office on the second floor, and 4 Courtrooms and Judges' Chambers on the third floor. The building is steel frame construction with security detectors at entry ways and 10 secured parking spaces. The Bankruptcy Courthouse was first occupied on March 13, 1997.

The United States of America, acting by and through the General Services Administration (the "GSA") currently subleases the Property from the County pursuant to the U.S. Government Lease for Real Property No. GS-09B-93834, dated December 21, 1994, as amended and supplemented (as amended, the "GSA Lease Agreement") between the County and the GSA.

The County and the Corporation acknowledge and agree in the Master Lease that the County subleases the Bankruptcy Courthouse to the GSA pursuant to the GSA Lease Agreement. The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Master Lease, notwithstanding any subletting or granting of concessions which may be made. See APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS—The Master Lease Agreement" attached hereto. **However, the exercise or enforcement of rights and remedies under the Master Lease will be subject to the rights of the GSA under the GSA Lease Agreement. This Official Statement does not purport to describe the payments that the GSA is obligated to make under the GSA Lease Agreement (the "GSA Payments") as a primary revenue source for the County's obligation to pay Base Rental Payments under the Master Lease.**

Pursuant to an Assignment of Claims by the County in favor of the Trustee, the County has transferred all of its right, title and interest in and to the GSA Payments to the Trustee to facilitate the payment of principal of, and interest on, the Series 2014B Bonds, and the operation and maintenance of the Property.

The County estimates that the value of the Property as of April 3, 2014 is approximately $38,296,706. In connection with the execution and delivery of the Series 2014 Bonds, the County will certify that the value of the Property is at least equal to par amount of the Series 2014 Bonds and that annual fair rental value of the Property is at least equal to the maximum annual Base Rental Payment payable under the Master Lease.

Under the Master Lease, 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 Property, Master Lease Payments may be abated. Any abatement of Master Lease Payments will not be considered an Event of Default under the Master Lease. For a description of the abatement provisions of the Master Lease, see "Base Rental Payments; Additional Payments – Abatement" above.

Under the Site Lease and Master Lease, the County may substitute all or a portion of the Property upon compliance with the conditions set forth therein. See "Substitution, Removal or Addition of Property." The Property may also be used to secure Additional Bonds.

Insurance

Fire and Extended Coverage Insurance. The Master Lease provides that the County will secure and maintain or cause to be secured and maintained throughout the term of the Master Lease for the Property, insurance or self-insurance against the risks and in the amounts set forth in the Master Lease. Such insurance includes "all risk" insurance against loss or damage to the Property. Such insurance is required to be maintained with respect to the Master Lease at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to such Property. This insurance may include deductible clauses, on a per loss basis in any one year, not to exceed (i) $50,000, in the case of all risk insurance, (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100 year flood plain (as defined by Federal Emergency Management Agency), subject to a minimum of $100,000 and a maximum of $500,000 per occurrence and (iii) 5% of total value per structure per occurrence subject to a $100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the Master Lease, provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost. The County will also obtain rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the "all risk" insurance in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that, the amount payable under such policy will not be less than the amount equal to two years' maximum Base Rental and that the County's obligations with respect to rental interruption insurance shall not be satisfied by self-insurance. The County will obtain a title insurance policy covering the Property in an aggregate amount not less than the aggregate principal amount of the Bonds Outstanding.

Rental Interruption or Use and Occupancy Insurance. The Master Lease requires the County to procure or cause to be procured, and to maintain or cause to be maintained, throughout the term of the Master Lease, rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the fire and extended coverage insurance described above in an amount sufficient at all times to pay the Base Rental Payments payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations with respect to rental interruption or use and occupancy insurance shall not be satisfied by self-insurance.

Title Insurance. Pursuant to the Master Lease, the County will obtain, for the benefit of the Corporation and the Trustee, a CLTA title insurance policy on the Property, subject only to Permitted Encumbrances, in an amount equal to the aggregate principal amount of the Series 2014 Bonds, issued by a company of recognized standing.

See APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE MASTER LEASE – Fire and Extended Coverage Insurance" and "– Rental Interpretation or Use and Occupancy Insurance."

Default and Remedies.

Upon an Event of Default, the County will be deemed to be in default under the Master Lease and the Trustee, as assignee of the rights of the Corporation, may exercise any and all remedies available pursuant to law or under the Master Lease to enforce payment of Base Rental Payments, when due, or to exercise all remedies. Events of Default under the Master Lease are as follows:

(a) the failure of the County to pay any Master Lease Payment or other payment required to be paid under the Master Lease when the same becomes due and payable and the continuation of such failure for a period of ten (10) days, provided that failure to deposit any Master Lease Payments abated pursuant to the Master Lease shall not constitute an event of default;

(b) the failure of the County to observe or perform any covenant, condition or agreement in the Master Lease, except those obligations listed in (a) above, after notice as provided in the Master Lease and the elapse of a 60 day grace period; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors.

Upon the happening of any Event of Default, the Trustee, in addition to all other rights and remedies it may have at law, has the option to do any of the following upon the occurrence of an Event of Default:

(i) to terminate the Master Lease and retake possession of the Property. In the event of such termination, the County agrees to immediately surrender possession of the Property, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County. No termination of the Master Lease on account of default by the County will be or become effective by operation of law or acts of the parties to the Master Lease, unless and until the Trustee has given written notice to the County of the election on the part of the Trustee to terminate the Master Lease.

(ii) without terminating the Master Lease, (A) collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision of the Master Lease to be kept or performed by the County, and/or (B) exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate the Master Lease in the manner provided for in subparagraph (i) immediately above, the County will remain liable and agrees to keep or perform all covenants and conditions contained in the Master Lease and to pay the Base Rental Payments to the end of the term of the Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency thereof punctually at the same time and in the same manner as provided for under the Master Lease (without acceleration).

Should the Trustee elect to retake possession of the Property, under the terms of the Master Lease, the County irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable, and the County indemnifies the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the Master Lease. **However, the exercise or enforcement of any such rights and remedies under the Master Lease are subject to the rights of the GSA under the GSA Lease Agreement**. So long as the GSA Lease Agreement is in effect, the Corporation may not re-enter the Property if to do so would interfere with the full enjoyment of any right granted to the GSA under the GSA Lease Agreement. The exercise or enforcement of any such rights and remedies under the Master Lease, including re-entering the Property, may constitute grounds for the GSA to terminate the GSA Lease Agreement.

Triple Net Lease

The Master Lease is a "net-net-net lease" and the County agrees that the Master Lease Payments will be an absolute net return to the Corporation free and clear of any expenses, charges or set-offs whatsoever. The obligation of the County to make Base Rental Payments may be abated in whole or in part if the County does not have use and possession of the Property. See "– Base Rental Payments; Additional Payments – Abatement" above.

Substitution, Removal or Addition of Property

Pursuant to the Master Lease, the County may amend the Master Lease and the Site Lease to (a) substitute other real property and/or improvements (the "Substituted Property") for all or any portion of the Property; (b) to remove all or a portion of real property (including undivided interests therein) and/or improvements ("Removal") from the existing Property; or (c) add real property and/or improvements ("Added Property") to the Property, upon compliance with all of the conditions set forth below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from the Master Lease and the Site Lease.

No Substitution, Addition or Removal shall take place hereunder until the County delivers to the Corporation and the Trustee the following:

(a) executed counterparts (in proper recordable form) of amendments to the Site Lease and the Master Lease, containing: (i) in the event of a Removal, a legal description of all or part of the Property to be released; (ii) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (iii) in the case of an Addition, a legal description of the Added Property;

(b) a Certificate of the County (i) stating that the total fair rental value (which may be based on, but not limited to, the construction costs of completed improvements, or acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining Term of the Master Lease, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the Term of the Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; (ii) stating that the useful life of the Property after Substitution or Removal equals or exceeds the remaining term of the Master Lease, and (iii) in the case of any Addition or Substitution, stating that such Added Property or Substituted Property, as applicable, is essential to the performance of the governmental functions of the County;

(c) an Opinion of Bond Counsel to the effect that (i) the amendments to the Master Lease and to the Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and the Master Lease and the Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms; and (ii) the Substitution, Addition or Removal is authorized or permitted under the Master Lease;

(d) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(e) in the event of a Substitution or Addition, a Certificate of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in (d) above (i) constitute Permitted Encumbrances and (ii) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(f) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis to be includable in gross income of the Owners thereof for federal income tax purposes;

(g) evidence that the County has complied with the insurance covenants contained in the Master Lease with respect to the Substituted Property or Added Property; and

(h) in the event of a Substitution or Addition, a certified copy of a resolution duly adopted by the Board authorizing the amendments to the Master Lease and the Site Lease in connection with such Substitution or Addition.

Additional Bonds

In addition to the Series 2014 Bonds, the Corporation may issue additional Series of Bonds ("Additional Bonds") under the Indenture, subject to the satisfaction of certain conditions contained in the Indenture, including, among others:

(a) the Corporation shall be in compliance with all agreements and covenants of the Indenture, and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the Master Lease shall have been amended, if necessary, so as to increase the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least equal the projected Annual Debt Service, including debt service on such Additional Bonds in each Fiscal Year;

(c) a Certificate of the County stating that (i) the total fair rental value of the Property will, in each year during the remaining Term of the Master Lease, at least equal the maximum total remaining Base Rental Payments payable in any future fiscal year under the Master Lease attributable to the Property after the issuance of such Additional Bonds, (ii) the fair market value of the Property will equal or exceed the principal amount of all Bonds Outstanding under the Indenture upon the execution and delivery of the Additional Bonds, (iii) the Property has a remaining useful life at least equal to the remaining term of the Master Lease, as amended, and (iv) the Property is available or will be available for immediate use and occupancy by the County;

(d) the Corporation has been advised in writing by each Rating Agency then rating the Outstanding Series 2014 Bonds, and which Rating Agency shall have received notice of the proposed issuance of such Additional Bonds, that the issuance of such Additional Bonds will not, in and of itself, result in a reduction of the rating of the Series 2014 Bonds by such Rating Agency; and

(e) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

The Series 2014 Bonds and any Additional Bonds issued pursuant to the Indenture will be payable from the 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 2014 Bonds and any Additional Bonds previously issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX D: “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – THE INDENTURE – Additional Bonds.”

For a further description of the provisions of the Master Lease, including the terms thereof and a description of certain covenants therein, including maintenance, utilities, taxes, assessments, insurance, and events of default and available remedies, see “SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS – The Master Lease” in APPENDIX D.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Series 2014 Bonds.

Economy of the County and the State

The level of tax revenues collected at any time is dependent upon the level of retail sales and real property values within the County, which levels are dependent, in turn, upon the level of economic activity in the County and the State generally. The slowdown of the economy of the County which began in 2008 is still ongoing, as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums, in each case as compared to historical levels. A further deterioration in the level of economic activity within the County or in the State could have a material adverse impact upon the level of tax revenues and therefore upon the ability of the County to make debt service payments on the Series 2014 Bonds or to issue additional securities in the future. For information relating to the current economic conditions of the County and the State, see APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

Not a Pledge of Taxes

The obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease 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 Series 2014 Bonds nor the obligation of the County to make Base Rental Payments or Additional Payments under the Master Lease constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

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

No Debt Service Reserve Fund

The Series 2014 Bonds are payable solely from, and secured solely by, Revenues of the Corporation, consisting primarily Base Rental Payments to be received by the Corporation from the County under the Master Lease. No debt service reserve fund has been, or will be, established by the County or the Corporation under the Indenture to make payments of principal of, and interest on, the Series 2014 Bonds in the event Base Rental Payments are not made on a timely basis by the County, the amount of such Base Rental Payments is insufficient to make such payments or other sources are not otherwise available to make such payments.

Additional Obligations of the County

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

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The ability of the County to make Base Rental Payments may be affected if the County should exceed its appropriations limit. The State may increase the appropriations limit of its counties by decreasing its own appropriations limit. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS – Article XIIIB of the State Constitution."

Limitations on Remedies

The rights of the Owners of the Series 2014 Bonds are subject to limitations on legal remedies against counties in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2014 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of such governmental powers by federal or State officials, if initiated, could result in limitations on or modification of the rights of the Owners of the Series 2014 Bonds and/or delays in the enforcement of such rights.

Default

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

Abatement

Except to the extent of (i) amounts held by the Trustee in the Bond Fund for the Series 2014 Bonds, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2014 Bonds, Base Rental Payments due under the Master Lease with respect to the Property or any portion thereof will be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Property or any portion thereof, there is substantial interference with the use or right of possession by the County of the Property or a portion thereof. Base Rental Payments will be abated proportionately under the Master Lease. The amount of abatement will be such that the resulting Base Rental Payments and Additional Payments represent fair rental value for the use and possession of the remaining portions of the Property as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere, provided that when determining the fair rental value of the remaining portion of the Property such determination will be made based on the greater of the fair rental value of such portion of the Property at that time or the fair rental value such portion of the Property had on the date of delivery of the Series 2014 Bonds.

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. Currently, fire hazard severity is a function of fuel conditions, historic climate, and topography. Population density or the number of structures in a particular region are not currently used to determine the fire hazard severity for a particular region. Areas throughout the County have been designated mainly as having a "Very High Hazard" and "High Hazard." The fact that an area is in a Moderate Hazard designation does not mean it cannot experience a damaging fire; it means only that the probability is reduced, generally because the number of days a year that the area has "fire weather" is fewer.

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

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (i.e. not in a floodplain) as being within a Non-Special Flood Hazard Area (an "NSFHA"). An 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 an 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 Property and the abatement of the Base Rental Payments.

Risk of Uninsured Loss; Earthquakes

The County covenants under the Master Lease to cause to be maintained certain insurance policies on the Property. These insurance policies are "all risk" policies and provide for deductible amounts, limit the amount of insurance proceeds per occurrence and limit the cumulative amount of claims; however, the County does not covenant to maintain earthquake insurance under all circumstances, as more fully described below. Currently, the County does maintain earthquake insurance with respect to the Property. In the event the Property is damaged or destroyed due to a casualty for which the Property is uninsured, an abatement of the Base Rental Payments could occur and could continue indefinitely. The providers of the County's liability and rental interruption insurance may be unable or unwilling to make payments under the respective policies for such loss should a claim be made under such policies. Moreover, there can be no assurance that amounts received as proceeds from insurance or from condemnation of the Property will be sufficient to prepay the Series 2014 Bonds.

The County is obligated under the Master Lease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Property as part of its applicable "all-risk" insurance policy, provided that earthquake insurance is available from reputable insurers at a reasonable cost. The County in the past has purchased an "all-risk" insurance policy with respect to certain properties located within the County. Accordingly, the Property is covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Property, sustain one or more losses or damages in a Fiscal Year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage, and there may not otherwise be any other insurance covering the loss or damage to the Property.

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

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," interest on the Series 2014A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series 2014A Bonds were issued as a result of future acts or omissions of the Corporation or the County in violation of their respective covenants in the Master Lease and the Indenture. Should such an event of taxability occur, the Series 2014A Bonds are not subject to special redemption and will remain Outstanding until maturity or until redeemed under the provisions set forth in the Indenture.

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and San Bernardino Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,279,967 as of January 1, 2014, reflecting a 1.1% increase over the previous year.

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

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, 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 desert areas. The western portion of the County, which includes the San Jacinto Mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

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

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California. The Corporation was formed in 1983 to assist the County by providing for the acquisition and maintenance of equipment, the acquisition, construction and renovation of facilities and other improvements, and the leasing of such equipment and facilities to the County. The Corporation is governed by a Board of Directors composed of five members appointed by the Board to serve one year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation. The Corporation is a "63-20 corporation," authorized pursuant to Rev. Rul. 63-20 to issue bonds that are treated as governmental bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A of the State Constitution

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

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

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

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

Article XIII B of the State Constitution

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

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

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

The County's appropriations limit for the Fiscal Year 2012-13 was $2,246,378,720 and the amount shown in its budget for that year as the appropriations subject to limitation was $1,119,274,762. The County's appropriations limit for Fiscal Year 2013-14 is $2,388,219,717 and the amount subject to the limitation is $862,139,716.

Right To Vote on Taxes Initiative Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution and contains a number of interrelated provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges. The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed below, and it is not possible at this time to predict with certainty the outcome of such determination. Proposition 218 (Article XIIIC) requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the County require a majority vote and taxes for specific purposes, even if deposited in the County's General Fund, require a two-thirds vote. Further, any general purpose tax which a county imposed, extended or increased without voter approval after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must be held within two years of November 5, 1996.

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

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

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

Proposition 62

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

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

The decision in the Santa Clara Case did not address the question of whether it should be applied retroactively. On June 4, 2001, the California Supreme Court released *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* 74 Cal.App.4th 707 (1999) (the "La Habra" case). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought. No such challenge against the County is currently pending, or to the knowledge of the County, proposed.

Proposition 1A

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

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

Proposition 22

Proposition 22, approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties and special districts to schools, temporarily increase a school and community college districts' share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increases pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies. While Proposition 22 will not change overall State and local government cots or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Proposition 25

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

Proposition 26

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

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

Assessment Appeals and Assessor Reductions

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

In addition to reductions in assessed value resulting from Proposition 8 appeals and general economic conditions, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the

County Assessor, and may experience additional reductions in the future. In Fiscal Year 2013-14, the secured property tax roll increased by approximately 3.95% from the prior year. The County expects assessed valuation to increase by approximately 5% in Fiscal Year 2014-15, primarily as a result of increasing property values and sale volume. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE – Financial Information - Ad Valorem Property Taxes."

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

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

Assessor-initialized reductions generally represent the bulk of adjustments to the tax roll during a time of a market decline. Cumulatively, assessed valuation in the County declined 16.36% since fiscal year 2007-08 through fiscal year 2012-13 due to the County Assessor's proactive reviews. No Proposition 8 reductions are expected for Fiscal Year 2013-14 or 2014-15.

Future Initiatives

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

STATE OF CALIFORNIA BUDGET INFORMATION

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County does not 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 or interest due with respect to the Series 2014 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 2013-14, approximately 42.1% of the County's General Fund budget revenues consist of payments from the State and approximately 20.7% consists of payments from the Federal government. For Fiscal Year 2014-15, the County projects that approximately 43.1% of its General Fund budget revenues will consist of payments from the State and 20.4% will consist of payments from the Federal government.

The following information concerning the State's budgets has been obtained from publicly available information which the County believes to be reliable; however, the County neither takes any responsibility for or guarantees the accuracy or completeness thereof. The County has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriter, and the County and the Underwriter 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.

(a) ***State Budget for Fiscal Year 2013-14.*** In June 2013, the State budget for Fiscal Year 2013-14 (the "2013 Budget Act") was enacted. The 2013 Budget Act included an estimated $97.1 billion in revenues and transfers, and planned spending of $96.3 billion. The 2013 Budget Act included an expected spending increase of 5% from the prior fiscal year and included an additional $2.7 billion in Proposition 98 funding, accounting for approximately 57% of General Fund spending. The 2013 Budget Act also contained a surplus of approximately $1.7 billion. Temporary revenues provided by the passage of Proposition 30 (a sales and income tax revenue increase approved by the State voters on November 6, 2012) and spending cuts made in the past two years mean that the State's budget is projected to remain balanced for the foreseeable future. In addition, the 2013 Budget Act overhauled the State's system of K-12 education funding by adopting a new allocation formula, known as the local control funding formula ("LCFF"), which transitions funding to a locally-controlled system.

Significant features of the 2013 Budget Act pertaining to counties include the following:

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

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

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

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

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

Proposed State Budget for Fiscal Year 2014-15. On January 9, 2014, the Governor presented a budget package for Fiscal Year 2014-15 (the "2014 Proposed Budget") that included $151 billion in spending from the General Fund and special funds, representing an $11 billion increase over the revised 2013-14 level, and a $2.3 billion reserve at the end of Fiscal Year 2014-15. The 2014 Proposed Budget uses much of the large projected growth – primarily attributable to increases in personal income tax collections – to pay down $6.2 billion in school and community college deferrals. The 2014 Proposed Budget includes $4.5 billion for K-14 LCFF and $1.6 billion in payments for the State's prior economic recovery bonds. The 2014 Proposed Budget places great emphasis in paying down debt in the current and future years, including accelerating completion of the "triple flip" property/sales tax swap by one year.

The Governor also proposed a rainy-day fund measure be brought before the voters on the November 2014 ballot. The rainy-day fund would base deposits on capital gains related revenues. Based on its review, the County does not anticipate that the 2014 Proposed Budget will have a significant impact on the County's Fiscal Year 2014-15 Recommended Budget.

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

- *Infrastructure Finance*—The 2014 Proposed Budget proposes to expand the tax increment financing tool utilized by infrastructure financing districts ("IFDs"). The proposal plans to expand the type of projects, allow cities and counties to meet benchmarks to create IFD's and issue related debt, allow new IFDs to overlap former project areas of redevelopment agencies, while still prohibiting the diversion of property tax revenues from K-14 schools.

- *Medi-Cal Expansion*—The 2014 Proposed Budget estimates that counties will save $200 million in Fiscal Year 2014-15 through the implementation of Medi-Cal expansion through a six month pro-rata redirection of each county's 1991 health realignment funding. The 2014 Proposed Budget projects that Medi-Cal caseload will increase by approximately 10% in Fiscal Year 2014-15 from the prior fiscal year, largely due to implementation of federal health reform and the shift of children from Healthy Families to Medi-Cal.

- *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 Proposed Budget provides $6.3 million from the State's general fund and $160 million from redirected county savings to support the full-year costs of the 5% grant increase.

- *In-Home Supportive Services ("IHSS")*—The 2014 Proposed Budget includes $2 billion for the IHHS program, a 6.4% increase from the prior fiscal year. The U.S. Department of Labor also announced new regulations effective January 1, 2015 that would require overtime pay for domestic workers To control costs, the 2014 Proposed Budget prohibits providers from working overtime.

Legislative Analyst's Office Response to 2014 Proposed Budget. The Legislative Analyst's Office (the "LAO") released its Overview of the 2014 Proposed Budget on January 13, 2013 (the "LAO Overview"). The LOA Overview praised the Governor's emphasis on debt repayment and stated that the 2014 Proposed Budget would place California on an even stronger fiscal footing. In addition to the proposed rainy-day fund, the LAO suggests that the State begin setting aside funds in Fiscal Year 2014-15 to address the California State Teachers Retirement System (CalSTRS) unfunded liabilities.

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

The Series 2014A Bonds

General Matters. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014A Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Corporation and the County with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2014A Bonds. Failure to comply with such covenants could cause interest on the Series 2014A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2014A Bonds. The Corporation and the County have covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2014A Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Series 2014A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2014A Bonds. The extent of these other tax consequences will depend on such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2014A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2014A Bonds.

Bond Counsel is also of the opinion that interest on the Series 2014A Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2014A Bonds under the laws of the State of California or any other state or jurisdiction.

Original Issue Discount. The Series 2014A Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the "Discount Tax-Exempt Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Tax-Exempt Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Tax-Exempt Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Tax-Exempt Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Tax-Exempt

Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Tax-Exempt Bond, on days that are determined by reference to the maturity date of such Discount Tax-Exempt Bond. The amount treated as original issue discount on such Discount Tax-Exempt Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Tax-Exempt Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Tax-Exempt Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Tax-Exempt Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Tax-Exempt Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Tax-Exempt Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Tax-Exempt Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Tax-Exempt Bond. Subsequent purchasers of Discount Tax-Exempt Bonds that purchase such bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Series 2014A Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Tax-Exempt Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Tax-Exempt Bond over its stated redemption price at maturity constitutes premium on such Premium Tax-Exempt Bond. A purchaser of a Premium Tax-Exempt Bond must amortize any premium over such Premium Tax-Exempt Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Tax-Exempt Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Tax-Exempt Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Tax-Exempt Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Tax-Exempt Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Tax-Exempt Bond.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2014A Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Series 2014A Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2014A Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

The Series 2014B Bonds

General Matters. Bond Counsel is of the opinion that interest on the Series 2014B Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2014B Bonds is exempt from State of California personal income taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Series 2014B Bonds under the laws of the State of California or any other state or jurisdiction.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2014B Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. Potential purchasers of the Series 2014B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2014B Bonds.

In general, interest paid on the Series 2014B Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Series 2014B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Series 2014B Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Series 2014B Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Series 2014B Bond for a price less than the adjusted issue price of such bond (or an investor who purchases a Series 2014B Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, "market discount" means (a) in the case of a Series 2014B Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Series 2014B Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Series 2014B Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Series 2014B Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Series 2014B Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2014B Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2014B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2014. The additional tax is 3.8 percent of the lesser of (a) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business and certain other listed items of gross income), or (b) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the Series 2014B Bonds should consult their own tax advisors regarding the application of this tax to interest earned on the Series 2014B Bonds and to gain on the sale of a Series 2014B Bond.

Sales or Other Dispositions. If an owner of a Series 2014B Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner's basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Series 2014B Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Series 2014B Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Series 2014B Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Series 2014B Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Backup Withholding. An owner of a Series 2014B Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Series 2014B Bonds, if such owner, upon issuance of the Series 2014B Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner's taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Series 2014B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2014B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2014B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30 percent United States withholding tax will apply to interest paid and original issue discount accruing on Series 2014B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2014B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of Series 2014B Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2014B Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Series 2014B Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Series 2014B Bond is urged to consult its own tax advisor regarding the application of these provisions.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Series 2014B Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Series 2014B Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Corporation or any dealer of the Series 2014B Bonds might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2014B Bonds are acquired by such plans or arrangements with respect to which the Corporation or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2014B Bonds. The sale of the Series 2014B Bonds to a plan is in no respect a representation by the Corporation or the Underwriter that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Series 2014B Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

Treasury Circular 230 Disclosure. Any federal tax advice contained in this Official Statement was written to support the marketing of the Series 2014B Bonds and is not intended or written to be used, and cannot be used, by a taxpayer for the purpose of avoiding any penalties that may be imposed under the Code. All taxpayers should seek advice based on such taxpayers' particular circumstances from an independent tax advisor. This disclosure is provided to comply with Treasury Circular 230.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2014 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2014 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2014 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2014 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE SERIES 2014 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2014 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2014 BONDS.

LEGAL MATTERS

The validity of the Series 2014 Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel. A complete copy of the proposed form of Bond Counsel opinion is contained in APPENDIX E: "PROPOSED FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Corporation and for the County by County Counsel. Kutak Rock LLP served as Disclosure Counsel to the Corporation and the County. Certain legal matters will be passed upon for the Underwriter by Jones Hall, A Professional Law Corporation. None of Bond Counsel, counsel to the Underwriter, Disclosure Counsel or County Counsel undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

CONTINUING DISCLOSURE

The County will agree to provide, during the time the Series 2014 Bonds are outstanding, certain financial information and operating data and notices of the occurrence of certain enumerated events, in compliance with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "Rule"). The specific nature of the notices of events and certain other terms of the continuing disclosure obligation are described in APPENDIX F: "PROPOSED FORM OF THE CONTINUING DISCLOSURE CERTIFICATE." Failure of the County to provide the required ongoing information may affect transferability, liquidity and the market price of the Series 2014 Bonds in the secondary market, but shall not constitute a default under the Indenture or the Master Lease.

For each of the last five years the County has timely filed each of its annual reports and all notices of material events as required by its previous undertakings with respect to the Rule. However, in 2012, the County determined that previous filings did not include certain budget information required by its previous undertakings. In addition, in April 2014 the County recognized that its annual reports for the 2009 and 2010 fiscal years were not filed with respect to two issuances, and that the annual report for the 2013 fiscal year was with respect to one issuance. Such information and reports were available, however, on the County's website and/or available in other continuing disclosure filings made by the County. The

County has subsequently filed such budget information and ensured that the annual reports are correctly filed with respect to all of its outstanding securities, and, other than as described above, is currently in compliance with all of its undertakings with respect to the Rule. The County has retained an independent consultant to review continuing disclosure compliance for each new issue going forward in a best practice effort to avoid future non-compliance.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Series 2014 Bonds, the Site Lease, the Master Lease, the Assignment Agreement or the Indenture, and an opinion of County Counsel to that effect will be furnished at the time of the original delivery of the Series 2014 Bonds. Neither the County nor the Corporation is aware of any litigation pending or threatened questioning the existence of the Corporation or the County or contesting the County's ability to appropriate or make Base Rental Payments. See APPENDIX A: "INFORMATION REGARDING THE COUNTY OF RIVERSIDE-Financial Information-Litigation" for a discussion of the County's pending general litigation.

FINANCIAL STATEMENTS

The County's audited financial statements with supplemental information for the year ended June 30, 2013, are included in this Official Statement as part of APPENDIX C: "COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013." In connection with the inclusion of the financial statements and the report of the Auditor thereon, the County did not request the Auditor to, and the Auditor has not undertaken to, update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

RATING

Standard & Poor's has assigned the Series 2014 Bonds the rating of "AA-." Such rating expresses only the views of the rating agency and is not a recommendation to buy, sell or hold the Series 2014 Bonds. There is no assurance that such rating will continue for any given period of time or that they will not be revised, either downward or upward, or withdrawn entirely by the rating agency, if in its, judgment, circumstances so warrant. The Corporation, the County, the Trustee and the Underwriter undertake no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal may have an adverse effect on the market price of the Series 2014 Bonds.

UNDERWRITING

The Series 2014 Bonds are being purchased through negotiation by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2014 Bonds at a purchase price of $19,205,135.02 (representing the par amount of the Series 2014 Bonds, plus a net original issue premium in the amount of $755,778.85, less an Underwriter's discount of $45,643.83). The Underwriter is obligated to purchase all of the Series 2014 Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the contract of purchase relating to the Series 2014 Bonds.

The Underwriter may also offer and sell the Series 2014 Bonds to certain dealers and others at prices lower than the respective public offering prices stated or derived from information stated on the inside cover page hereof. The initial public offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

The Corporation and the County have retained Fieldman, Rolapp & Associates, Irvine, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the Series 2014 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

EXECUTION AND DELIVERY

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

COUNTY OF RIVERSIDE ASSET
LEASING CORPORATION

By: /s/ Harold Trubo
Harold Trubo, President

COUNTY OF RIVERSIDE, CALIFORNIA

By: /s/ Jay Orr
Jay Orr, County Executive Officer

APPENDIX A
INFORMATION REGARDING THE COUNTY OF RIVERSIDE

GENERAL INFORMATION

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,279,967 as of January 1, 2014, representing an approximately 1.1% increase over the County's population as estimated for the prior year. For the ten year period of January 1, 2004 to January 1, 2014, the County's population grew by 25.6%. During this period, the cities of Eastvale, Jurupa Valley, Menifee and Wildomar incorporated, with a total population of 274,393 as of January 1, 2014. Currently, the growth in the County has tempered in recent years that County's population has grown at a rate close to the statewide average.

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

COUNTY OF RIVERSIDE
POPULATION OF CITIES WITHIN THE COUNTY

(As of January 1)

CITY	2010	2011	2012	2013	2014
Banning	29,507	29,723	30,051	30,177	30,325
Beaumont	36,496	38,966	38,851	39,787	40,876
Blythe	20,873	20,063	20,440	19,609	18,992
Calimesa	7,853	7,910	8,022	8,096	8,231
Canyon Lake	10,528	10,606	10,721	10,771	10,826
Cathedral City	51,037	51,400	52,108	52,350	52,595
Coachella	40,464	41,339	42,030	42,795	43,633
Corona	151,854	153,047	154,985	156,864	159,132
Desert Hot Springs	25,852	27,277	27,721	27,835	28,001
Eastvale	-	54,090	55,770	57,266	59,185
Hemet	78,335	79,309	80,329	80,899	81,537
Indian Wells	4,941	4,990	5,050	5,083	5,137
Indio	75,122	76,817	78,298	81,415	82,398
Jurupa Valley	-	-	96,745	97,272	97,774
Lake Elsinore	51,445	52,294	53,183	55,444	56,718
La Quinta	37,307	37,688	38,190	38,412	39,032
Menifee	77,267	79,139	80,831	82,314	83,716
Moreno Valley	192,654	194,451	197,086	198,183	199,258
Murrieta	103,085	104,051	105,300	105,860	106,425
Norco	27,066	26,968	27,123	26,632	26,582
Palm Desert	48,132	48,920	49,619	49,962	50,417
Palm Springs	44,385	44,829	45,414	45,724	46,135
Perris	67,879	69,506	70,391	70,983	72,103
Rancho Mirage	17,168	17,399	17,556	17,643	17,745
Riverside	302,814	306,069	309,407	312,035	314,034
San Jacinto	44,043	44,421	44,937	45,229	45,563
Temecula	99,611	101,255	103,403	104,907	106,289
Wildomar	32,006	32,414	32,818	33,182	33,718
TOTALS					
Incorporated	1,677,724	1,754,009	1,876,494	1,896,729	1,916,377
Unincorporated	501,968	451,722	357,699	358,924	363,590
County-Wide	2,179,692	2,205,731	2,234,193	2,255,653	2,279,967
California	37,223,900	37,510,766	37,668,804	37,984,138	38,340,074

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2010 through 2014:

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
2010			
Riverside County	$ 41,337,856	$47,080	46.6%
California	$844,822,042	$49,736	49.7%
2011			
Riverside County	$ 38,492,225	$44,253	43.07%
California	$801,393,028	$47,117	46.78%
2012			
Riverside County	$ 39,981,683	$44,116	42.91%
California	$814,578,458	$47,062	46.65%
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%

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

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

(In Thousands)

INDUSTRY	2009	2010	2011	2012	2013
Agriculture	14.9	15.0	14.9	15.0	14.6
Construction	67.9	59.7	59.1	62.6	69.3
Finance Activities	42.5	41.0	39.9	40.8	42.0
Government	235.2	234.3	227.5	224.6	225.0
Manufacturing:	88.7	85.1	85.1	86.7	86.8
Nondurables	30.6	29.8	29.3	29.8	29.8
Durables	58.1	55.3	55.8	56.8	57.0
Natural Resources and Mining	1.1	1.0	1.0	1.2	1.2
Retail Trade	156.2	155.5	158.5	162.3	164.8
Professional, Educational and other Services	471.9	438.5	446.3	463.6	491.4
Transportation, Warehousing and Utilities	66.8	66.6	68.8	73.8	78.6
Wholesale Trade	48.9	48.6	49.0	52.1	56.0
Information, Publishing and Telecommunications	14.1	14.0	12.1	11.5	11.3
Total, All Industries	1,177.6	1,159.3	1,162.2	1,194.2	1,241.0

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

Source: State Employment Development Department, Labor Market Information Division, as of March 2014

The following table sets forth the major employers located in the County as of 2013:

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[(1)]
(2013)

Company Name	Product/Service	No. of Local Employees[(2)]
County of Riverside	Government	18,728
March Air Reserve Base	Military Reserve Base	9,000
Stater Brothers Market	Supermarket	6,900
Walmart	Retail Store	5,681
University of California, Riverside	University	5,497
Riverside Unified School District	School District	5,000
Corona-Norco Unified School District	School District	4,633
Kaiser Permanente Riverside Medical Center	Hospital	4,500
Moreno Valley Unified School District	School District	3,355
Hemet Unified School District	School District	3,270

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

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

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	2009	2010	2011	2012	2013	March 2014
County[(1)]	13.6%	14.7%	13.6%	11.1%	10.3%	9.4%
California[(1)]	11.4	12.4	11.7	9.7	8.9	8.1
United States[(2)]	9.3	9.6	8.9	8.1	7.4	6.7

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

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

Commercial Activity

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

The following table sets forth taxable transactions in the County for the years 2008 through 2012, the most recent year for which data is currently available:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2008(1)	2009	2010	2011	2012
Motor Vehicles and Parts Dealers	$3,115,036	$2,449,747	$2,620,568	$3,010,487	$3,493,098
Furniture and Home Furnishings	485,981	381,643	412,325	436,482	441,649
Electronics and Appliances Stores	330,398	476,455	470,784	478,406	488,419
Building Materials, Garden Equipment and Supplies	1,580,020	1,237,518	1,232,145	1,303,073	1,365,513
Food and Beverage Stores	1,352,704	1,251,220	1,267,758	1,304,731	1,356,148
Health and Personal Care Stores	307,947	389,620	400,207	454,268	490,238
Gasoline Stations	3,011,476	2,300,247	2,685,840	3,300,785	3,516,040
Clothing and Clothing Accessories Stores	1,218,127	1,293,271	1,391,174	1,505,821	1,672,482
Sporting Goods, Hobby, Book and Music Stores	210,121	411,301	428,121	454,971	467,536
General Merchandise Stores	3,081,989	2,855,733	2,947,905	3,051,709	3,174,022
Miscellaneous Store Retailers	1,654,895	641,954	652,273	700,338	742,118
Nonstore Retailers	1,045,704	101,925	92,916	101,876	142,081
Food Services and Drinking Places	2,340,554	2,266,853	2,317,486	2,473,339	2,668,324
Total Retail and Food Services	$19,734,952	$16,057,488	$16,919,500	$18,576,285	$20,016,668
All Other Outlets	6,268,632	6,170,390	6,233,280	7,065,212	8,079,341
Total All Outlets	$26,003,595	$22,227,877	$23,152,780	$25,641,497	$28,096,009

(1) Data for 2008 is not necessarily directly comparable to 2009-2012 due to changes in classifications and groupings in the "Taxable Sales In California" report beginning in 2009.

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2009.

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	7,886

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

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

COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES

Year	Los Angeles	Riverside	San Bernardino	Southern California[1]
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 a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES

Year	Los Angeles	Riverside	San Bernardino	Southern California[1]
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 remains an important source of income in the County. Principal agricultural products are milk, eggs, table grapes, grapefruit, nursery, alfalfa, bell peppers, dates, lemons and avocados.

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

The value of agricultural production in the County for 2008 through 2012 is presented in the following table:

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	2008	2009	2010	2011	2012
Citrus Fruits	$135,759,800	$101,652,000	$140,501,000	$119,942,513	$125,684,390
Trees and Vines	173,678,000	191,682,600	164,994,000	232,649,262	217,073,170
Vegetables, Melons, Misc.	266,414,900	221,286,700	292,002,200	278,628,295	286,172,478
Field and Seed Crops	123,545,400	69,699,800	81,328,300	149,198,052	147,185,665
Nursery	230,416,200	206,499,900	169,341,300	200,154,964	190,878,100
Apiculture	5,637,000	5,017,600	4,631,700	4,844,400	4,983,400
Aquaculture Products	12,077,700	5,243,900	4,921,700	4,808,250	4,204,750
Total Crop Valuation	$ 947,529,000	$ 801,082,500	$857,720,200	$990,225,736	$976,181,953
Livestock and Poultry Valuation	321,060,900	214,672,800	235,926,300	292,030,380	276,548,118
Grand Total	$1,268,589,900	$1,015,755,300	$1,093,646,500	$1,282,256,116	$1,252,730,071

Source: Riverside County Agricultural Commissioner

Transportation

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

Currently, Metrolink provides commuter rail service to Los Angeles, San Bernardino and Orange Counties from several stations in the County. Transcontinental passenger rail service is provided by Amtrak with stops in Riverside and 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, service the area from Desert Hot Springs to Oasis and from Palm Springs to Riverside. The Palo Verde Valley Transit Agency provides service in the far eastern portion of the County (City of Blythe and surrounding communities).

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

Education

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

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

Environmental Control Services

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

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

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. As of April, 2014, no mandatory rationing has been initiated by the local water districts serving the County. The uncertainty associated with long-term water supply is a major concern of local and regional water agencies in California, especially southern California, which has been exacerbated due to the current draught. The governor and the state legislature have been engaged in discussions to develop a comprehensive, state-wide water supply, storage and conveyance solution. However, no assurance can be made that a sustainable solution will be achieved within a reasonably timeframe.

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

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

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

FINANCIAL INFORMATION

Budgetary Process and Budget

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

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

Fiscal Year 2013-14 Budget

In June 2013, the Board of Supervisors approved the Fiscal Year 2013-14 Recommended Budget. The Recommended Budget includes total general fund appropriations of approximately $2.7 billion. For Fiscal Year 2013-14, the County projects that approximately 42.5% of its General Fund budget revenues will consist of payments from the State and 21.1% will consist of payments from the Federal government. Discretionary revenue was budgeted to increase to approximately $586.6 million for fiscal year 2013-14, an increase of approximately 3.0% from the fiscal year 2012-13 adjusted budget estimates. The adopted budget includes an increase in discretionary spending of approximately $16.7 million from the prior fiscal year. Property tax revenue is budgeted at approximately $266.2 million for Fiscal Year 2013-14, and represents approximately 45.4% of the County's discretionary revenue. The County estimates an increase in assessed valuation in Fiscal Year 2013-14 of approximately 3.95% from Fiscal Year 2012-13.

The County expects revenue for Fiscal Year 2013-14 to be approximately $33 million higher than budgeted. During the Fiscal Year 2013-14 second quarter budget meeting, the County made a presentation reporting that, although the local unemployment rate has decreased and the real estate market appears to be stabilizing, new permit activity and projected sales and use tax revenue remain flat. Consequently, the County has tempered its revenue projections for the next four years. The County is also experiencing escalating labor costs, a growing deficit of the Riverside County Regional Medical Center, and expected additional costs related to the construction and operation of new jail facilities. See "-Realignment of Certain Services to Local Governments" below. The second quarter budget recommendations included setting aside approximately $29.5 million in one-time resources to build reserves and guard against unsustainable spending.

Fiscal Year 2014-15 Proposed Budget

The County has started its budget process for Fiscal Year 2014-15 and plans to hold its budget impact hearings in September, when the preliminary year-end financial data for Fiscal Year 2013-14 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. Departments may request additional support, if needed, during the budget impact hearing in September.

Property tax revenue is expected to grow by 5% in Fiscal Year 2014-15 and sales tax receipts that are not 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 will be 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 $53.9 million as of March 31, 2014. 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"), 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.

Impacts of State Budget

Changes in payments to the County from the State, whether temporary or permanent, may require adjustments to the County's 2013-14 and 2014-15 budgets. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

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

Realignment of Certain Services to Local Governments

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

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

With respect to Public Safety, however, county governments have taken on a host of new responsibilities related to inmates released from state prison, newly convicted offenders whose offenses are within the Penal Code sections defining the offense as non-violent, non-serious and non-sexual and beginning in 2013, parole violators. In Fiscal Year 2013-14, the County has 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 is likely to receive less funding for realignment since the statewide allocation will be $60 million less than the prior year and the County expects that it will be considerably more difficult to provide needed services. In addition, the County is expecting to receive a grant reimbursement of $25 million in Fiscal Year 2014-15 to replace the Probation Youth Education and Treatment Center in the City of Riverside. Beginning in late Fiscal Year 2014-15 or early Fiscal Year 2015-16, the County will begin to draw down $100 million in state bond funds to pay for a portion of the construction of a new jail facility in the City of Indio.

Final Budget Comparison

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

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS(1)
FISCAL YEARS 2009-10, 2010-11, 2011-12, 2012-13 AND 2013-14
(IN MILLIONS)

	2009-10 Budget	2010-11 Budget	2011-12 Budget	2012-13 Budget	2013-14 Budget
REQUIREMENTS					
General Government	$ 239.2	$ 175.3	$ 174.4	$ 180.4	$ 179.5
Public Protection	1,055.2	1,062.4	1,060.0	1,072.1	1,132.4
Public Ways and Facilities	2.2	0.0	0.0	0.0	0.0
Health and Sanitation	395.2	396.0	411.9	430.1	485.9
Public Assistance	815.5	780.0	802.9	762.3	835.7
Education	0.4	0.6	0.6	0.6	0.6
Recreation and Cultural	0.3	0.3	0.4	0.0	0.4
Debt Retirement-Capital Leases	6.8	6.8	5.0	5.0	4.9
Contingencies	30.0	20.0	20.0	7.0	20.0
Increase to Reserves	(12.8)	17.5	2.4	2.3	2.3
Total Requirements(3)	$2,532.0	$2,458.9	$2,477.7	$2,459.8	2,661.7
AVAILABLE FUNDS					
Use of Fund Balance and Reserves	$ 112.8	$ 107.8	$ 90.1	$ 74.0	$ 78.3
Estimated Revenues:					
Property Taxes	244.9	222.4	214.9	211.5	229.9
Other Taxes	46.1	46.0	35.5	35.0	31.0
Licenses, Permits and Franchises	20.7	19.8	18.1	17.7	17.6
Fines, Forfeitures and Penalties	55.7	58.0	56.2	51.7	49.3
Use of Money and Properties	13.5	11.2	10.0	7.4	6.3
Aid from Other Governmental Agencies:					
State	962.0	921.7	936.3	1,005.5	1,097.4
Federal	511.1	501.2	506.7	493.9	544.9
Charges for Current Services(2)	452.7	461.0	462.8	442.6	469.1
Other Revenues(2)	112.5	111.9	147.7	120.5	137.9
Total Available Funds(3)	$2,532.0	$2,458.9	$2,477.7	$2,459.8	$2,661.7

(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) Due to reporting changes, certain accounts were reclassified from Other Revenues to Charges for Current Services after fiscal year 2008-09.
(3) Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2014, the portfolio assets comprising the PIF had a market value of $5,248,803,539.81.

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, 2013, 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 77.18% of the funds on deposit in the County Treasury, while approximately 22.82% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

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

The allocation of the investments in the Pooled Investment Fund as of March 31, 2014, was as follows:

	% of Pool
U.S. Treasury Securities	6.10%
Federal Agency Securities	54.91
Cash Equivalents & Money Market Funds	15.31
Commercial Paper	18.34
Medium Term Notes	0.00
Municipal Notes	1.64
Certificates of Deposit	2.66
CalTrust Short Term Fund	1.03
Repurchase Agreements	0.00
Local Agency Obligations	0.01
Total	100.00%
Book Yield:	0.40%
Weighted Average Maturity:	1.37 Years

Source: County Treasurer-Tax Collector

As of March 31, 2014, the market value of the PIF was 99.86% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

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

Ad Valorem Property Taxes

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

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

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

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

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2002-03 through fiscal year 2013-14.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2002-03 THROUGH 2013-14
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
2002-03	$1,348,190,139	$44,478,022	3.30%	$1,388,639,880	103.00%
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	70,921,563	2.65	2,809,408,918	104.96
2012-13	2,677,034,057	58,215,544	2.17	2,800,820,511	104.62
2013-14	2,813,381,750	N/A	N/A	N/A	N/A

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

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL(1)

Fiscal Year	Unsecured Property Tax Levy	Total Collections(2)	Percentage of Total Collections to Original Levy(2)
2002-03	$51,805,548	$48,211,472	93.06%
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	83,904,478	84,157,603	100.30
2012-13	83,848,832	78,686,704	93.84
2013-14	83,522,992(3)	78,258,769(3)	93.7(3)

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(3) Reflects partial year collections, through April 2014.

Source: County Auditor-Controller

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

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

The following table describes the supplemental tax roll of the County for fiscal year 2003-04 through fiscal year 2013-14:

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2003-04 THROUGH 2013-14

Fiscal Year	Tax Levy for Increased Assessments(1),(2),(3)	Refunds for Decreased Assessments(1), (3)	Net Supplemental Tax Levy	Collections(1),(2)
2003-04	$107,873,487	$2,072,831	$105,800,656	$92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09(4)	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922)(5)	19,632,809
2010-11	34,612,092	27,686,887	6,925,205	16,813,302
2011-12	26,497,836	18,807,091	7,690,745	17,105,095
2012-13	35,389,177	16,720,188	18,668,989	23,487,988
2013-14	49,806,425(6)	8,321,193(6)	31,494,233(6)	27,988,968(7)

(1) These figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Includes current and prior years' taxes, redemption penalties and interest collected.
(3) Tax levy amounts are shown net of minimum tax less than $10 and refunds are shown net of refunds of negative supplemental taxes less than $10.
(4) Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.
(5) The negative tax levy is a result of refunds exceeding the billed amounts.
(6) From July 2013 through April 2014.
(7) From July 2013 through March 2014.

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

The following table sets forth the assessed valuation by category and property type for fiscal year 2009-10 through fiscal year 2013-14:

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE(1)
FISCAL YEARS 2009-10 THROUGH 2013-14
(IN MILLIONS)

Category	2009-10	2010-11	2011-12	2012-13	2013-14
SECURED PROPERTY:					
Land	$ 69,917	$ 65,877	$ 64,308	$ 63,549	$ 65,635
Structures	137,292	132,431	131,516	132,077	138,000
Personal Property	906	819	836	887	878
Utilities	2,907	3,018	3,614	3,475	3,618
Total Secured	$211,022	$202,145	$200,274	$199,988	$208,131
UNSECURED PROPERTY:					
Land	$ 2	$ 14	$ 29	$ 17	$ 13
Improvements	3,761	3,748	3,778	3,951	3,910
Personal Property	4,154	4,049	3,975	3,895	3,691
Total Unsecured(2)	$ 7,917	$ 7,811	$ 7,782	$ 7,863	$ 7,614
GRAND TOTAL	$218,939	$209,956	$208,059	$207,851	$215,745

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

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and remained at the lower levels since 2009. See “Demographic and Economic Information-Building and Real Estate Activities” herein. 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 response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of $16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately $40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year. In fiscal year 2012-13, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 0.15% decline in assessed valuation from the prior fiscal year. Cumulatively, assessed valuation in the County has declined 16.36% since fiscal year 2007-08 through fiscal year 2012-13 due to the County Assessor’s proactive reviews. No additional Proposition 8 reductions are expected for Fiscal Year 2013-14 or 2014-15, and assessed valuation in the County increased from fiscal year 2012-13 to fiscal year 2013-14 by approximately 3.95%.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2013-14 totaling approximately $12.4 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. 26% of the fiscal year 2012-13 assessment appeals have been completed. The majority of the remaining fiscal year 2012-13 assessment appeals are expected to be completed by November 30, 2014.

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 2012-13 assessment appeals still to be completed; and (ii) a portion of the fiscal year 2013-14 and fiscal year 2014-15 assessment appeals being completed during fiscal year 2014-15.

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 2013-14, approximately 55.3% 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 sale, in October 2013, of County of Riverside Teeter Obligation Tax-Exempt Notes, Series D (the "D Notes") in the amount of approximately $118.1 million and the County of Riverside Teeter Obligation Taxable Notes, Series E (the "Series E Notes" and together with the D Notes, the "Notes") in the amount of approximately $1.6 million. The proceeds of the Notes refunded the outstanding County of Riverside 2012 Teeter Obligation Notes, Series D originally issued in the amount of $142.8 million, funded an advance of unpaid property taxes for agencies participating in the Teeter Plan, and made payments to the Cities of Riverside and Eastvale to acquire such cities' prior year tax receivables as new participants in the Teeter Plan. The Notes funded approximately $44.2 million representing fiscal year 2012-13 delinquent property taxes and approximately $75.5 million representing prior years' delinquent property taxes. The Notes mature on October 15, 2014. 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 shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2013-14:

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2013-14
COMBINED TAX ROLLS(1)

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
Southern California Edison Company	$27,265,175.94	0.92%
CPV Sentinel LLC	8,528,247.00	0.29
Verizon California Inc.	7,444,694.48	0.25
Southern California Gas Company	6,643,752.25	0.22
Inland Empire Energy Center, LLC	4,724,552.80	0.16
Walgreen Co.	3,047,025.73	0.10
Tyler Mall Ltd. Partnership	2,985,659.56	0.10
Time Warner Cable Pacific West LLC	2,923,122.40	0.10
Lowes HIW Inc.	2,739,694.02	0.09
Target Corp.	2,655,141.13	0.09
Chelsea GCA Realty Partnership	2,600,909.58	0.09
Costco Wholesale Corp.	2,594,866.65	0.09
Wal Mart Real Estate Business Trust	2,581,516.60	0.09
KB Home Coastal Inc.	2,565,084.35	0.09
Federal National Mortgage Association	2,538,809.20	0.09
Roripaugh Valley Restoration	2,502,491.44	0.08
Standard Pacific Corp.	2,462,304.49	0.08
Abbott Vascular Inc.	2,418,560.79	0.08
Blythe Energy, LLC	2,416,881.60	0.08
Nestle Waters North America, Inc.	2,272,728.64	0.08
Ross Dress For Less, Inc.	2,227,547.50	0.08
Health Care REIT	2,137,448.36	0.07
Richmond American Homes of Maryland Inc.	2,096,973.02	0.07
Fresh & Easy Neighborhood Market, Inc.	2,067,061.87	0.07
Palm Desert Funding Co.	2,066,948.04	0.07
Total	**$104,327,197.43**	**3.52%**
Total Tax Charge for 2013-14	**$2,966,469,758.95**	

(1) Includes secured, unsecured and State-assessed property.

Source: County Treasurer and Tax Collector

The 10 largest property owners in the County by assessed value for all properties, for the fiscal year 2014-15 are shown below:

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

ASSESSEE	ASSESSED VALUE
Eisenhower Memorial Hospital	$ 362,181,082
Kaiser Foundation Hospital	314,501,977
Walgreen Co.	262,378,841
Time Warner Cable Pacific West LLC	252,013,048
Abbott Vascular Inc.	234,075,384
Target Corp.	226,121,225
Kaiser Foundation Health Plan Inc.	218,097,077
Lowes HIW Inc.	215,047,054
Costco Wholesale Corp.	214,356,553
Ross Dress For Less Inc.	202,322,179
Subtotal	$ 2,501,094,420
All Others	210,474,446,454
Total	$212,975,540,874 (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 bulk of the funds collected are disbursed to other agencies. For fiscal year 2012-13, the County retained approximately 12.23% of the total amount collected (and is budgeted to retain 12.23% in fiscal year 2013-14). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law (See "-Redevelopment Agencies" below). Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

Redevelopment Agencies

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

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

COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2002-03 THROUGH 2013-14

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2] [3]
2002-03	$11,061,415,310	$26,977,389,195	$271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279	56,687,373,841	598,655,064
2012-13	16,352,697,201	56,178,718,338	594,476,134
2013-14[4]	16,352,697,201	58,677,226,297	688,683,052

(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 2013-14.

Source: County Auditor-Controller

Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. The County had previously formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the County redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of $3,971,824,734, and a 2011-12 assessed value of 8,266,787,927. In fiscal year 2011-12, the pass-through payment to the County's general fund from the County's redevelopment agency totaled $1,600,442.73, and was offset in its entirety pursuant to Health and Safety Code Section 33607.5. As a consequence of the dissolution of redevelopment agencies, the County no longer receives pass-through payments from the County redevelopment agency, 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 2014, the County received approximately $9 million in such funds in the current fiscal year.

In fiscal year 2013-14, the County estimates that it will receive approximately $81 million in pass-through payments pursuant to agreements with various city redevelopment agencies, and is projecting that it will receive approximately $85 million in pass-through payments in fiscal year 2014-15. 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 2012-13 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

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, 2013, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2008-09 THROUGH 2012-13

(In Thousands)

	2008-09	2009-10	2010-11	2011-12	2012-13
BEGINNING FUND BALANCE	$481,776	$372,121	$386,486	$343,562	$336,598
REVENUES					
Taxes	274,480	229,631	221,807	216,746	246,144
Licenses, permits and franchises	19,840	16,724	18,187	17,648	16,442
Fines, forfeiture sand penalties	107,147	112,813	93,528	88,979	85,241
Use of money and property–Interest	33,414	12,197	8,196	4,740	1,676
Use of money and property– Rents and concessions	3,157	3,936	3,669	3,798	3,670
Government Aid–State	908,334	820,432	856,327	931,652	1,000,545
Government Aid–Federal	472,210	504,605	490,088	475,221	478,791
Governmental Aid-Other	95,812	89,312	82,147	80,332	81,169
Charges for current services	364,649	367,249	369,780	354,451	374,750
Other revenues	36,149	30,670	37,654	40,852	26,253
TOTAL REVENUES	$2,315,192	$2,187,569	$2,181,383	$2,214,419	$2,315,681
EXPENDITURES					
General government	$146,816	$130,516	$109,146	$127,195	$103,895
Public protection	1,062,437	1,005,679	1,025,584	1,010,999	1,043,017
Public ways and facilities	4,378	-	-	-	-
Health and sanitation	382,588	333,068	345,649	369,165	388,325
Public assistance	719,328	712,353	731,017	719,670	735,057
Education	675	551	548	579	564
Recreation and cultural	230	312	364	324	346
Capital Outlay	22,746	31,018	8,321	2,671	1,721
Debt service	22,501	21,876	24,829	21,426	19,576
TOTAL EXPENDITURES	$2,361,699	$2,234,373	$2,245,458	$2,252,029	$2,292,501
Excess (deficit) of revenues over (under) expenditures	(46,507)	(47,804)	(64,075)	(37,610)	23,180
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$99,825	$168,833	$106,047	$123,587	$92,297
Transfer to other funds	(185,719)	(132,682)	(93,217)	(98,045)	(96,547)
Capital Leases	22,746	31,018	8,321	2,671	1,721
Total other Financing Sources (Uses)	$(63,148)	$62,169	$21,151	$28,213	(2,529)
NET CHANGE IN FUND BALANCES	$(109,655)	$14,365	$(42,924)	$(9,397)	$20,651
FUND BALANCE, END OF YEAR(1)	$372,121	$386,486	$343,562	$336,598	$357,249

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

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2009 THROUGH JUNE 30, 2013

(In Thousands)

	2009	2010	2011	2012	2013
ASSETS:					
Cash & Marketable Securities	$150,728	$122,902	$160,887	$151,845	$128,655
Taxes Receivable	46,813	27,714	17,790	14,046	10,931
Accounts Receivable	31,150	8,468	12,771	9,196	9,167
Interest Receivable	3,315	2,091	1,119	643	687
Advances to Other Funds	0	0	3,692	3,342	3,342
Due from Other Funds	19,110	25,353	18,787	14,227	9,071
Due from Other Governments	250,144	263,240	276,656	328,817	308,532
Inventories	2,132	1,941	1,564	1,187	2,059
Prepaid items	3,720	888	277	298	818
Restricted Assets	252,084	296,543	283,095	299,673	307,452
Total Assets	$759,196	$749,140	$777,638	$823,274	$780,714
LIABILITIES:					
Accounts Payable	$ 68,560	$ 57,236	$ 84,116	$75,996	$24,234
Salaries & Benefits Payable	88,184	46,376	50,374	57,391	57,519
Due To Other Funds	0	2,155	2,639	1,466	9,190
Due to Other Governments	47,579	35,161	34,550	40,804	23,377
Deferred Revenue	180,777	218,676	260,343	311,003	66,855
Deposits Payable	1,975	3,050	2,054	16	19
Advances from grantors and third parties	-	-	-	-	242,271
Total Liabilities	$387,075	$362,654	$434,076	$486,676	$423,465
FUND BALANCE:[1]					
Nonspendable			$ 2,214	$ 1,834	$ 3,247
Restricted			98,552	101,651	101,440
Committed			50,097	52,439	42,183
Assigned			3,463	8,674	10,460
Unassigned			189,236	171,910[2]	199,919[2]
Reserved	$ 91,196	$ 90,374			
Unreserved	280,925	296,112			
Fund Balance	$372,121	$386,486	$343,562	$336,598	$357,249
Total Liabilities and Fund Balance	$759,196	$749,140	$777,638	$823,274	$780,714

(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, 2006 THROUGH JUNE 30, 2013

(In Thousands)

	Reserved	Unreserved				Total
2006	$100,436	$346,482				$446,918
2007	88,233	482,731				570,964
2008	84,466	394,302				478,768
2009	91,196	280,925				372,121
2010	90,374	296,112				386,486
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2011[(1)]	$2,214	$98,552	$50,097	$3,463	$189,236	$343,562
2012	1,834	101,651	52,439	8,764	171,910	336,598
2013	3,247	101,440	42,183	10,460	199,919	357,249

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

Source: County Auditor-Controller

Short-Term Obligations of County

In June 2013, the County issued its 2013-14 Tax and Revenue Anticipation Note (the "2013-14 TRAN") in the principal amount of $250,000,000 to provide funds to meet the County's fiscal year 2013-14 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. $125,000,000 of the 2013-14 TRAN remains outstanding and is due on June 30, 2014. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2013-14 fiscal year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment. The County expects to issue a tax and revenue anticipation note in June 2014 in the principal amount of $250,000,000 to provide funds to meet the County's fiscal year 2014-15 general fund expenditures.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 1, 2014, the County had $711,859,868 in direct general fund obligations and $334,515,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 1, 2014.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF APRIL 1, 2014)

2013-14 Assessed Valuation: $213,210,306,282 (includes unitary utility valuation)

	% Applicable	Debt 4/1/14	
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Metropolitan Water District	6.146%	$ 8,129,622	
Community College Districts	1.173-99.999	547,985,598	
Unified School Districts	1.300-100.	2,193,734,769	
Perris Union High School District	100.	83,862,260	
Elementary School Districts	100.	64,028,611	
City of Riverside	100.	14,295,000	
Eastern Municipal Water District Improvement Districts	100.	38,015,000	
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	1,705,000	
San Gorgonio Memorial Hospital District	100.	107,980,000	
Community Facilities Districts	50.225-100.	2,739,616,127	
Riverside County 1915 Act Bonds	100.	2,660,000	
City and Special District 1915 Act Bonds (Estimated)	100.	219,691,373	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$6,021,703,360	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 711,859,868**	(1)
Riverside County Pension Obligations	**100.**	**334,515,000**	
Riverside County Board of Education Obligations	100.	2,700,000	
School Districts General Fund and Lease Tax Obligations	1.300-100.	456,507,228	
City of Corona General Fund Obligations	100.	55,118,208	
City of Moreno Valley General Fund Obligations	100.	69,686,500	
City of Indio General Fund Obligations	100.	40,165,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.	157,890,828	
City of Riverside Certificates of Participation	100.	198,764,392	
City of Riverside Pension Obligations	100.	122,005,000	
Other City General Fund Obligations	100.	80,281,600	
Other Water District Certificates of Participation	100.	65,747	
Other Special District Certificates of Participation	100.	2,640,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,232,199,371	
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**10,102,258**	
City of Corona Certificates of Participation supported by waste water revenues		1,515,000	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,220,582,113	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$2,746,999,812	
GROSS COMBINED TOTAL DEBT		$11,000,902,543	(2)
NET COMBINED TOTAL DEBT		$10,989,285,285	

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

Ratios to 2013-14 Assessed Valuation:
- Overlapping Tax and Assessment Debt 2.82%
- **Combined Gross Direct Debt ($1,046,374,868).......... 0.49%**
- **Combined Net Direct Debt ($1,036,272,610) 0.49%**
- Gross Combined Total Debt 5.16%
- Net Combined Total Debt.......... 5.15%

Ratios to Successor Agency Redevelopment Incremental Valuation ($58,479,843,303):
- Total Overlapping Tax Increment Debt 4.70%

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, 2014, the County's current outstanding lease obligations total $708,448,467. The County's annual lease obligation is approximately $83,313,894 and the maximum annual lease payment is $93,896,364. In addition, in the fall of 2014, the County plans to finance the construction of the East County Detention Center with proceeds of lease revenue bonds in an aggregate principal amount of approximately $250,000,000.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of April 1, 2014.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(AS OF APRIL 1, 2014)

	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	$28,000,000	$13,417,318[(2)]
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	7,475,000	
1997 Series A	2026	41,170,073	38,136,209	
1997 Series C	2019	3,265,000	3,265,000	
2012 Series A and B[(3)]	2019	90,530,000	90,530,000	19,880,794[(3)]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	4,400,000	814,000[(4)]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2008 Series A	2022	72,445,000	56,655,000	8,263,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A[(14)]	2033	13,190,000	10,900,000	868,495
2005 Series B[(5)]	2027	22,610,000	18,025,000	1,575,575
County of Riverside Court Financing Corporation Certificates of Participation (Bankruptcy Courthouse Acquisition Property) [(14)]	2027	18,000,000	7,290,000	1,448,247
County of Riverside Certificates of Participation (2009 Larson Justice Center Refunding) [(6)]	2021	36,100,000	18,800,000	2,562,425
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	9,647,258	
Series 2002	2020	925,000	455,000	1,821,748[(7)]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2008 Series A[(8)]	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[(9)] [(14)]	2018	8,685,000	1,830,000	404,703
County of Riverside Certificates of Participation (2005 Series A Capital Improv and Family Law Court Refunding Project) [(10)]	2036	51,655,000	43,335,000	3,392,425
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	30,780,000	2,163,069
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	40,395,000	11,108,125
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,340,000	1,153,555
County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Refunding Projects) [(11)]	2040	45,685,000	43,345,000	1,910,700
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	4,160,000	681,866
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project) [(12)]	2031	33,360,000	31,680,000	2,513,438
County of Riverside Public Financing Authority (2012 Lease Revenue Refunding Bonds)[(13)]	2033	17,640,000	16,995,000	1,387,475
County of Riverside Leasehold Revenue Bonds (2013 Series A Public Defender/Probation Bldg and Riverside County Technology Solution Center Projects)	2043	66,015,000	66,015,000	2,579,026
Riverside Community Properties Development, Inc. Lease Revenue Bonds (2013 Riverside County Law Building Project)	2044	44,380,000	44,380,000	1,300,773
TOTAL		$1,142,185,073	$708,448,467	$83,313,894

(1) Annual base rental for fiscal year 2013-2014 unless otherwise noted.
(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April, 22, 2013 was approximately 0.14%.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds. The 2012 Series A and B Bonds refunded the 1997 B Bonds. A portion of the proceeds of the 2012 Bonds was used to redeem the 1997 B Bonds and the remaining proceeds will be used to pay for improvements of the Medical Center Campus.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending April 20, 2013 was approximately 0.21%.
(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
(6) The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.
(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(8) The 2008 Series A refunded the 2000 Series B SWJC Project.
(9) The 2003 Series B refunded the 1993 Master Refunding Project.
(10) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
(11) The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.
(12) The 2012 County Administrative Refunding Project refunded the 2001 County Administrative Annex Project.
(13) The 2012 Public Financing Authority Lease Revenue Refunding Bonds refunded the 2003A Palm Desert Financing Authority Lease Revenue Bonds.
(14) The County will refund the County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property), 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) on June 5, 2014 with proceeds of the Series 2014 Bonds.

Source: County Executive Office

Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County entered into an amended and restated interest rate swap agreement with a notional amount of $76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of March 2014. 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, 2014, the swap agreement had a negative fair market value of approximately $25.2 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 March 2014, Assured Guaranty Corp. had a rating of "AA" by S&P and "A3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

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

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
2004 THROUGH 2014

Year	Regular Employees[1]
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,764
2012	17,815
2013	18,728
2014[2]	18,600

(1) As of December 31st of each year. Excludes temporary and per diem employees.
(2) As of March 31, 2014.

Source: County Human Resources Department

County employees comprise 12 bargaining units, plus another 7 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 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").

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

Retirement Program

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

Financial Statements, June 30, 2013, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

In 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 plans, currently managed by PERS and to advise the Board of Supervisors on important matters concerning the plans. PARC reports annually to the Board of Supervisors on the performance of the plans and evaluates strategies to address appropriate funding of the plans.

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

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

In May 2013, the RSA filed a complaint in the Superior Court of the County of Riverside against the State and the County asking the Court to declare that the provisions of PEPRA are unconstitutional in regard to its members. RSA has taken the position that the lower pension benefit levels provided by PEPRA conflict with the higher benefit levels provided to RSA's members by its collective bargaining agreement with the County. RSA alleges that the unilateral implementation of PEPRA by the State and the County violates the Contracts Clause of the California and United States Constitutions by impairing RSA members' rights to pension benefits under the collective bargaining agreement. The State and the County deny the allegations and are defending the lawsuit.

The County's PERS Contract. The following information concerning PERS is excerpted from publicly available sources that the County believes to be reliable; however, the County takes no responsibility as to the accuracy of such information and has not independently verified such information. PERS acts as a common investment and administrative agent for participating public entities within the State. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. PERS maintains two pension plans for the County, a Safety Plan (the "Safety Plan") and a Miscellaneous Plan (the "Miscellaneous Plan" and, together with the Safety Plan, the "PERS Plans"). The County contributes to PERS amounts 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 2013 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, 2012, which was prepared in October 2013, is effective for the County's fiscal year 2014-15). PERS rules require the County to implement the actuary's recommended rates.

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

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

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

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

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

On January 1, 2013, PEPRA took effect. The majority of the PEPRA changes will first impact the rates and benefit provision on the June 30, 2013 valuation for the fiscal year 2015-16 rates. On April 17, 2013, the PERS Board approved a recommendation to change the PERS amortization and rate smoothing practices. Beginning with the June 30, 2013 valuation, PERS 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 18, 2014, the CalPERS Board approved contribution increases for its contracting local agency employers, including the County, that are scheduled to take effect on July 1, 2015, be phased in over five years and be spread over 20 years.

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

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

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

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2012, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 14.527% be implemented as the required rate for fiscal year 2014-15, which the County anticipates will result in a contribution to PERS of approximately $128 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $3.8 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 $131.8 million. In the actuarial valuation for the Safety Plan as of June 30, 2012, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 21.899% be implemented as the required rate for fiscal year 2014-15, which the County anticipates will result in a contribution to PERS of approximately $73.7 million for that fiscal year. Beginning in fiscal year 2014-15, the County will no longer pay 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 $2 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, 2008 through June 30, 2012 and the total employer contributions made by the County for fiscal year 2010-11 through fiscal year 2014-15. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(SAFETY PLAN)

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions
2008	$ 55,295,801	96.2%	2010-11	$53,117,897	$21,222,703
2009	131,506,806	92.0	2011-12	60,667,388	13,460,331(3)
2010	184,737,814	89.8	2012-13	63,652,359	11,594,226(3)
2011	286,064,497	85.9	2013-14	71,529,739(2)	2,964,063(2)(3)
2012	225,792,281	89.2	2014-15	72,675,631(2)	0 (2)(3)

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.
(2) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal years 2013-14 and 2014-15.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions)

HISTORICAL FUNDING STATUS
(MISCELLANEOUS PLAN)

Valuation Date June 30	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	County Offsets of Employee Contributions
2008	$175,248,079	94.8%	2010-11	$90,944,229	$40,041,548
2009	389,195,847	89.7	2011-12	103,892,326	36,974,032(3)
2010	444,330,905	89.2	2012-13	106,685,618	17,525,337(3)
2011	538,055,042	87.9	2013-14	124,463,807(2)	7,415,562(2)(3)
2012	436,480,531	88.6	2014-15	128,197,721 (2)	3,843,205 (2)(3)

(1) Figures listed are amounts paid by the County to PERS in the specific years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.
(2) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal years 2013-14 and 2014-15.
(3) Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

SCHEDULE OF FUNDING PROGRESS
(SAFETY PLAN)

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2008	$1,469,415,642	$1,414,119,841	$55,295,861	96.2%	$240,746,309	23.0%
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7
2011	2,032,001,280	1,745,936,783	286,064,497	85.9	273,169,605	104.7
2012	2,086,406,405	1,860,614,124	225,792,281	89.2	261,703,717	86.3

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012

SCHEDULE OF FUNDING PROGRESS
(MISCELLANEOUS PLAN)

Valuation Date June 30	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2008	$3,350,222,866	$3,174,974,787	$175,248,079	94.8%	$841,612,805	20.8%
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0
2011	4,461,553,672	3,923,498,630	538,055,042	87.9	812,362,628	66.2
2012	4,708,881,750	4,172,401,219	536,480,531	88.6	836,418,298	64.1

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2010-11 through fiscal year 2014-15 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2008	2010-11	19.335%	12.165%
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494
2011	2013-14	23.368	15.001
2012	2014-15	21.899	14.527

Source: PERS Actuarial Reports for June 30, 2008 through June 30, 2012

According to the PERS actuary, as of June 30, 2012, the funded status of the Miscellaneous Plan based on its market value of $3.5 billion was 74.8% and the funded status of the Safety Plan based on its market value of $1.5 billion was 75.1%. The PERS Board has announced that, beginning with the valuation for Fiscal Year ending June 30, 2013, it will utilize the market value of plan assets rather than the actuarial value.

***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 forward-looking 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 the 2013-14 fiscal year, 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 24% for the Miscellaneous Plan and approximately 33% 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.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2013, the County's current required contribution level is 0.78%. The County elected to contribute 1% 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, 2013 are approximately $1,765,941.

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

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2013 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.36%, the present value of benefits was estimated to be $52.8 million, the accrued actuarial liability was estimated to be $43.8 million and the annual normal cost was $1.2 million. If the accrued actuarial liability of $43.8 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $2.3 million.

The Board of Supervisors took action on October 25, 2006 to set aside $10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of $10.4 million was made to the trust. On June 26, 2009, the County contributed an additional $2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from $237 million in 2006 to $17 million most recently.

Medical Center

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

The County has the responsibility for providing health care to all individuals, regardless of their ability to pay or insurance status. In recent years, it has become more and more difficult to meet this obligation as a Riverside County safety net provider. Declining and inadequate federal and State health care reimbursement and non-payment by the growing uninsured, coupled with rising service needs as a result of the recent economic downturn and costs of an older and sicker population, place significant demands on the County's health care system. Of particular concern is the persistent cash deficit experienced at the Riverside County Regional Medical Center ("RCRMC") since fiscal year 2012-2013. Hospital staff projects that the deficit will increase in fiscal year 2013-14 before beginning to improve in 2014-15.

In fiscal year 2012-13, RCRMC had a decrease in net unrestricted assets of approximately $18.3 million, ending the fiscal year with unrestricted net assets of approximately $29.3 million. RCRMC had a negative cash balance of approximately $27.1 million as of June 30, 2013. RCRMC continued to experience a decline in patient collections in fiscal year 2012-13 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2012-13 for Medi-Cal days and Medi-Cal costs and unreimbursed uninsured costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, each year RCRMC may receive additional payments from the State or may be required to reimburse the State for any overpayment received during the prior fiscal year. Such tentative interim reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year. In fiscal year 2013-14, the County estimates that it will have to reimburse the State approximately $26 million for overpayments attributable to fiscal year 2012-13. Final settlements, however, may take up to seven years to complete after a public hospital cost report is submitted. RCRMC fully reserves the estimated overpayments made by the State that are subject to the Waiver.

In 2013, RCRMC retained Huron Consulting Group ("Huron") to provide consultation designed to improve efficiencies and increase revenue at RCRMC. The engagement is one-third complete, but early assessments project budget improvement of approximately $44 million to $66 million per year. Additionally, the projected continued economic recovery may return the average RCRMC patient to where they were before the 2007 recession, when they were in a better financial position to afford insurance and medical costs. Further, RCRMC expects that the Affordable Care Act will decrease the number of uninsured hospital patients and thereby benefit RCRMC's financial situation. There may be a negative effect of the Affordable Care Act, however, as evidenced by early trends since the implementation of the Affordable Care Act in January 2014 that indicate an 11% decline in the number of patients treated at RCRMC. RCRMC cannot predict at this time if this trend will continue and the extent to which it will impact RCRMC's financial position.

For fiscal year 2013-14, consistent with its past practice, the County contributed approximately $10 million to RCRMC from general fund tobacco settlement revenues and $5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses. RCRMC estimates an additional cash shortage of $56 million attributable to fiscal year 2013-14, thus predicting a cumulative negative cash balance of approximately $83 million at the end of fiscal year 2013-14. RCRMC attributes the fiscal year 2013-14 shortfalls primarily to uncompensated services provided to uninsured mental health patients, jail inmates and Medi-Cal patients and to operating inefficiencies.

In July 2013, the Board of Supervisors approved a loan of up to $40 million to RCRMC from the County's Workers Compensation Fund to cover RCRMC's negative cash position of approximately $33 million at the end of Fiscal Year 2012-13. The loan was issued in September 2013 and repaid in full in October 2013 from funds received from collections of delayed Medi-Cal reimbursements and of delayed outpatient service bills.

On November 26, 2013, the Board of Supervisors approved a temporary transfer of approximately $26 million to RCRMC from the County's Waste Management Enterprise Fund to pay for the Huron engagement. RCRMC is required to repay the funds, with interest calculated at the County's pooled investment fund rate, starting in 2016 pursuant to a negotiated repayment schedule, with final maturity on June 30, 2022. If RCRMC is unable to timely repay the loan in full within 10 years of its origination date, then unpaid amounts will be payable by the County from unencumbered general fund sources.

RCRMC is pursuing various avenues to reduce the operating deficit, including maximizing reimbursement from available sources, implementing cost-saving measures and exploring new revenue opportunities. The Huron consulting engagement is ongoing, and is expected to improve patient service, increase efficiencies, cut costs and increase revenue collection. It is the County's intent that RCRMC's costs of providing services be recovered primarily through fees charged for services with minimal or no general fund support.

The County's Executive Office, in collaboration with RCRMC, provides the Board monthly reports on its financial status. The latest report shows RCRMC has launched $49 million of savings in new initiatives and $9 million in one-time non-labor and revenue savings. The April 2014 monthly financial update projects a slight improvement in the projected June 30, 2014 cash position, to negative $82 million. The Executive Office continues monitoring these issues closely.

RCRMC is projecting that it will face an additional cash shortfall of approximately $20 million in fiscal year 2014-15 and that it will seek further approvals from the Board for temporary transfers from the County's special funds to meet such shortfall. However, RCRMC projects that its fiscal situation will somewhat stabilize during fiscal year 2014-15, and that it will end such fiscal year with a negative cash balance of approximately $28.2 million.

Insurance

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

The property insurance program provides insurance coverage for all risks subject to a $50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a $100,000 minimum per occurrence and $500,000 maximum per occurrence deductible within a 100-year flood zone and a $25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides $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, 2013 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, 2013 was approximately $183.9 million.

Litigation

There is no action, suit or proceeding known to the County to be pending or threatened, restraining or enjoining the execution or delivery of the Series 2014 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 a 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 the 2013-2014 fiscal year, 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.

APPENDIX B

BOOK-ENTRY SYSTEM

The following information concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from sources that the Corporation and the Underwriter believes to be reliable, but neither the Corporation nor the Underwriter takes responsibility for the accuracy thereof. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in this Official Statement and in APPENDIX D: "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

DTC will act as securities depository for the Series 2014 Bonds. The Series 2014 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2014 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information on this website is not incorporated herein by this reference.

Purchases of Series 2014 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2014 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2014 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 2014 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2014 Bonds, except in the event that use of the book-entry system for the Series 2014 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2014 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2014 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2014 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2014 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Neither the County nor the Corporation will have any responsibility or obligation to such Direct Participants and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2014 Bonds. Beneficial Owners of the Series 2014 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2014 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2014 Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Series 2014 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 2014 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2014 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2014 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments with respect to the Series 2014 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, if any, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2014 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2014 Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The Corporation cannot and does not give any assurances that DTC will distribute to Direct or Indirect Participants, or that Direct or Indirect Participant or others will distribute to the Beneficial Owners (a) payments of principal of, interest and premium, if any, on the Series 2014 Bonds paid or (b) any evidence of ownership or redemption or other notices, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. Neither the Corporation nor the Underwriter is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Series 2014 Bonds or any error or delay related thereto. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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APPENDIX C

THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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County of Riverside, California
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

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

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

County of Riverside
May 9, 1893

Prepared by the Office of:

Paul Angulo, CPA, M.A.

County Auditor-Controller

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

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COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2013

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INTRODUCTORY SECTION

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

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

December 13, 2013

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, 2013 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California (the State). The report contains financial statements that have been prepared in conformity with the United States generally accepted accounting principles (GAAP) prescribed for governmental entities. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the County of Riverside (the County). To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and changes in financial position of the various funds and component units of the County of Riverside. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

The County has eleven independent fiscal entities that are considered blended component units and 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 311,955, Moreno Valley 198,129, Corona 156,823, Temecula 104,879, and Murrieta 105,832. 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 2,255,059 on January 1, 2013, an increase of 1.2 percent as compared to the revised estimate for January 1, 2012. Approximately 16 percent of the residents live in unincorporated areas.

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

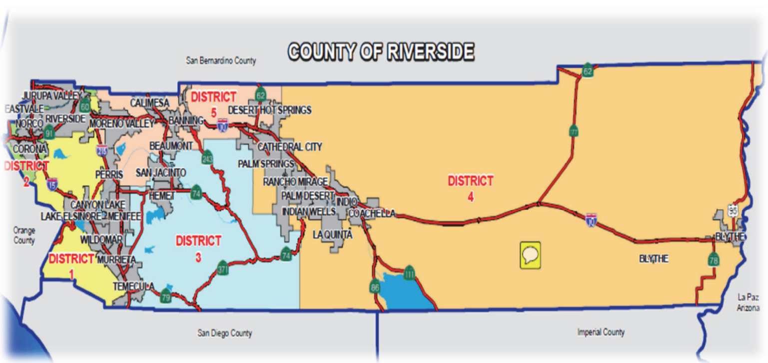
The First District includes areas within the cities of Riverside, Canyon Lake, Lake Elsinore, Wildomar and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest.

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

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

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

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



Source: Riverside County GIS

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

Certificate, Licenses and Permits Birth, marriage, and death certificates, animal licensing and building permits	**Human Services** Assistance for Families, Veteran Services, Utility Assistance, Assistance for the Elderly
Children's Services Child Support Services, Mentor programs, and Children Medical Services	**Libraries and Museums** Edward Dean Museum, and Riverside County Law Library
Criminal Justice District Attorney, Probation, Public Defender, and Sheriff	**Parks and Recreation** Regional Parks
Education Office of Education	**Pets and Animal Services** Animal Control, and Animal Shelters
Emergency Services Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	**Property Information** 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 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	**Public and Official Records** Official recorded documents, fictitious business names search, grantor/grantee search, vital records, and court records search
Flood Control Flood Control and water conservation	**Roads and Highways** Road maintenance, land development, engineering services, and survey
Health 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	**Taxes** 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

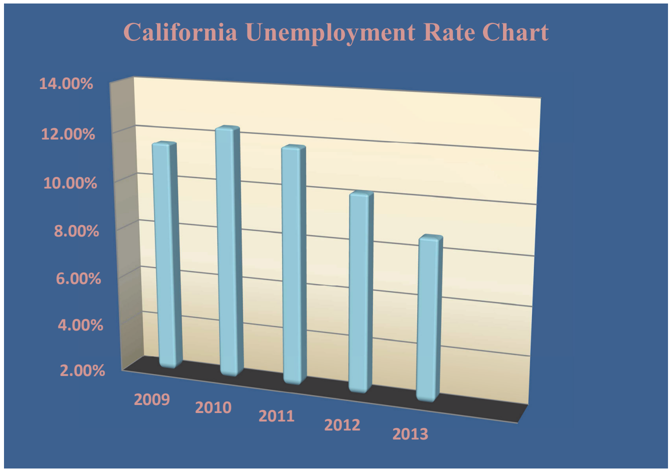
State Economy

The California economy continues to work towards recovery. It is predicted that Inland Southern California will regain its status as one of the high growth regions of the country within a few years. The region currently ranks fourth in the nation for price appreciation.

The number of California homeowners entering the foreclosure process fell last quarter to the second-lowest level in seven and a half years. The drop-off is the result of a stronger job market, home price appreciation, and a variety of government foreclosure avoidance efforts, a real estate information service reported.

The California's nonfarm payroll jobs increased by 39,800 in October for a total gain of 868,300 jobs since the recovery began in February 2010, according to data released by the California Employment Development Department (EDD). The year-over-year change, October 2012 to October 2013, nonfarm payroll employment in California increased by 207,300 jobs up to 1.4 percent.

The state's unemployment rate was 10.1 percent in October 2012 and it dropped to 8.7 percent in September 2013, unchanged in October. Statewide the unemployment ranges from a low 5.0 percent in Marin County to a high of 26.3 percent in Imperial County.



Local Economy

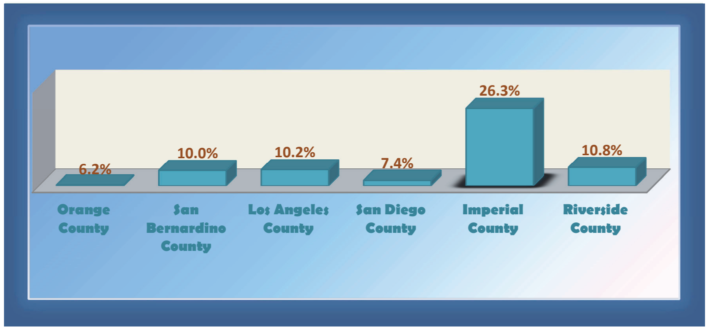
Economist at California State University, Fullerton, projected robust growth in assessed value under a positive economic scenario. The County Assessor applied the maximum 2 percent inflation factor allowed under Prop. 13 to the assessed role, in part offsetting ongoing Prop.8 reductions, and allowing for a projected overall rise in enrolled assessed valuations of 3.95 percent this fiscal year. Also significant reductions in foreclosure-related activity,

increases in year-over-year median sales prices for residential property, and improvement within the commercial property market continue to function as stabilizing factors for the rebound of the local real estate market.

Median sale prices of residential properties in Riverside County have increased by approximately 25 percent and sales volume is up 6 percent year-over-year for August. Accordingly, properties that have not been affected by Prop. 8 assessment reductions are not expected to increase by the traditional 2 percent for the 2014-15 tax year.

Riverside County's unemployment rate has slightly improved from 12 percent in September 2012 to 10.8 percent in September 2013. The trade, transportation and utilities sector added the most nonfarm job growth in the Riverside-San Bernardino-Ontario statistical area on a year-over-year basis, followed by increases in retail trade, transportation, and warehousing. Leisure and hospitality sector also added jobs as well as education and health services.

Unemployment Comparison of Neighboring Counties



Source: Employment Development Department, September 2013.

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 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 of Riverside (the County) 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, 2012. This was the twenty-fifth 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 of Riverside has also been awarded for *Outstanding Achievement* in the preparation of the Popular Annual Financial Report (PAFR), which is also referred to as Financial Highlights for the fiscal year ended June 2012. This was the seventh 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 Riverside 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, CPA, M.A.
RIVERSIDE COUNTY AUDITOR-CONTROLLER

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2013

ELECTED OFFICIALS

Board of Supervisors

KEVIN JEFFRIES
First District

JOHN F. TAVAGLIONE
Second District

JEFF STONE
Vice Chairman
Third District

JOHN BENOIT
Chairman
Fourth District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

PAUL ZELLERBACH
District Attorney

STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator

PAUL ANGULO
Auditor
Controller

LARRY WARD
Assessor
Clerk
Recorder

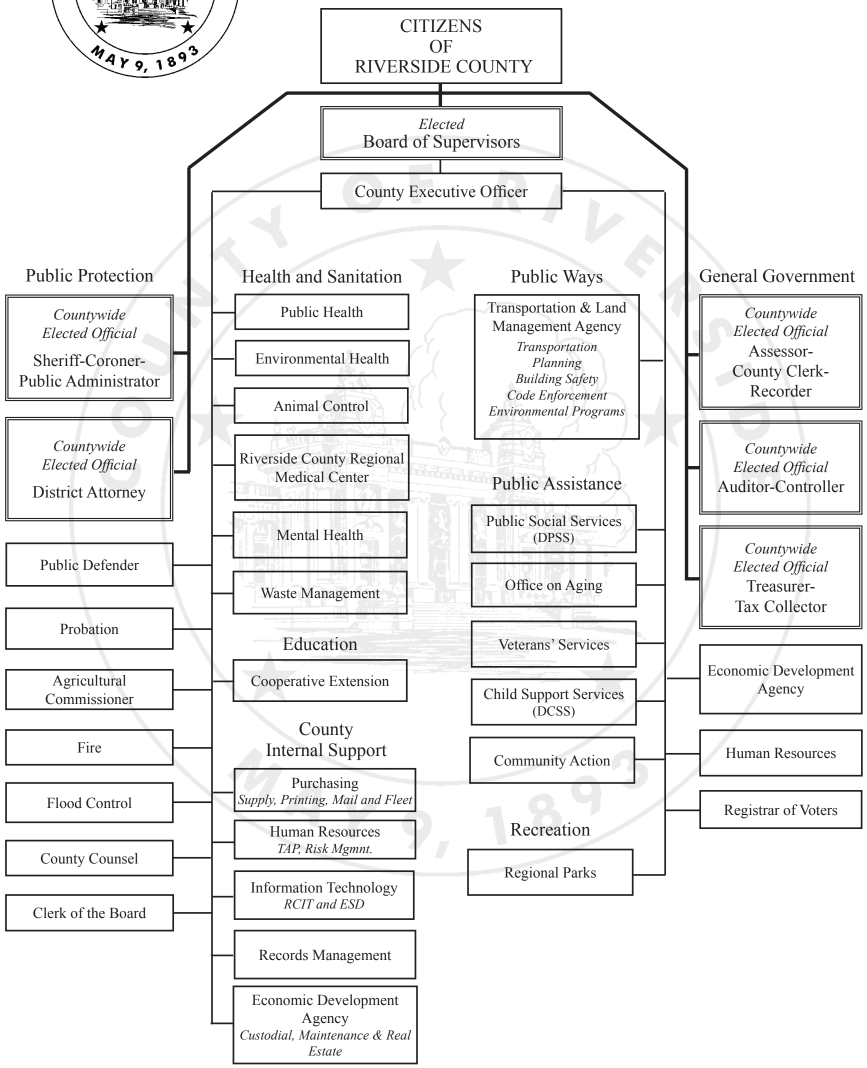
DON KENT
Treasurer
Tax Collector

APPOINTED OFFICIALS

JAY ORR
County Executive Officer

PAMELA WALLS
County Counsel

COUNTY OF RIVERSIDE ORGANIZATION CHART



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, 2012

Executive Director/CEO

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FINANCIAL SECTION

BROWN ARMSTRONG

CERTIFIED PUBLIC ACCOUNTANTS

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FAX 661.746.1218

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TEL 559.476.3592
FAX 559.476.3593

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SUITE 260
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Supervisors
County of Riverside, California

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, 2013, 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	22%	15%
Aggregate Remaining Fund Information	6%	1%
Discretely Presented Component Units	47%	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 entity'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 entity'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 opinions.

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, 2013, 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) Statements No. 60, 61, 62, and 63, and implemented GASB Statement No. 65 in advance during the fiscal year 2013. Among these new GASB Statements, GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; 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*, have significant impact over the County's financial statements. 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 3-28, the County's Retirement Plans schedule of funding progress on pages 119-120, and the schedule of funding progress for the County's Other Post Employment Benefit (OPEB) plan on page 121 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 13, 2013, 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 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S

DISCUSSION AND ANALYSIS

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

This section of the County of Riverside (the County)'s Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2013. 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 29.

FINANCIAL HIGHLIGHTS

- At the close of fiscal year 2012-13, 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 $860.7 million of unrestricted resources, which may be used to meet the County's ongoing obligations to citizens and creditors; $644.7 million of restricted resources, which is required by external sources or through enabling legislation to be used for specific purposes; and $3.1 billion is net investment in capital assets.

- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of $1.1 billion, a decrease of $218.7 million in comparison with the prior year. Approximately17.9% of this amount ($199.9 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 $252.6 million, or approximately 11.0 % of total general fund expenditures.

- As of July 1, 2012, the County implemented Governmental Accounting Standards Board Statement (GASB) No. 65 – *Items Previously Reported as Assets and Liabilities*. The beginning net position restated by $10.9 million to write off the unamortized bond issuance costs that were previously reported as assets. Furthermore, unavailable revenue in governmental funds of $68.7 million was reclassified from liability to deferred inflows of resources which were recognized as a receivable before time requirements are met, but after all other eligibility requirements have been met.

- There is a net increase of $8.4 million in deferred inflow of resources related to service concession arrangement (SCA) for capital assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

This management's discussion and analysis (MD&A) is intended to serve as an introduction to the County's basic financial statements. The illustration below shows how the required parts of this annual report are arranged and related to one another.

FINANCIAL STATEMENTS

Government-wide (Full accrual)
Governmental activities
Business-type activities
(No internal service or fiduciary funds)

Fund
Governmental (Modified accrual)
Proprietary (Full accrual)
Fiduciary (Full accrual)

Notes to the Baisc Financial Statements

Required Supplementary information
- Retirement plan schedules of funding progress and employer contributions
- Combining Statements and Schedules for Nonmajor Governmental, Nonmajor Enterprise, and Fiduciary funds

Statistical Section

The overview section below summarizes the major feature of the financial statements and describes the structure and contents of each of the statements in more detail.

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire County (except fiduciary funds)	The day-to-day operating activities of the County for basic governmental services	The day-to-day operating activities of the County for business-type enterprises	Instances in which the County is the trustee or agent for someone's resources
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset / liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or debt included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow / outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter, expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

The *statement of net 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 8, and in more detail on page 29.

The *statement of activities,* presented on page 10 in summary and on pages 30 - 31 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 have been recorded that have been accrued but not yet collected, and expenditures for compensated absences have been accrued, but not paid.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities).* The governmental activities of the County include general government, public protection, public ways and facilities, health and sanitation, public assistance, education, and recreation and 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, 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 34 - 51, 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 Redevelopment Agency (RDA) Housing Successor Agency. The budgetary comparison statements have been provided to demonstrate compliance with their respective budgets.

Proprietary Funds are used to account for services for which the County charges customers, either outside customers or internal departments of the County. Proprietary funds statements, found on pages 46 - 49, provide the same type of information as shown in the government-wide financial statements with more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional Medical Center (RMC), Waste Management, 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 50 - 51, 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 53 - 117 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 119 - 121 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 123 - 176 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, 2013, in comparison to the prior fiscal year 2011-12. At the end of the 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 an increase of $192.2 million ($181.3 million changes in net position and restatement of $10.9 million, See Note 3), or 4.1%.

A more detailed statement can be found on Page 29 in the government-wide financial statements.

Statement of Net Position
June 30, 2013
(In thousands)

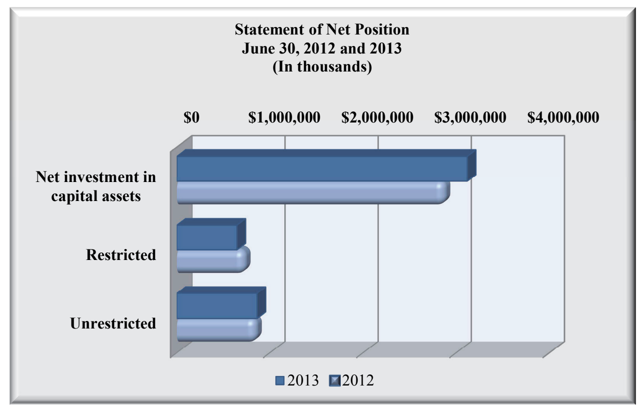
	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Assets:							
Current and other assets	$ 2,542,934	$ 2,903,152	$ 521,110	$ 308,604	$ 3,064,044	$ 3,211,756	-4.6%
Capital assets	3,913,392	3,704,789	275,292	269,673	4,188,684	3,974,462	5.4%
Total assets	6,456,326	6,607,941	796,402	578,277	7,252,728	7,186,218	0.9%
Deferred outflows of resources:	26,821	-	347	-	27,168	-	0.0%
Total deferred outflows of resources	26,821	-	347	-	27,168	-	0.0%
Liabilities:							
Current liabilities	651,424	788,496	152,033	100,275	803,457	888,771	-9.6%
Long-term liabilities	1,492,824	1,543,912	333,806	311,845	1,826,630	1,855,757	-1.6%
Total liabilities	2,144,248	2,332,408	485,839	412,120	2,630,087	2,744,528	-4.2%
Deferred inflows of resources:	17,703	-	9,118	-	26,821	-	0.0%
Total deferred inflows of resources	17,703	-	9,118	-	26,821	-	0.0%
Net position:							
Net investment in capital assets	2,998,987	2,740,429	118,594	130,510	3,117,581	2,870,939	8.6%
Restricted	550,326	683,835	94,346	41,103	644,672	724,938	-11.1%
Unrestricted	771,883	851,269	88,852	(5,456)	860,735	845,813	1.8%
Total net position	$ 4,321,196	$ 4,275,533	$ 301,792	$ 166,157	$ 4,622,988	$ 4,441,690	4.1%

Below are the three components of net position and their respective balances as of June 30, 2013:

- Net investment in capital assets was $3.1 billion, or 67.5%, of the County's total net position compared to $2.9 billion, or 64.6%, for fiscal year 2011-12. 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.

- $644.7 million, or 13.9%, of the County's total restricted net position compared to $724.9 million, or 16.3% for fiscal year 2011-12. 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.

- $860.7 million, or 18.6%, 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, $771.9 million is from governmental activities and $88.8 million from business-type activities, compared to prior year whereas, $851.3 million was from governmental activities and a $5.5 million deficit from business-type activities.



The following table provides information from the Statement of Activities of the County as of June 30, 2013, as compared to the prior year:

Statement of Activities
For the year ended June 30, 2013
(In thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Revenues:							
Program revenues:							
Charges for services	$ 588,461	$ 580,797	$ 600,747	$ 505,665	$ 1,189,208	$ 1,086,462	9.5%
Operating grants and contributions	1,503,390	1,447,694	-	-	1,503,390	1,447,694	3.8%
Capital grants and contributions	27,695	27,909	698	335.00	28,393	28,244	0.5%
General revenues:							
Property taxes	277,417	322,337	-	-	277,417	322,337	-13.9%
Sales and use taxes	29,751	26,744	-	-	29,751	26,744	11.2%
Unrestricted intergovernmental revenue	220,811	226,384	-	-	220,811	226,384	-2.5%
Investment earnings	2,035	11,801	(33)	907	2,002	12,708	-84.2%
Other	206,337	176,113	-	-	206,337	176,113	17.2%
Total revenues	2,855,897	2,819,779	601,412	506,907	3,457,309	3,326,686	3.9%
Expenses:							
General government	194,641	270,474	-	-	194,641	270,474	-28.0%
Public protection	1,065,373	1,047,202	-	-	1,065,373	1,047,202	1.7%
Public ways and facilities	89,469	84,797	-	-	89,469	84,797	5.5%
Health and sanitation	422,982	374,950	-	-	422,982	374,950	12.8%
Public assistance	807,611	827,092	-	-	807,611	827,092	-2.4%
Education	18,998	10,376	-	-	18,998	10,376	83.1%
Recreation and culture	12,274	15,806	-	-	12,274	15,806	-22.3%
Interest on long-term debt	29,453	39,098	-	-	29,453	39,098	
Regional Medical Center	-	-	473,916	417,074	473,916	417,074	13.6%
Waste Management	-	-	53,069	57,272	53,069	57,272	-7.3%
Housing Authority	-	-	90,678	91,469	90,678	91,469	-0.9%
Flood Control	-	-	2,472	2,306	2,472	2,306	7.2%
County Service Areas	-	-	459	456	459	456	0.7%
Total expenses	2,640,801	2,669,795	620,594	568,577	3,261,395	3,238,372	0.7%
Excess (deficiency) before Transfers	215,096	149,984	(19,182)	(61,670)	195,914	88,314	121.8%
Transfer in (out)	(1,049)	(11,702)	1,049	11,702	-	-	0.0%
Change in net position, before extraordinary items	214,047	138,282	(18,133)	(49,968)	195,914	88,314	121.8%
Extraordinary Items	(158,337)	502,639	154,589	-	(3,748)	502,639	-100.7%
Change in net position	55,710	640,921	136,456	(49,968)	192,166	590,953	-67.5%
Net position, beginning of year, as Restated	4,265,486	3,634,612	165,336	216,125	4,430,822	3,850,737	15.1%
Net position, end of year	$ 4,321,196	$ 4,275,533	$ 301,792	$ 166,157	$ 4,622,988	$ 4,441,690	4.1%

The following are specific major factors that resulted in the net position changes in governmental activities between fiscal years 2012-13 and 2011-12 as shown in the table of the previous page.

Revenues for governmental activities

Revenues from *Charges for services* increased by $7.7 million, or 1.3%. 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 increase was mainly due to law enforcement services provided to cities within the County of Riverside who have contract with the Sheriff Department for city police services.

Revenues from *Operating grants and contributions* increased by $55.7 million, or 3.8%, due to significant changes in the following state and federal sources:

- $19.2 million increase in state's realignment of public safety programs pursuant to Assembly Bill (AB) 118 for the reallocation of trial court security revenue from charges for services. $11.0 million increase in state allocation of the one-half cent proposition 172 public safety sales tax funds due to the improvement in sales activity in the County as the consumer confidence rebounded. $9.6 million increase in local revenue AB109 criminal justice program due to individuals sentenced to non-serious and non-violent crimes will serve their sentences in County jails instead of state prison. $37.2 million increase in caseload growth for calworks and in-home support services programs due to more individuals seeking assistance primarily in food stamps and medi-cal.

- The increase was offset by $19.1 million decrease in federal grants for nutrition information and education in Women, Infant, and Children (WIC) programs, the highway user tax was decreased as the state recaptured overpayment made in fiscal year 2011-12, and American Recovery and Reinvestment Act (ARRA) program was ended.

Revenues from *Capital grants and contributions* decreased by $214.0 thousand or 0.8%, due to a reduction in the number of projects that were awarded by the Federal Aviation Administration (FAA) for federal capital improvement projects.

Revenues from *Property taxes* decreased by $44.9 million, or 13.9%, due to the fact the County no longer receiving the pass through tax increment from the former Redevelopment Agency.

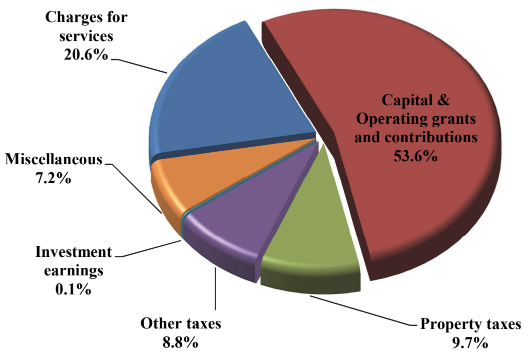
Revenues from *Sales and used taxes* increased by $3.0 million, or 11.2% was mainly generated from a strong demand in new automobiles, restaurant sales particularly in quick-service and fast casual chains, and use tax from the development of solar energy projects. The rate increased from 7.75% to 8.0%. In addition, the last city to incorporate was Jurupa Valley which received over $6.0 million in sales tax revenue in fiscal year 2011-12, no new cities are anticipated in fiscal year 2012-13 to further decrease sales tax revenue.

Revenues from *Unrestricted intergovernmental revenue* decreased by $5.6 million or 2.5%. The decrease was attributed to $4.5 million received in fiscal year 2011-12 from excess of County allocation of fiscal year 2006-07 to fiscal year 2009-10 vehicle license fee collections adjusted by State Controller Office. The realignment revenue received from vehicle license fee decreased by $1.5 million in fiscal year 2012-13.

Revenues from *Investment earnings* decreased by $9.8 million from $11.8 million to $2.0 million, or 82.8%, as a result of continual declines in interest earnings reflecting rate cuts by the Federal Reserve and decline in investment pool earnings.

The significant change in *Other revenue sources* was in Property Tax – Low and Moderate Income Housing (LMIH) Residual Assets due to the result of RDA dissolution where unencumbered low and moderate income housing set aside money AB1484 was distributed to the County according to Successor Agency debt requirement and available tax increment.

Governmental Activities
Revenue by Source
For fiscal year ended June 30, 2013



Expenses for governmental activities

Total expenses for governmental activities were $2.6 billion for the current fiscal year, a decrease of $29.0 million or 1.1%, as compared to prior fiscal year. The following are the key components accounting for the variance:

- General government represents $194.6 million, or 7.4%, of the total governmental activities expenses, decreased by $75.8 million or 28.0% from prior year. The decrease resulted from administrative and operation costs incurred by the former Redevelopment Agency for low and moderate income housing related programs, and construction costs of infrastructure and public facilities.

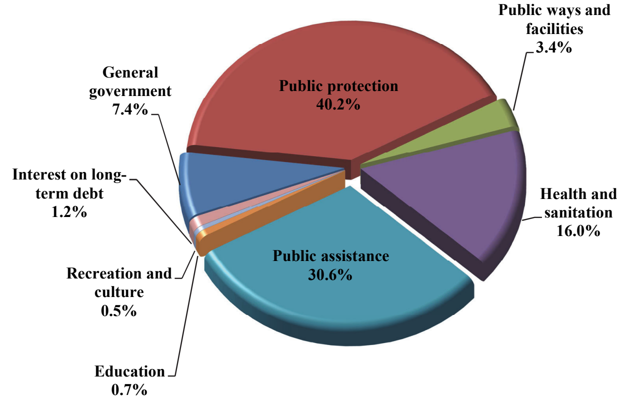
- Public protection represents $1.1 billion or 40.3%, of the total governmental activities expenses, increased by $18.2 million, or 1.7% from prior year due to sheriff's payroll and benefits, and construction costs of the new detention center. Additional analysis can be found in general fund financial analysis on page 18.

- Health and sanitation represents $423.0 million or 16.0% of the total expenses, increased by $48.0 million or 12.8% from prior year in services and supplies caused by the expansion of 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.

- $89.5 million, or 3.4% of the total governmental activities expenses, increased by $4.7 million or 5.5% for public ways and facilities due to roads and road improvement projects.

- $807.6 million or 30.6% of the total expenses, decreased by $19.5 million or 2.4% from prior year for public assistance which was mainly due to the discontinuation of programs funded by Community Development Block Grant (CDBG) and the Neighborhood Stabilization Program. The remaining 2.3% represents education for $19.0 million or 0.7%; recreation and culture for $12.3 million or 0.5%, and interest on long-term debt for $29.5 million or 1.1%.

Governmental Activities
Expenses by Function
For fiscal year ended June 30, 2013



Business-type Activities

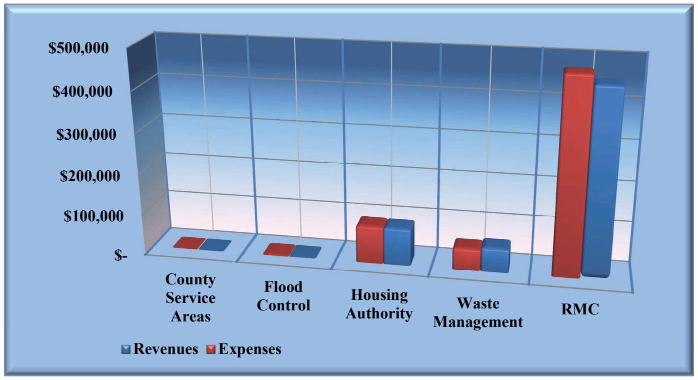
The following are specific major factors that resulted in the net position changes in business-type activities between fiscal years 2012-13 and 2011-12 as shown in the above table.

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, $600.7 million or 99.9%, of business-type activities program revenue was received from charges for services, a percentage consistent with the prior fiscal year. The majority of this revenue, $450.3 million, was received by RMC as compared to $371.8 million for the prior fiscal year. The increase was mainly attributed to the new revenue sources being earned in the current fiscal year: $54.1 million in federal and state funds for subsidizing the costs associated with providing care to uninsured and indigent population, $6.8 million in Hospital Quality Assurance Fee Program, $5.7 million from Electronic Health Record (EHR) incentive program which is a reimbursement for conversion to electronic health records.

Expenses: Total expenses for business-type activities were $620.6 million for the fiscal year compared to $568.6 million for the prior fiscal year. This represents an increase of $52.0 million or 9.1%. Expenses of $473.9 million or 76.4% were incurred by RMC in the current fiscal year, as compared to $417.1 million or 73.4%, for the prior fiscal year. In addition, expenses for Waste Management Department expenses were $53.1 million or 8.6%, compared to $57.3 million or 10.1% from prior fiscal year; Housing Authority expenses were $90.7 million or 14.6% of total expenses for business-type activities, compared to prior fiscal year's expenses of $91.5 million or 16.1%; 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 fiscal year ended June 30, 2013
(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, 2013, the County's governmental funds reported combined fund balances of $1.1 billion, a decrease of $218.7 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 – $5.5 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 – $508.5 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 – $314.4 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 – $86.4 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 – $199.9 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 $18.1 million or 0.7%, from the prior fiscal year with $2.8 billion being recognized for the fiscal year ended June 30, 2013. Expenditures decreased by $40.2 million or 1.4%, from the prior fiscal year with $2.8 billion being expended for governmental functions during fiscal year 2012-13. Overall, governmental fund balance decreased by $218.7 million or 16.4%. In comparison, fiscal year 2011-12 had a decrease in governmental fund balance of $432.1 million or 24.5%, over fiscal year 2010-11.

The *general fund* is the primary operating fund of the County. At the end fiscal year 2012-13, the general fund's total fund balance was $357.2 million, as compared to $336.6 million in fiscal year 2011-12. 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 $3.2 million, and the spendable portion was $354.0 million. The current year unassigned fund balance is 8.7% of the total general fund expenditures of $2.3 billion, as compared to 7.6% of the prior year expenditures total of $2.3 billion. The total fund balance of the general fund for the current year is 15.6% of the total general fund expenditures as compared to 14.9% for the prior year.

Transportation and Land Management Agency fund balance decreased by $9.3 million or 8.9%, due to numerous large interchange improvement projects costs incurred during fiscal year 2012-13: North Indian Canyon Dr. Interchange, Palm Dr./Gene Autry Trail Inter-change, Goetz Rd Bridge, Van Buren Bridge and Van Buren Blvd Interchange.

Flood control fund balance decreased by $1.3 million or 0.5%, $256.3 million from prior year to $254.9 million due to construction costs increased mainly in new drainage infrastructure projects and maintenance of flood control in the district's zones.

Public Facilities Improvement Capital Project fund balance decreased from $242.5 million to $199.6 million, 17.7% or $42.9 million. The decrease was due to the completion of various building construction and remodeling projects and the utilization of the reserve for construction account to reimburse costs of multiple capital projects such as, Desert Hot Springs Family Care Clinic, Blythe Animal Shelter, North Shore Yacht, Smith Correctional Facility, Palm Desert Sheriff Station, and Lake Matthew Fire Station. In addition, the construction of Eastern Region Detention Center and Van Horn Youth Treatment and Education Center started during fiscal year 2012-13.

Other Governmental Funds

The other governmental funds reported a combined net decrease in fund balance of $185.8 million. The significant change was primarily the result of transferring assets and liabilities of all housing functions to Housing Authority of the County of Riverside from Riverside County Redevelopment Successor Housing Agency.

Proprietary Funds

The County's proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in more detail. The Regional Medical Center (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 were $448.3 million, compared to $310.4 million for prior fiscal year, increased by $137.1 million or 44.1%. Of the year ended balances, unrestricted net position was as follows:

- Regional Medical Center: $-32.6 million
- Waste Management: $56.8 million
- Housing Authority: $131.3 million
- Other enterprise fund activities: $2.5 million
- Internal service fund activities: $56.6 million

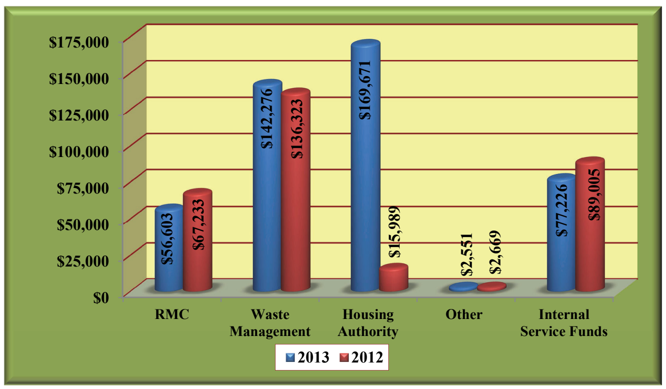
RMC's net position decreased by $10.6 million ($9.8 million and restatement of $0.8 thousands) or 15.8%, from $67.2 million to $56.6 million. The decrease is attributable to operating expenses including employee benefit and pension expenses, medical supply purchases, and interest expense from new bond issuance.

Waste Management's net position increased from $136.3 million to $142.3 million. The increase resulted primarily from the reclassification of closure, post-closure, and remediation funds into liability accounts.

An increase of $153.7 million in Housing Authority's net position attributed to the following:

- Increase in total operating revenues due to the additional income received from the Housing Successor Agency leases and short-term loans.
- Gain from sale of property as a result of transfer of land parcels, loans receivables, and cash to the Housing Authority as Successor Agency for the housing functions of the former Redevelopment Agency of the County of Riverside.
- Increase in capital contribution, which is primarily related to the site improvements and modernization projects that were completed this fiscal year.

Proprietary Funds Net Position
For fiscal year ended June 30, 2013
(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 fiscal year ended June 30, 2013
(In Thousands)

	2013		2012		Increase / (Decrease)	
Revenues by Sources	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
Taxes	$ 246,144	10.2%	$ 216,746	9.3%	$ 29,398	13.6%
Intergovernmental revenues	1,561,505	64.8%	1,487,205	63.5%	74,300	5.0%
Charges for services	374,750	15.6%	354,451	15.1%	20,299	5.7%
Other revenue	133,282	5.5%	156,017	6.7%	(22,735)	-14.6%
Other financing sources	94,019	3.9%	126,258	5.4%	(32,239)	-25.5%
Total	$ 2,409,700	100.0%	$ 2,340,677	100%	$ 69,023	2.9%

General fund revenues had an overall increase of $69.0 million, or 2.9%, from the prior year. The increase was due primarily to the changes in the following:

- An increase of $29.4 million in *Taxes* from the distribution of property tax - LMIH residual assets as the result of RDA dissolution where unencumbered low and moderate income housing set aside money AB1484 according to successor agency debt requirement and available tax increment.

- 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 11.

- *Charges for services* increased by $20.3 million, or 5.7%, was primarily due to law enforcement services contracted with cities within Riverside County, and election services due to higher number of candidates running during fiscal year 2012-13 for governmental positions.

- The decrease in *Other revenue* was mainly due to a one time release of committed fund balance in fiscal year 2011-12 to support program activities related to public social services caused by the shortfall of state funding.

- The decreased in *Other financing sources* was mainly caused by the reimbursements from capital improvement program fund to finance capital projects costs in fiscal year 2011-12, and contribution from other county funds to finance debt service payments. In addition, the County no longer receives negotiated pass-through payments previously received from the former Redevelopment Agency.

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 fiscal year ended June 30, 2013
(In Thousands)

	2013		2012		Increase / (Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percentage of Change
General government	$ 103,896	4.3%	$ 127,195	5.4%	$ (23,299)	-18.3%
Public protection	1,043,017	43.7%	1,010,999	43.0%	32,018	3.2%
Health and sanitation	388,325	16.3%	369,165	15.7%	19,160	5.2%
Public assistance	735,057	30.8%	719,670	30.6%	15,387	2.1%
Other expenditures	22,207	0.9%	25,000	1.1%	(2,793)	-11.2%
Other financing uses	96,547	3.9%	98,045	4.2%	(1,498)	-1.5%
Total	$ 2,389,049	100.0%	$ 2,350,074	100.0%	$ 38,975	1.7%

Total expenditures for general fund were $2.4 billion, an increase of $39.0 million, or 1.7%, from the prior year. Significant changes are as follows:

- A decrease of $23.3 million, or 18.3% in *General government* was mainly due to capital project costs funded by capital improvement program and legal costs incurred in settlement agreement with French Valley Business Center LLC during fiscal year 2011-12.
- The significant increase in *Public protection* were including the jail population and additional positions as the result of implementation of AB109, health benefit contribution to Riverside Sheriff Association (RSA) Public Safety Unit members from $204.0 per pay period to $356.0, disbursements to the State of CA Department of Forestry for fire protection services, and the retirement contribution rate for Safety Plan increased from 21.3% to 22.5%.
- The increase in *Health and sanitation* was mainly due to higher than anticipated usage of institution for mental disease, state hospital, and children's programs, and out-of-network health and mental health services provided to Low Income Health Program (LIHP) participants.
- The increase in *Public assistance* was due to hiring caseworkers and support staffs which were caused by more individuals seeking assistance primarily in Food Stamps and Medi-Cal.
- *Other expenditures* decreased by $4.5 million, or 18.1%, were mainly due to a decrease in principal and interest payments for capital asset leases for buildings and other purchases.

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 $9.5 million, or 0.4%, from $2.47 billion to the final amended revenue budget of $2.46 billion. The $9.5 million represents a decrease of $51.3 million in charges for current services, a decrease of $8.6 million in other revenue, offset by increases of $23.4 million in state aid, $14.3 million in federal aid, and $11.6 million in taxes.

State aid: The increase in state aid of $23.4 million, or 2.3%, was partially the result of increases of $10.5 million for the Low Income Health Program, $6.9 million for AB109, $2.7 million for public health and $1.5 million in Prop 10 funding. The increase for the LIHP will be used to cover costs associated with the out-of-network services provided by contracted and non-contracted providers for eligible LIHP participants. The increase in AB109 funding which shifts responsibility of incarcerating low level offenders from the State to Counties will add eighteen deputies, two supervisors and two accounting personnel. Lastly, the Riverside County Children and Families Commission (the Commission) awarded the Department of Public Health funding in the amount of $2.7 million for the Nutrition and Physical Activity Self-Assessment for Child Care Program. Four positions will be added with this funding.

Federal aid: The increase in federal aid of $14.3 million, or 2.9%, was partially the result of increases of $5.1 million in Department of Public Social Services (DPSS) public assistance administration claims, $3.3 in public health grants, $2.7 Sheriff and $2.0 Fire. DPSS increased the budget for the implementation of the Community First Choice Option, which provides home and community based attendant services and support to individuals who meet the State's nursing facility clinical eligibility standards. Public assistance administration experienced a shift in the flow of funds from the state resulting in the addition of five registered nurses and one senior public information specialist. The Sheriff received an additional $1.0 million from the Department of Justice for a DNA grant aimed at investigating unsolved homicide cases. The Sheriff also received a $1.1 million Indian Gaming Operation Stonegarden Grant (OPSG), intended to aid in intelligence gathering, seeking to weaken terrorist activities. The Fire Department increased their budget by rolling over the following grants from the prior fiscal year: Homeland Security and the Emergency Management Performance Grant.

Taxes: The increase in taxes of $11.6 million, or 5.5%, was for the redevelopment – low and moderate income housing residual assets. At the direction of the State Department of Finance, the Auditor-Controller distributed the monies to the general fund, as ABX126 instructed that assets that were not essential in meeting enforceable obligations of the redevelopment agencies upon dissolution, be liquidated and distributed to taxing entities, such as the County.

Charges for current services: The net decrease of $51.3 million, or 11.0%, for charges for current services was mainly the result of intergovernmental activities. There was also an offset of $7.4 million due to contract increases to the following law enforcement contract cities: Coachella Valley, Eastvale, and Lake Elsinore.

Other revenue: The decrease in other revenue of $8.6 million, or 10.2%, was primarily the result of intergovernmental activities and a reclassification of operating transfers to other financing sources. An estimate of $3.2 million was returned to the county general fund related to a recent settlement resolving a long standing dispute for sales between fiscal years 2003 and 2012 pertaining to the tobacco master settlement agreement (MSA). Funds in the amount of $2.2 million will be used for the Van Horn Youth Center construction and $1.0 million will be set aside for budget stabilization. Unused Capital Improvement Program (CIP) contingency and capital funds for the Riverside Public Defender building remodel were re-appropriated to the general fund budget stabilization, with the change to bond financing of this project and completion of other projects.

Expenditure Appropriation Variances

The original adopted general fund appropriation budget of $2.5 billion decreased by $12.0 million, or 0.5%, during the fiscal year. The significant appropriation changes were an increase of $20.8 million in health and sanitation, and an increase of $18.6 million in public protection, offset by a decrease of $44.0 million in debt service and a decrease of $9.7 million in general government.

The major appropriation variances are described below.

General government: The appropriation budget decreased by $9.9 million, or 5.0%, from the original adopted budget of $197.2 million to $187.3 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $2.4 million, or 3.0%. Of the $2.4 million, $1.4 million was attributed to Economic Development Agency (EDA) is plan to lay off all 25 positions that were initially slated for layoffs. The remainder is related to Human Resources projects exceeding budgeted payroll costs.
- Other charges increased by $2.5 million, or 3.5%, mainly due to the use of community improvement designation funds to other county funds by the Board of Supervisors. These increases were offset by intergovernmental activities.
- Appropriation for contingencies decreased by $13.7 million, or 68.6%. The Sheriff deferred six months of costs in the amount of $6.0 million for the City of Jurupa Valley (the City), which will allow the City to remain incorporated, provide essential public safety, while working on the restoration of funding. $1.1 million is to provide essential support and administrative services for court security funding per AB118 funding and SB1021 statutory changes, as these services were transferred from the superior courts to the counties. To cover the fourth quarter invoice owed per cooperative agreement with the California Department of Forestry, $3.5 million was requested by the Fire Department. Past property tax administration fees (PTAF) are to be refunded to cities as a result of the ruling for disputes over tax calculations, with the first installment paid in April of 2013 for $2.4 million.
- Intrafund transfers decreased by $2.0 million, or 4.4%, mainly belongs to increases by the EDA Property Management division and Human Resources. The EDA Property Management division increased its budget by $0.6 million to cover additional project cost being funded by the general fund. Human Resources increased budget by $0.6 million due to a rise in arbitration and communication services.

Public protection: The appropriation budget increased by $18.6 million, or 1.7%, from the original adopted budget of $1.1 billion. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $2.5 million, or 0.3%, primarily due to Sheriff, Probation, Public Defender, and District Attorney for positions to implement AB109 criminal justice alignment, for which $10.4 million was due to intergovernmental activities.
- Services and supplies increased by $10.7 million, or 3.5%, mainly due to Sheriff, Probation, Public Defender, and District Attorney for implementation of AB109 criminal justice alignment. An increase of $6.5 million for the Sheriff was distributed to staffing, facility improvement and operational costs, transportation costs, as well as program and jail alternatives reflecting a multi-disciplinary approach to realignment and reimbursement of the narrow banding Public Safety Enterprise Communication (PSEC) project. The Fire Department also added $3.9 million for the California Department of Forestry and reimbursement for the narrow banding PSEC project.
- Capital assets increased by $4.1 million, or 77.7%, primarily due to the Sheriff Correctional and Patrol equipment purchases related to AB109. Due to the congestion and the need for expansion, the correctional facilities increased security throughout the jail system.

Health and sanitation: The appropriation budget increased by $20.8 million, or 4.8%, from the original adopted budget of $430.1 million to $450.8 million. The following information describes the significant factors for the variances:

- Salaries and employee benefits increased by $3.7 million, or 1.8%, as a result of a funding increase from the state, for example, five registered nurse positions and one senior public information specialist were added to the Department of Public Health.
- Services and supplies increased by $6.0 million, or 6.6%, mainly due increase related to fiscal year 2011-12 approved encumbrance items. In addition, Public Health received funding for the replacement equipment for 19 Women, Infant and Children (WIC) Supplemental Nutrition Program in addition to a host of other funding grants.

- Other charges increased by $9.9 million, or 5.0%, mainly due to the $10.5 million for the Low Income Health Program and the transfer of $7.0 million in funding from Mental Health to the Regional Medical Center, offset by intergovernmental activity.

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 $92.1 million resulting from unexpended appropriations of $236.7 million, or 9.4%, and overestimated revenue of $144.6 million, or 5.9%. The following contributed to the variance:

Revenue Variances

General fund actual revenues of $2.3 billion were 5.9%, or $144.6 million, less than the final amended revenue budget of $2.5 billion. Other revenue, Charges for services, Federal aid, State aid and Rents and concessions were all less than the final budget with taxes offsetting with an increase to the final budget.

Other revenue: Actual revenues of $26.3 million were less than the final amended budget of $75.7 million by $49.4 million, or 65.3%. This was primarily due to intergovernmental activities, which was offset by a reduction in contributions to other funds such as CORAL.

Charges for current services: Actual revenues of $374.8 million were less than the final amended budget of $414.5 million by $39.8 million, or 9.6%. A majority of the variance is due to Fire Protection contract services. These services are budgeted at their full cost without factoring in any salary savings. Actuals were less than the final budget by $22.6 million due to those savings. Public Health actuals were less than budget by $15.1 million which was attributed to Low Income Health Program (LIHP) patients being seen in clinics rather than the Ambulatory Care Centers and the reduction in Medi-Cal rebates due to the LIHP program. EDA programs were less than budgeted by $8.7 million, as a result of electricity reduction due to solar projects and loss of Successor Agency (former Redevelopment) funded projects. The Probation Department experience $2.9 million less in revenue than what was budgeted, as the result of pretrial services that were transferred to the Superior Court of California as of July 1, 2012. These items were all offset by Intergovernmental activities.

Federal aid: Actual revenues of $478.8 million were less than the final amended budget of $508.2 million by $29.4 million, or 5.8%. The following departments received revenue less than budgeted amounts: DPSS, Mental Health, Probation, Public Health and the Fire Department. Actual reimbursements for Public Assistance Claims were less than budgeted by $16.4 million. Mental Health revised claims after year-end thus actuals were lower than budgeted amounts while Probation and Fire experienced a lower than expected reimbursable claim amount. Lastly, Public Health actuals were lower by $3.0 million due to the late start of the California Visiting Nurse program.

State aid: Actual revenues of $1.0 billion were less than the final amended budget of $1.03 billion by $24.8 million, or 2.4%. The following describes the significant factors for the variances: Due to a decrease in the amount of state funding received, contributions to Health and Mental Health Agencies also decreased by $16.5 million. Expenditures related to the Mental Health Services Act were less than budget by $9.0 million. The implementation of AB109 was slower than anticipated, which resulted in less actual expenditures than budgeted for Mental Health, Probation and the Sheriff Department. Public Health and DPSS received state funding greater than budgeted amounts. This was due to unanticipated realignment revenue received and increased caseload growth for DPSS.

Rents and concessions: Actual revenues of $3.7 million were less than the final amended budget of $25.3 million by $21.7 million, or 85.5% as a result of amounts budgeted to the Capital Finance Administration but no activity throughout the fiscal year.

Taxes: Actual revenues of $246.1 million were greater than the final amended budget of $222.7 million by $23.4 million, or 10.5% and this was the result of ABX126, the sale of redevelopment assets for dissolved agencies.

Expenditure Variances

General fund actual expenditures of $2.3 billion were 9.4%, or $236.7 million, less than the final amended appropriation budget of $2.6 billion. General government, public assistance, public protection, health and sanitation, and debt service were the five most significant factors attributing to the unexpended appropriations as follows:

General government: Actual expenditures of $103.9 million were less than the final amended budget of $187.3 million by $83.4 million, or 44.5%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $4.9 million, or 5.8%, below budget. Savings were achieved from delaying the layoff of EDA staff while other departments exercised conservative hiring practices.
- Services and supplies were $5.7 million, or 8.5%, less than budgeted due to decrease in Executive Office subfund activity, lower utility costs and EDA's anticipated time of use rate that did not materialize as expected during fiscal year 2012-13.
- Other charges were $66.6 million, or 87.8%, less than budgeted primarily due to intergovernmental activities. Other savings were the result of decreases in contributions to other funds, and differences in the variable rate for CORAL lease payments.

Public protection: Actual expenditures of $1.0 billion were less than the final amended budget of $1.1 billion by $43.4 million, or 4.0%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $14.6 million, or 2.0%, less than budgeted primarily due to Probation, Sheriff, and the Department of Child Support Services (DCSS). Probation's savings of $10.7 million is a result of over 230 unfilled positions. Sheriff had savings of $4.5 from unfilled positions which were offset by changes in contract Memorandum of Understanding (MOU) rates and overtime law enforcement services at the Presidential Summit in Rancho Mirage when President Barack Obama met with Chinese President Xi Jinping. DCSS also experienced savings of $2.1 million from the department's salary savings through staff attrition, recruitment issues and unfilled positions. Offset by intergovernmental activities.
- Services and supplies were $13.7 million, or 4.3%, less than budgeted mainly due to Sheriff, Fire, District Attorney, Probation, Animal Services, Code Enforcement, and Executive Office. Sheriff had savings of $4.6 million primarily due internal service cost variances as well as contract deferrals. Fire had savings of $1.3 million due to an increase in contracted rates with the State of California offset by non-asset grant purchases. District Attorney had savings of $2.4 million due to less than expected cost for software maintenance, office supplies, and other miscellaneous expenditures. Probation had savings of $3.0 million primarily due to the implementation of AB109 criminal justice realignment. Probation planned for new leases to accommodate the anticipated growth and additional Post Release Community Supervision Accountability Teams (PRCSAT) related expenditures however many of these items were encumbered at year-end and re-allocated to fiscal year 2013-14. Code Enforcement had savings of $0.8 million mainly due to fewer than expected abatements. Executive Office had savings of $0.8 million primarily from less than expected projects costs for AB233 in trial court funding.
- Other charges were $9.6 million, or 21.7%, less than budgeted primarily due to the Sheriff, Probation and Fire. The Sheriff's savings of $7.0 million was mainly the result of capital project deferrals. Probation's Juvenile Hall Division had savings of $2.1 million unexpended costs that were encumbered for fiscal year 2013-14. Executive Office had savings of $0.9 million due to less expenditure for AB233 in trial court funding.
- Capital assets were $4.3 million, or 45.0%, less than budgeted due to the County Clerk-Recorder delay in replacing the Recorder System (CARDS) for $2.3 million along with the cancellation of the Sheriff's video visitation project which was cancelled, as the radio were not received by year end.

Health and sanitation: Actual expenditures of $388.3 million were less than the final amended budget of $450.8 million by $62.5 million, or 13.9%.

The following describes the significant factors for the variances:

- Salaries and employee benefits were $22.1 million, or 10.3%, less than budgeted amounts. Mental Health Treatment experienced an $8.8 million savings as a result of vacancies in preparation for increased service demands due to the Affordable Care Act. $4.1 million in additional budgeted Mental Health positions were not filled until late fiscal year 2012-13 resulting in additional savings. Public Health and Ambulatory care generated savings of $9.0 million due to vacant positions.
- Services and supplies were $10.0 million, or 10.3%, less than budgeted primarily due to a $5.5 million savings in the Public Health Agency and a $4.5 million savings in Mental Health. In fiscal year 2012-13, the Community Health Agency Administration was dissolved and separated into smaller departments such as Public Health, Environmental Health, and Animal Control. The savings was a result of the shifting of budgets between the departments and the allocation of expenditures among them. There were also savings for the Maddy Emergency Medical Services (EMS) program to County physicians and hospitals for their share of uncompensated emergency medical costs. Mental Health experienced lower actual expenditures due to lower than anticipated number of licenses required for outside vendors to access their new Electronic Management of Records System.
- Other charges were $25.5 million, or 12.3%, less than budgeted primarily due to Executive Office, Mental Health, and the Medical Indigent Services Program (MISP). Executive Office received $16.5 million less than expected allocation from the State which was based on actual vehicle license revenue. Therefore, less was available to distribute for the Executive Office's contribution to health and mental health. Mental Health had savings of $7.8 million mainly due the ending of SB 90 placement services in fiscal year 2012-13, placement of clients in other facilities and reduced contractor costs due to programmatic service delivery costs. There was a saving of $3.8 million for the transition of medically indigent patients to LIHP payments. These savings were offset by intergovernmental activities.

Public assistance: Actual expenditures of $735.1 million were less than the final amended budget of $762.4 million by $27.3 million, or 3.6%. The following describes the significant factors for the variances:

- Salaries and employee benefits were $8.0 million, or 3.2%, less than budgeted mainly due DPSS decreasing the level of temporary staff and vacancies.
- Services and supplies were $10.2 million, or 13.1%, less than budgeted primarily due to DPSS lower than expected facility charges with the cancellation or delay of large projects, including Norco and Perris Self Sufficiency, unpurchased software and savings from the C-IV Service Center Technology Deployment project.
- Other charges were $9.0 million, or 2.1%, less than budgeted primarily due to a decrease in caseloads for Stage 1 childcare services, CalWorks, ad Foster Care Programs. DPSS also had a $3.3 million from the delay in the implementation of the Child Welfare Service (CWS) Counseling Assessment Referral Treatment (CART) Memorandum of Understanding (MOU) and the In-Home Supportive Services MOE which was not effective until December 2012.

Debt service: Actual expenditures of $19.6 million were less than the final amended budget of $41.1 million by $21.5 million, or 52.4%, 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, 2013, the County's capital assets for both its governmental and business-type activities amounted to $4.2 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 5.4%, or $214.2 million, from $4.0 billion in fiscal year 2011-12 to $4.2 billion in fiscal year 2012-13.

Construction in progress experienced a decrease from a 24.1% in fiscal year 2011-12 to a 9.8% increase in fiscal year 2012-13, as the last major projects funded with capital improvement plan funds are underway or nearing completion and no new redevelopment projects were initiated. There are more worthy projects than there is debt capacity, which is currently reserved for jail construction and existing projects. This fiscal year an increase in equipment of 23.4% took place and 9.8% in structures and improvements, as major general fund projects that were underway were completed and equipment was distributed to respective departments for the Public Safety Enterprise Communication (PSEC) project, such as the Sheriff Department.

In fiscal year 2012-13, new major projects budgeted for construction and design included the following: The new Alternate Emergency Operations Center, Communications Hub and Tower Relocation project in Indio, with a budget amount of $11.1 million. The Indio prime communication site will relocate to the County Sheriff's Station at Doctor Carreon Boulevard. It will meet required communication coverage objectives to immediate areas in and around the City of Indio, and will also provide the required network linkages to other sites within the PSEC system, consisting of approximately 14,000 square feet of improvements and a new tower that will measure 150 feet in height. The County was awarded grant funding for the expansion of the East County Detention Center, resulting in the demolition of four courtrooms and the creation of two projects which entail four new courtrooms strategically located to better serve the needs of the court. Two new courtrooms for $7.8 million will be adjacent to Southwest Juvenile Hall and will provide courtrooms solely for juvenile cases and $2.6 million for two 6,415 square feet new courtrooms at the Larson Justice Center, to alleviate the need to utilize existing criminal courtrooms for family law and community court cases. The County's Transportation Improvement Program budgeted for three major projects. The ramp improvement for $4.0 million on Interstate 10 at Hobson Way, west of the inspection station will improve traffic flow and enhance safety, as well as $2.5 million for the bike lane and multi-purpose trail improvements along the Santa Ana River from the Prado Basin near Highway 71 to the Green River Golf Course. The resurfacing of Stanford Street from Thornton Avenue to Florida Avenue and a traffic signal in the intersection of Stanford Street and Mayberry Avenue in the East Hemet community for $1.5 million.

Construction in Progress

Additions to Construction in Progress for fiscal year 2012-13:

In fiscal year 2012-13, additions in the amount of $270.1 million consisted of costs related to existing projects and new projects.

Existing project costs include the following:

- Roads and signal infrastructure additions were $90.1million**.**
- The EDA incurred $50.3 million for projects such as the East County Detention Center consisting of 1,250 new beds up from 353 beds, as Riverside County has the fastest growing population and the detention center bed growth has not kept pace with the population growth. Approximately 10,000 square feet for the Jurupa Valley Sheriff's Evidence Warehouse and 14,335 square feet for the Rubidoux Child Development Center.
- Public Safety Enterprise Communication (PSEC) experienced $16.7 million.
- Library projects for $11.7 million include the renovation to the Palm Desert Library, which will include a new audio-visual section, computer area, and additional visitor space.
- CREST project incurred an additional $5.5 million towards the new integrated property tax management system.

New project costs include the following:

- Transportation and Land Management Agency experienced the addition of $30.9 million in infrastructure.
- PSEC sustained $25.6 million towards the cell towers.
- Flood Control incurred $19.8 million in new cost for storm drains and channels.
- The EDA cost was $4.8 million for projects such as the addition of 12 new offices on 14th Street and improvement for the Department of Mental Health and the new classroom and special training facility space dedicated to the Sheriff and Fire Department at the Ben Clark Training Center.

Construction in Progress Transfers

Completed construction in progress projects of approximately $169.5 million were transferred from construction in progress to other designated capital asset accounts during fiscal year 2012-13. The major projects were as follows:

- $148.2 million was transferred to structures and improvements. Examples include, the 77,000 square foot Thermal Sheriff Station for $41.2 million, which is comprised of a forensic laboratory, a 12,000 gallon fueling station, and a 12,000 square foot hanger. Perris Valley's Big League of Dreams Sports Park for $26.8 million, consists of six baseball fields, four of which are designed to look like scaled down versions of the Dodger, Angel, and Yankee stadiums, as well as Fenway Park. The completion of the state of the art Northwest Riverside County/City Animal Shelter, which accommodates for 400 dogs, 200 cats, 12 horses, and a variety of other animals for $26.7 million. Cabazon's Civic Center for $16.0 million, provides the benefit of a 13,026 square feet child development center, a 5,470 square feet library, an administration building for Cabazon Water District and many other amenities. $11.4 million for the Mead Valley Library Project, consisting of a 22,000 square foot library, reading rooms, a photovoltaic system, amphitheater, and street improvements.
- $12.2 million was transferred to infrastructure. The Day Creek Channel, Stage 6, Phase 2 located in Jurupa Valley and the Calimesa Avenue L Storm Drain were completed by the Flood Control and Water Conservation District at a cost of $10.9 million. Regional Park and Open Space District incurred $1.0 million, primarily design and development for ventures such as the Santa Ana River Trail (SART) and the Prado Dam linkage. Land acquisition for the expansion of the Highgrove Trails to serve the increased demand for recreational trails resulting from large population increases in western Riverside County and the Highgrove area in particular, as well as for future infrastructure intended to connect city water and sewer to Mayflower Park, situated alongside the Colorado River in Blythe.

Land and Easements

Additions of $19.6 million in land were processed this fiscal year. Approximately 37.4 acres of land located on the southwest corner of Highway 111 and Oasis Street in Indio was acquired for $13.0 million. Currently the National Date Festival Fair Grounds buildings occupy 33 acres of the land and 4.21 acres is used by the existing County Jail buildings in Indio, which are subject to demolition as part of the New East County Detention Center Project. The Flood Control District had land additions of $4.4 million, for which $1.1 million was for the construction of flood control improvements with appurtenances for the Homeland/Romoland Master Drainage Plan Line A Stage 3. The project traverses the cities of Perris and Menifee and consists of new road crossings, mostly an interim unlined open channel with the intent to provide immediate flooding relief for the area east of the I-215 freeway, in particular for the area adjacent to Encanto Road.

Service Concession Arrangements

Pursuant to GASB Statement Number 60, Waste Management reports $8.8 million for the Edom Hill Transfer Station Building and Improvements Service Concession Arrangement. The 30,000 square foot facility provides transfer capabilities for the County of Riverside solid waste processing and follows the closure of the adjacent Edom Hill Landfill. It includes a Household Hazardous Waste operation and a 460,000 gallon water tank for fire protection.

Depreciable Capital Assets

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

Additions to Depreciable Assets:

Total fiscal year 2012-13 depreciable capital asset current year additions of $81.3 million were comprised of the following:

- Infrastructure in the amount of $37.1 million consisting of donated roads in the amount of $28.4 million and $8.4 million in flood storm drains and channels.

- Equipment in the amount of $42.9 million distributed as follows:

Equipment leased	$ 25.9 million
Equipment field	7.4 million
Computer and office equipment	3.3 million
Miscellaneous equipment	3.6 million
Equipment vehicles	2.7 million

Retirements of Depreciable Assets:

Retirement of depreciable assets totaled $25.1 million. Equipment was retired ranging from the categories of computer and office equipment to vehicle and leased equipment in the amount of $18.3 million. This figure includes $11.0 million in vehicles sent to surplus for auction sales and approximately $2.2 million in phone system equipment, making way for the converged network project to reduce communication cost. Structures and improvements experienced $6.6 million, such as the demolition of the 11th Street jail. The structure was approximately 30,000 square feet, which posed a health and safety hazard and is intended to be replaced by a pedestrian plaza immediately adjacent to the to the historic Riverside County Courthouse.

Depreciable Transfers:

Completed construction in progress transferred for approximately $169.5 million as noted above.

Depreciation Note:

In the government-wide financial statements, depreciable capital assets are depreciated from the acquisition date to the end of the fiscal year. However, in the fund financial statements of the governmental funds, depreciable capital assets are accounted for as expenditures when payments are made. This fiscal year, depreciable capital assets for governmental and business-type activities combined incurred $137.5 million in depreciation.

Analysis of Capital Assets:

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

Capital Assets (net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Infrastructure	$ 1,415,087	$ 1,436,036	$ 43,844	$ 47,366	$ 1,458,931	$ 1,483,402	-1.6%
Land and easements	469,522	449,978	21,358	21,351	490,880	471,329	4.1%
Land improvements	87	88	3,080	3,662	3,167	3,750	-15.5%
Structures and improvements	1,103,314	988,262	121,056	126,899	1,224,370	1,115,161	9.8%
Equipment	110,155	84,889	12,118	14,206	122,273	99,095	23.4%
Construction in porgress	815,227	745,536	65,006	56,189	880,233	801,725	9.8%
Concession Arrangements	-	-	8,830	-	8,830	-	0.0%
Total Outstanding	$ 3,913,392	$ 3,704,789	$ 275,292	$ 269,673	$ 4,188,684	$ 3,974,462	5.4%

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

Debt Administration

Per Board of Supervisors policy, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board of Supervisors accordingly. Net bonded debt per capita equaled $359.0 million as of June 30, 2013. The calculated legal debt limit for the County is $2.5 billion.

The following are credit ratings maintained by the County:

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

The County issued tax-exempt Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected intra-period cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2012-13, the County issued $250.0 million in TRANs to satisfy short-term cash flow needs. In December 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (the alternate method of property tax distribution). The plan required the "buy-out" of delinquent taxes and the annual advance of unpaid taxes to participating agencies. For fiscal year 2012-13, funding for the County's ongoing obligation under Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes. During fiscal year 2012-13, the County retired $79.0 million of the $171.3 million principal amount outstanding at June 30, 2012. The County then issued $50.5 million of Series D notes, leaving an outstanding balance of $142.8 million at June 30, 2013. This amount includes funding to advance $52.9 million fiscal year 2011-12 delinquencies and refunding of $89.90 million of prior years' property taxes that remain delinquent. The County's General Fund is pledged to the repayment of the Series B delinquent taxes.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities as of June 30, 2013.

County's Outstanding Debt Obligations
(In Thousands)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2013	2012	2013	2012	2013	2012	%
Loan payable	$ 4,420	$ 4,925	$ -	$ -	$ 4,420	$ 4,925	-10.3%
Bonds payable	744,460	750,492	143,710	121,061	888,170	871,553	1.9%
Certificate of participation	282,095	309,511	-	-	282,095	309,511	-8.9%
Capital leases	67,748	100,995	7,224	12,055	74,972	113,050	-33.7%
Total outstanding	$ 1,098,723	$ 1,165,923	$ 150,934	$ 133,116	$ 1,249,657	$ 1,299,039	-3.8%

Outstanding Debt: The County of Riverside's total debt decreased by 3.8% or $49.4 million during the current fiscal year primarily due to scheduled retirements of outstanding debt. Additional information on the County's long-term debt can be found in Note 14 of this report.

Management's Discussion & Analysis *(Unaudited)*

ECONOMIC FACTORS AND THE FISCAL YEAR 2013-14 BUDGET OUTLOOK

Economists' forecasts remain relatively unchanged for the upcoming fiscal year. There will be slow growth, if any, over the near future. Riverside County's budget plans for fiscal year 2013-14 eliminate the use of one-time reserves to fund ongoing operating costs. Reports of improving job and housing markets produce confirmation that economic recovery is under way and that the worst is in the past.

Fiscal year 2013-14 discretionary revenue is expected to increase by approximately 3.0% ($16.4 million) when compared to fiscal year 2012-13. The following table reflects anticipated discretionary revenue totals and sources for fiscal year 2013-14.

Source	Final Budget Estimate (In Thousands)
Taxes	$ 216,203
Other Taxes	42,658
Licenses, Permits, Franchise Taxes	5,000
Fines, Forfeitures, Penalties	24,006
Use of Money and Property	2,603
State	195,666
Federal	2,050
Charges for services	629
Miscellaneous	97,844
Total	$ 586,659

The County's employee retirement benefit contribution rate for fiscal year 2013-14 for miscellaneous members is 15.0% and the Safety contribution rate is 23.4%.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 2014-15 rates are projected at 14.5% (Miscellaneous) and 21.9% (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.

The fiscal year 2013-14 assessment roll value increased by 4.0%, yielding a total property tax roll of $213.0 billion, compared to $204.9 billion in fiscal year 2012-13. The $8.1 million increase included a reduction in foreclosure related activity, increase in both residential sales prices and volume, a full 2.0% increase in inflation factor, and a slight increase in some commercial properties.

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.

BASIC FINANCIAL STATEMENTS-GOVERNMENT-WIDE FINANCIAL STATEMENTS

COUNTY OF RIVERSIDE
Statement of Net Position
June 30, 2013
(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)	$ 1,090,226	$ 142,589	$ 1,232,815	$ 43,522	$ -
Receivables, net (Notes 1 and 6)	403,805	181,187	584,992	4,252	-
Internal balances (Note 7)	60,577	(60,577)	-	-	-
Inventories	6,569	8,418	14,987	-	-
Prepaid items and deposits	6,344	5,390	11,734	-	-
Restricted cash and investments (Notes 4 and 5)	456,157	137,050	593,207	-	12,163
Other noncurrent receivables (Note 6)	41,356	-	41,356	-	42,702
Loans receivable (Note 6)	-	72,037	72,037	-	-
Pension asset, net (Notes 20 and 21)	451,501	648	452,149	-	-
OPEB asset, net (Note 22)	26,399	-	26,399	-	-
Land held for resale	-	34,368	34,368	-	-
Capital assets (Note 8):					
Nondepreciable assets	1,284,749	95,194	1,379,943	-	-
Depreciable assets, net	2,628,643	180,098	2,808,741	-	-
Total assets	6,456,326	796,402	7,252,728	47,774	54,865
DEFERRED OUTFLOWS OF RESOURCES:					
Defeasance of debt	-	347	347	-	-
Interest rate swap (Note 14)	26,821	-	26,821	-	-
Total deferred outflows of resources	26,821	347	27,168	-	-
LIABILITIES:					
Current Liabilities:					
Cash overdrawn (Note 4)	-	21,647	21,647	-	-
Accounts payable	107,241	17,242	124,483	2,666	1
Salaries and benefits payable	66,455	12,799	79,254	94	-
Due to other governments	27,071	97,688	124,759	13	-
Interest payable	8,960	870	9,830	-	532
Deposits payable	352	89	441	-	-
Advances from grantors and third parties (Note 12)	271,093	-	271,093	-	-
Notes payable (Note 13)	142,840	-	142,840	-	-
Other liabilities	591	1,698	2,289	-	-
Interest rate swap (Note 14)	26,821	-	26,821	-	-
Long-term liabilities (Note 14) :					
Due within one year	178,450	36,947	215,397	161	5,070
Due beyond one year	1,314,374	296,859	1,611,233	118	51,175
Total liabilities	2,144,248	485,839	2,630,087	3,052	56,778
DEFERRED INFLOWS OF RESOURCES:					
Teeter tax loss reserve (Note 15)	17,703	-	17,703	-	-
Grants received in advance (Note 15)	-	722	722	-	-
Service concession arrangement (Note 9)	-	8,396	8,396	-	-
Total deferred inflows of resources	17,703	9,118	26,821	-	-
NET POSITION:					
Net investment in capital assets	2,998,987	118,594	3,117,581	-	-
Restricted for:					
Children's programs	-	-	-	44,722	-
Community development	173,461	-	173,461	-	-
Debt service	106,440	53,609	160,049	-	-
Health and sanitation	25,373	10,308	35,681	-	-
Public protection	79,493	-	79,493	-	-
Public ways and facilities	152,854	-	152,854	-	-
Other programs	12,705	30,429	43,134	-	-
Unrestricted	771,883	88,852	860,735	-	(1,913)
Total net position	$ 4,321,196	$ 301,792	$ 4,622,988	$ 44,722	$ (1,913)

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, 2013
(Dollars in Thousands)

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position: Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Children and Families Commission	Palm Desert Financing Authority
FUNCTION/PROGRAM ACTIVITIES:									
Primary government:									
Governmental activities:									
General government	$ 194,641	$ 138,851	$ 123,043	$ -	$ 67,253	$ -	$ 67,253		
Public protection	1,065,373	339,379	287,413	-	(438,581)	-	(438,581)		
Public ways and facilities	89,469	51,004	48,516	27,514	37,565	-	37,565		
Health and sanitation	422,982	47,558	265,409	-	(110,015)	-	(110,015)		
Public assistance	807,611	2,719	771,230	-	(33,662)	-	(33,662)		
Education	18,998	364	7,072	-	(11,562)	-	(11,562)		
Recreation and cultural services	12,274	8,586	707	181	(2,800)	-	(2,800)		
Interest on long-term debt	29,453	-	-	-	(29,453)	-	(29,453)		
Total governmental activities	2,640,801	588,461	1,503,390	27,695	(521,255)	-	(521,255)		
Business-type activities:									
Regional Medical Center	473,916	450,340	-	698	-	(22,878)	(22,878)		
Waste Management Department	53,069	58,302	-	-	-	5,233	5,233		
Housing Authority	90,678	90,015	-	-	-	(663)	(663)		
Flood Control	2,472	1,735	-	-	-	(737)	(737)		
County Service Areas	459	355	-	-	-	(104)	(104)		
Total business-type activities	620,594	600,747	-	698	-	(19,149)	(19,149)		
Total primary government	$ 3,261,395	$ 1,189,208	$ 1,503,390	$ 28,393	(521,255)	(19,149)	(540,404)		
Component units:									
Children and Families Commission	$ 22,194	$ -	$ 21,739	$ -				$ (455)	$ -
Palm Desert Financing Authority	9,607	8,635	-	-				-	(972)
Total Component Units	$ 31,801	$ 8,635	$ 21,739	$ -				(455)	(972)
General revenues:									
Taxes:									
Property taxes					277,417	-	277,417	-	-
Sales and use taxes					29,751	-	29,751	-	-
Other taxes					37,883	-	37,883	-	-
Unrestricted intergovernmental revenue					220,811	-	220,811	-	-
Investment earnings (loss)					2,035	(33)	2,002	(26)	28
Other					168,454	-	168,454	263	-
Transfers					(1,049)	1,049	-	-	-
Total general revenues and transfers					735,302	1,016	736,318	237	28
Changes in net position before extraordinary items					214,047	(18,133)	195,914	(218)	(944)
Extraordinary Item									
Extraordinary gain (loss), RDA Successor dissolution					(158,337)	154,589	(3,748)	-	-
Changes in net position					55,710	136,456	192,166	(218)	(944)
NET POSITION, BEGINNING OF YEAR, AS RESTATED (Note 3)					4,265,486	165,336	4,430,822	44,940	(969)
NET POSITION, END OF YEAR					$ 4,321,196	$ 301,792	$ 4,622,988	$ 44,722	$ (1,913)

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, 2013

(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							
Assets:							
Cash and investments (Note 4)	$ 128,655	$ 145,644	$ 256,683	$ -	$ 203,494	$ 126,976	$ 861,452
Accounts receivable (Notes 1 and 6)	9,167	1,463	525	-	-	1,498	12,653
Interest receivable (Note 6)	687	53	130	20	89	124	1,103
Taxes receivable (Note 6)	10,931	22	1,357	83,276	-	1,511	97,097
Due from other governments (Note 6)	308,532	12,015	1,334	-	15	8,570	330,466
Due from other funds (Note 7)	9,071	-	52	35	-	33	9,191
Inventories	2,059	1,031	-	-	-	-	3,090
Prepaid items and deposits	818	2,600	1,971	-	-	587	5,976
Restricted cash and investments (Notes 4 and 5)	307,452	-	1,806	67,984	-	78,915	456,157
Advances to other funds (Note 7)	3,342	-	-	-	-	1,700	5,042
Total assets	780,714	162,828	263,858	151,315	203,598	219,914	1,782,227
Deferred outflows of resources:	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 780,714	$ 162,828	$ 263,858	$ 151,315	$ 203,598	$ 219,914	$ 1,782,227
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 24,234	$ 38,241	$ 4,231	$ -	$ 4,035	$ 4,539	$ 75,280
Salaries and benefits payable	57,519	1,804	1,037	-	-	2,150	62,510
Due to other governments	23,377	1,553	1,820	-	-	313	27,063
Due to other funds (Note 7)	9,190	72	37	8,475	3	191	17,968
Deposits payable	19	-	-	-	-	333	352
Advances from grantors and third parties (Note 12)	242,271	26,856	-	-	-	1,966	271,093
Teeter notes payable (Note 13)	-	-	-	142,840	-	-	142,840
Advances from other funds (Note 7)	-	-	-	-	-	1,700	1,700
Total liabilities	356,610	68,526	7,125	151,315	4,038	11,192	598,806
Deferred inflows of resources (Note 15)	66,855	-	1,808	-	-	-	68,663
Fund balances (Note 16):							
Nonspendable	3,247	1,044	1	-	-	1,168	5,460
Restricted	101,440	79,127	-	-	153,404	174,552	508,523
Committed	42,183	1,310	253,117	-	1,912	15,914	314,436
Assigned	10,460	12,821	1,807	-	44,244	17,088	86,420
Unassigned	199,919	-	-	-	-	-	199,919
Total fund balances	357,249	94,302	254,925	-	199,560	208,722	1,114,758
Total liabilities, deferred inflows of resources and fund balances	$ 780,714	$ 162,828	$ 263,858	$ 151,315	$ 203,598	$ 219,914	$ 1,782,227

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, 2013
(Dollars in Thousands)

Fund balances - total governmental funds (page 35)		$ 1,114,758
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.		3,880,708
Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.		477,900
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Any liability of earned but unavailable revenue must be eliminated in the government-wide financial statements.		50,960
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	$ 744,460	
Capital lease obligations	55,648	
Certificates of participation	282,095	
Loans payable	4,420	
Accrued interest payable	8,960	
Accreted interest payable	94,661	
Accrued remediation cost	2,793	
Compensated absences	156,628	(1,349,665)
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.		146,535
Net position of governmental activities (page 29)		$ 4,321,196

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, 2013
(Dollars in Thousands)

	General	Transportation	Flood Control	Teeter Debt Service	Public Facilities Improvements Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:							
Taxes	$ 246,144	$ 6,492	$ 40,226	$ -	$ -	$ 54,304	$ 347,166
Licenses, permits, and franchise fees	16,442	2,324	-	-	-	32	18,798
Fines, forfeitures, and penalties	85,241	-	-	-	-	1,140	86,381
Use of money and property:							
Investment earnings (loss)	1,676	(243)	(217)	(155)	(209)	1,518	2,370
Rents and concessions	3,670	-	180	-	344	15,052	19,246
Aid from other governmental agencies:							
Federal	478,791	28,609	-	-	28	61,902	569,330
State	1,001,545	41,025	619	-	-	4,296	1,047,485
Other	81,169	4,115	-	-	24,144	22,692	132,120
Charges for services	374,750	41,175	5,946	-	9,741	32,662	464,274
Other revenue	26,253	22,566	14,937	4	908	28,161	92,829
Total revenues	2,315,681	146,063	61,691	(151)	34,956	221,759	2,779,999
EXPENDITURES:							
Current:							
General government	103,895	-	-	469	35,406	68,472	208,242
Public protection	1,043,017	5,545	62,825	-	-	6,010	1,117,397
Public ways and facilities	-	161,842	-	-	799	14,826	177,467
Health and sanitation	388,325	-	-	-	-	5,232	393,557
Public assistance	735,057	-	-	-	-	63,793	798,850
Education	564	-	-	-	-	18,255	18,819
Recreation and culture	346	-	-	-	-	16,244	16,590
Debt service:							
Principal	14,464	568	-	-	-	40,331	55,363
Interest	5,112	46	-	-	-	22,830	27,988
Cost of issuance	-	-	-	-	-	378	378
Capital outlay	1,721	-	-	-	-	23,706	25,427
Total expenditures	2,292,501	168,001	62,825	469	36,205	280,077	2,840,078
Excess (deficiency) of revenues over (under) expenditures	23,180	(21,938)	(1,134)	(620)	(1,249)	(58,318)	(60,079)
OTHER FINANCING SOURCES (USES):							
Transfers in	92,297	18,763	-	703	15,449	104,362	231,574
Transfers out	(96,547)	(6,088)	(200)	(83)	(57,148)	(73,743)	(233,809)
Issuance of refunding bonds	-	-	-	-	-	17,640	17,640
Premium on long-term debt	-	-	-	-	-	759	759
Redemption of refunded debt	-	-	-	-	-	(18,155)	(18,155)
Capital leases	1,721		-	-	-	-	1,721
Total other financing sources (uses)	(2,529)	12,675	(200)	620	(41,699)	30,863	(270)
Net change in fund balances before Extraordinary loss	20,651	(9,263)	(1,334)	-	(42,948)	(27,455)	(60,349)
EXTRAORDINARY ITEMS:							
Extraordinary loss	-	-	-	-	-	158,337	158,337
NET CHANGE IN FUND BALANCES	20,651	(9,263)	(1,334)	-	(42,948)	(185,792)	(218,686)
Fund balances, beginning of year	336,598	103,565	256,259	-	242,508	394,514	1,333,444
FUND BALANCES, END OF YEAR	$ 357,249	$ 94,302	$ 254,925	$ -	$ 199,560	$ 208,722	$ 1,114,758

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

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

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COUNTY OF RIVERSIDE

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

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 39)		$ (218,686)
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	$ 349,490	
Less loss on disposal of capital assets	(26,850)	
Less current year depreciation	(111,061)	211,579
Prepaid pension costs and OPEB costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net position.		11,439
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		63,809
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.		904
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	35	
Change in accreted interest	(15,838)	
Change in long-term compensated absences	995	(14,808)
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.		1,473
Change in net position of governmental activities (page 31)		$ 55,710

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, 2013
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
REVENUES:				
Taxes	$ 211,112	$ 222,742	$ 246,144	$ 23,402
Licenses, permits, and fees	17,707	18,324	16,442	(1,882)
Fines, forfeitures, and penalties	85,195	85,222	85,241	19
Use of money and property:				
Investment earnings	3,113	3,113	1,676	(1,437)
Rents and concessions	25,194	25,343	3,670	(21,673)
Aid from other governmental agencies:				
Federal	493,961	508,235	478,791	(29,444)
State	1,002,869	1,026,300	1,001,545	(24,755)
Other government	80,642	80,782	81,169	387
Charges for services	465,778	414,521	374,750	(39,771)
Other revenue	84,233	75,678	26,253	(49,425)
Total revenues	2,469,804	2,460,260	2,315,681	(144,579)
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	82,292	84,720	79,825	(4,895)
Services and supplies	67,466	67,721	61,990	(5,731)
Other charges	73,339	75,871	9,238	(66,633)
Capital assets	505	1,148	520	(628)
Intrafund transfers	(46,412)	(48,445)	(47,678)	767
Appropriation for contingencies	20,000	6,282	-	(6,282)
Total general government	197,190	187,297	103,895	(83,402)
Public protection:				
Salaries and employee benefits	720,938	723,396	708,800	(14,596)
Services and supplies	304,287	315,007	301,321	(13,686)
Other charges	44,096	44,433	34,790	(9,643)
Capital assets	5,332	9,473	5,209	(4,264)
Intrafund transfers	(6,790)	(6,057)	(7,103)	(1,046)
Total public protection	1,067,863	1,086,252	1,043,017	(43,235)
Health and sanitation:				
Salaries and employee benefits	210,766	214,468	192,338	(22,130)
Services and supplies	90,913	96,880	86,919	(9,961)
Other charges	197,250	207,136	181,617	(25,519)
Capital assets	894	1,425	536	(889)
Intrafund transfers	(69,765)	(69,082)	(73,085)	(4,003)
Total health and sanitation	$ 430,058	$ 450,827	$ 388,325	$ (62,502)

(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, 2013
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
Public assistance:				
Salaries and employee benefits	$ 248,402	$ 248,402	$ 240,445	$ (7,957)
Services and supplies	78,177	78,181	67,934	(10,247)
Other charges	434,150	435,961	426,949	(9,012)
Capital assets	100	115	19	(96)
Intrafund transfers	(294)	(294)	(290)	4
Total public assistance	760,535	762,365	735,057	(27,308)
Education:				
Salaries and employee benefits	289	289	279	(10)
Services and supplies	304	299	285	(14)
Total education	593	588	564	(24)
Recreation and culture:				
Services and supplies	-	419	328	(91)
Other charges	-	139	18	(121)
Capital assets	-	1	-	(1)
Total recreation and culture	-	559	346	(213)
Debt service:				
Principal	80,191	36,144	14,464	(21,680)
Interest	4,997	4,997	5,112	115
Total debt service	85,188	41,141	19,576	(21,565)
Capital outlay	-	-	1,721	1,721
Total expenditures	2,541,427	2,529,029	2,292,501	(236,528)
Excess (deficiency) of revenues over (under) expenditures	(71,623)	(68,769)	23,180	91,949
OTHER FINANCING SOURCES (USES):				
Transfers in	-	92,297	92,297	-
Transfers out	-	(96,547)	(96,547)	-
Capital leases	-	-	1,721	1,721
Total other financing sources (uses)	-	(4,250)	(2,529)	1,721
NET CHANGE IN FUND BALANCE	(71,623)	(73,019)	20,651	93,670
Fund balance, beginning of year	336,598	336,598	336,598	-
FUND BALANCE, END OF YEAR	$ 264,975	$ 263,579	$ 357,249	$ 93,670

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

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 5,100	$ 5,100	$ 6,492	$ 1,392
Licenses, permits, and franchise fees	2,530	2,530	2,324	(206)
Use of money and property:				
Investment earnings (loss)	443	443	(243)	(686)
Aid from other governmental agencies:				
Federal	17,650	17,650	28,609	10,959
State	44,466	44,466	41,025	(3,441)
Other	5,514	5,514	4,115	(1,399)
Charges for services	76,085	58,711	41,175	(17,536)
Other revenue	5,458	4,558	22,566	18,008
Total revenues	157,246	138,972	146,063	7,091
EXPENDITURES:				
Current:				
Public protection	7,530	6,445	5,545	(900)
Public ways and facilities	152,048	154,598	161,842	7,244
Debt service:				
Principal	-	597	568	(29)
Interest	-	49	46	(3)
Total expenditures	159,578	161,689	168,001	6,312
Excess (deficiency) of revenues over (under) expenditures	(2,332)	(22,717)	(21,938)	779
OTHER FINANCING SOURCES (USES):				
Transfers in	-	18,763	18,763	-
Transfers out	-	(6,088)	(6,088)	-
Total other financing sources (uses)	-	12,675	12,675	-
NET CHANGE IN FUND BALANCE	(2,332)	(10,042)	(9,263)	779
Fund balance, beginning of year	103,565	103,565	103,565	-
FUND BALANCE, END OF YEAR	$ 101,233	$ 93,523	$ 94,302	$ 779

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, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 40,182	$ 40,182	$ 40,226	$ 44
Use of money and property:				
Investment earnings (loss)	1,507	1,507	(217)	(1,724)
Rents and concessions	170	170	180	10
Aid from other governmental agencies:				
Federal	1	1	-	(1)
State	589	589	619	30
Charges for services	4,261	4,261	5,946	1,685
Other revenue	17,543	17,543	14,937	(2,606)
Total revenues	64,253	64,253	61,691	(2,562)
EXPENDITURES:				
Current:				
Public protection	161,047	160,847	62,825	(98,022)
Total expenditures	161,047	160,847	62,825	(98,022)
Excess (deficiency) of revenues over (under) expenditures	(96,794)	(96,594)	(1,134)	95,460
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(200)	(200)	-
Total other financing sources (uses)	-	(200)	(200)	-
NET CHANGE IN FUND BALANCE	(96,794)	(96,794)	(1,334)	95,460
Fund balance, beginning of year	256,259	256,259	256,259	-
FUND BALANCE, END OF YEAR	$ 159,465	$ 159,465	$ 254,925	$ 95,460

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, 2013
(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	$ 110,809	$ 29,113	$ 2,657	$ 142,589	$ 228,774
Accounts receivable - net (Notes 1 and 6)	56,411	3,723	180	303	60,617	3,192
Interest receivable (Note 6)	-	83	-	4	87	103
Taxes receivable (Note 6)	-	-	-	14	14	-
Due from other governments (Note 6)	113,039	5,252	2,164	14	120,469	547
Due from other funds (Note 7)	9,050	-	-	-	9,050	112
Inventories	8,178	240	-	-	8,418	3,479
Land held for sale	-	-	34,368	-	34,368	-
Prepaid items and deposits	5,386	-	4	-	5,390	368
Restricted cash and investments (Notes 4 and 5)	53,804	52,153	28,374	2,719	137,050	-
Total current assets	245,878	172,260	94,203	5,711	518,052	236,575
Noncurrent assets:						
Loans Receivable (Note 6)	-	-	72,037	-	72,037	-
Pension asset, net (Note 20)	-	648	-	-	648	-
Capital assets (Note 8):						
Nondepreciable assets	66,256	23,635	5,303	-	95,194	896
Depreciable assets	119,062	51,580	9,428	28	180,098	31,788
Total noncurrent assets	185,318	75,863	86,768	28	347,977	32,684
Total assets	431,196	248,123	180,971	5,739	866,029	269,259
DEFERRED OUTFLOWS OR RESOURCES:						
Defeasance of debt (Note 15)	-	-	347	-	347	-
Total deferred outflows of resources	-	-	347	-	347	-
LIABILITIES:						
Current liabilities:						
Cash overdrawn (Note 4)	21,647	-	-	-	21,647	-
Accounts payable	11,661	2,606	135	2,840	17,242	31,961
Salaries and benefits payable	12,049	723	-	27	12,799	3,945
Due to other governments	96,836	5	847	-	97,688	8
Due to other funds (Note 7)	306	-	-	12	318	67
Interest payable	864	-	6	-	870	-
Deposits payable	-	38	-	51	89	-
Other liabilities	-	570	954	174	1,698	591
Accrued closure and post-closure costs (Notes 10 and 2)	-	6,978	-	-	6,978	-
Accrued remediation costs (Note 23)	-	834	-	-	834	-
Compensated absences (Notes 1 and 14)	13,341	1,042	116	15	14,514	4,972
Capital lease obligations (Note 14)	3,946	-	-	-	3,946	6,952
Bonds payable (Note 14)	10,530	-	145	-	10,675	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	22,933
Total current liabilities	171,180	12,796	2,203	3,119	189,298	71,429
Noncurrent liabilities:						
Compensated absences (Note 2)	6,873	1,564	1,042	69	9,548	4,128
Advances from other funds (Note 7)	-	-	-	-	-	3,342
Accrued closure and post closure care costs (Note 10)	-	47,147	-	-	47,147	-
Accrued remediation costs (Note 10 & 23)	-	35,831	-	-	35,831	-
Capital lease obligations (Notes 1 and 2)	3,277	-	-	-	3,277	5,148
Bonds payable (Note 14)	132,150	-	885	-	133,035	-
Notes payable	-	-	6,795	-	6,795	-
Estimated claims liabilities (Notes 14 and 17)	-	-	-	-	-	107,986
OPEB obligation, net (Note 22)	-	113	-	-	113	-
Other long-term liabilities (Note 14)	61,113	-	-	-	61,113	-
Total noncurrent liabilities	203,413	84,655	8,722	69	296,859	120,604
Total liabilities	374,593	97,451	10,925	3,188	486,157	192,033
DEFERRED INFLOWS OF RESOURCES:						
Grants received in advance (Note 15)	-	-	722	-	722	-
Service concession arrangement (Note 9)	-	8,396	-	-	8,396	-
Total deferred inflows of resources	-	8,396	722	-	9,118	-
NET POSITION:						
Net investment in capital assets	35,415	75,215	7,936	28	118,594	20,584
Restricted for debt service	53,609	-	-	-	53,609	-
Restricted for health and sanitation	-	10,308	-	-	10,308	-
Restricted other	193	-	30,463	41	30,697	-
Unrestricted	(32,614)	56,753	131,272	2,482	157,893	56,642
Total net position	$ 56,603	$ 142,276	$ 169,671	$ 2,551	371,101	$ 77,226
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds					(69,309)	
Net position of business-type activities					$ 301,792	

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

COUNTY OF RIVERSIDE
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2013
(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)	$ 392,069	$ -	$ -	$ -	$ 392,069	$ -
Charges for services	34,442	56,436	7,626	1,843	100,347	206,364
Other revenue	23,829	1,866	82,389	247	108,331	34,291
Total operating revenues	450,340	58,302	90,015	2,090	600,747	240,655
OPERATING EXPENSES:						
Cost of material used	-	212	-	-	212	1,851
Personnel services	250,284	15,565	8,906	1,031	275,786	74,374
Communications	2,166	222	-	-	2,388	3,995
Insurance	5,996	196	366	-	6,558	8,736
Maintenance of building and equipment	10,584	1,239	827	99	12,749	15,822
Insurance claims	-	-	-	-	-	108,391
Supplies	78,024	1,831	-	24	79,879	30,024
Purchased services	74,098	16,112	-	891	91,101	18,859
Depreciation and amortization	9,275	5,181	1,306	12	15,774	10,624
Rents and leases of equipment	3,872	47	-	8	3,927	51,280
Public assistance	-	5	71,614	-	71,619	-
Utilities	3,530	283	612	114	4,539	1,684
Remediation costs (recovery)	-	(764)	-	-	(764)	-
Other	11,142	12,056	6,679	34	29,911	4,858
Total operating expenses	448,971	52,185	90,310	2,213	593,679	330,498
Operating income (loss)	1,369	6,117	(295)	(123)	7,068	(89,843)
NONOPERATING REVENUES (EXPENSES):						
Investment income (loss)	(47)	96	(87)	5	(33)	(259)
Interest expense	(13,214)	-	(368)	-	(13,582)	(1,500)
Gain (loss) on disposal of capital assets	(36)	(45)	-	-	(81)	18
Other nonoperating revenues / (expenses)	-	-	-	-	-	(8)
Extraordinary items, net gain	-	-	154,589	-	154,589	-
Total nonoperating revenues (expenses)	(13,297)	51	154,134	5	140,893	(1,749)
Income (loss) before capital contributions and transfers	(11,928)	6,168	153,839	(118)	147,961	(91,592)
Premium contributions	698	-	-	-	698	78,627
Transfers in	5,000	-	-	-	5,000	6,487
Transfers out	(3,579)	(215)	(157)	-	(3,951)	(5,301)
CHANGE IN NET POSITION	(9,809)	5,953	153,682	(118)	149,708	(11,779)
Net position, beginning of the year, as previously reported	67,233	136,323	15,989	2,669		89,005
Adjustments to beginning net position (Note 3)	(821)	-	-	-		-
Net position, beginning of the year	66,412	136,323	15,989	2,669		89,005
NET POSITION, END OF YEAR	$ 56,603	$ 142,276	$ 169,671	$ 2,551		$ 77,226
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(13,252)	
Change in net position of business-type activities					$ 136,456	

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2013
(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	$ 393,842	$ 58,441	$ 88,283	$ 2,077	$ 542,643	$ 241,321
Cash paid to suppliers for goods and services	(159,171)	(21,986)	(79,576)	(1,147)	(261,880)	(230,239)
Cash paid to employees for services	(247,581)	(14,892)	(8,909)	(1,050)	(272,432)	(73,895)
Net cash provided by (used in) operating activities	(12,910)	21,563	(202)	(120)	8,331	(62,813)
Cash flows from noncapital financing activities						
Other Non-Operating Expenses	-	-	-	-	-	(8)
Transfers received	5,000	-	-	-	5,000	6,487
Transfers paid	(3,579)	(215)	(157)	-	(3,951)	(5,301)
Net cash provided by (used in) noncapital financing activities	1,421	(215)	(157)	-	1,049	1,178
Cash flows from capital and related financing activities						
Acquisition of Assets from RDA dissolution	-	-	(106,405)	-	(106,405)	-
Gain (Loss) on Disposal of Capital Assets	(36)	(45)	154,589	-	154,508	18
Acquisition and construction of capital assets	(6,998)	(13,152)	(1,243)	-	(21,393)	(7,648)
Principal paid on capital leases	(4,832)	-	-	-	(4,832)	(3,000)
Premium contributions	698	-	-	-	698	78,627
Acquisition on bonds payable	22,367	-	282	-	22,649	-
Interest paid on long-term debt	(12,759)	-	(369)	-	(13,128)	(1,500)
Net cash provided by (used in) capital and related financing activities	(1,560)	(13,197)	46,854	-	32,097	66,497
Cash flows from investing activities						
Interest received on investments	(47)	93	(87)	5	(36)	(259)
Net cash provided by investing activities	(47)	93	(87)	5	(36)	(259)
Net increase (decrease) in cash and cash equivalents	(13,096)	8,244	46,408	(115)	41,441	4,603
Cash and cash equivalents, beginning of year	45,263	154,718	11,079	5,491	216,551	224,171
Cash and cash equivalents, end of year	$ 32,167	$ 162,962	$ 57,487	$ 5,376	$ 257,992	$ 228,774

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

COUNTY OF RIVERSIDE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ending June 30, 2013
(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 provided (used) by operating activities						
Operating income (loss)	$ 1,369	$ 6,117	$ (295)	$ (123)	$ 7,068	$ (89,843)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	9,275	5,181	1,306	12	15,774	10,624
Decrease (Increase) accounts receivable	(871)	347	(76)	(46)	(646)	(224)
Decrease (Increase) due from other funds	(8,283)	4	-	-	(8,279)	88
Decrease (Increase) due from other governments	(47,344)	(212)	(1,309)	33	(48,832)	802
Decrease (Increase) deferred outflow of resources	-	-	(347)	-	(347)	-
Decrease (Increase) inventories	(727)	34	-	-	(693)	143
Decrease (Increase) prepaid items and deposits	846	-	(2)	-	844	79
Increase (Decrease) accounts payable	(1,070)	196	135	63	(676)	14,428
Increase (Decrease) due to other funds	79	-	-	10	89	(19)
Increase (Decrease) due to other governments	30,077	-	829	(10)	30,896	(50)
Increase (Decrease) deposits payable	-	-	-	2	2	-
Increase (Decrease) accrued closure costs	-	1,588	-	-	1,588	-
Increase (Decrease) accrued remediation costs	-	(764)	-	-	(764)	-
Increase (Decrease) other liabilities	1,036	3	(1,162)	(42)	(165)	199
Increase (Decrease) estimated claims liability	-	-	-	-	-	481
Increase (Decrease) deferred inflows of resources	-	8,396	722	-	9,118	-
Increase (Decrease) salaries and benefits payable	710	30	-	(11)	729	87
Increase (Decrease) compensated absences	1,993	96	(3)	(8)	2,078	392
Decrease (Increase) pension assets, net	-	547	-	-	547	-
Net cash provided (used) by operating activities	$ (12,910)	$ 21,563	$ (202)	$ (120)	$ 8,331	$ (62,813)
Noncash investing, capital, and financing activities:						
Capital lease obligations	$ 611					$ 4,604
Acquisition of Assets from RDA dissolution			$ 106,405			

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, 2013

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 4)	$ -	$ -	$ 155,261	$ 226,773
Federal agency	18,211	2,172,800	-	-
Cash and equivalent	2,645	315,575	-	-
Commercial paper	1,272	151,761	-	-
Negotiable CDs	663	79,052	-	-
Municipal bonds	211	25,151	-	-
Bond - U.S. Treasury	3,262	389,144	-	-
Local agency obligation	3	307	-	-
Accounts receivable	113	12,596	1,307	47
Interest receivable	-	1,454	45	38
Taxes receivable	-	31	-	36,133
Due from other governments	-	-	1,816	350
Due from other funds	-	-	5	-
Advance to other funds	-	-	5,517	-
Land held for sale	-	-	50,468	-
Total assets	26,380	3,147,871	214,419	263,341
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charge on refunding	-	-	5,351	-
LIABILITIES:				
Accounts payable	-	-	17,725	132,561
Salaries and benefits payable	-	-	-	6
Due to other governments	-	-	2,600	130,774
Note payable	-	-	790,643	-
Interest payable	-	-	9,791	-
Accreted inerest payable	-	-	3,713	-
Other long-term liabilities	-	-	5,690	-
Total liabilities	-	-	830,162	$ 263,341
NET POSITION:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 26,380	$ 3,147,871	$ (610,392)	

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, 2013

(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 946	$ -	$ -
Employee contributions	1,332	-	-
Contributions to pooled investments	-	21,594,435	-
Contributions to private-purpose trust	-	-	23,253
Investment income	-	-	43
Total additions	2,278	21,594,435	23,296
DEDUCTIONS:			
Distributions from pension trust	-	-	-
Distributions from pooled investments	-	21,161,499	-
Distributions from private-purpose trust	-	-	85,180
Administrative and other expenses	24	-	-
Total deductions	24	21,161,499	85,180
Change in net position	2,254	432,936	(61,884)
Net position held in trust, beginning of the year	24,126	2,714,935	(548,508)
Net position held in trust, end of the year	$ 26,380	$ 3,147,871	$ (610,392)

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

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BASIC FINANCIAL STATEMENTS- NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

In conformity with generally accepted accounting principles, the financial statements of 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Components (Continued)

In-home Support Services Public Authority (IHSS PA) The Board is the governing body of the IHSS PA. The IHSS PA acts as the employer of record for purposes of collective bargaining for Riverside In-home Supportive Services providers and performs other IHSS 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 The Palm Desert Financing Authority (the Authority) 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 Authority for the purpose of establishing a vehicle to reduce local borrowing costs, promote greater use of existing and new financial instruments and mechanisms, and assist local agencies in the financing of public capital improvements. Although the Authority is a legally separate entity, in substance under Governmental Accounting Standards Board Statement (GASB) Statement No. 61, the County is financially accountable for the Authority's issuance of the lease revenue bond that is under the Authority's management (2008 Series A).

The Authority's Commission is the governing body of the Authority, which consists of the County Executive Officer, one member of the County Board of Supervisors, the Executive Director of the 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, 32.8% or $14.4 million, of the County's $43.8 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 of Supervisors.

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 90 days of June 30, 2013, 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 76.8% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 23.2% of the total funds on deposit in the County Treasury represented discretionary deposits.

Receivables

The RMC accounts receivable are reported at their gross value and, where appropriate, are reduced by contractual allowances and the estimated uncollectible amounts. The estimated allowance for uncollectibles and allowance for contractuals are $245.1 million and $738 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 2012-13 gross assessed valuation of the County was $205.1 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 30th are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer.

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

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 2012-13, $32 million was transferred from the TLRF to the general fund.

Prepaid Items and Inventories

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

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

Capital Assets

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

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.

Interest is capitalized on construction in progress in the proprietary funds. Interest capitalized is the total interest cost from the date of the borrowing net of any allowable interest carried on temporary investments of the proceeds of those borrowings until the specified asset is ready for its intended use. The RMC capitalizes net interest expense as a cost of property constructed. The RMC capitalized $37.1 thousand for the year ending June 30, 2013.

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, 2013, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net position was $189.6 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 California Public Employees' Retirement System (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 fifteen or more years of service shall be credited at the rate of the current salary value provided however, that the total payment shall not exceed a sum equal to 960 hours of full pay. In addition, the employee may also elect to place the payable amount of sick leave into a VEBA (Voluntary Employee Beneficiary Association) account which may be used for future health care costs.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement Number 63 and GASB Statement Number 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 are 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)

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 Equity

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

- Nonspendable fund balance – amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.
- Restricted fund balance – amounts that are constrained to being used for a specific purpose by external parties such as creditors, grantors, laws, or regulations.
- Committed fund balance – amounts that are committed can only be used for specific purposes determined by formal action from the Board, the County's highest level of decision-making authority.
- 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. Authority to assign: assignments within the general fund must be established by the County Executive Officer or an Executive Officer designee. Assigned amounts cannot cause a deficit in unassigned fund balance.
- Unassigned fund balance – funds that are not reported in any other category and are available for any purpose within the general fund.

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.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted fund balance resource first, followed by the unrestricted resources in the committed and unassigned fund balances, as they are needed.

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

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

Fund Balance Policy

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Spending Prioritization for Fund Categories

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

Minimum Fund Balance Policy for Governmental Funds

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

Unassigned Fund Balance - General Fund

The County shall maintain a minimum unassigned fund balance in its general fund of at least 25.0% 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 funds should be as the last resort in balancing the County budget.

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

Fund Balance - Special Revenue Funds

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

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.

Committed Fund Balance - Disaster Relief

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

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 60

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Current Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board Statement No. 61

In November of 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.* The objective of this statement is to improve guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2012.

Governmental Accounting Standards Board Statement No.62

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

1. Financial Accounting Standards Board (FASB) Statements and Interpretations
2. Accounting Principles Board Opinions
3. Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. No new generally accepted accounting principles were released in this statement. Statement No. 62 is effective for periods beginning after December 15, 2011.

Governmental Accounting Standards Board Statement No.63

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

Governmental Accounting Standards Board Statement No. 65

In March of 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Concept Statement No. 4 introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, it provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 is effective for periods beginning after December 15, 2012. The County has elected to early implement this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 66

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

Governmental Accounting Standards Board Statement No. 67

In June of 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25.* The objective of 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. Statement No. 67 amends the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. Statement No. 67 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

Governmental Accounting Standards Board Statement No. 68

In June of 2012, GASB issued Statement No. 68*, Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27*. The objective of 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. 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. Statement No. 69 is effective for periods beginning after December 15, 2013. The County has elected not to early implement this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

Governmental Accounting Standards Board 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. Statement No. 70 is effective for periods beginning after June 15, 2013. The County has elected not to early implement this statement.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data

On or before October 2 of each fiscal year, after conducting public hearings concerning the proposed budget, the County Board of Supervisors (the Board) adopts a budget in accordance with the provisions of Sections 29000-29144 and 30200 of the Government Code of the State of California (the Government Code), commonly known as the County Budget Act, and Board Resolution No. 90-338. Annual budgets are adopted on the modified accrual basis of accounting in conformity with generally accepted accounting principles. Budgeted governmental funds consist of the general fund, major funds, and some nonmajor funds (all special revenue funds, certain debt service funds, and certain capital projects funds). Annual budgets are not adopted for the following debt service funds: CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority; the CORAL Capital Projects Fund; RDA Housing Successor Agency; Riverside County 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, 2013, expenditures exceeded appropriations in capital outlay by $1.7 million in the general fund. This excess of expenditures resulted from the acquisition of $1.7 million of capital leases. Accordingly, this is being funded by other financing sources-capital leases. The expenditure exceeded appropriations in Special Revenue Transportation Fund by $6.3 million. This excess of expenditures resulted from the overestimated reimbursement from other departments within the same fund.

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, 2013 is as follows (in thousands):

Government-wide:

	Primary Government	
	Governmental Activities	Business-Type Activities
Government-wide net position, as of June 30, 2012, as previously reported	$ 4,275,533	$ 166,157
Fund financial statements:		
Cumulative effect of change in accounting principle	-	(821)
Government-wide finanical statements:		
Cumulative effect of change in accounting principle	(10,047)	-
Net position as of June 30, 2012, as restated	$ 4,265,486	$ 165,336

Fund Financials:

	Proprietary Funds			
	Enterprise Funds			Nonmajor Enterprise Funds
Description	Regional Medical Center	Waste Management	Housing Authority	Other Enterprise Funds
Net position as of June 30, 2012, as previously reported	$ 67,233	$ 136,323	$ 15,989	$ 2,669
Prior Period Adjustment:				
Cumulative effect of change in accounting principle	(821)	-	-	-
Net position, as of June 30, 2012, as restated	$ 66,412	$ 136,323	$ 15,989	$ 2,669

As of July 1, 2012, the County implemented *GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities* and restated the beginning net position by $10.9 million to write off the unamortized bond issuance costs that were previously reported as assets. These amounts should be an expense in the year they are incurred. The County classified these items as a cumulative effect of changes in accounting principle in the current fiscal year.

NOTE 4 – CASH AND INVESTMENTS

As of June 30, 2013, 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	$ 1,090,226	$ 120,942	$ 43,522	$ 3,542,091	$ 4,796,781
Restricted cash and investments	456,157	137,050	12,163	-	605,370
Total cash and investments	$ 1,546,383	$ 257,992	$ 55,685	$ 3,542,091	$ 5,402,151

As of June 30, 2013, cash and investments consist of the following (in thousands):

Deposits	$ 150,997
Investments	5,251,154
Total Cash and Investments	$ 5,402,151

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. Treasury	5 Years	100%	N/A
Local Agency Obligations (LAO)	3 Years	2.5%	2.50%
Federal Agencies	5 Years	100%	N/A
Commercial Paper (CP)	270 Days	40%	5% *
Certficate & Time deposits (NCD & TCD)	1 Year	25%	5% *
Repurchase Agreements (REPO)	45 Days	40% / 25%	20%
Reverse Repurchase Agreements ***	60 Days	10%	10%
Medium Term Notes	3 Years	20%	5% *
CalTRUST Short Term Fund	Daily Liquidity	1%	1%
Money Market Mutual Funds	Daily Liquidity	20%	None
Local Agency Investment Fund	Daily Liquidity	Max $50M	N/A
Cash/Deposit Account	N/A	N/A	N/A

* Maximum of 5% per issuer (rated AAA/Aaa) in combined commercial paper, certificate & time deposits, and medium term notes.

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

*** Only for emergency liquidity purposes

NOTE 4 – CASH AND INVESTMENTS (Continued)

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

As of June 30, 2013, 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, 2013	% of Portfolio
County Treasurer Investments							
Federal Home Loan Bank	$ 1,133,198	0.100 - 1.500%	07/13 - 06/18	1.35	N/A	AAA/Aaa	22.87%
Federal National Mortgage Association	1,110,332	0.100 - 1.350%	08/13 - 05/18	3.14	N/A	AAA/Aaa	22.41%
Federal Home Loan Mortgage	588,571	0.160 - 1.465%	08/13 - 11/16	1.42	N/A	AAA/Aaa	11.88%
US Treasury Bills and Bonds	615,330	0.156 - 0.255%	09/13 - 07/14	0.62	N/A	AA+/Aaa	12.42%
Federal Farm Credit Bonds	421,335	0.130 - 1.300%	08/13 - 04/16	0.97	N/A	AAA/Aaa	8.50%
Negotiable Certificate of Deposits	125,000	0.140 - 0.160%	07/13 - 09/13	0.17	A1/P1	AA-/Aa1	2.52%
Commercial Paper	239,970	0.120 - 0.180%	07/13 - 08/13	0.08	A1/P1	AA+/Aa2	4.84%
Money Market Mutual Funds	445,000	0.048 - 0.081%	07/13	0.00	AAA	AAA/Aaa	8.98%
Municipal Bonds	39,770	0.300 - 1.190%	11/13 - 05/16	1.42	AA-/Aa3	AA+/Aaa	0.80%
Farmer Mac	182,283	0.180 - 0.750%	01/14 - 04/18	1.25	N/A	N/R	3.68%
CalTRUST	54,000	0.342%	07/13	0.00	N/A	AAA/Aaa	1.09%
Local Agency Obligations	485	0.878%	06/20	6.96	N/A	N/R	0.01%
Total County Treasurer Investments	4,955,274						100.00%
Investments Outside the County Treasury							
Blended Component Unit Investments							
Money Market Mutual Funds (2)	107,099	0.010 - 0.389%	07/13	0.00	AA-/Aa2	AAA/Aaa	37.75%
Investment Agreements	125,637	2.385 - 4.460%	12/14 - 11/36	6.47	AA-/Aa2	AA+/Aaa	44.28%
Money Market Mutual Funds (3)	46,300	0%	N/A	0.00	N/A	N/R	16.32%
Local Agency Investment Funds	4,681	0.250%	07/13	0.00	N/A	N/R	1.65%
Total Blended Component Units	283,717						100.00%
Discretely Presented Component Units							
Palm Desert Financing Authority							
Local Agency Investment Funds	7,243	0.250%	07/13	0.00	N/A	NR	59.56%
Money Market Mutual Funds (2)	4,920	0.010%	07/13	0.48	AAA	AAA	40.45%
Total Discretely Presented Component Units	12,163						100.00%
Total Investments	$ 5,251,154						

(1) Investment ratings are from S&P and Moody's
(2) Government Code requires money market mutual funds to be rated
(3) Housing Authority and Inland Empire Tobacco Securitization Authority do not require money market mutual funds to be rated

Investment in State Investment Pool

The County of Riverside is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The State Treasurer's Office reports its investments at fair value. The fair value of securities in the State Treasurer's pooled investment program, including LAIF, generally is based on quoted market prices. The State Treasurer's Office performs a quarterly fair market valuation of the pooled investment program portfolio and a monthly fair market valuation of all securities held against carrying cost. These valuations and financial statements are posted to the State Treasurer's Office website at www.treasurer.ca.gov. The fair value of the County's investment in this pool is reported in the accompanying financial statements at amounts based upon the County's prorate share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). 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, 2013, CORAL has $2.5 million, Housing Authority has $1.5 million, Regional Medical Center has $0.7 million and Palm Desert Financing Authority has $7.2 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 $319.6 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 69.

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, 2013 is as follows (in thousand

General Fund	
Restricted Program Money	$ 307,452
Total General Fund	307,452
Flood Control	
Restricted Program Money	1,806
Total Flood Control	1,806
Teeter Debt	
Teeter Commercial Paper Notes	67,984
Total Teeter Debt	67,984
Other Governmental Funds	
1985 Certificates	18,456
1990 Monterey Avenue	133
1997 Historic Court House	280
2000 Southwest Justice Center	542
2003 A Historic Courthouse	1,356
2003 B Capital Facilities	423
2005 A Capital Improvement Family Law	3,522
2005 B Historic Refunding	2,789
2006 A Capital Improvements	2,188
2007 A Public Safety & Refunding	9,275
2008A Southwest Justice Center	912
2009 Larson Justice Center	2,667
2009 Public Safety & Woodcrest Lib Refunding	4,835
2012 CAC Annex	2,551
Bankruptcy Court	6,958
District Court Financing Corporation	1,026
Inland Empire Tobacco Securitization Authority	19,611
Public Financing Authority	1,391
Total Other Governmental Funds	78,915
Regional Medical Center	
1993 Hospital Bonds	53,804
Total Regional Medical Center	53,804
Waste Management	
Remediation costs	23,027
Closure and post-closure care costs	28,092
Customer deposits	431
Deferred revenue	565
Deposit payable	38
Total Waste Management	52,153
Housing Authority	
Housing Authority Bond	28,374
Total Housing Authority	28,374
Other Enterprise Funds	
Restricted Program Money - Flood	2,719
Total Other Enterprise Funds	2,719
Discretely Presented Component Unit	
Palm Desert Financing Authority	12,163
Total Discretely Presented Component Unit	12,163
Total Restricted Cash and Investments	$ 605,370

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	Due From Other Govts	Total Governmental Activities
General fund	$ 9,167	$ 687	$ 10,931	$ 308,532	$ 329,317
Transportation	1,463	53	22	12,015	13,553
Flood Control	525	130	1,357	1,334	3,346
Teeter debt service	-	20	83,276	-	83,296
Public facilities improvements	-	89	-	15	104
Nonmajor governmental funds	1,498	124	1,511	8,570	11,703
Internal service funds	3,192	103	-	547	3,842
Total receivables	$ 15,845	$ 1,206	$ 97,097	$ 331,013	$ 445,161

Receivables **Business-type activities:**	Accounts	Interest	Taxes	Loans	Due From Other Govts	Allowance for uncollectibles	Total Business-type Activities
Regional Medical Center	$ 1,039,531	$ -	$ -	$ -	$ 113,039	$ (983,120)	$ 169,450
Waste Management	3,723	83	-	-	5,252	-	9,058
Housing Authority	180	-	-	72,037	2,164	-	74,381
Nonmajor funds	303	4	14	-	14	-	335
Total receivables	$ 1,043,737	$ 87	$ 14	$ 72,037	$ 120,469	$ (983,120)	$ 253,224

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NOTE 7 – INTERFUND TRANSACTIONS

(a) Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2013 is as follows (in thousands):

Due to/from other funds :

	Receivable Fund			
Payable Fund	General Fund	Flood Control	Teeter Debt Service	Other Governmental Funds
General Fund				
Delinquent property tax	$ -	$ -	$ 35	$ -
Interfund activity	-	-	-	33
Medical services	-	-	-	-
Total General Fund	-	-	-	-
Transportation	-	-	-	-
Interfund activity	72	-	-	-
Total Transportation		-	-	-
Flood Control	-	-	-	-
Interfund activity	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service	-	-	-	-
Delinquent property tax	8,475	-	-	-
Total Teeter Debt Service	-	-	-	-
Public Facilities Improvements Capital Projects	-	-	-	-
Interfund activity	3	-	-	-
Total Public Facilities Imprv Cap projects	-	-	-	-
Nonmajor Governmental Funds		-	-	-
Interfund activity	191	-	-	-
Total Nonmajor Governmental Funds		-	-	-
Regional Medical Center		-	-	-
Interfund activity	1	-	-	-
Law enforcement	305	-	-	-
Total Regional Medical Center	-	-	-	-
Other Enterprise Funds	-	-	-	-
Interfund activity	-	11	-	-
Total Other Enterprise Funds	-	-	-	-
Internal Service Funds	-	-	-	-
Interfund activity	24	41	-	-
Total Internal Service Funds	-	-	-	-
Total Receivable	$ 9,071	$ 52	$ 35	$ 33

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

Advances to/from other funds:
The General Fund advanced $3.3 million to the Economic Development Agency for the internal service fund start up costs.

The Regional Park and Open-Space District Special Revenue Fund advanced $700 thousand to the Regional Park and Open-Space District Capital Projects Fund for the purpose of land improvements being constructed throughout the County Parks.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

(a) Interfund Receivables/ Payables (Continued)

Receivable Fund			
Regional Medical Center	Internal Service Funds	Total Payable	
			General Fund
$ -	$ -	$ 35	Delinquent property tax
-	72	105	Interfund activity
9,050		9,050	Medical services
-	-	9,190	**Total General Fund**
-	-		Transportation
-	-	72	Interfund activity
-	-	72	**Total Transportation**
-	-		Flood Control
-	37	37	Interfund activity
-	-	37	**Total Flood Control**
-	-		Teeter Debt Service
-	-	8,475	Delinquent property tax
-	-	8,475	**Total Teeter Debt Service**
-	-		Public Facilities Improvements Capital Projects
-	-	3	Interfund activity
-	-	3	**Total Public Facilities Imprv Cap Projects**
-	-		Nonmajor Governmental Funds
-	-	191	Interfund activity
-	-	191	**Total Nonmajor Governmental Funds**
-	-		Regional Medical Center
-	-	1	Interfund activity
-	-	305	Law enforcement
-	-	306	**Total Regional Medical Center**
-	-		Other Enterprise Funds
-	1	12	Interfund activity
-	-	12	**Total Other Enterprise Funds**
-	-		Internal Service Funds
-	2	67	Interfund activity
-	-	67	**Total Internal Service Funds**
$ 9,050	$ 112	$ 18,353	**Total Receivable**

Advances to/from other funds (Continued):
The Open-Space District Capital Projects Fund advanced $1 million to the Regional Park and Open-Space District Special Revene Fund as an operating cash loan.

NOTE 7 – INTERFUND TRANSACTIONS (Continued)

Transfers

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

Transfer-Out	Transfers In: General Fund	Transportation	Teeter Debt Service	Public Facilities Improvements Capital Projects
General Fund				
Capital projects	$ -	$ -	$ -	$ 12,060
Debt service	-	-	703	
Operating contribution	-	-	-	-
Pension obligation	-	-	-	-
Reimbursement	-	1,936	-	-
Total General Fund	-	-	-	-
Transportation	-	-	-	-
Capital projects	-	-	-	727
Pension obligation	-	-	-	-
Reimbursement	1,803	-	-	-
Total Transportation	-	-	-	-
Flood Control	-	-	-	-
Capital projects	-	-	-	-
Total Flood Control	-	-	-	-
Teeter Debt Service	-	-	-	-
Debt service	83	-	-	-
Total Teeter Debt Service	-	-	-	-
Public Facilities Improvements Capital Projects	-	-	-	-
Capital projects	291	14,186	-	-
Debt service	18,344	-	-	-
Operating contribution	12,200	-	-	-
Reimbursement	2,897	-	-	-
Total Public Facilities Imprv Cap Projects	-	-	-	-
Nonmajor Governmental Funds	-	-	-	-
Capital projects	9	1,335	-	2,662
Debt service	-	-	-	-
Fire	27,154	-	-	-
Pension obligation	159	-	-	-
Reimbursement	28,517	1,306	-	-
Total Nonmajor Governmental Funds	-	-	-	-
Regional Medical Center	-	-	-	-
Debt service	-	-	-	-
Pension obligation	-	-	-	-
Total Regional Medical Center	-	-	-	-
Waste Management	-	-	-	-
Pension obligation	-	-	-	-
Total Waste Management	-	-	-	-
Housing Authority	-	-	-	-
Pension obligation	-	-	-	-
Total Housing Authority	-	-	-	-
Internal Service Funds	-	-	-	-
Business Services	-	-	-	-
Pension obligation	-	-	-	-
Reimbursement	840	-	-	-
Total Internal Service Funds	-	-	-	-
Total Transfers In	$ 92,297	$ 18,763	$ 703	$ 15,449

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	Internal Service Funds	Total Transfers Out	
				General Fund
$ 7,928	$ -	$ -	$ 19,988	Capital projects
43,163	-	-	43,866	Debt service
423	-	500	923	Operating contribution
19,994	-	-	19,994	Pension obligation
6,964	-	2,876	11,776	Reimbursement
-	-	-	96,547	**Total General Fund**
-	-	-		Transportation
-	-	-	727	Capital projects
777	-	-	777	Pension obligation
2,781	-	-	4,584	Reimbursement
-	-	-	6,088	**Total Transportation**
-	-	-		Flood Control
200	-	-	200	Capital projects
-	-	-	200	**Total Flood Control**
-	-	-		Teeter Debt Service
-	-	-	83	Debt service
-	-	-	83	**Total Teeter Debt Service**
-	-	-		Public Facilities Improvements Capital Projects
4,229	5,000	-	23,706	Capital projects
-	-	-	18,344	Debt service
-	-	-	12,200	Operating contribution
1	-	-	2,898	Reimbursement
-	-	-	57,148	**Total Public Facilities Imprv Cap Projects**
-	-	-		Nonmajor Governmental Funds
-	-	-	4,006	Capital projects
1,966		-	1,966	Debt service
-	-	-	27,154	Fire
636	-	-	795	Pension obligation
9,999	-	-	39,822	Reimbursement
-	-	-	73,743	**Total Nonmajor Governmental Funds**
-	-	-		Regional Medical Center
	-	-	-	Debt service
3,579	-	-	3,579	Pension obligation
-	-	-	3,579	**Total Regional Medical Center**
-	-	-		Waste Management
215	-	-	215	Pension obligation
-	-	-	215	**Total Waste Management**
-	-	-		Housing Authority
157	-	-	157	Pension obligation
-	-	-	157	**Total Housing Authority**
-	-	-		Internal Service Funds
-	-	3,111	3,111	Business Services
1,350	-	-	1,350	Pension obligation
-	-	-	840	Reimbursement
-	-	-	5,301	**Total Internal Service Funds**
$ 104,362	$ 5,000	$ 6,487	$ 243,061	**Total Transfers In**

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2013
Governmental activities:						
Capital assets, not being depreciated:						
Land & easements	$ 449,978	$ -	$ 19,577	$ (33)	$ -	$ 469,522
Construction in progress	745,536	-	259,323	(21,560)	(168,072)	815,227
Total capital assets, not being depreciated	1,195,514	-	278,900	(21,593)	(168,072)	1,284,749
Capital assets, being depreciated:						
Infrastructure						
Flood channels	252,969	-	1,783	-	5,170	259,922
Flood storm drains	376,325	-	6,627	-	5,706	388,658
Flood dams and basins	31,215	-	-	-	-	31,215
Roads	1,602,764	-	28,438	-	-	1,631,202
Traffic signals	18,972	-	1	-	-	18,973
Bridges	104,983	-	217	-	-	105,200
Runways	22,148	-	-	-	-	22,148
Parks trails and improvements	11,254	-	15	-	1,016	12,285
Land improvements	110	-	-	-	-	110
Structures and improvements	1,328,103	-	1,250	(6,641)	148,210	1,470,922
Equipment	382,041	-	40,490	(17,521)	7,970	412,980
Total capital assets, being depreciated	4,130,884	-	78,821	(24,162)	168,072	4,353,615
Less accumulated depreciation for:						
Infrastructure	(984,594)	-	(69,922)	-	-	(1,054,516)
Land improvements	(22)	-	(1)	-	-	(23)
Structures and improvements	(339,841)	-	(29,570)	1,803	-	(367,608)
Equipment	(297,152)	-	(22,192)	16,519	-	(302,825)
Total accumulated depreciation	(1,621,609)	-	(121,685)	18,322	-	(1,724,972)
Total capital assets, being depreciated, net	2,509,275	-	(42,864)	(5,840)	168,072	2,628,643
Governmental activities capital assets, net	$ 3,704,789	$ -	$ 236,036	$ (27,433)	$ -	$ 3,913,392

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Balance July 1, 2012	Prior Period Adjustments	Additions	Retirements	Transfers	Balance June 30, 2013
Business-type activities:						
Capital assets, not being depreciated:						
Land & easements	$ 21,351	$ -	$ 7	$ -	$ -	$ 21,358
Construction in progress	56,189	-	10,793	(550)	(1,426)	65,006
Concession Arrangements	-	-	8,830	-	-	8,830
Total capital assets, not being depreciated	77,540	-	19,630	(550)	(1,426)	95,194
Capital assets, being depreciated:						
Land improvements	11,662	-	-	-	-	11,662
Infrastructure-landfill liners	55,226	-	-	-	-	55,226
Infrastructure-other	23,323	-	68	(158)	268	23,501
Structures and improvements	219,902	-	12	-	-	219,914
Equipment	77,554	-	2,427	(738)	1,158	80,401
Total capital assets, being depreciated	387,667	-	2,507	(896)	1,426	390,704
Less accumulated depreciation for:						
Land improvements	(8,000)	-	(582)	-	-	(8,582)
Infrastructure-landfill liners	(23,943)	-	(2,710)	-	-	(26,653)
Infrastructure-other	(7,240)	-	(1,084)	94	-	(8,230)
Structures and improvements	(93,003)	-	(5,855)	-	-	(98,858)
Equipment	(63,348)	-	(5,543)	608	-	(68,283)
Total accumulated depreciation	(195,534)	-	(15,774)	702	-	(210,606)
Total capital assets, being depreciated, net	192,133	-	(13,267)	(194)	1,426	180,098
Business-type activities capital assets, net	$ 269,673	$ -	$ 6,363	$ (744)	$ -	$ 275,292

Depreciation

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

General government	$ 26,566
Public protection	15,532
Health and sanitation	1,579
Public assistance	1,187
Public ways and facilities	62,275
Recreation and culture	1,232
Education	2,690
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	10,624
Total depreciation expense – governmental functions	$ 121,685

NOTE 8 – CAPITAL ASSETS (CONTINUED)

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

Regional Medical Center	$	9,275
Waste Management		5,181
Housing Authority		1,306
County Service Areas		3
Flood Control		9
Total depreciation expense – business-type functions	$	15,774

Capital Leases

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

	Governmental		Business-Type	
Land	$	2,223	$	-
Structures and Improvements		88,505		-
Equipment		143,635		15,357
Less: Accumulated amortization		(106,137)		(10,000)
Total leased property, net	$	128,226	$	5,357

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2013, was as follows (in thousands):

	Balance July 1, 2012		Additions		Retirements		Balance June 30, 2013	
Capital assets, being depreciated:								
Equipment	$	77	$	-	$	(33)	$	44
Total capital assets, being depreciated		77		-		(33)		44
Less accumulated depreciation for:								
Equipment		(77)				33		(44)
Total accumulated depreciation		(77)		-		33		(44)
Total capital assets, net	$	-	$	-	$	-	$	-

NOTE 9 – SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB Statement Number 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 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 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 2013. 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.

	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	10/15/1947	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	6/30/2013	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, 2013 and over the term of the agreement are as follows:

	Structures & Structure Improvements
McIntyre Park Campground	$ 131
Riviera RV Resort	52
Edom Hill Transfer Station	8,830
	$ 9,013

The deferred inflows of resources activity for the SCA for the year ended June 30, 2013 are as follows:

	Balance July 1, 2012	Additions/ Restatements	Amortization[1]	Balance June 30, 2013
SCA Capital Assets				
McIntyre Park Campground[2]	$ -	$ -	$ -	$ -
Riviera RV Resort[2]	-	-	-	-
Edom Hill Transfer Station	-	8,830	(434)	8,396
Total Deferred inflows	$ -	$ 8,830	$ (434)	$ 8,396

[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 $16.9 million as the remaining estimated capacity of 16.4 million tons is filled. Waste Management expects all currently permitted landfill capacities to be filled by 2087. The total estimate of $71.0 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, 2013 %	Estimated Years Remaining
Anza (Anza)	$ 1,503	100.0	-
Badlands (Moreno Valley)	12,636	56.5	11
Blythe (Blythe)	8,171	35.7	34
Coachella (Coachella)	3,506	100.0	-
Desert Center (Desert Center)	1,535	69.5	74
Double Butte (Winchester)	3,215	100.0	-
Edom Hill (Cathedral City)	11,017	100.0	-
Highgrove (Riverside)	1,801	100.0	-
Lamb Canyon (Beaumont)	18,853	72.9	8
Mead Valley (Perris)	3,236	100.0	-
Mecca II (Mecca)	3,602	99.4	24
Oasis (Oasis)	1,898	73.8	50
	$ 70,973		

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 thirty-year period of post-closure care maintenance will, during each year of this period, be greater than the yearly monitoring and post-closure care maintenance costs for each landfill. It is agreed that the amount of these Pledge of Revenue agreements may increase or decrease to match any adjustments to the identified cost estimates, which is mutually agreed to by the Waste Management and the CalRecycle. Waste Management complies with these requirements and investments of $28.1 million are held for these purposes at June 30, 2013 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, 2013 (in thousands):

Year Ending June 30		
2014	$	33,468
2015		27,709
2016		22,206
2017		19,517
2018		10,635
2019-2023		11,203
2024-2028		1,238
2029-2033		1,245
2034-2038		1,198
2039-2043		616
Total minimum payments	$	129,035

Total rental expenditure/expense for the year ended June 30, 2013 was $92.4 million, of which $3.9 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, 2013 of Advances from grantors and third parties are as follows:

		Balance June 30, 2013
General Fund:		
Advances on state grants for Probation Services	$	27,876
Advances on state & federal grants for Mental Health Services		134,277
Advances on state grants & other 3rd party advances for Public Health Services		7,852
Advances on state funding for Social Services		61,598
Advances on state & federal grants for Sheriff Services		5,934
Advances on state grants & other 3rd party advances for Environmental Health Services		2,001
Advances on state grants for District Attorney Services		819
Advances from Flood Control and Water Conservation District for permits		1,460
Advances on state grants for Public Defenders Services		215
Other advances		239
Total General fund		242,271
Transportation Special Revenue Fund:		
Developer fees		15,895
Senate Bill (SB) 621 Indian gaming		2,541
Advances from developers for median projects		5,728
Survey fees		963
Utility relocation		252
Comprehensive Transportation Plan		20
Building permit fees		845
Plan check fees		304
Deposit based fees		308
Total Transportation special revenue fund		26,856
Other Governmental Funds:		
Camping and recreation fees		596
Advance from state for Community Service Block Grant		382
Advance from state for the Employment Training Panel Project		22
Lease revenue from Library Systems & Services Inc.		208
Advance from state for Bio-terrorism Programs		351
Advance from First 5 - Children & Families Commission		395
Advances for aviation projects		10
Advances for the National Date Festival		2
Total Other governmental funds		1,966
Grand total of advances from grantors and third parties	$	271,093

NOTE 13 – SHORT-TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2012, the County issued $250.0 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid on June 28, 2013. The Notes were issued with a yield rate of 0.18% for Series Bond A and 0.20% for Series Bond B. This was to provide needed cash to cover the projected intra-period cash-flow deficits of the County's General Fund during the fiscal year July 1 through June 30.

Tax-Exempt Commercial Paper Notes (Teeter)

In December 1993, the County adopted the Teeter Plan, the alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During fiscal year 2012-13, the County retired $79.0 million of the $171.3 million principal amount outstanding at June 30, 2012. The County then issued $50.5 million of Series B notes, leaving an outstanding balance of $142.8 million at June 30, 2013.

Short-term debt activity for the year ended June 30, 2013, was as follows (in thousands):

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Fiscal year 2012-13				
TRANs	$ -	$ 250,000	$ (250,000)	$ -
Teeter Notes	171,324	50,516	(79,000)	142,840
Total	$ 171,324	$ 300,516	$ (329,000)	$ 142,840

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 $2.5 billion.

Capital Leases

Capital leases for governmental funds are recorded both as capital expenditures and as other financing sources at inception in the fund financial statements, with the liability and the asset recorded in the government-wide statement of net 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, 2013 (in thousands):

Year Ending June 30	Palm Desert Financing Authority	Other Governmental Activities	Total Governmental Activities	Business-type Activities
2014	$ 6,228	$ 12,584	$ 18,812	$ 4,130
2015	6,229	7,619	13,848	2,244
2016	6,221	4,516	10,737	723
2017	6,226	1,384	7,610	333
2018	6,223	636	6,860	69
2019-2023	24,883	904	25,787	-
2024-2028	-	617	617	-
2029-2033	-	-	-	-
2034-2038	-	-	-	-
Total minimum payments	56,010	28,260	84,271	7,499
Less amount representing interest	(13,309)	(3,214)	(16,524)	(275)
Present value of net minimum lease	$ 42,702	$ 25,046	$ 67,748	$ 7,224

The statement of net position includes the Palm Desert Financing Authority capital lease of $42.7 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, 2013 (in thousands):

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Certificates of Participation:					
CORAL					
1985 Serial Certificates	12/09 – 12/15	Variable	$5,400- $15,000	$ 169,400	$ 39,800
				169,400	39,800

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Certificates of Participation (Continued):					
CORAL					
1990 Monterey Avenue:					
Serial Certificate	11/09 – 11/20	Variable	$300 - $800	$ 8,800	$ 4,800
				8,800	4,800
CORAL					
2003 A - Historic Court Project:					
Serial Certificates	11/09 – 11/18	3.00% - 5.00%	$280 - $400	4,125	2,155
Term Certificate	11/19 – 11/23	5.00%	$420 - $510	2,320	2,320
Term Certificate	11/24 – 11/28	5.00%	$535 - $650	2,955	2,955
Term Certificate	11/29 – 11/33	5.13%	$685 - $835	3,790	3,790
				13,190	11,220
CORAL					
2003 B –Capital Facilities Refunding:					
Serial Certificates	12/03 – 11/18	2.00% - 4.20%	$300 - $900	8,685	2,155
				8,685	2,155
CORAL					
2005 A - Capital Improvement & Family Law Court Refunding:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$1,090 - $2,160	28,495	21,405
Term Certificate	11/26 –11/33	5.00%	$2,255 - $2,145	9,905	9,905
Term Certificate	11/34 – 11/36	5.00%	$2,040 - $2,490	13,265	13,265
				51,665	44,575
CORAL					
2005 B - Historic Courthouse Refunding Project:					
Serial Certificates	11/09 – 11/25	3.00% - 5.00%	$325 - $1,740	18,835	14,945
Term Certificate	11/26 – 11/27	5.00%	$1,860 - $1,915	3,775	3,775
				22,610	18,720
CORAL					
2006 Series A - Cap Imp Project:					
Serial Certificates	11/09 – 11/26	3.75% - 5.13%	$610 - $1,235	16,425	13,245
Term Certificate	11/27 – 11/31	4.75%	$1,295 - $1,560	7,130	7,130
Term Certificate	11/32 – 11/35	5.00%	$1,635 - $1,895	7,050	7,050
Term Certificate	11/36 – 11/37	4.63%	$1,990 - $2,080	4,070	4,070
				34,675	31,495
CORAL					
2007 A & B Public Safety Communication and Refunding Projects:					
Series A & B	11/10 – 11/17	3.85% - 5.00%	$1,525 - $10,850	111,125	49,280
				111,125	49,280
CORAL					
2009 Public Safety Communication and Woodcrest Library Refunding Projects:					
Series A	12/10 – 11/39	Variable	$70 - $4,200	45,685	45,440
				45,685	45,440
CORAL					
2009 Larson Justice Center Refunding:					
Serial Certificates	12/10 – 12/21	Variable	$1,050 - $4,860	$ 24,680	$ 20,475
				24,680	20,475

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Certificates of Participation (Continued):					
Court Financing Corporation					
Bankruptcy Courthouse:					
Acquisition Project Term Certificate	11/09 – 11/20	7.50%	$835 - $1,385	16,120	8,300
				16,120	8,300
District Court Financing Corporation					
U.S. District Court Project:					
Term /Series 1999	6/14/2017	7.59%	$902 - $1,263	2,165	2,165
Term /Series 1999	6/15/2015	1.93%	$1,187 - $1,658	17,635	3,210
Term /Series 2002	6/15/2020	3.00%	$50 - $75	925	460
				20,725	5,835
Total Certificates of Participation				$ 527,360	$ 282,095
Bonds Payable:					
CORAL					
2000 A Southwest Justice Center:					
Series Bonds	11/09 – 11/13	4.88% - 5.40%	$1,830 - $2,240	$ 17,945	$ 2,240
Series Bonds	11/14-11/32	5.20%	$2,400-$6,200	76,300	-
				94,245	2,240
CORAL					
2012 CAC Annex Refunding Project	11/12-11/31	2.00%-5.00%	$1,120-$2,435	33,360	31,800
CORAL					
2008 A Southwest Justice Center:					
Refunding Bonds	11/14-11/32	5.15%	$2,480-$6,410	78,895	78,895
				78,895	78,895
CORAL					
1997 B & C (Hospital):					
Term Bonds (Series C)	6/1/2019	5.81%	$1,733	1,733	1,733
				1,733	1,733
Taxable Pension Obligation Bond					
Pension Obligation Bonds (Series 2005-A)	8/09 – 8/35	4.91% - 5.04%	$3,425 - $5,530	400,000	346,785
				400,000	346,785
Inland Empire Tobacco Securitization Authority					
Series 2007 A	06/17 – 06/21	4.63% - 5.10%		87,650	59,580
Series 2007 B	06/20 – 06/26	5.75%		53,758	53,756
Series 2007 C-1	06/26 – 06/36	6.63%		53,542	53,542
Series 2007 C-2	06/33 – 06/45	6.75%		29,653	29,653
Series 2007 D	06/32 – 06/57	7.00%		23,457	23,457
Series 2007 E	06/35 – 06/57	7.63%		18,948	18,948
Series 2007 F	06/42 – 06/57	8.00%		27,076	27,076
				294,084	266,012
Riverside County Public Financing Authority					
Series 2012	8/09 – 8/35	3.00% - 5.00%	$280-$9,535	17,640	16,995
				17,640	16,995
Total Bonds Payable				$ 919,957	$ 744,460

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Loans Payable:					
CORAL					
2011 Monroe Park Building Refunding	2/11 - 12/20	3.54%	$180 - $330	$ 5,535	$ 4,420
				5,535	$ 4,420
Total Loans Payable				$ 5,535	$ 4,420
Total Governmental Activities				$ 1,452,852	$ 1,030,975
Business-type Activities					
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	12/09– 06/12	5.41%	$12,230 - $13,870	$ 81,135	$ -
Term Bonds (Series B)	12/09 – 06/14	5.41%	$7,050 - $7,475	14,525	7,475
Loss on Defeasance (net)				-	(91)
				95,660	7,384
Regional Medical Center					
1997 A (Hospital): Serial Capital Cap Apprec. Bonds (net of future cap apprec $122,895)	06/13 – 06/26	5.70% - 6.01%	$1,080 - $4,981	41,170	38,136
				41,170	38,136
Regional Med Center 1997					
Serial Bonds (Series B)	06/10 – 06/13	4.38% - 5.15%	$395 - $455	-	-
Term Bonds (Series B)	06/14 – 06/19	4.00% - 5.70%	$475 - $11,475	63,935	-
Term Bonds (Series C)	6/19	5.81%	$3,265	3,265	1,532
Bond Discount				-	(2)
Loss on Defeasance (net)				-	(874)
				67,200	656
Regional Medical Center					
2012 A & B (Hospital)					
Term Bonds (Series A)	06/13-06/29	2.00% - 5.00%	$220-$12,970	87,510	87,230
Term Bonds (Series B)	06/19	3.25%	$3,020	3,020	3,020
Bond Premium				-	6,254
				90,530	96,504
Housing Authority					
1998 Series A:					
Term Bonds	12/09 – 12/18	6.85%	$110 - $200	2,405	1,030
				2,405	1,030
Total Bonds Payable				$ 296,965	$ 143,710
Total Business-type Activities				$ 296,965	$ 143,710

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2013
Discretely Presented Component Unit					
Bonds Payable:					
Palm Desert Financing Authority					
2008 Lease Rev Bonds Series A:					
Serial Certificates	05/10 – 05/18	4.00% - 5.50%	$1,935 - $6,200	43,845	28,055
Term Certificate	05/19 – 05/22	6.00%	$6,540 - $7,790	28,600	28,600
Bond Discount				-	(410)
				72,445	56,245
Total Bonds Payable				$ 72,445	$ 56,245
Total Discretely Presented Component Unit				$ 72,445	$ 56,245

As of June 30, 2013, annual debt service requirements of governmental activities to maturity are as follows (in thousands):

Governmental	Loans Payable		Certificates of Participation	
Year ending June 30	Principal	Interest	Principal	Interest
2014	530	152	28,771	15,144
2015	540	133	31,168	12,725
2016	560	114	33,133	10,747
2017	585	94	18,912	8,914
2018	605	73	18,875	7,907
2019-2023	1,600	86	78,440	25,141
2024-2027	-	-	29,075	14,338
2028-2033	-	-	21,640	8,082
2034-2038	-	-	14,705	2,233
2039-2043	-	-	7,376	286
Total	$ 4,420	$ 652	$ 282,095	$ 105,517

Governmental	Bonds Payable	
Year ending June 30	Principal	Interest
2014	31,019	58,187
2015	31,213	55,731
2016	20,639	48,138
2017	22,944	45,949
2018	230,445	204,635
2019-2023	139,494	108,332
2024-2028	76,674	35,348
2029-2033	27,965	2,732
2034-2038	53,542	3,147
2039-2043	-	-
2044-2048	29,653	1,945
2049-2053	70,027	4,671
2054-2058	10,845	-
Total	$ 744,460	$ 568,815

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2013, annual debt service requirements of business-type activities to maturity are as follows (in thousands):

Business-type	Bonds Payable		Other Long-term Liabilites	
Year ending June 30	Principal	Interest	Principal	Interest
2014	10,675	9,417	-	-
2015	12,850	6,876	-	-
2016	13,339	6,388	6,795	-
2017	13,813	5,922	-	-
2018	14,307	5,317	-	-
2019-2023	29,797	72,937	-	-
2024-2028	34,108	53,345	-	-
2029-2033	9,536	381		
Total requirements	138,425	160,583	$ 6,795	$ -
Bond discount/premium, net	5,285	-		
Deferred charges (Housing)	-	-		
Loss on defeasance (net)	-	-		
Total	$ 143,710	$ 160,583		

Discretely Presented Component Unit	Bonds Payable	
Year ending June 30	Principal	Interest
2014	5,070	3,193
2015	5,325	2,940
2016	5,580	2,673
2017	5,880	2,380
2018	34,800	6,472
2019-2023	-	-
2024-2028	-	-
2029-2033	-	-
2034-2038	-	-
Total requirements	56,655	17,658
Bond discount/premium, net	(410)	-
Total	$ 56,245	$ 17,658

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2013 (in thousands):

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Governmental Activities:				
Certificates of Participation:				
Court Financing (U.S. District Court Project)	$ 3,592	$ 445	$ -	$ 4,037
Bonds:				
Inland Empire Tobacco Securitization Authority	75,231	15,393	-	90,624
Total governmental-type activities	$ 78,823	$ 15,838	$ -	$ 94,661
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 59,984	$ 6,063	$ (4,934)	$ 61,113
Total business-type activities	$ 59,984	$ 6,063	$ (4,934)	$ 61,113

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The accreted interest payable balances at June 30, 2013 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 or redemption premiums, if any, or interest on the Series 2007 Bonds.

The increases of $15.8 million and $6.0 million represent current year's accretion for governmental activities and business-type activities respectively. The accumulated accretion for business-type activities is $61.1 million at June 30, 2013.The accumulated accretion for U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority in governmental activities is $94.7 million. The un-accreted balances at June 30, 2013 are $64.4 million for the 1997-A Hospital Regional Medical Center (RMC) project, $3.2 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, 2012, Regional Medical Center (RMC) issued $90.5 million in lease revenue bonds. The 2012A Bonds are being issued for the purpose of (a) refunding a portion of the 1997B Bonds maturing in the years 2013, 2016 and 2019 (the "Refunded 1997B Bonds"), in the aggregate principal of $63.8 million; (b) providing funds for additional improvements to the medical center campus; (c) depositing funds into the debt service reserve fund established under the indenture; and (d) paying a portion of costs of issuance of the 2012 Bonds. The new bonds have an interest rate of 2.0% to 5.0%.

The County of Riverside Palm Desert Financing Authority is a joint power agreement between the County of Riverside and Palm Desert Redevelopment Agency established on January 1, 2002. The Palm Desert Redevelopment Agency was dissolved on January 31, 2012. The Palm Desert Successor Agency succeeded the former Palm Desert Redevelopment Agency. On October 1, 2012, The Riverside County Public Financing Authority issued $17.6 million in lease revenue refunding bonds. The proceeds of the Series 2012 Bonds will be used to (i) refinance certain previously acquired, constructed and installed public improvements by refunding the outstanding Riverside County Palm Desert Financing Authority ("the Authority") Lease Revenue Bonds (County Facilities Projects), 2003 Series A. The new bonds have an interest rate of 3.0% to 5.0%.

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, 2013, was $1.4 million.

On December 2009, CORAL issued $24.7 million certificates of participation (2009 Larson Justice Center Project Refunding COP) to provide funds to refund and prepay the certificates of participation relating to 1998 Larson Justice Center Project with an outstanding principal amount of $23.7 million; to fund the reserve fund; and to pay certain cost of issuance incurred in connection with this refunding. The requisition price exceeded the net carry amount of the old debt by $1.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $3.7 million and a reduction of $1.5 million in future debt service payments.

In December 2009, CORAL also issued $45.7 million certificates of participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding COP) to provide funds to refund and redeem the certificates of participation relating to 2007 Series B Public Safety Communication Project with an outstanding principal amount of $37.4 million; to provide funds to refund; and retire the series 2006 Certificates of Participation

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

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 $527.0 thousand and a reduction of $339.0 thousand in future debt service payments.

On February 2012, CORAL issued $33.4 million in lease revenue bonds (2012 County Administrative Center Refunding Projects) to provide funds to refund and prepay the certificates of participation relating to 2001 County Administrative Center (CAC) Annex with an outstanding principal amount of $31.4 million; to fund the reserve fund, and to pay certain costs of issuance incurred in connection with this refunding and to acquire two office buildings located in Indio, California. The requisition price exceeded the net carry amount of the old debt by $2.0 million. This amount is being netted against the new debt and amortized over the new debt's life. The transaction resulted in an economic gain of $5.0 million and a reduction of $3.6 million in future debt service payments.

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 $639.3 thousand for the 1997 Series B lease revenue bonds and a net premium of $6.9 million for the 2012 Series A and Taxable Series B. The reacquisition price exceeded the net carry amount of the old debt by $26.6 million. 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.

Single Family and Multi-Family Mortgage Revenue Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates. Multi-Family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income.

A total of $34.2 million of Mortgage Revenue Bonds have been issued and $30.3 million is outstanding as of June 30, 2013. 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 $77.2 million at June 30, 2013, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Special Assessment Bonds (Continued)

The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $2.1 million as June 30, 2013, for the construction of flood control facilities. The bonds are to be repaid through special assessment revenue and are not considered obligations of Flood Control. In accordance with bond covenants, Flood Control has established a reserve for potential delinquencies. If a delinquency occurs in the payment of any assessment installment, Flood Control has the duty to transfer the amount of such delinquent installment from the Reserve Fund into the Redemption Fund assessment installment. Flood Control's liability to advance funds for bond redemption in the event of delinquent assessment installments is limited to the reserves established.

State Appellate Court Financing

In November 1997, the Public Finance Authority of the County of Riverside issued $13.5 million of Lease Revenue Bonds for the State of California Court of Appeal Fourth Appellate District, Division Two Project. The State of California executed a lease coincident with the term of the financing and those lease payments are the sole security for the financing. The State is the ultimate obligor under the terms of the financing and neither the County nor the Authority will have any ongoing payment obligation. The State has committed to indemnify the County in the Lease.

Interest Rate Swap

Objective of the Interest Rate Swap: As a means to lower financing costs and to reduce the risks to CORAL associated with the fluctuation in market interest rates, CORAL entered into an amended and restated interest rate swap in connection with the Southwest Justice Center Series 2008A Leasehold Revenue Bonds in the notional amount of $76.3 million. The intention of the swap was to effectively change the variable interest rate on the bonds to a synthetic fixed-rate of 5.2%.

Terms: The bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million approximately matches a portion of $78.9 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000 due to the consistent critical terms between the swap and the associated debt and was amended and restated as of December 10, 2008. None of the critical terms were changed pursuant to this agreement. The notional value of the swap and the principal amount of the associated debt, decline starting in fiscal year 2014-15. Under the amended and restated swap agreement, CORAL paid Wells Fargo Bank, N.A. a fixed payment rate of 5.2%. CORAL receives an interest rate equal to an amount not to exceed the maximum interest rate payable on the Bonds, expressed as a decimal, equal to 64.0% 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 $2.8 million for the year ended June 30, 2013. The swap is not subject to rollover risk because the maturity of the swap matches the maturity of the principal amount of the associated debt or market-access risk as no other embedded instrument is involved with the swap that would require accessing the credit markets.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Fair Value: As of June 30, 2013 and 2012, the swap had a negative fair value of $26.8 million and $35.2 million, respectively, an increase in fair value of $8.4 million occurred during the fiscal year 2012-13. 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, 2013.

Credit Risks: The swap counterparty was rated Aa3 by Moody's and AA- by Standard & Poor's 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.

Basis Risks: The swap exposes CORAL to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the Bonds. If a change occurs that results in the rates moving to convergence, the expected cost savings may not be realized. As of June 30, 2013, 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, 2013 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, 2013, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rates remain the same* for their term, were as follows (in thousands):

Fiscal Year Ending June 30, 2013	Variable Rate Bonds: Principal	Variable Rate Bonds: Interest	Net Swap Payments	Total Interest
2014	$ -	$ 1,099	$ 2,834	$ 3,933
2015	-	1,099	2,834	3,933
2016	-	1,078	2,781	3,859
2017	5,160	1,040	2,685	3,725
2018	8,055	1,000	2,580	3,580
2019-2023	17,060	4,309	11,116	15,425
2024-2028	22,235	2,892	7,462	10,355
2029-2033	23,790	1,052	2,709	3,761
2034-2038				-
	$ 76,300	$ 13,569	$ 35,001	$ 48,571

As rates vary, variable-rate Bond interest payments and net swap payments will vary.

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities

The following is a summary of governmental activities long-term liabilities transactions for the year ended June 30, 2013 (in thousands):

	Balance June 30, 2012	New Additions	Payments / Reclass	Balance June 30, 2013	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 750,492	$ 17,640	$ (23,672)	$ 744,460	$ 31,019
Capital lease obligations	100,995	6,325	(39,572)	67,748	15,342
Certificates of participation	309,511	-	(27,416)	282,095	28,771
Loans payable	4,925	-	(505)	4,420	530
Total debt long-term liabilities	1,165,923	23,965	(91,165)	1,098,723	75,662
Other long-term liabilities:					
Accreted interest payable	78,823	15,838	-	94,661	-
Compensated absences (a)	166,330	814	(1,416)	165,728	79,682
Estimated claims liabilities (b)	130,438	42,565	(42,084)	130,919	22,993
Accrued remediation costs (c)	2,398	395	-	2,793	113
Total other long-term liabilities	377,989	59,612	(43,500)	394,101	102,788
Total governmental activities – long-term liabilities	$ 1,543,912	$ 83,577	$ (134,665)	$ 1,492,824	$ 178,450

(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

The following is a summary of business-type activities long-term liabilities transactions for the year ended June 30, 2013 (in thousands):

	Balance June 30, 2012	Additions	Payments / Reclass	Balance June 30, 2013	Amounts Due Within One Year
Business-type activities:					
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses (a)	$ 121,061	$ 96,917	$ (74,268)	$ 143,710	$ 10,675
Capital lease (RMC)	12,055	611	(5,442)	7,224	3,946
Total debt long-term liabilities	133,116	97,528	(79,710)	150,934	14,621
Other long-term liabilities:					
Accreted interest payable	59,984	6,063	(4,934)	61,113	-
Accrued closure and post-closure costs	52,537	1,588	-	54,125	6,978
Compensated absences	21,984	2,535	(458)	24,061	14,514
Accrued remediation costs	37,429	-	(764)	36,665	834
OPEB obligation, net	-	113	-	113	-
Other long-term liabilities (b)	6,795	-	-	6,795	-
Total other long-term liabilities	178,729	10,299	(6,156)	182,872	22,326
Total business-type activities – long-term liabilities	$ 311,845	$ 107,827	$ (85,866)	$ 333,806	$ 36,947
Discretely Presented Component Unit					
Debt long-term liabilities:					
Bonds payable	$ 78,799	$ -	$ (22,554)	$ 56,245	$ 5,070
Other long-term liabilities:					
Compensated absences	255	88	(64)	279	161
Total discretely presented component unit – long-term liabilities	$ 79,054	$ 88	$ (22,618)	$ 56,524	$ 5,231

(a) The reduction in bonds payable amount of $71.2 million includes the refunding of serial bond 1997 B for $64.3 million during fiscal year 2012-13.
(b) The Housing Authority (Business-type Activity) has two notes payable, totaling $6.8 million, under "Other long-term liabilities."

Disclosure of Pledged Revenues

Inland Empire Tobacco Securitization Authority, a blended component unit of the County, issued $294.1 million of tobacco asset-backed bonds. The bonds are solely secured by pledging a portion of County Tobacco Assets*** made

NOTE 14 – LONG-TERM OBLIGATIONS (Continued)

Disclosure of Pledged Revenues (Continued)

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 17.3% to the County and 82.7% to the Inland Empire Tobacco Securitization Authority for Calendar year 2013. During the fiscal year ended June 30, 2013, $25.7 million was received by the Inland Empire Tobacco Securitization Authority; $10.0 million, or 39.0%, was distributed to the County per the above agreement, leaving $15.7 million, or 61.0%, of the specific tobacco settlement revenues available to be pledged (see page 143). 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.*

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 2013 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 2012-13, the $218.0 thousand represented about 0.3% of the total revenues of the Housing Authority. Municipal Bond Insurance Association has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2013, before applying the deferred charge, was $1.0 million.

Proposition 1A Borrowing by the State of California

Under the provisions of Proposition 1A and as part of the fiscal year 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, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the County, Flood Control and Park District was $38.4 million, $4.2 million and $386.7 thousand, respectively.

Authorized with the fiscal year 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California Communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100.0% 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 Senate Bill 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, 2013 were as follows:

	Balance June 30, 2013
Governmental type activities:	
General Fund:	
SB 90	$ 41,356
Teeter tax loss reserve	17,703
Property tax	5,917
Sales tax	1,879
Total general fund	66,855
Flood Control Special Revenue Fund:	
Property tax	1,808
Total governmental type activities	$ 68,663
Business type activities:	
Housing Authority Fund:	
Grants received in advance	$ 722
Waste Management Fund:	
Service concession arrangement	8,396
Total business type activities	$ 9,118

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, 2013 is as follows (in thousands):

	Major Funds			
	General Fund	Transportation Special Revenue Funds	Flood Control Special Revenue Funds	Public Facilities Improvements
Nonspendable:				
Imprest cash	$ 370	$ 13	$ 1	$ -
Inventories	2,059	1,031	-	-
Permanent	-	-	-	-
Prepaids	818	-	-	-
Total nonspendable fund balances	3,247	1,044	1	-
Restricted for:				
Teeter tax losses	8,813	-	-	-
Recorder modernization	19,315	-	-	-
Public protection	42,860	-	-	1,153
Fire stations	-	-	-	18,769
Roads	-	78,334	-	45,853
Traffic signals	-	-	-	13,353
Capital projects improvement program	-	-	-	18,285
Public facilities	182	-	-	35,343
Public assistance programs	4,019	-	-	-
Health and sanitation services	17,317	-	-	-
Housing assistance programs	-	-	-	-
Parks and recreation	-	-	-	20,433
Education	-	-	-	-
Debt service	2,387	-	-	-
Other purposes	6,547	-	-	-
Encumbrances	-	793	-	215
Total restricted fund balances	101,440	79,127	-	153,404
Committed to:				
Property tax system	6,128	-	-	-
Disaster relief	15,000	-	-	-
Public assistance	4,462	-	-	-
Public protection	9,982	812	253,117	-
Health and sanitation services	1,849	133	-	-
Parks and recreation	-	-	-	-
Other capital projects	1,000	-	-	412
Other purposes	3,762	365	-	1,500
Total committed fund balances	42,183	1,310	253,117	1,912
Assigned to:				
Public protection	-	-	-	-
Roads	-	12,820	-	17,003
Emergency safety communication system	-	-	-	-
Capital projects improvement program	-	-	-	25,205
Public assistance	-	-	-	-
Other capital projects	-	-	-	-
Other purposes	-	-	1,807	-
Encumbrances	10,460	1	-	2,036
Total assigned fund balances	10,460	12,821	1,807	44,244
Unassigned fund balances	199,919	-	-	-
Total fund balances	**$ 357,249**	**$ 94,302**	**$ 254,925**	**$ 199,560**

NOTE 16 – FUND BALANCES (Continued)

Nonmajor Funds						
Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Nonmajor Governmental Funds	Total Governmental Funds	
						Nonspendable:
$ 108	$ -	$ -	$ -	$ 108	$ 492	Imprest cash
-	-	-	-	-	3,090	Inventories
-	-	-	473	473	473	Permanent
7	-	580	-	587	1,405	Prepaids
115	-	580	473	1,168	5,460	**Total nonspendable fund balances**
						Restricted for:
-	-	-	-	-	8,813	Teeter tax losses
-	-	-	-	-	19,315	Recorder modernization
8,169	-	-	-	8,169	52,182	Public protection
3,979	-	-	-	3,979	22,748	Fire stations
2,400	-	-	-	2,400	126,587	Roads
14,263	-	-	-	14,263	27,616	Traffic signals
-	-	5,686	-	5,686	23,971	Capital projects improvement program
5,590	-	-	-	5,590	41,115	Public facilities
5,215	-	-	-	5,215	9,234	Public assistance programs
7,058	-	-	-	7,058	24,375	Health and sanitation services
3,165	-	-	-	3,165	3,165	Housing assistance programs
-	-	8,857	-	8,857	29,290	Parks and recreation
24,638	-	-	-	24,638	24,638	Education
-	79,951	-	-	79,951	82,338	Debt service
4,788	-	145	36	4,969	11,516	Other purposes
612	-	-	-	612	1,620	Encumbrances
79,877	79,951	14,688	36	174,552	508,523	**Total restricted fund balances**
						Committed to:
-	-	-	-	-	6,128	Property tax system
-	-	-	-	-	15,000	Disaster relief
9,104	-	-	-	9,104	13,566	Public assistance
-	-	-	-	-	263,911	Public protection
-	-	-	-	-	1,982	Health and sanitation services
6,659	-	-	-	6,659	6,659	Parks and recreation
-	-	151	-	151	1,563	Other capital projects
-	-	-	-	-	5,627	Other purposes
15,763	-	151	-	15,914	314,436	**Total committed fund balances**
						Assigned to:
35	-	-	-	35	35	Public protection
-	-	-	-	-	29,823	Roads
-	-	177	-	177	177	Emergency safety communication system
-	-	4,085	-	4,085	29,290	Capital projects improvement program
405	-	-	-	405	405	Public assistance
-	-	9,132	-	9,132	9,132	Other capital projects
3,186	-	-	-	3,186	4,993	Other purposes
-	-	68	-	68	12,565	Encumbrances
3,626	-	13,462	-	17,088	86,420	**Total assigned fund balances**
-	-	-	-	-	199,919	**Unassigned fund balances**
$ 99,381	**$ 79,951**	**$ 28,881**	**$ 509**	**$ 208,722**	**$ 1,114,758**	**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 each Tower provides $600.0 million in limits. Earthquake (covering scheduled locations equal to or greater than $1.0 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of $82.5 million with an additional $275.0 million excess rooftop limit available to any one Tower. The excess rooftop limit may be triggered during the policy year if a covered earthquake event somewhere in the state has depleted the initial underlying limits. Earthquake coverage is subject to a deductible equal to 5.0% of replacement cost value per unit subject to a $100.0 thousand minimum per unit. Boiler and Machinery provides up to $100.0 million in limits, with various deductibles. The limits in each Tower are shared with other counties on a per event basis. Should a catastrophic event occur and losses exceed the limits, the County would be responsible.

The activities related to such programs are accounted for in Internal Service Funds (ISF). Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2013 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 at 55.0% for the Workers' Compensation ISF. Funding for the Medical Malpractice ISF was approved to return to 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 Internal Service Funds at June 30, 2013 plus revenues to be collected during fiscal year 2013-2014 are expected to be sufficient to cover all fiscal year 2013-2014 payments. The carrying amount of unpaid claim liabilities is $130.9 million. The liabilities are discounted at 2.5% for general liability and medical malpractice and 3.0% for workers' compensation.

	June 30, 2012	June 30, 2013
Unpaid claims, beginning of year	$ 124,717	$ 130,438
Increase (decrease) in provision for insured events of prior years	7,199	(2,148)
Incurred claims for current year	33,584	44,713
Claim payments	(35,062)	(42,084)
Unpaid claims, end of year	$ 130,438	$ 130,919

NOTE 18 – MEDI-CAL AND MEDICARE PROGRAMS

The Regional Medical Center provides services to patients covered by various reimbursement programs. The principal programs are Medicare, the State of California Medi-Cal, and the County Medically Indigent Services Program (MISP) and Low Income Health Plan (LIHP). Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology subject to payment caps and indexing formulas. The Regional Medical Center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Regional Medical Center and audit thereof by the Medicare fiscal intermediary. Normal estimation differences between final settlements and amounts accrued in previous years are reflected in net patient services revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through 2010 and Medi-Cal cost reports through June 30, 2011. The Regional Medical Center has received notices of program reimbursement (NPR), a written notice reflecting the intermediary's final determination of the total amount of reimbursement due the medical center for Medicare through June 30, 2008 and for Medi-Cal, the Regional Medical Center has received NPR through June 30, 2010.

In September 2005, the State of California significantly modified its Medi-Cal program under a new waiver with the Centers for Medicare and Medicaid Services (CMS). In connection with the new waiver, the State legislature passed the Medi-Cal Hospital Uninsured Demonstration Project Act, or SB 1100, which replaced the SB 855 and SB 1255 programs. For the SB 1100 program, the State continues to provide supplemental payments to the hospital for uncompensated care. However, the use of intergovernmental transfers (IGTs) by the State, as the non-federal match, was modified to a methodology consisting of CPEs up to 50 percent of costs or Federal Medical Assistance Program (FMAP) rate. The Regional Medical Center has recorded net patient revenue of $107.2 million for SB 1100 for the year ended June 30, 2013, of which $41.5 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, 2013 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.

On January 10, 2011, as part of the statewide budget process, Governor Brown proposed the elimination of Redevelopment Agencies (RDA) throughout California starting Fiscal Year 2011-2012. On December 29, 2011, after a period of litigation, the State of California Assembly Bill ABX1 26 was upheld by the California Supreme Court, and RDAs were officially dissolved as of February 01, 2012. The Riverside County Board of Supervisors accepted the designation as Successor Agency for the Redevelopment Agency for the County of Riverside pursuant to CA Health and Safety Code section 34171(j), and transferred the responsibility of all housing functions previously performed by the Redevelopment Agency for the County of Riverside to the Housing Authority of the County of Riverside.

NOTE 20 – RETIREMENT PLAN

Plan Descriptions

The County of Riverside (County), Flood Control and Water Conservation District (Flood Control), Regional Park and Open-Space District (Park District) and Waste Management Department (Waste Management) contract with the California Public Employees' Retirement System (CalPERS) to provide retirement benefits to its employees. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and plan beneficiaries. CalPERS is a common investment and administrative agent for participating public entities within the State of California. State statutes governed by the Public Employees' Retirement Law (PERL), have established benefit provisions as well as other requirements. The County may select from a variety of optional benefit provisions offered by CalPERS. Upon selecting the benefit provisions and entering into a contractual agreement with CalPERS, the benefit provisions may be adopted through local ordinance.

CalPERS issues a comprehensive annual financial report (CAFR) which details its plan assets, liabilities, and plan activity. The County receives an annual valuation report which summarizes plan assets, liabilities and employer rates for its plans. Under GASB Statement No. 27, both the County (Miscellaneous and Safety) and Flood Control are considered single-employer defined benefit pension plans, while the Park District and Waste Management are considered cost-sharing multi-employer defined benefit pension plans due to their pooling composite. Copies of the CalPERS Annual Financial Report may be obtained from: CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS may be required to contribute up to 8.0% (Miscellaneous employees) and up to 9.0% (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						
Misc.	3.0% at 60	Yes	50	N/A	12 months	N/A
Safety	3.0% at 60	Yes	50	N/A	12 months	N/A
County Plan Tier II						
Misc.	2.0% at 60	No	50	N/A	36 months	8/23/2012
Safety	2.0% at 60	No	50	N/A	36 months	8/23/2012
County Plan Tier III(PEPRA)						
Misc.	2.0% at 62	No	52	$ 113,700	36 months	1/1/2013
Safety	2.7% at 57	No	50	136,440	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 2012/13, the employer and employee contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
County contribution rates:					
County Tier I	13.3%	22.4%	15.5%	17.1%	19.1%
County Tier II	13.3%	22.4%	15.5%	8.6%	N/A
County Tier III	13.3%	22.4%	15.5%	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

Annual Pension Cost

For fiscal year 2012-13, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (dollar amounts in thousands):

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Annual required contribution	$ 112,615	$ 62,059	$ 2,767	$ 851	$ 478
Interest on net pension obligation (asset)	(26,492)	(7,297)	(140)	-	-
Adjustment to annual required contribution	19,775	5,447	364	-	434
Annual pension cost	105,898	60,209	2,991	851	912
Contributions made	(112,615)	(62,059)	(2,852)	(851)	(478)
Increase (decrease) in net pension obligation (asset)	(6,717)	(1,850)	139	-	434
Net pension obligation (asset) beginning of year	(341,828)	(94,160)	(1,806)	-	(1,082)
Net pension obligation (asset) end of year	$ (348,545)	$ (96,010)	$ (1,667)	$ -	$ (648)

NOTE 20 – RETIREMENT PLAN (Continued)

Three-Year Trend Information
(dollar amounts in thousands)

	Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
County - Miscellaneous	June 30, 2011	$ 94,039	106.9 %	$ (335,240)
	June 30, 2012	101,805	106.5	(341,828)
	June 30, 2013	105,898	106.3	(348,545)
County - Safety	June 30, 2011	49,297	103.6	(92,346)
	June 30, 2012	56,859	103.2	(94,160)
	June 30, 2013	60,209	103.1	(96,010)
Flood Control	June 30, 2011	2,255	93.8	(1,945)
	June 30, 2012	2,710	94.9	(1,806)
	June 30, 2013	2,991	95.4	(1,667)
Park District	June 30, 2011	585	100.0	-
	June 30, 2012	793	100.0	-
	June 30, 2013	851	100.0	-
Waste Management	June 30, 2011	865	49.8	(1,516)
	June 30, 2012	937	53.7	(1,082)
	June 30, 2013	912	52.4	(648)

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	6/30/2012	6/30/2012	6/30/2012	6/30/2012	6/30/2012
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open	Level Percent of Payroll, Open
Remaining amortization period	24 years as of the Valuation Date	25 years as of the Valuation Date	25 years as of the Valuation Date	18 years as of the Valuation Date	18 years as of the Valuation Date
Asset valuation method	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market
Actuarial assumptions:					
Investment rate of return	7.5%	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%

NOTE 20 – RETIREMENT PLAN (Continued)

Funded Status and the Funding Progress

The following is funded status information for each plan as of June 30, 2013, which is the most recent actuarial valuation date (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (Excess of assets over AAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (Excess of Assets over AAL) as a Percentage of Covered Payroll ((b-a)/c)
County - Miscellaneous	$ 4,172,401	$ 4,708,882	$ 536,481	88.61 %	$ 836,418	64.14 %
County - Safety	1,860,614	2,086,406	225,792	89.18	261,704	86.28
Flood Control	110,089	131,966	21,877	83.42	15,151	144.39
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 an IRS Section 401(a) single-employer defined benefit employee pension plan for Part-Time and Temporary employees (the Plan) who are not eligible for Social Security or CalPERS retirement benefits through the County. This Plan is self-funded and self-administered. Effective July 20, 2010, the County Board of Supervisors appointed U.S. Bank as the Plan's Investment Consultant, Investment Manager and Trustee. Contributions made to the Plan are deposited with U.S. Bank, who maintains the responsibility of investing contributions in a diversified portfolio and reported at fair value. Participants are immediately 100% vested in the Plan upon enrollment. No financial report has been issued separately for public view under Defined Benefit Pension Plan.

Contributions. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. According to the July 01, 2012 valuation, the County's current required contribution rate is 1.00%, however, the County elected to contribute 1.79 % of payroll in order to obtain a 90% target funded ratio within 5 years. The Plan's current funded ratio is 97.3%. The Plan actuary periodically calculates the minimum recommended employer contribution rate through preparation of an actuarial valuation report and the County determines the contribution rates. Administrative costs of the Plan are paid by the Trustee from Plan assets.

Membership for the plan consisted of the following at July 1, 2012, the date of the latest actuarial valuation:

Number of Participants:	
Active plan members	1,956
Terminated and inactive members	6,273
Retirees	156
Total	8,385

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, 2013, assets were invested in cash equivalents (1.0%), equities (68.3%), fixed income (30.6%), and accrued income (0.1%).

Schedule of Annual Pension Cost and the Net Pension Obligation (NPO) for 2013 and the two preceding years were as follows (dollar amounts in thousands):

Fiscal Year Ending	Annual Required Contribution (ARC)	Interest on NPO	Adjustment to the ARC	Annual Pension Cost	Actual Contribution	NPO End of Year	Percentage Contributed
2011	$ 156	$ (176)	$ 275	$ 255	$ 425	$ (3,685)	166.67 %
2012	160	(240)	(747)	(827)	559	(5,071)	(68.00)
2013	622	(330)	446	738	946	(5,279)	128.00

Annual Pension Cost and Net Pension Obligation (dollar amounts in thousands):

Annual required contribution	$ 622
Interest on net pension obligation (asset)	(330)
Adjustment to annual required contribution	446
Annual pension cost	738
Contributions made	(946)
Increase (decrease) in net pension obligation (asset)	(208)
Net pension obligation (asset) beginning of year	(5,071)
Net pension obligation (asset) end of year	$ (5,279)

Schedule of Funding Progress

The funded status of the Plan as of July 1, 2012, the most recent actuarial valuation date and the two preceding years were as follows (dollar amounts in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010	$ 19,992	$ 23,633	$ 3,641	84.59 %	$ 41,284	8.82 %
July 1, 2011	23,063	27,079	4,016	85.17	33,657	11.93
July 1, 2012	23,654	24,307	653	97.31	32,424	2.01

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	7/1/2012
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 (dollar amounts in thousands, except for contribution rates):

	County	Flood Control	Park District	Waste Management
Contribution rates:				
County	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$403-$964	$403-$964	$403-$964	$403-$964
Annual required contribution	$ 2,615	$ 21	$ 1	$ 113
Interest on net OPEB obligation	(1,920)	(37)	(21)	(4)
Adjustment to annual required contribution	1,577	29	16	8
Annual OPEB cost	2,272	13	(4)	117
Contributions made	(5,011)	(69)	(4)	(4)
Increase in net OPEB obligation (asset)	(2,739)	(56)	(8)	113
Net OPEB obligation (asset) beginning of year	(22,836)	(483)	(277)	-
Net OPEB obligation (asset) end of year	$ (25,575)	$ (539)	$ (285)	$ 113

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years for each of the plans were as follows (dollar amounts in thousands):

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation (Asset)
County	06/30/11	$ 3,012	203.0 %	$ (21,118)
	06/30/12	2,119	181.1	(22,836)
	06/30/13	2,272	220.6	(25,575)
Flood Control	06/30/11	38	505.2	(429)
	06/30/12	16	437.5	(483)
	06/30/13	13	530.8	(539)
Park District	06/30/11	4	1,050.0	(271)
	06/30/12	(2)	200.0	(277)
	06/30/13	(4)	100.0	(285)
Waste Management	06/30/11	135	17.8	49
	06/30/12	(26)	88.4	-
	06/30/13	117	3.4	113

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, 2013, which is the most recent actuarial valuation date (dollar amounts in thousands):

	County	Flood Control	Park District	Waste Management
Actuarial accrued liability (a)	$ 42,850	$ 494	$ 139	$ 982
Actuarial value of plan assets (b)	22,572	321	232	-
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 20,278	$ 173	$ (93)	$ 982
Funded ratio (b) / (a)	52.68%	64.98%	166.91%	0.00%
Covered payroll (c)	$ 1,026,755	$ 15,339	$ 4,871	$ 2,495
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	1.97%	1.13%	-1.91%	39.36%

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	7/1/2012	7/1/2012	7/1/2011	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	7.61%	7.61%	7.61%	4.5%
Projected salary increases	3.00%	3.00%	3.25%	3.00%
Healthcare inflation rate (initial)	5.00%	10.00%	10.00%	10.00%
Healthcare inflation rate (ultimate)	5.00%	5.00%	5.00%	5.00%
Inflation rate	3.00%	3.00%	3.25%	3.00%

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, 2013 was $4.8 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, 2012, 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 2012-13 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 31, 2014.

Commitments

At June 30, 2013 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. $77.8 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 $17.9 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, 2013 the Governmental Activities reflect a $2.8 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 is presently aware of groundwater contamination at nine of its landfills, six of which are closed. Waste Management is also aware of air/gas contamination at 17 landfills, 11 of which are closed. Based on engineering studies, Waste Management estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $31.1 million. At June 30, 2013, Waste Management has accrued $36.7 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2013 results from current estimates and current actual expenses.

Waste Management has established a remediation restricted cash fund and 17 remediation restricted cash escrow funds to set aside funds for future remediation costs as they are required to be performed. Investments of $23.1 million are held for these purposes at June 30, 2013 and are classified as Accrued Remediation in the statements of net position.

NOTE 24 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANs) and CalPERS Pre-payment Note

On July 1, 2013, the County issued $250.0 million in Tax and Revenue Anticipation Notes in the form of Series A due March 31, 2014 and series B due June 30, 2014. The stated interest rate for the A bonds is set at 2.0% per annum with a yield of 0.16%. The interest rate for the B Bond is set at 2.0% per annum with a yield of 0.18%. Portions of the note proceeds were used to prepay CalPERS contributions for fiscal year 2013-14 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 2014 and legally available for payment thereof. Proceeds for the bonds will be used for fiscal year 2014 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 October 2013, Fitch, one of the three major credit ratings, has assigned the County's bonds and certificates of participation ratings as follows:

- Riverside County implied general obligation (GO) bond rating at 'AA-',
- Riverside County pension obligation bonds (POB-series 2005A) at 'A+'.
- Riverside County certificates of participation (COPs- series 2003, 2003A, 2003B, 2005A, 2005B, 2007A, 2007B, 2009) at 'A+'.
- Riverside County Asset Leasing Corporation certification of participation (CORAL- COPS/series 2006A and lease revenue bonds (LRBs), series 1993B, 1997A, 1997B, 1997C, 2000A) at 'A+'.
- Riverside County Palm Desert Financing Authority lease revenue bonds (LRBs) (series 2003A) at 'A+'.
- Southwest Communities Financing Authority lease revenue bonds (LRBs) (series 2008A) at 'A+'.

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Riverside County Bonds and Certificates of Participation (Continued)

Fitch's reasoning is summarized in the following paragraphs:

Riverside County's economy is large, diversified and well-situated for long-term growth. However, the County continues to report below-average income levels, a distressed housing market that has only recently shown signs of recovery, leaving a tax that has contracted significantly since its peak.

The County's housing market was one of the worst affected in the nation, with average home values falling 55.0% to a trough value of $196.6 thousand in fiscal year 2012 from their $433.0 thousand peak in fiscal year 2006. These severe price declines caused a cumulative multi-year property tax base contraction of 15.7% from fiscal years 2009-2013. Recently, the housing market has posted solid price gains, and fiscal year 2014 assessed value (AV) increased 3.9%.

The County's hospital enterprise is facing a significant structural deficit that may drain the enterprise's limited cash resources and necessitate internal cash flow borrowing. However, management is working to reduce the deficit, and a recent consultant report suggests the enterprise may turn cash flow positive in 12-18 months if recommended reforms are implemented.

Sales tax revenue derive from a large and diverse base and are in the third year of improvement. The recession caused severe cumulative declines of roughly 25.0% from fiscal years 2006-2009, but revenue have increased in each year since hitting bottom. The recovering economy and recently positive trends in the housing market, if sustained, could bode well for sales tax revenues moving forward.

Teeter Obligation Notes, Series D and E

On October 2, 2013, the County issued $118.1 million in 2013 Teeter Obligation Notes, series D (Tax-Exempt) and $1.6 million in 2013 Teeter Obligation Notes, Series E (Taxable) to refund a portion of the outstanding 2012 Teeter Obligation Notes, series D, and fund in advance of unpaid property taxes for agencies participating in the County's Teeter Plan. The 2013 Notes bear an interest rate of 2.0% for 2013 Teeter Obligation Note, series D and an interest rate of .4% for 2013 Teeter Obligation Note, Series E and a maturity date of October 15, 2014 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 2013-14 will be 15.0% and 23.4%, respectively. Fiscal year 2014-15 contribution rates for miscellaneous and safety are estimated at 14.5% and 21.9%, respectively. They will be accounted for in fiscal year 2012-13 and future budget years.

County of Riverside Asset Leasing Corp (CORAL)

On July 17, 2013, CORAL issued $66.0 million in lease revenue bonds (2013 series A Public Defender/Probation Building and Riverside County Technology Solutions Center Projects) to provide money 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; (ii) fund a reserve funds for the 2013 bonds; and (iii) pay cost of issuance in connection with the issuance of the 2013 bonds. The issuance resulted in a net premium of $581.8 thousand.

Riverside County Regional Medical Center

For fiscal year 2012-13, RMC had a going concern regarding their fiscal wellbeing according to their notes on their financial statements. The County's Regional Medical Center system has been a growing source of budgetary stress in the past two years with operating deficits budgeted and forecasted over the next several years. Despite some near term fiscal improvements in net revenues related to the implementation of Healthcare Reform starting in January 14,

NOTE 24 – SUBSEQUENT EVENTS (Continued)

Riverside County Regional Medical Center (Continued)

noticeable increases in the cost of labor, increases in the cost of pharmacy amid a lack of growth in patient census has impacted the Regional Medical Center's operating results. It is our belief that in order to maintain solid operating results going forward that market-driven alignments will be necessary in order for the Medical Center to set the stage for another period of growth.

On May 7, 2013, the County Board of Supervisors approved an agreement with Huron Consulting Services LLC (Huron) to develop a strategic and financial performance improvement plan for the future direction of the Riverside County Health and Mental Health delivery system. On November 5, 2013, Riverside County Board of Supervisors approved a longer term agreement with Huron Consulting Services LLC to implement the Strategic Plan they presented to the County Board of Supervisors which include considerations for strategic partnerships, joint ventures, and alignments with other healthcare providers and targets to improve the bottom line of the Regional Medical Center with the goal of eliminating the Regional Medical Center's need for additional General Fund Support.

County and Regional Medical Center Management is addressing the structural financial deficits with Huron and have targeted aggressive revenue improvement and savings goals.

Finally, the Regional Medical Center has also recruited and hired a new Chief Executive Officer, Lowell Johnson, who specializes in hospital turnarounds. He was hired in November 2013 as the first step in the process to execute on the financial turnaround thru improvements in services, revenues and costs.

There is no assurance that the planned turnaround strategy will be successful. Without significant revenue improvements and cost reductions going forward, there is significant doubt that the Regional Medical Center will be able to continue as a going concern without additional County contributions.

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REQUIRED SUPPLEMENTARY INFORMATION

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2013

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)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
June 30, 2010	$ 3,652,861	$ 4,097,192	$ 444,331	89.16 %	$854,932	51.97 %
June 30, 2011	3,923,499	4,461,554	538,055	87.94	812,363	66.23
June 30, 2012	4,172,401	4,708,882	536,481	88.61	836,418	64.14

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
June 30, 2010	$ 1,624,730	$ 1,809,468	$ 184,738	89.79 %	$265,165	69.67 %
June 30, 2011	1,745,937	2,032,001	286,064	85.92	273,170	104.72
June 30, 2012	1,860,614	2,086,406	225,792	89.18	261,704	86.28

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered ((b-a)/c)
June 30, 2010	$ 98,710	$ 118,367	$ 19,657	83.39 %	$ 15,423	127.45 %
June 30, 2011	104,545	125,474	20,929	83.32	15,585	134.29
June 30, 2012	110,089	131,966	21,877	83.42	15,151	144.39

Regional Park and Open-Space District*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	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.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2013

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.

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, 2007	$ 13,778	$ 20,468	$ 6,690	67.31 %	$ 41,333	16.19 %
June 30, 2008	16,989	19,471	2,482	87.25	27,928	8.89
June 30, 2009	19,384	21,402	2,018	90.57	26,550	7.60
June 30, 2010	19,992	23,633	3,641	84.59	41,284	8.82
June 30, 2011	23,063	27,079	4,016	85.17	33,657	11.93
June 30, 2012	23,654	24,307	653	97.31	32,424	2.01

**All amounts provided prior to June 30, 2007 were based on information from reports from the prior actuary. The prior actuary's reports are based on the Entry Age Normal cost method. The Projected Unit Credit cost method is used as of June 30, 2007.

RETIREMENT PLANS – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County - Part-time and Temporary Help Retirement

Fiscal Year	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2008	$ 745	267 %	$ (1,248)
2009	227	828	(2,901)
2010	226	372	(3,515)
2011	156	167	(3,685)
2012	160	568	(5,071)
2013	622	128	(5,279)

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2013

OPEB - SCHEDULES OF FUNDING PROGRESS

(Dollars in thousands)

Riverside County

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2010	$ 14,272	$ 43,158	$ 28,886	33.07 %	$ 1,030,030	2.80 %
July 1, 2011	19,460	40,166	20,706	48.45	1,012,698	2.04
July 1, 2012	22,572	42,850	20,278	52.68	1,026,755	1.97

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	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, 2010	$ 113	$ 588	$ 475	19.22 %	$ 15,086	3.15 %
July 1, 2011	269	482	213	55.81	15,600	1.37
July 1, 2012	321	494	173	64.98	15,339	1.13

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008 *	$ 190	$ 193	$ 3	98.45 %	N/A	N/A
January 1, 2009	147	144	(3)	102.08	$ 4,429	-0.07 %
July 1, 2011 **	232	139	(93)	166.91	4,871	-1.91

*Estimate only.

** The most recent actuarial valuation.

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	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.

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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, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Investment earnings (loss)	$ -	$ -	$ (155)	$ (155)
Other revenue	3,936	3,233	4	(3,229)
Total revenues	3,936	3,233	(151)	(3,384)
EXPENDITURES:				
Current:				
General government	3,936	3,853	469	(3,384)
Total expenditures	3,936	3,853	469	(3,384)
Excess (deficiency) of revenues over (under) expenditures	-	(620)	(620)	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	703	703	-
Transfers out	-	(83)	(83)	-
Total other financing sources (uses)	-	620	620	-
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, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ 1,150	$ 1,150	$ (209)	$ (1,359)
Rents and concessions	350	350	344	(6)
Aid from other governmental agencies:				
Federal	-	-	28	28
Other	24,102	24,102	24,144	42
Charges for services	42,048	30,931	9,741	(21,190)
Other revenue	16,997	27,242	908	(26,334)
Total revenues	84,647	83,775	34,956	(48,819)
EXPENDITURES:				
Current:				
General government	115,039	116,615	35,406	(81,209)
Public ways and facilities	21,837	15,137	799	(14,338)
Total expenditures	136,876	131,752	36,205	(95,547)
Excess (deficiency) of revenues over (under) expenditures	(52,229)	(47,977)	(1,249)	46,728
OTHER FINANCING SOURCES (USES):				
Transfers in	-	15,449	15,449	-
Transfers out	-	(57,148)	(57,148)	-
Total other financing sources (uses)	-	(41,699)	(41,699)	-
NET CHANGE IN FUND BALANCE	(52,229)	(89,676)	(42,948)	46,728
Fund balance, beginning of year	242,508	242,508	242,508	-
FUND BALANCE, END OF YEAR	$ 190,279	$ 152,832	$ 199,560	$ 46,728

NONMAJOR GOVERNMENTAL FUNDS

COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013
(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	$ 98,086	$ 6,014	$ 22,367	$ 509	$ 126,976
Accounts receivable	322	1,176	-	-	1,498
Interest receivable	30	86	8	-	124
Taxes receivable	1,511	-	-	-	1,511
Due from other governments	8,389	-	181	-	8,570
Due from other funds	-	-	33	-	33
Prepaid items	7	-	580	-	587
Restricted cash and investments	-	72,700	6,215	-	78,915
Advances to other funds	700	-	1,000	-	1,700
Total assets	109,045	79,976	30,384	509	219,914
Deferred outflows of resources	-	-	-	-	-
Total assets and deferred outflows of resources	$ 109,045	$ 79,976	$ 30,384	$ 509	$ 219,914
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
Liabilities:					
Accounts payable	$ 3,968	$ 25	$ 546	$ -	$ 4,539
Salaries and benefits payable	2,002	-	148	-	2,150
Due to other governments	313	-	-	-	313
Due to other funds	82	-	109	-	191
Deposits payable	333	-	-	-	333
Advances from grantors and third parties	1,966	-	-	-	1,966
Advance from other funds	1,000	-	700	-	1,700
Total liabilities	9,664	25	1,503	-	11,192
Deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable	115	-	580	473	1,168
Restricted	79,877	79,951	14,688	36	174,552
Committed	15,763	-	151	-	15,914
Assigned	3,626	-	13,462	-	17,088
Total fund balances	99,381	79,951	28,881	509	208,722
Total liabilities, deferred inflows of resources and fund balances	$ 109,045	$ 79,976	$ 30,384	$ 509	$ 219,914

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total
REVENUES:					
Taxes	$ 54,304	$ -	$ -	$ -	$ 54,304
Licenses, permits and franchise fees	32	-	-	-	32
Fines, forfeitures and penalties	1,140	-	-	-	1,140
Use of money and property:					
Investment earnings (loss)	(70)	1,601	(13)	-	1,518
Rents and concessions	8,186	6,866	-	-	15,052
Aid from other governmental agencies:					
Federal	61,902	-	-	-	61,902
State	4,115	-	181	-	4,296
Other	22,692	-	-	-	22,692
Charges for services	27,965	2,408	2,270	19	32,662
Other revenue	10,916	17,171	74	-	28,161
Total revenues	191,182	28,046	2,512	19	221,759
EXPENDITURES:					
Current:					
General government	29,618	30,720	8,134	-	68,472
Public protection	6,010	-	-	-	6,010
Public ways and facilities	14,826	-	-	-	14,826
Health and sanitation	5,232	-	-	-	5,232
Public assistance	63,793	-	-	-	63,793
Education	18,255	-	-	-	18,255
Recreation and culture	15,038	-	1,206	-	16,244
Debt service:					
Principal	-	40,331	-	-	40,331
Interest	-	22,830	-	-	22,830
Cost of issuance	-	378	-	-	378
Capital outlay	-	1,372	22,334	-	23,706
Total expenditures	152,772	95,631	31,674	-	280,077
Excess (deficiency) of revenues 0ver (under) expenditures	38,410	(67,585)	(29,162)	19	(58,318)
OTHER FINANCING SOURCES (USES):					
Transfers in	19,578	71,021	13,763	-	104,362
Transfers out	(69,652)	(1,965)	(2,126)	-	(73,743)
Issuance of refunding bonds	-	17,640	-	-	17,640
Premium on long-term debt	-	759	-	-	759
Redemption of refunded debt	-	(18,155)	-	-	(18,155)
Total other financing sources (uses)	(50,074)	69,300	11,637	-	30,863
Net change in fund balances before Extraordinary loss	(11,664)	1,715	(17,525)	19	(27,455)
EXTRAORDINARY ITEMS:					
Extraordinary loss	158,337	-	-	-	158,337
NET CHANGE IN FUND BALANCES	(170,001)	1,715	(17,525)	19	(185,792)
Fund balances, beginning of year	269,382	78,236	46,406	490	394,514
FUND BALANCES, END OF YEAR	$ 99,381	$ 79,951	$ 28,881	$ 509	$ 208,722

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 Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA US Department of Agriculture Rural Development, Workforce Development, Healthy Kids, and Bio-terrorism Preparedness. The primary source of revenue for this fund is from State/Federal Grants.

REDEVELOPMENT SUCCESSOR HOUSING AGENCY

This fund was established to account for administration and revenues/expenditures related to the low and moderate income housing set aside program. 20% of the tax increments allocated to the former Redevelopment Agency are required to be placed in this fund.

COUNTY SERVICE AREAS

This county service 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

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.

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

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, Prop 10, and DNA Identification.

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COUNTY OF RIVERSIDE

Combining Balance Sheet

Special Revenue Funds

June 30, 2013

(Dollars in Thousands)

	Community Services	RDA - Housing Successor Agency	County Service Areas	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:									
Assets:									
Cash and investments	$ 40,557	$ -	$ 20,660	$ 10,050	$ 345	$ 1,411	$ 611	$ 24,452	$ 98,086
Accounts receivable	15	-	-	271	-	-	-	36	322
Interest receivable	5	-	10	4	-	1	-	10	30
Taxes receivable	1,207	-	171	112	-	-	6	15	1,511
Due from other governments	6,823	-	294	465	121	477	-	209	8,389
Prepaid items	7	-	-	-	-	-	-	-	7
Advances to other funds	-	-	-	700	-	-	-	-	700
Total assets	48,614	-	21,135	11,602	466	1,889	617	24,722	109,045
Deferred outflows of resources	-	-	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 48,614	$ -	$ 21,135	$ 11,602	$ 466	$ 1,889	$ 617	$ 24,722	$ 109,045
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:									
Liabilities:									
Accounts payable	$ 2,060	$ -	$ 296	$ 435	$ 15	$ 1	$ 16	$ 1,145	$ 3,968
Salaries and benefits payable	1,081	-	191	408	-	66	-	256	2,002
Due to other governments	300	-	2	7	-	-	1	3	313
Due to other funds	82	-	-	-	-	-	-	-	82
Deposits payable	3	-	51	-	-	-	279	-	333
Advances from grantors and third parties	963	-	-	596	-	-	-	407	1,966
Advances from other funds	-	-	-	1,000	-	-	-	-	1,000
Total liabilities	4,489	-	540	2,446	15	67	296	1,811	9,664
Deferred inflows of resources	-	-	-	-	-	-	-	-	-
Fund balances (Note 16):									
Nonspendable	76	-	1	7	-	5	-	26	115
Restricted	34,541	-	20,588	2,490	451	1,817	321	19,669	79,877
Committed	9,104	-	-	6,659	-	-	-	-	15,763
Assigned	404	-	6	-	-	-	-	3,216	3,626
Total fund balances	44,125	-	20,595	9,156	451	1,822	321	22,911	99,381
Total liabilities, deferred inflows of resources and fund balances	$ 48,614	$ -	$ 21,135	$ 11,602	$ 466	$ 1,889	$ 617	$ 24,722	$ 109,045

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Community Services	RDA - Housing Successor Agency	County Service Areas	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Perris Valley Cemetery District	Other Special Revenue	Total
REVENUES:									
Taxes	$ 48,453	$ -	$ 641	$ 4,267	$ -	$ -	$ 194	$ 749	$ 54,304
Licenses, permits, and franchise fees	-	-	-	-	-	-	-	32	32
Fines, forfeitures, and penalties	343	-	-	-	-	-	-	797	1,140
Use of money and property:									
Investment earnings (loss)	(95)	75	(22)	(10)	-	(2)	-	(16)	(70)
Rents and concessions	1,075	41	14	984	-	-	-	6,072	8,186
Aid from other governmental agencies:									
Federal	59,206	-	-	1	-	916	-	1,779	61,902
State	2,331	-	107	164	511	803	25	174	4,115
Other	17,879	-	111	444	-	-	24	4,234	22,692
Charges for services	2,299	106	9,402	6,530	-	-	192	9,436	27,965
Other revenue	9,965	106	44	292	-	-	-	509	10,916
Total revenues	141,456	328	10,297	12,672	511	1,717	435	23,766	191,182
EXPENDITURES:									
Current:									
General government	14,112	6,233	-	-	-	-	-	9,273	29,618
Public protection	-	-	1	310	311	-	491	4,897	6,010
Public ways and facilities	-	-	8,042	-	-	-	-	6,784	14,826
Health and sanitation	2,439	-	777	-	-	2,016	-	-	5,232
Public assistance	63,792	-	-	-	-	1	-	-	63,793
Education	18,255	-	-	-	-	-	-	-	18,255
Recreation and culture	194	-	699	14,145	-	-	-	-	15,038
Total expenditures	98,792	6,233	9,519	14,455	311	2,017	491	20,954	152,772
Excess (deficiency) of revenues over (under) expenditures	42,664	(5,905)	778	(1,783)	200	(300)	(56)	2,812	38,410
OTHER FINANCING SOURCES (USES):									
Transfers in	11,672	-	1,881	1,480	-	408	-	4,137	19,578
Transfers out	(59,985)	-	(2,499)	(1,957)	(437)	(148)	(94)	(4,532)	(69,652)
Total other financing sources (uses)	(48,313)	-	(618)	(477)	(437)	260	(94)	(395)	(50,074)
Net change in fund balances before extraordinary items	(5,649)	(5,905)	160	(2,260)	(237)	(40)	(150)	2,417	(11,664)
EXTRAORDINARY ITEMS:									
Extraordinary loss	-	158,337	-	-	-	-	-	-	158,337
NET CHANGE IN FUND BALANCES	(5,649)	(164,242)	160	(2,260)	(237)	(40)	(150)	2,417	(170,001)
Fund balances, beginning of year	49,774	164,242	20,435	11,416	688	1,862	471	20,494	269,382
FUND BALANCES, END OF YEAR	$ 44,125	$ -	$ 20,595	$ 9,156	$ 451	$ 1,822	$ 321	$ 22,911	$ 99,381

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 44,331	$ 44,624	$ 48,453	$ 3,829
Fines, forfeitures, and penalties	350	350	343	(7)
Use of money and property:				
Investment earnings (loss)	9	9	(95)	(104)
Rents and concessions	1,525	1,377	1,075	(302)
Aid from other governmental agencies:				
Federal	78,813	85,442	59,206	(26,236)
State	2,301	2,401	2,331	(70)
Other	12,207	12,207	17,879	5,672
Charges for services	14,749	6,755	2,299	(4,456)
Other revenue	35,156	31,856	9,965	(21,891)
Total revenues	189,441	185,021	141,456	(43,565)
EXPENDITURES:				
Current:				
General government	23,693	21,209	14,112	(7,097)
Public protection	44,317	-	-	-
Health and sanitation	2,998	3,395	2,439	(956)
Public assistance	100,331	99,527	63,792	(35,735)
Education	23,055	20,998	18,255	(2,743)
Recreation and culture	515	247	194	(53)
Total expenditures	194,909	145,376	98,792	(46,584)
Excess (deficiency) of revenues over (under) expenditures	(5,468)	39,645	42,664	3,019
OTHER FINANCING SOURCES (USES):				
Transfers in	-	11,672	11,672	-
Transfers out	-	(59,985)	(59,985)	-
Total other financing sources (uses)	-	(48,313)	(48,313)	-
NET CHANGE IN FUND BALANCE	(5,468)	(8,668)	(5,649)	3,019
Fund balance, beginning of year	49,774	49,774	49,774	-
FUND BALANCE, END OF YEAR	$ 44,306	$ 41,106	$ 44,125	$ 3,019

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 770	$ 770	$ 641	$ (129)
Use of money and property:				
Investment earnings (loss)	63	63	(22)	(85)
Rents and concessions	1	1	14	13
Aid from other governmental agencies:				
State	9	9	107	98
Other	1	1	111	110
Charges for services	10,478	8,597	9,402	805
Other revenue	4,962	4,962	44	(4,918)
Total revenues	16,284	14,403	10,297	(4,106)
EXPENDITURES:				
Current:				
Public protection	820	469	1	(468)
Public ways and facilities	13,452	12,285	8,042	(4,243)
Health and sanitation	800	800	777	(23)
Recreation and culture	1,212	1,724	699	(1,025)
Total expenditures	16,284	15,278	9,519	(5,759)
Excess (deficiency) of revenues over (under) expenditures	-	(875)	778	1,653
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,881	1,881	-
Transfers out	-	(2,499)	(2,499)	-
Total other financing sources (uses)	-	(618)	(618)	-
NET CHANGE IN FUND BALANCE	-	(1,493)	160	1,653
Fund balance, beginning of year	20,435	20,435	20,435	-
FUND BALANCE, END OF YEAR	$ 20,435	$ 18,942	$ 20,595	$ 1,653

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 3,520	$ 3,520	$ 4,267	$ 747
Use of money and property:				
Investment earnings (loss)	38	38	(10)	(48)
Rents and concessions	979	979	984	5
Aid from other governmental agencies:				
Federal	-	-	1	1
State	325	325	164	(161)
Other	-	-	444	444
Charges for services	7,283	6,410	6,530	120
Other revenue	865	629	292	(337)
Total revenues	13,010	11,901	12,672	771
EXPENDITURES:				
Current:				
Public protection	462	462	310	(152)
Recreation and culture	15,906	15,112	14,145	(967)
Total expenditures	16,368	15,574	14,455	(1,119)
Excess (deficiency) of revenues over (under) expenditures	(3,358)	(3,673)	(1,783)	1,890
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,480	1,480	-
Transfers out	-	(1,957)	(1,957)	-
Total other financing sources (uses)	-	(477)	(477)	-
NET CHANGE IN FUND BALANCE	(3,358)	(4,150)	(2,260)	1,890
Fund balance, beginning of year	11,416	11,416	11,416	-
FUND BALANCE, END OF YEAR	$ 8,058	$ 7,266	$ 9,156	$ 1,890

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Investment earnings (loss)	$ 20	$ 20	$ -	$ (20)
Aid from other governmental agencies:				
State	650	650	511	(139)
Total revenues	670	670	511	(159)
EXPENDITURES:				
Current:				
General government	1,225	-	-	-
Public protection	-	788	311	(477)
Total expenditures	1,225	788	311	(477)
Excess (deficiency) of revenues over (under) expenditures	(555)	(118)	200	318
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(437)	(437)	-
Total other financing sources (uses)	-	(437)	(437)	-
NET CHANGE IN FUND BALANCE	(555)	(555)	(237)	318
Fund balance, beginning of year	688	688	688	-
FUND BALANCE, END OF YEAR	$ 133	$ 133	$ 451	$ 318

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ -	$ -	$ (2)	$ (2)
Aid from other governmental agencies:				
Federal	1,203	1,203	916	(287)
State	510	510	803	293
Charges for services	162	-	-	-
Other revenue	369	123	-	(123)
Total revenues	2,244	1,836	1,717	(119)
EXPENDITURES:				
Current:				
Health and sanitation	2,618	2,473	2,016	(457)
Public assistance	-	-	1	1
Total expenditures	2,618	2,473	2,017	(456)
Excess (deficiency) of revenues over (under) expenditures	(374)	(637)	(300)	337
OTHER FINANCING SOURCES (USES):				
Transfers in	-	408	408	-
Transfers out	-	(148)	(148)	-
Total other financing sources (uses)	-	260	260	-
NET CHANGE IN FUND BALANCE	(374)	(377)	(40)	337
Fund balance, beginning of year	1,488	1,862	1,862	-
FUND BALANCE, END OF YEAR	$ 1,114	$ 1,485	$ 1,822	$ 337

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Perris Valley Cemetery District Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 203	$ 203	$ 194	$ (9)
Use of money and property:				
Investment earnings (loss)	3	3	-	(3)
Aid from other governmental agencies:				
State	3	3	25	22
Other	-	-	24	24
Charges for services	265	265	192	(73)
Other revenue	200	200	-	(200)
Total revenues	674	674	435	(239)
EXPENDITURES:				
Current:				
Public protection	674	587	491	(96)
Total expenditures	674	587	491	(96)
Excess (deficiency) of revenues over (under) expenditures	-	87	(56)	(143)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(94)	(94)	-
Total other financing sources / (uses)	-	(94)	(94)	-
NET CHANGE IN FUND BALANCE	-	(7)	(150)	(143)
Fund balance, beginning of year	471	471	471	-
FUND BALANCE, END OF YEAR	$ 471	$ 464	$ 321	$ (143)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 785	$ 785	$ 749	$ (36)
License, permits, and franchise fees	32	32	32	-
Fines, forfeitures, and penalties	-	-	797	797
Use of money and property:				
Investment earnings (loss)	80	81	(16)	(97)
Rents and concessions	6,373	6,454	6,072	(382)
Aid from other governmental agencies:				
Federal	4,047	4,303	1,779	(2,524)
State	168	233	174	(59)
Other	6	4,253	4,234	(19)
Charges for services	11,554	9,381	9,436	55
Other revenue	1,065	500	509	9
Total revenues	24,110	26,022	23,766	(2,256)
EXPENDITURES:				
Current:				
General government	4,835	9,973	9,273	(700)
Public protection	7,072	6,703	4,897	(1,806)
Public ways and facilities	12,593	11,448	6,784	(4,664)
Total expenditures	24,500	28,124	20,954	(7,170)
Excess (deficiency) of revenues over (under) expenditures	(390)	(2,102)	2,812	4,914
OTHER FINANCING SOURCES (USES):				
Transfers in	-	4,137	4,137	-
Transfers out	-	(4,532)	(4,532)	-
Total other financing sources (uses)	-	(395)	(395)	-
NET CHANGE IN FUND BALANCE	(390)	(2,497)	2,417	4,914
Fund balance, beginning of year	20,494	20,494	20,494	-
FUND BALANCE, END OF YEAR	$ 20,104	$ 17,997	$ 22,911	$ 4,914

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, 2013
(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Public Financing Authority	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							
Assets:							
Cash and investments	$ -	$ -	$ -	$ 6,014	$ -	$ -	$ 6,014
Accounts receivable	-	-	-	1,176	-	-	1,176
Interest receivable	85	-	-	1	-	-	86
Restricted cash and investments	43,714	1,026	6,958	-	19,611	1,391	72,700
Total assets	43,799	1,026	6,958	7,191	19,611	1,391	79,976
Deferred outflows of resources	-	-	-	-	-	-	-
Total assets and deferred outflows of resources	$ 43,799	$ 1,026	$ 6,958	$ 7,191	$ 19,611	$ 1,391	$ 79,976
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							
Liabilities:							
Accounts payable	$ 25	$ -	$ -	$ -	$ -	$ -	$ 25
Total liabilities	25	-	-	-	-	-	25
Deferred inflows of resources	-	-	-	-	-	-	-
Fund balances (Note 16):							
Restricted	43,774	1,026	6,958	7,191	19,611	1,391	79,951
Total fund balances	43,774	1,026	6,958	7,191	19,611	1,391	79,951
Total liabilities, deferred inflows of resources and fund balances	$ 43,799	$ 1,026	$ 6,958	$ 7,191	$ 19,611	$ 1,391	$ 79,976

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	CORAL	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Inland Empire Tobacco Securitization Authority	Public Financing Authority	Total
REVENUES:							
Use of money and property:							
Investment earnings (loss)	$ 734	$ 119	$ 195	$ 537	$ 16	$ -	$ 1,601
Rents and concessions	1,315	2,423	2,137	-	-	991	6,866
Charges for services	-	-	-	2,408	-	-	2,408
Other revenue	-	-	-	-	15,671	1,500	17,171
Total revenues	2,049	2,542	2,332	2,945	15,687	2,491	28,046
EXPENDITURES:							
Current:							
General government	1,102	96	-	29,399	123	-	30,720
Debt service:							
Principal	28,575	1,501	960	-	8,650	645	40,331
Interest	14,518	291	482	-	7,193	346	22,830
Cost of issuance	25	-	-	-	-	353	378
Capital outlay	-	727	645	-	-	-	1,372
Total expenditures	44,220	2,615	2,087	29,399	15,966	1,344	95,631
Excess (deficiency) of revenues over (under) expenditures	(42,171)	(73)	245	(26,454)	(279)	1,147	(67,585)
OTHER FINANCING SOURCES (USES):							
Transfers in	44,312	-	-	26,709	-	-	71,021
Transfers out	(1,965)	-	-	-	-	-	(1,965)
Issuance of refunding bonds	-	-	-	-	-	17,640	17,640
Premium on long-term debt	-	-	-	-	-	759	759
Redemption of refunded debt	-	-	-	-	-	(18,155)	(18,155)
Total other financing sources (uses)	42,347	-	-	26,709	-	244	69,300
NET CHANGE IN FUND BALANCES	176	(73)	245	255	(279)	1,391	1,715
Fund balances, beginning of year	43,598	1,099	6,713	6,936	19,890	-	78,236
FUND BALANCES, END OF YEAR	$ 43,774	$ 1,026	$ 6,958	$ 7,191	$ 19,611	$ 1,391	$ 79,951

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2013
(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)	$ -	$ -	$ 537	$ 537
Charges for services	34,114	7,404	2,408	(4,996)
Total revenues	34,114	7,404	2,945	(4,459)
EXPENDITURES:				
Current:				
General government	34,113	34,113	29,399	(4,714)
Total expenditures	34,113	34,113	29,399	(4,714)
Excess (deficiency) of revenues over (under) expenditures	1	(26,709)	(26,454)	255
OTHER FINANCING SOURCES (USES):				
Transfers in	-	26,709	26,709	-
Total other financing sources (uses)	-	26,709	26,709	-
NET CHANGE IN FUND BALANCE	1	-	255	255
Fund balance, beginning of year	6,936	6,936	6,936	-
FUND BALANCE, END OF YEAR	$ 6,937	$ 6,936	$ 7,191	$ 255

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, 2013

(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:							ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:
Assets:							Assets:
Cash and investments	$ 296	$ -	$ 151	$ 8,398	$ 13,522	$ 22,367	Cash and investments
Interest receivable	-	-	-	4	4	8	Interest receivable
Due from other governments	-	-	-	181	-	181	Due from other governments
Due from other funds	-	-	-	-	33	33	Due from other funds
Prepaid items	580	-	-	-	-	580	Prepaid items
Restricted cash and investments	-	6,215	-	-	-	6,215	Restricted cash and investments
Advances to other funds	-	-	-	1,000	-	1,000	Advances to other funds
Total assets	876	6,215	151	9,583	13,559	30,384	Total assets
Deferred outflows of resources	-	-	-	-	-	-	Deferred outflows of resources
Total assets and deferred outflows of resources	$ 876	$ 6,215	$ 151	$ 9,583	$ 13,559	$ 30,384	Total assets and deferred outflows of resources
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:							LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:
Liabilities:							Liabilities:
Accounts payable	$ -	$ 370	$ -	$ 40	$ 136	$ 546	Accounts payable
Salaries and benefits payable	55	-	-	-	93	148	Salaries and benefits payable
Due to other funds	43	-	-	-	66	109	Due to other funds
Advances from other funds	-	-	-	700	-	700	Advances from other funds
Total liabilities	98	370	-	740	295	1,503	Total liabilities
Deferred inflows of resources	-	-	-	-	-	-	Deferred inflows of resources
Fund balances (Note 16):							Fund balances (Note 16):
Nonspendable	580	-	-	-	-	580	Nonspendable
Restricted	-	5,845	-	8,843	-	14,688	Restricted
Committed	-	-	151	-	-	151	Committed
Assigned	198	-	-	-	13,264	13,462	Assigned
Total fund balances	778	5,845	151	8,843	13,264	28,881	Total fund balances
Total liabilities, deferred inflows of resources and fund balances	$ 876	$ 6,215	$ 151	$ 9,583	$ 13,559	$ 30,384	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, 2013

(Dollars in Thousands)

	PSEC	CORAL	Flood Control	Regional Park and Open-Space	CREST	Total
REVENUES:						
Use of money and property:						
Investment earnings (loss)	$ (2)	$ 20	$ -	$ (7)	$ (24)	$ (13)
Aid from other governmental agencies:						
State	-	-	-	181	-	181
Charges for services	-	-	-	-	2,270	2,270
Other revenue	74	-	-	-	-	74
Total revenues	72	20	-	174	2,246	2,512
EXPENDITURES:						
Current:						
General government	2,960	-	-	-	5,174	8,134
Recreation and culture	-	-	-	1,206	-	1,206
Capital outlay	-	22,241	93	-	-	22,334
Total expenditures	2,960	22,241	93	1,206	5,174	31,674
Excess (deficiency) of revenues over (under) expenditures	(2,888)	(22,221)	(93)	(1,032)	(2,928)	(29,162)
OTHER FINANCING SOURCES (USES):						
Transfers in	2,823	814	200	2,821	7,105	13,763
Transfers out	(755)	-	-	(1,325)	(46)	(2,126)
Total other financing sources (uses)	2,068	814	200	1,496	7,059	11,637
NET CHANGE IN FUND BALANCES	(820)	(21,407)	107	464	4,131	(17,525)
Fund balances, beginning of year	1,598	27,252	44	8,379	9,133	46,406
FUND BALANCES, END OF YEAR	$ 778	$ 5,845	$ 151	$ 8,843	$ 13,264	$ 28,881

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Investment earnings (loss)	$ -	$ -	$ (2)	$ (2)
Aid from other governmental agencies:				
Other revenue	3,117	1,117	74	(1,043)
Total revenues	3,117	1,117	72	(1,045)
EXPENDITURES:				
Current:				
General government	3,117	3,351	2,960	(391)
Total expenditures	3,117	3,351	2,960	(391)
Excess (deficiency) of revenues over (under) expenditures	-	(2,234)	(2,888)	(654)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,823	2,823	-
Transfers out	-	(755)	(755)	-
Total other financing sources (uses)	-	2,068	2,068	-
NET CHANGE IN FUND BALANCE	-	(166)	(820)	(654)
Fund balance, beginning of year	1,598	1,598	1,598	-
FUND BALANCE, END OF YEAR	$ 1,598	$ 1,432	$ 778	$ (654)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2013
(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)
Charges for current services	1	1	-	(1)
Other revenue	3,475	3,275	-	(3,275)
Total revenues	3,477	3,277	-	(3,277)
EXPENDITURES:				
Capital outlay	3,475	3,475	93	(3,382)
Total expenditures	3,475	3,475	93	(3,382)
Excess (deficiency) of revenues over (under) expenditures	2	(198)	(93)	105
OTHER FINANCING SOURCES (USES):				
Transfers in	-	200	200	-
Total other financing sources (uses)	-	200	200	-
NET CHANGE IN FUND BALANCE	2	2	107	105
Fund balance, beginning of year	44	44	44	-
FUND BALANCE, END OF YEAR	$ 46	$ 46	$ 151	$ 105

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2013
(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:				
State	3,226	3,658	181	(3,477)
Other revenue	4,940	4,741	-	(4,741)
Total revenues	8,166	8,399	174	(8,225)
EXPENDITURES:				
Current:				
Recreation and culture	8,548	10,386	1,206	(9,180)
Total expenditures	8,548	10,386	1,206	(9,180)
Excess (deficiency) of revenues over (under) expenditures	(382)	(1,987)	(1,032)	955
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,821	2,821	-
Transfers out	-	(1,325)	(1,325)	-
Total other financing sources (uses)	-	1,496	1,496	-
NET CHANGE IN FUND BALANCE	(382)	(491)	464	955
Fund balance, beginning of year	8,379	8,379	8,379	-
FUND BALANCE, END OF YEAR	$ 7,997	$ 7,888	$ 8,843	$ 955

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2013
(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	$ (24)	$ (39)
Charges for services	2,500	2,500	2,270	(230)
Other revenue	7,105	-	-	-
Total revenues	9,620	2,515	2,246	(269)
EXPENDITURES:				
Current:				
General government	9,606	9,560	5,174	(4,386)
Total expenditures	9,606	9,560	5,174	(4,386)
Excess (deficiency) of revenues over (under) expenditures	14	(7,045)	(2,928)	4,117
OTHER FINANCING SOURCES (USES):				
Transfers in	-	7,105	7,105	-
Transfers out	-	(46)	(46)	-
Total other financing sources (uses)	-	7,059	7,059	-
NET CHANGE IN FUND BALANCE	14	14	4,131	4,117
Fund balance, beginning of year	9,133	9,133	9,133	-
FUND BALANCE, END OF YEAR	$ 9,147	$ 9,147	$ 13,264	$ 4,117

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PERMANENT FUNDS

COUNTY OF RIVERSIDE

PERMANENT FUNDS

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, 2013
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	
Assets:	
Cash and investments	$ 509
Total assets	509
Deferred outflows of resources	-
Total assets and deferred outflows of resources	$ 509
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:	
Liabilities:	$ -
Total liabilities	-
Deferred inflows of resources	-
Fund balances (Note 16):	
Nonspendable	473
Restricted	36
Total fund balances	509
Total liabilities, deferred inflows of resources and fund balances	$ 509

COUNTY OF RIVERSIDE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Permanent Fund
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Perris Valley Cemetery Endowment Fund
REVENUES:	
Charges for services	$ 19
Total revenues	19
EXPENDITURES:	
Current:	
Public protection	-
Total expenditures	-
Excess (deficiency) of revenues over (under) expenditures	19
Fund balance, beginning of year	490
FUND BALANCE, END OF YEAR	$ 509

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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, 2013
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
ASSETS:			
Current assets:			
Cash and investments	$ 108	$ 2,549	$ 2,657
Accounts receivable-net	-	303	303
Interest receivable	-	4	4
Taxes receivable	14	-	14
Due from other governments	-	14	14
Restricted cash and investments	-	2,719	2,719
Total current assets	122	5,589	5,711
Noncurrent assets:			
Capital assets:			
Depreciable assets	21	7	28
Total noncurrent assets	21	7	28
Total assets	143	5,596	5,739
DEFERRED OUTFLOWS OR RESOURCES:	-	-	-
LIABILITIES:			
Current liabilities:			
Accounts payable	18	2,822	2,840
Salaries and benefits payable	-	27	27
Due to other funds	-	12	12
Deposits payable	51	-	51
Other liabilities	-	174	174
Compensated absences	-	15	15
Total current liabilities	69	3,050	3,119
Noncurrent portion of long-term liabilities:			
Noncurrent liabilities:			
Compensated absences	-	69	69
Total noncurrent liabilities	-	69	69
Total liabilities	69	3,119	3,188
DEFERRED INFLOWS OF RESOURCES:	-	-	-
Net position:			
Net investment in capital assets	21	7	28
Restricted	41	-	41
Unrestricted	12	2,470	2,482
Total net position	$ 74	$ 2,477	$ 2,551

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
OPERATING REVENUES:			
Charges for services	$ 339	$ 1,504	$ 1,843
Other	16	231	247
Total operating revenues	355	1,735	2,090
OPERATING EXPENSES:			
Personnel services	215	816	1,031
Maintenance of building and equipment	99	-	99
Supplies	6	18	24
Purchased services	6	885	891
Depreciation and amortization	3	9	12
Rents and leases of equipment	-	8	8
Utilities	114	-	114
Other	16	18	34
Total operating expenses	459	1,754	2,213
Operating income (loss)	(104)	(19)	(123)
NONOPERATING REVENUES (EXPENSES):			
Investment income	-	5	5
Total nonoperating revenues (expenses)	-	5	5
CHANGE IN NET POSITION	(104)	(14)	(118)
Net position, beginning of year	178	2,491	2,669
NET POSITION, END OF YEAR	$ 74	$ 2,477	$ 2,551

COUNTY OF RIVERSIDE
Statement of Cash Flows
Combining Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2013
(Dollars in Thousands)

	County Service Areas	Flood Control	Total
Cash flows from operating activities			
Cash receipts from customers / other funds	$ 355	$ 1,722	$ 2,077
Cash paid to suppliers for goods and services	(225)	(922)	(1,147)
Cash paid to employees for services	(215)	(835)	(1,050)
Net cash provided by (used in) operating activities	(85)	(35)	(120)
Cash flows from investing activities			
Interest received on investments	-	5	5
Net cash provided by investing activities	-	5	5
Net increase (decrease) in cash and cash equivalents	(85)	(30)	(115)
Cash and cash equivalents, beginning of year	193	5,298	5,491
Cash and cash equivalents, end of year	$ 108	$ 5,268	$ 5,376
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	$ (104)	$ (19)	$ (123)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	3	9	12
Decrease (Increase) accounts receivable	-	(46)	(46)
Decrease (Increase) due from other governments	-	33	33
Increase (Decrease) accounts payable	14	49	63
Increase (Decrease) due to other funds	-	10	10
Increase (Decrease) due to other governments	-	(10)	(10)
Increase (Decrease) deposits payable	2	-	2
Increase (Decrease) other liabilities	-	(42)	(42)
Increase (Decrease) salaries and benefits payable	-	(11)	(11)
Increase (Decrease) compensated absences	-	(8)	(8)
Net cash provided by (used in) operating activities	$ (85)	$ (35)	$ (120)

There were no significant noncash investing, financing, or capital activities.

INTERNAL SERVICE FUNDS

COUNTY OF RIVERSIDE

INTERNAL SERVICE FUNDS

These funds were established to account for the goods and services provided by a County department to other County departments, or to other internal governments, on a cost-reimbursement basis.

RECORDS MANAGEMENT AND ARCHIVES

This fund was established to account for the operations of the Records Management and Archives Program, which is responsible for providing consistent standards and support services that promote responsible record keeping countywide. Sources of revenue include records storage, reformatting, preservation, and consulting services.

FLEET SERVICES

This fund finances the operation and maintenance of County vehicles, including the Sheriff's Department. Revenue is obtained on a cost-reimbursement basis.

INFORMATION SERVICES

These funds are supported by the revenues generated for services including software systems support, computer networks, data structure design, and organization of the County's computer systems.

PRINTING SERVICES

These funds account for the financing of printing and central mail services provided to County departments on a cost-reimbursement basis. This fund also provides services such as the paper reclamation program, which collects and sells County department waste paper for recycling.

SUPPLY SERVICES

This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

OASIS PROJECT

These funds were established to support the implementation, operation, and maintenance of the County's central administrative and financial information system. Revenue is obtained on a cost-reimbursement basis.

RISK MANAGEMENT

These funds account for the financing of employee insurance benefits and County self-insurance programs. These funds include medical, dental, disability, and unemployment insurance as well as general liability, medical malpractice, and worker's compensation.

TEMPORARY ASSISTANCE POOL (TAP)

The purpose of this fund is to provide a ready source of temporary workers to County departments, with lower overhead costs than are typically charged by outside temporary employment agencies.

ECONOMIC DEVELOPMENT AGENCY (Facilities Management)

The purpose of this fund was to account for custodial, maintenance, and real estate services provided to other County departments on a cost-reimbursement basis.

FLOOD CONTROL EQUIPMENT

These funds were established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE

Combining Statement of Net Position

Internal Service Funds

June 30, 2013

(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 1,330	$ 11,016	$ 6,116	$ 2,879	$ 3,840
Accounts receivable-net	-	17	38	17	7
Interest receivable	1	4	1	1	1
Due from other government	-	149	28	74	-
Due from other funds	17	56	-	-	-
Inventories	-	740	1,736	227	350
Prepaid items and deposits	-	-	-	-	-
Total current assets	1,348	11,982	7,919	3,198	4,198
Noncurrent assets:					
Capital assets:					
Nondepreciable assets	-	661	235	-	-
Depreciable assets	238	23,961	3,458	841	203
Total noncurrent assets	238	24,622	3,693	841	203
Total assets	1,586	36,604	11,612	4,039	4,401
DEFERRED OUTFLOWS OR RESOURCES:	-	-	-	-	-
LIABILITIES:					
Current liabilities:					
Accounts payable	3	891	271	87	75
Salaries and benefits payable	47	158	1,265	79	32
Due to other governments	-	1	-	-	7
Due to other funds	22	-	1	-	-
Other liabilities	-	300	-	25	-
Compensated absences	47	238	1,619	100	42
Capital lease obligation	-	5,948	935	-	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	119	7,536	4,091	291	156
Noncurrent liabilities:					
Compensated absences	48	303	1,125	57	36
Advance from other funds	-	-	-	-	-
Capital lease obligation	-	3,775	1,153	-	-
Estimated claims liabilities	-	-	-	-	-
Total noncurrent liabilities	48	4,078	2,278	57	36
Total liabilities	167	11,614	6,369	348	192
DEFERRED INFLOWS OF RESOURCES:	-	-	-	-	-
NET POSITION:					
Net investment in capital assets	238	14,899	1,605	841	203
Unrestricted	1,181	10,091	3,638	2,850	4,006
Total net position	$ 1,419	$ 24,990	$ 5,243	$ 3,691	$ 4,209

	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
ASSETS:						
Current assets:						
Cash and investments	$ 4,551	$ 183,397	$ 1,860	$ 6,165	$ 7,620	$ 228,774
Accounts receivable-net	-	3,106	-	-	7	3,192
Interest receivable	2	88	-	2	3	103
Due from other government	-	-	-	296	-	547
Due from other funds	-	-	-	-	39	112
Inventories	-	-	-	190	236	3,479
Prepaid items and deposits	-	305	-	63	-	368
Total current assets	4,553	186,896	1,860	6,716	7,905	236,575
Noncurrent assets:						
Capital assets:						
Nondepreciable assets	-	-	-	-	-	896
Depreciable assets	447	69	-	67	2,504	31,788
Total noncurrent assets	447	69	-	67	2,504	32,684
Total assets	5,000	186,965	1,860	6,783	10,409	269,259
DEFERRED OUTFLOWS OR RESOURCES:	-	-	-	-	-	-
LIABILITIES:						
Current liabilities:						
Accounts payable	6	29,170	41	1,259	158	31,961
Salaries and benefits payable	251	989	110	998	16	3,945
Due to other governments	-	-	-	-	-	8
Due to other funds	-	-	1	-	43	67
Other liabilities	-	-	-	266	-	591
Compensated absences	378	1,127	208	1,176	37	4,972
Capital lease obligation	69	-	-	-	-	6,952
Estimated claims liability	-	22,933	-	-	-	22,933
Total current liabilities	704	54,219	360	3,699	254	71,429
Noncurrent liabilities:						
Compensated absences	335	1,040	11	1,002	171	4,128
Advance from other funds	-	-	-	3,342	-	3,342
Capital lease obligation	220	-	-	-	-	5,148
Estimated claims liabilities	-	107,986	-	-	-	107,986
Total noncurrent liabilities	555	109,026	11	4,344	171	120,604
Total liabilities	1,259	163,245	371	8,043	425	192,033
DEFERRED INFLOWS OF RESOURCES:	-	-	-	-	-	-
NET POSITION:						
Net investment in capital assets	158	69	-	67	2,504	20,584
Unrestricted	3,583	23,651	1,489	(1,327)	7,480	56,642
Total net position	$ 3,741	$ 23,720	$ 1,489	$ (1,260)	$ 9,984	$ 77,226

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

Internal Service Funds

For the Fiscal Year Ended June 30, 2013

(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
OPERATING REVENUES:											
Charges for services	$ 1,659	$ 28,179	$ 26,351	$ 4,278	$ 8,203	$ 9,555	$ 46,385	$ 4,153	$ 76,420	$ 1,181	$ 206,364
Other revenue	1	-	38	2,289	3,440	-	13,505	2	9,544	5,472	34,291
Total operating revenues	1,660	28,179	26,389	6,567	11,643	9,555	59,890	4,155	85,964	6,653	240,655
OPERATING EXPENSES:											
Cost of materials used	-	1,776	-	-	-	-	-	-	-	75	1,851
Personnel services	1,089	3,422	21,452	1,728	702	6,214	14,153	2,900	20,657	2,057	74,374
Communications	27	89	3,045	13	16	141	250	54	260	100	3,995
Insurance	24	75	124	13	19	18	8,241	10	212	-	8,736
Maintenance of building and equipment	60	2,398	3,349	434	87	1,840	173	17	6,989	475	15,822
Insurance claims	-	-	-	-	-	-	108,391	-	-	-	108,391
Supplies	36	9,944	675	2,849	9,967	73	3,956	159	1,224	1,141	30,024
Purchased services	17	797	1,109	903	292	391	3,719	763	9,727	1,141	18,859
Depreciation and amortization	26	7,064	1,227	223	20	981	62	-	30	991	10,624
Rents and leases of equipment	288	437	1,464	4	-	644	1,347	256	46,836	4	51,280
Utilities	33	90	366	57	32	58	81	17	950	-	1,684
Other	16	175	350	91	48	22	2,450	162	1,122	422	4,858
Total operating expenses	1,616	26,267	33,161	6,315	11,183	10,382	142,823	4,338	88,007	6,406	330,498
Operating income (loss)	44	1,912	(6,772)	252	460	(827)	(82,933)	(183)	(2,043)	247	(89,843)
NONOPERATING REVENUES (EXPENSES):											
Investment income (loss)	(1)	(21)	(13)	(4)	(8)	(4)	(181)	(9)	(10)	(8)	(259)
Interest expense	-	(1,053)	(429)	(1)	-	(17)	-	-	-	-	(1,500)
Gain (loss) on disposal of capital assets	1	(87)	-	-	-	-	-	-	-	104	18
Other nonoperating revenues / (expenses)	-	(8)	-	-	-	-	-	-	-	-	(8)
Total nonoperating revenues (expenses)	-	(1,169)	(442)	(5)	(8)	(21)	(181)	(9)	(10)	96	(1,749)
Income (loss) before capital contributions and transfers	44	743	(7,214)	247	452	(848)	(83,114)	(192)	(2,053)	343	(91,592)
Capital contributions	-	31	-	-	-	-	78,596	-	-	-	78,627
Transfers in	-	-	4,499	-	-	-	1,488	-	500	-	6,487
Transfers out	(19)	(63)	(2,057)	(33)	(13)	(120)	(1,732)	(884)	(380)	-	(5,301)
CHANGE IN NET POSITION	25	711	(4,772)	214	439	(968)	(4,762)	(1,076)	(1,933)	343	(11,779)
Net position, beginning of year	1,394	24,279	10,015	3,477	3,770	4,709	28,482	2,565	673	9,641	89,005
NET POSITION, END OF YEAR	$ 1,419	$ 24,990	$ 5,243	$ 3,691	$ 4,209	$ 3,741	$ 23,720	$ 1,489	$ (1,260)	$ 9,984	$ 77,226

COUNTY OF RIVERSIDE
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ending June 30, 2013
(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	$ 1,643	$ 28,300	26,506	$ 6,615	$ 11,648
Cash paid to suppliers for goods and services	(556)	(15,881)	(10,804)	(4,391)	(10,886)
Cash paid to employees for services	(1,090)	(3,424)	(20,717)	(1,739)	(696)
Net cash provided (used) by operating activities	(3)	8,995	(5,015)	485	66
Cash flows from noncapital financing activities					
Other Non-Operating Expenses	-	(8)	-	-	-
Transfers received	-	-	4,499	-	-
Transfers paid	(19)	(63)	(2,057)	(33)	(13)
Net cash provided (used) by noncapital financing activities	(19)	(71)	2,442	(33)	(13)
Cash flows from capital and related financing activities					
Gain (Loss) on Disposal of Capital Assets	1	(87)	-	-	-
Acquisition and construction of capital assets	(13)	(5,405)	(967)	1	-
Principal paid on capital leases	-	(1,993)	(182)	(102)	-
Capital contributions	-	31	-	-	-
Interest paid on long-term debt	-	(1,053)	(429)	(1)	-
Net cash provided (used) by capital and related financing activities	(12)	(8,507)	(1,578)	(102)	-
Cash flows from investing activities					
Interest received on investments	(1)	(22)	(10)	(4)	(8)
Net cash provided (used) by investing activities	(1)	(22)	(10)	(4)	(8)
Net increase (decrease) in cash and cash equivalents	(35)	395	(4,161)	346	45
Cash and cash equivalents, beginning of year	1,365	10,621	10,277	2,533	3,795
Cash and cash equivalents, end of year	$ 1,330	$ 11,016	6,116	$ 2,879	$ 3,840
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 44	$ 1,912	$ (6,772)	$ 252	$ 460
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	26	7,064	1,227	223	20
Decrease (Increase) accounts receivable	-	1	93	22	3
Decrease (Increase) due from other funds	(17)	98	3	-	2
Decrease (Increase) due from other governments	-	22	21	26	-
Decrease (Increase) inventories	-	(141)	308	(87)	89
Decrease (Increase) prepaid items and deposits	-	-	-	-	-
Increase (Decrease) accounts payable	1	97	(631)	35	(514)
Increase (Decrease) due to other funds	(56)	-	1	-	-
Increase (Decrease) due to other governments	-	1	-	-	-
Increase (Decrease) other liabilities	-	(57)	-	25	-
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	-	2	307	(7)	1
Increase (Decrease) compensated absences	(1)	(4)	428	(4)	5
Net cash provided (used) by operating activities	$ (3)	$ 8,995	$ (5,015)	$ 485	$ 66
Noncash investing, capital, and financing activities:					
Capital lease obligations		$ 3,624	$ 831		

	OASIS Project	Risk Management	Temporary Assistance Pool	EDA Facilities Management	Flood Control Equipment	Total
Cash flows from operating activities						
Cash receipts from internal services provided	$ 9,555	$ 59,549	$ 4,171	$ 86,679	$ 6,655	$ 241,321
Cash paid to suppliers for goods and services	(3,548)	(112,251)	(1,431)	(67,177)	(3,314)	(230,239)
Cash paid to employees for services	(6,214)	(14,104)	(2,892)	(20,869)	(2,150)	(73,895)
Net cash provided (used) by operating activities	(207)	(66,806)	(152)	(1,367)	1,191	(62,813)
Cash flows from noncapital financing activities						
Advances from other funds	-	-	-	-	-	(8)
Transfers received	-	1,488	-	500	-	6,487
Transfers paid	(120)	(1,732)	(884)	(380)	-	(5,301)
Net cash provided (used) by noncapital financing activities	(120)	(244)	(884)	120	-	1,178
Cash flows from capital and related financing activities						
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	104	18
Acquisition and construction of capital assets	(212)	-	-	1	(1,053)	(7,648)
Principal paid on capital leases	(723)	-	-	-	-	(3,000)
Capital contributions	-	78,596	-	-	-	78,627
Interest paid on long-term debt	(17)	-	-	-	-	(1,500)
Net cash provided (used) by capital and related financing activities	(952)	78,596	-	1	(949)	66,497
Cash flows from investing activities						
Interest received on investments	(3)	(184)	(9)	(10)	(8)	(259)
Net cash provided (used) by investing activities	(3)	(184)	(9)	(10)	(8)	(259)
Net increase (decrease) in cash and cash equivalents	(1,282)	11,362	(1,045)	(1,256)	234	4,603
Cash and cash equivalents, beginning of year	5,833	172,035	2,905	7,421	7,386	224,171
Cash and cash equivalents, end of year	$ 4,551	$ 183,397	$ 1,860	$ 6,165	$ 7,620	$ 228,774
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ (827)	$ (82,933)	$ (183)	$ (2,043)	$ 247	$ (89,843)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	981	62	-	30	991	10,624
Decrease (Increase) accounts receivable	-	(344)	-	-	1	(224)
Decrease (Increase) due from other funds	-	-	-	5	(3)	88
Decrease (Increase) due from other governments	-	3	16	710	4	802
Decrease (Increase) inventories	-	-	-	(23)	(3)	143
Decrease (Increase) prepaid items and deposits	-	75	-	4	-	79
Increase (Decrease) accounts payable	(361)	15,801	6	(69)	63	14,428
Increase (Decrease) due to other funds	-	-	1	-	35	(19)
Increase (Decrease) due to other governments	-	-	-	-	(51)	(50)
Increase (Decrease) other liabilities	-	-	-	231	-	199
Increase (Decrease) estimated claims liability	-	481	-	-	-	481
Increase (Decrease) salaries and benefits payable	(34)	31	(21)	(118)	(74)	87
Increase (Decrease) compensated absences	34	18	29	(94)	(19)	392
Net cash provided (used) by operating activities	$ (207)	$ (66,806)	$ (152)	$ (1,367)	$ 1,191	$ (62,813)
Noncash investing, capital, and financing activities:						
Capital lease obligations	$ 149					$ 4,604

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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, 2013
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 87,556	$ 11,123	$ 76,342	$ 51,752	$ 226,773
Accounts receivable	47	-	-	-	47
Interest receivable	25	-	13	-	38
Taxes receivable	68	-	36,065	-	36,133
Due from other governments	350	-	-	-	350
Total assets	$ 88,046	$ 11,123	$ 112,420	$ 51,752	$ 263,341
LIABILITIES:					
Accounts payable	$ 69,087	$ 11,123	$ 599	$ 51,752	$ 132,561
Salaries and benefits payable	6	-	-	-	6
Due to other governments	18,953	-	111,821	-	130,774
Total liabilities	$ 88,046	$ 11,123	$ 112,420	$ 51,752	$ 263,341

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Other				
Assets				
Cash and investments	$ 92,521	$ 4,426,334	$ 4,431,299	$ 87,556
Accounts receivable	-	3,791	3,744	47
Interest receivable	4	39	18	25
Taxes receivable	70	68	70	68
Due from other governments	330	350	330	350
Total assets	$ 92,925	$ 4,430,582	$ 4,435,461	$ 88,046
Liabilities				
Accounts payable	$ 73,816	$ 610,393	$ 615,122	$ 69,087
Salaries and benefits payable	6	9	9	6
Due to other governments	19,103	3,819,304	3,819,454	18,953
Total liabilities	$ 92,925	$ 4,429,706	$ 4,434,585	$ 88,046
Payroll Deductions				
Assets				
Cash and investments	$ 11,189	$ 1,785,154	$ 1,785,220	$ 11,123
Due from other governments	4	-	4	-
Total assets	$ 11,193	$ 1,785,154	$ 1,785,224	$ 11,123
Liabilities				
Accounts payable	$ 11,193	$ 1,267,857	$ 1,267,927	$ 11,123
Total liabilities	$ 11,193	$ 1,267,857	$ 1,267,927	$ 11,123
Property Tax Assessments				
Assets				
Cash and investments	$ 89,377	$ 4,487,245	$ 4,500,280	$ 76,342
Interest receivable	39	13	39	13
Taxes receivable	45,132	45,133	54,200	36,065
Total assets	$ 134,548	$ 4,532,391	$ 4,554,519	$ 112,420
Liabilities				
Accounts payable	$ 590	$ 293,524	$ 293,515	$ 599
Due to other governments	133,958	4,391,438	4,413,575	111,821
Total liabilities	$ 134,548	$ 4,684,962	$ 4,707,090	$ 112,420

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013
(Dollars in Thousands)

Warrants	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and investments	$ 49,881	$ 10,471,093	$ 10,469,222	$ 51,752
Interest receivable	-	-	-	-
Total assets	$ 49,881	$ 10,471,093	$ 10,469,222	$ 51,752
Liabilities				
Accounts payable	$ 49,881	$ 5,771,375	$ 5,769,504	$ 51,752
Total liabilities	$ 49,881	$ 5,771,375	$ 5,769,504	$ 51,752

Total Agency Funds	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Cash and investments	$ 242,968	$ 21,169,826	$ 21,186,021	$ 226,773
Accounts receivable	-	3,791	3,744	47
Interest receivable	43	52	57	38
Taxes receivable	45,202	45,201	54,270	36,133
Due from other governments	334	350	334	350
Total assets	$ 288,547	$ 21,219,220	$ 21,244,426	$ 263,341
Liabilities				
Accounts payable	$ 135,480	$ 7,943,149	$ 7,946,068	$ 132,561
Salaries and benefits payable	6	9	9	6
Due to other governments	153,061	8,210,742	8,233,029	130,774
Total liabilities	$ 288,547	$ 16,153,900	$ 16,179,106	$ 263,341

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.

Contents **Table(s)**

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

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.

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.

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.

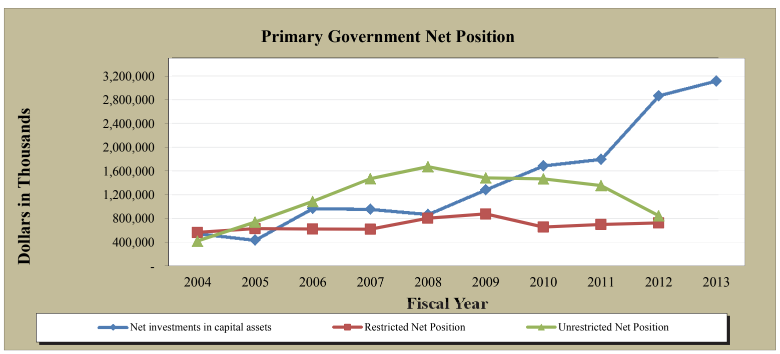
These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

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, 2013

	Fiscal Year ending June 30th 2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Net investments in capital assets	$ 2,998,987	$ 2,740,429	$ 1,687,128	$ 1,594,275	$ 1,204,971	$ 802,981	$ 903,076	$ 930,800	$ 407,762	$ 524,624
Restricted	550,326	683,835	656,347	604,942	824,139	769,368	569,477	582,037	584,441	521,143
Unrestricted	771,883	851,269	1,295,657	1,395,141	1,402,813	1,572,150	1,370,350	999,992	671,917	387,007
Governmental activities, total net position	$ 4,321,196	$ 4,275,533	$ 3,639,132	$ 3,594,358	$ 3,431,923	$ 3,144,499	$ 2,842,903	$ 2,512,829	$ 1,664,120	$ 1,432,774
Business-type Activities										
Net investments in capital assets	$ 118,594	$ 130,510	$ 113,489	$ 96,901	$ 81,512	$ 69,441	$ 53,321	$ 40,986	$ 29,583	$ 25,102
Restricted	94,346	41,103	43,086	50,386	52,502	36,074	50,629	41,287	45,362	43,232
Unrestricted	88,852	(5,456)	59,550	72,397	80,238	101,683	100,567	85,971	67,502	31,602
Business-type activities, total net position	$ 301,792	$ 166,157	$ 216,125	$ 219,684	$ 214,252	$ 207,198	$ 204,517	$ 168,244	$ 142,447	$ 99,936
Primary Government										
Net investments in capital assets	$ 3,117,581	$ 2,870,939	$ 1,800,617	$ 1,691,176	$ 1,286,483	$ 872,422	$ 956,397	$ 971,786	$ 437,345	$ 549,726
Restricted	644,672	724,938	699,433	655,328	876,641	805,442	620,106	623,324	629,803	564,375
Unrestricted	860,735	845,813	1,355,207	1,467,538	1,483,051	1,673,833	1,470,917	1,085,963	739,419	418,609
Primary government, total net position	$ 4,622,988	$ 4,441,690	$ 3,855,257	$ 3,814,042	$ 3,646,175	$ 3,351,697	$ 3,047,420	$ 2,681,073	$ 1,806,567	$ 1,532,710



Source: Auditor-Controller, County of Riverside

Table 1

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

as of June 30, 2013

	Fiscal Year Ending June 30th				
	2013	2012	2011	2010	2009
Program Revenues					
Governmental Activities:					
Charges for services:					
General government	$ 138,851	$ 147,510	$ 159,570	$ 140,723	$ 143,644
Public protection	339,379	316,778	326,237	331,162	311,565
Other activities	110,231	116,509	105,931	95,438	100,819
Operating grants and contributions	1,503,390	1,447,694	1,393,016	1,384,791	1,344,611
Capital grants and contributions	27,695	27,909	32,114	31,112	29,771
Governmental activities program revenues	2,119,546	2,056,400	2,016,868	1,983,226	1,930,410
Business-type Activities:					
Charges for services:					
Regional Medical Center	450,340	371,827	386,533	367,273	360,584
Other activities	150,407	133,838	140,327	134,257	139,206
Capital grants and contributions	698	335	-	1,165	310
Business-type activities program revenues	601,445	506,000	526,860	502,695	500,100
Primary government program revenues	2,720,991	2,562,400	2,543,728	2,485,921	2,430,510
Expenses					
Governmental Activities:					
General government	194,641	270,474	298,032	323,949	285,393
Public protection	1,065,373	1,047,202	1,021,288	1,062,213	1,095,587
Public ways and facilities	89,469	84,797	87,424	31,024	31,283
Health and sanitation	422,982	374,950	369,984	347,634	392,945
Public assistance	807,611	827,092	907,202	820,637	770,484
Education	18,998	10,376	15,816	19,866	15,954
Recreation and cultural services	12,274	15,806	9,364	12,206	6,039
Interest on long-term debt	29,453	39,098	88,998	80,754	89,741
Governmental activities expenses	2,640,801	2,669,795	2,798,108	2,698,283	2,687,426
Business-type Activities:					
Regional Medical Center	473,916	417,074	401,120	389,991	379,278
Waste Management Department	53,069	57,272	56,688	49,956	61,116
Housing Authority	90,678	91,469	86,027	81,426	81,139
Flood Control	2,472	2,306	3,711	3,233	3,816
County service areas	459	456	383	454	457
Business-type activities expenses	620,594	568,577	547,929	525,060	525,806
Primary government expenses	3,261,395	3,238,372	3,346,037	3,223,343	3,213,232
Net (expense)/revenue					
Governmental activities	(521,255)	(613,395)	(781,240)	(715,057)	(757,016)
Business-type activities	(19,149)	(62,577)	(21,069)	(22,365)	(25,706)
Primary government, net (expense) / revenue	$ (540,404)	$ (675,972)	$ (802,309)	$ (737,422)	$ (782,722)

Source: Auditor-Controller, County of Riverside

Table 2

2008	2007	2006	2005	2004	
					Program Revenues
					Governmental Activities:
					Charges for services:
$ 171,403	$ 171,070	$ 174,781	$ 125,937	$ 105,248	General government
316,719	307,288	286,877	235,873	237,681	Public protection
123,483	130,837	113,413	97,182	93,100	Other activities
1,315,716	1,210,941	1,100,674	983,290	1,086,456	Operating grants and contributions
25,333	48,186	31,001	64,252	33,041	Capital grants and contributions
1,952,654	1,868,322	1,706,746	1,506,534	1,555,526	Governmental activities program revenues
					Business-type Activities:
					Charges for services:
333,414	337,905	330,125	354,510	266,484	Regional Medical Center
146,065	137,706	135,266	125,945	118,544	Other activities
306	261	227	-	125	Capital grants and contributions
479,785	475,872	465,618	480,455	385,153	Business-type activities program revenues
2,432,439	2,344,194	2,172,364	1,986,989	1,940,679	Primary government program revenues
					Expenses
					Governmental Activities:
331,741	296,917	259,993	187,911	232,322	General government
1,122,370	935,550	801,044	792,287	710,053	Public protection
20,558	57,578	61,443	79,649	93,529	Public ways and facilities
330,206	350,082	350,451	290,001	376,338	Health and sanitation
752,779	688,213	634,522	552,298	590,719	Public assistance
17,977	14,847	11,168	10,112	10,280	Education
12,457	11,941	7,188	8,617	9,666	Recreation and cultural services
96,173	81,197	75,721	48,717	29,890	Interest on long-term debt
2,684,261	2,436,325	2,201,530	1,969,592	2,052,797	Governmental activities expenses
					Business-type Activities:
353,481	329,128	290,962	356,255	296,227	Regional Medical Center
64,538	60,772	66,453	55,563	40,056	Waste Management Department
74,252	70,218	62,909	62,206	61,599	Housing Authority
5,201	6,242	5,705	4,928	4,318	Flood Control
343	329	285	320	329	County service areas
497,815	466,689	426,314	479,272	402,529	Business-type activities expenses
3,182,076	2,903,014	2,627,844	2,448,864	2,455,326	Primary government expenses
					Net (expense)/revenue
(731,607)	(568,003)	(494,784)	(463,058)	(497,271)	Governmental activities
(18,030)	9,183	39,304	1,183	(17,376)	Business-type activities
$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	Primary government, net (expense) / revenue

Continued

Table 2

Table 2

COUNTY OF RIVERSIDE
Changes in Net Position
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

June 30, 2013

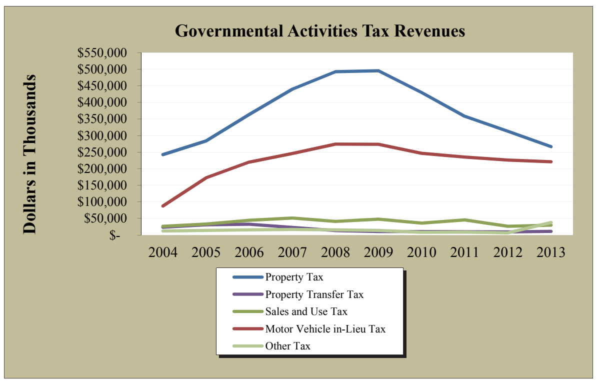
Fiscal Year Ending June 30th

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Continued:										
Primary government, net (expense) / revenue	$ (540,404)	$ (675,972)	$ (802,309)	$ (737,422)	$ (782,722)	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes:										
Property taxes	277,417	322,337	367,867	440,282	506,222	506,327	462,817	396,167	314,666	266,391
Sales tax and use tax	29,751	26,744	45,489	36,289	47,683	40,985	51,093	44,286	33,091	26,633
Other taxes	37,883	6,715	9,004	8,610	13,771	15,898	16,865	15,603	13,885	12,108
Intergovernmental revenue - not restricted to programs:										
Unrestricted intergovernmental revenue	220,811	226,384	235,153	246,493	273,825	274,282	245,723	220,190	172,265	87,435
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-	70,578	43,344
Investment earnings	2,035	11,801	19,494	29,026	87,041	138,071	122,517	78,288	39,907	16,835
Proceeds on sale of capital assets	-	-	-	-	-	-	-	-	-	1,491
Other	168,454	169,398	142,966	91,044	121,880	85,924	13,191	96,265	99,330	146,392
Transfers	(1,049)	(11,702)	(10,355)	(17,436)	(25,713)	(10,322)	(16,892)	19,888	(31,000)	(16,791)
Governmental activities	735,302	751,677	809,618	834,308	1,024,709	1,051,165	895,314	870,687	712,722	583,838
Business-type Activities:										
Investment earnings	(33)	907	538	1,442	6,142	10,389	10,198	6,381	4,234	2,505
Gain on sale of capital assets	-	-	-	-	-	-	-	-	346	4,208
Other	-	-	6,617	-	-	-	-	-	-	-
Transfers	1,049	11,702	10,355	17,436	25,713	10,322	16,892	(19,888)	31,000	16,791
Business-type activities	1,016	12,609	17,510	18,878	31,855	20,711	27,090	(13,507)	35,580	23,504
Total primary government	736,318	764,286	827,128	853,186	1,056,564	1,071,876	922,404	857,180	748,302	607,342
Change in net position										
Governmental activities	214,047	138,282	28,378	119,251	267,693	319,558	327,311	375,903	249,664	86,567
Business-type activities	(18,133)	(49,968)	(3,559)	(3,487)	6,149	2,681	36,273	25,797	36,763	6,128
Primary government change in net position	$ 195,914	$ 88,314	$ 24,819	$ 115,764	$ 273,842	$ 322,239	$ 363,584	$ 401,700	$ 286,427	$ 92,695

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)
June 30, 2013

Fiscal Year Ending June 30th	Property Tax	Property Transfer Tax	Sales and Use Tax	Unrestricted Intergovernmental Revenue	Other Tax	Total
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
2004	242,647	23,744	26,633	87,435	12,108	392,567



Source: Auditor-Controller, County of Riverside

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COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2013

	Fiscal Year Ending June 30th			
	2013	2012	2011	2010
General Fund				
Nonspendable	$ 3,247	$ 1,834	$ 2,214	$ 3,201
Restricted	101,440	101,651	98,552	93,653
Committed	42,183	52,439	50,097	250,444
Assigned	10,460	8,764	3,463	2,998
Unassigned	199,919	171,910	189,236	36,190
Total General Fund	357,249	336,598	343,562	386,486
Transportation				
Nonspendable	1,044	1,014	-	-
Restricted	79,127	95,805	-	-
Committed	1,310	1,811	-	-
Assigned	12,821	4,935	-	-
Total Transportation	94,302	103,565	-	-
Flood Control				
Nonspendable	1	1	1	1
Committed	253,117	252,368	237,211	222,944
Assigned	1,807	3,890	13,741	18,979
Total Flood Control	254,925	256,259	250,953	241,924
Public Facilities Improvements				
Restricted	153,404	131,184	158,628	200,501
Committed	1,912	-	6,451	10,850
Assigned	44,244	111,324	128,023	127,302
Total Public Facilities Improvements	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	1,168	1,241	84,769	84,744
Restricted	174,552	354,214	410,787	434,900
Committed reported in:				
Special revenue funds	15,763	12,973	21,381	6,196
Debt Service Funds	-	-	1,206	1,206
Capital projects funds	151	323	1,690	355
Assigned	17,088	25,763	86,572	30,314
Total Nonmajor Governmental Funds	208,722	394,514	606,405	557,715
Total All Governmental Funds	$ 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, 2013

	Fiscal Year Ending June 30th					
	2009	2008	2007	2006	2005	2004
General Fund						
Reserved	$ 91,196	$ 84,466	$ 88,233	$ 100,436	$ 121,249	$ 100,940
Unreserved, designated	203,821	335,630	339,773	277,833	185,014	70,361
Unreserved, undesignated	77,104	58,672	142,958	68,649	46,191	77,752
Total General Fund	372,121	478,768	570,964	446,918	352,454	249,053
Transportation						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Total Transportation	-	-	-	-	-	-
Flood Control						
Reserved	1,794	4,500	-	940	3,914	19,051
Unreserved, designated	30,149	1,755	134,396	133,906	-	-
Unreserved, undesignated	196,973	193,170	32,724	3,044	120,052	107,482
Total Flood Control	228,916	199,425	167,120	137,890	123,966	126,533
Public Facilities Improvements						
Reserved	538,431	590,915	256,338	222,983	175,699	152,842
Unreserved, undesignated	-	-	-	-	-	184
Total Public Facilities Improvements	538,431	590,915	256,338	222,983	175,699	153,026
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	159,413
Unreserved, designated reported in:						
Special revenue funds	27,666	37,121	53,268	78,501	86,593	13,041
Capital projects funds	6,933	6,935	9,671	2,056	1,805	20,353
Unreserved, undesignated reported in:						
Special revenue funds	151,939	139,367	115,637	106,564	197,438	189,570
Capital projects funds	-	-	-	-	-	(8,241)
Total Nonmajor Governmental Funds	557,614	514,570	371,142	384,059	435,058	374,136
Total All Governmental Funds	$ 2,002,785	$ 2,140,296	$ 1,753,013	$ 1,400,554	$ 1,224,339	$ 902,748

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)
June 30, 2013

Table 5

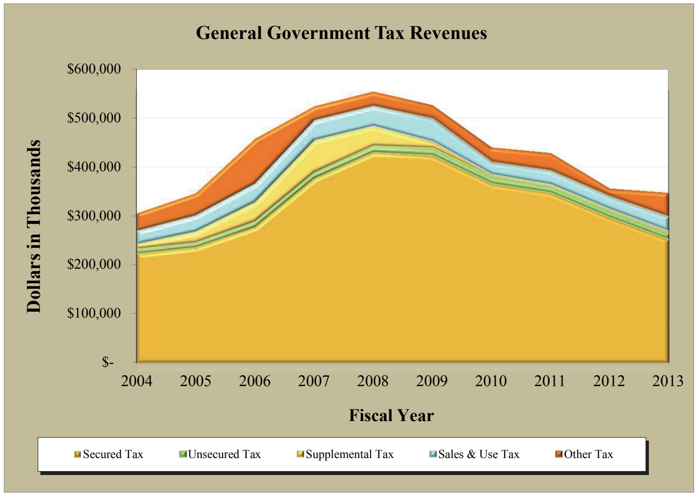
	Fiscal Year Ending June 30th									
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Revenues										
Taxes	$ 347,166	$ 355,796	$ 427,892	$ 439,435	$ 525,238	$ 553,158	$ 523,028	$ 457,117	$ 346,248	$ 305,132
Licenses, permits, and franchise fees	18,798	19,513	20,294	19,197	22,546	24,652	25,981	21,733	22,343	26,418
Fines, forfeitures, and penalties	86,381	90,163	95,290	114,320	108,572	92,029	82,946	62,984	70,578	43,297
Use of money and property:										
Interest	2,370	10,827	18,305	26,929	81,040	128,307	113,789	73,838	37,624	16,145
Rents and concessions	19,246	19,588	17,659	17,393	17,151	15,486	43,171	41,798	39,831	31,952
Aid from other governmental agencies:										
Federal	569,330	577,654	609,531	636,167	546,030	544,587	496,685	451,036	446,628	430,970
State	1,047,485	986,658	921,329	857,191	955,389	971,299	937,630	830,634	705,289	713,146
Other	132,120	156,678	130,362	172,598	140,757	103,858	89,111	69,042	55,661	46,750
Charges for services	464,274	449,888	458,744	469,340	460,439	447,889	431,676	439,594	383,497	368,497
Other revenue	91,329	95,119	95,279	65,711	84,348	102,132	115,863	110,870	146,800	100,404
Total revenues	2,778,499	2,761,884	2,794,685	2,818,281	2,941,510	2,983,397	2,859,880	2,558,646	2,254,499	2,082,711
Expenditures										
General government	208,242	291,227	311,025	554,315	430,712	409,336	320,254	270,340	250,568	217,416
Public protection	1,117,397	1,072,442	1,081,489	1,068,051	1,126,662	1,083,719	972,006	855,133	1,039,822	677,798
Public ways and facilities	177,467	168,015	176,184	130,310	148,544	152,603	157,055	141,017	111,088	133,973
Health and sanitation	393,557	375,668	353,904	341,244	390,668	375,259	348,921	346,738	339,444	365,727
Public assistance	798,850	802,104	824,471	812,848	766,407	747,576	686,295	629,553	652,069	576,267
Education	18,819	18,942	19,282	18,910	15,731	17,907	14,830	11,108	9,889	10,241
Recreation and culture	16,590	15,220	18,755	12,620	12,801	11,647	11,707	12,727	20,058	9,242
Debt service:										
Principal	55,363	65,002	80,928	73,378	54,587	46,483	44,222	45,516	34,452	32,118
Interest	27,988	49,041	83,902	78,689	86,768	91,126	78,204	73,707	46,439	24,523
Cost of issuance	378	15	5,212	1,819	2,436	3,868	5,565	4,925	9,283	504
Capital outlay	25,427	22,583	30,439	39,844	48,899	36,691	58,525	25,639	9,680	1,604
Total expenditures	2,840,078	2,880,259	2,985,591	3,132,028	3,084,215	2,976,215	2,697,584	2,416,403	2,522,792	2,049,413
Revenues over (under) expenditures	(61,579)	(118,375)	(190,906)	(313,747)	(142,705)	7,182	162,296	142,243	(268,293)	33,298
Other financing sources (uses)										
Transfers in	231,574	323,052	267,985	463,296	538,029	805,400	313,044	294,835	203,411	163,383
Transfers out	(233,809)	(332,724)	(277,943)	(479,143)	(562,345)	(814,607)	(328,624)	(277,680)	(229,835)	(179,701)
Issuance of debt	-	-	170,481	81,745	-	294,084	34,173	178,750	596,330	21,645
Issuance of refunding bonds	19,140	33,360	-	70,365	78,895	111,125	259,600	-	74,200	-
Discount on long-term debt	-	-	-	(626)	-	(2,898)	-	-	-	-
Premium on long-term debt	759	2,840	-	937	-	3,272	2,876	857	4,827	-
Redemption of refunded debt	(18,155)	(32,797)	-	-	-	-	-	-	-	-
Payment to escrow agent	-	-	-	(65,713)	(76,300)	(24,290)	(103,396)	(35,684)	(53,338)	-
Proceeds from the sale of capital assets	-	-	6	-	-	1,159	916	2,064	35	494
Capital leases	1,721	2,671	8,321	31,018	22,746	8,670	8,811	7,929	6,616	1,008
Total other financing sources (uses)	1,230	(3,598)	168,850	101,879	1,025	381,915	187,400	171,071	602,246	6,829
Net change in fund balances	$ (60,349)	$ (121,973)	$ (22,056)	$ (211,868)	$ (141,680)	$ 389,097	$ 349,696	$ 313,314	$ 333,953	$ 40,127
Debt service as a % of non-capital expenditures	3.35%	4.50%	6.17%	5.85%	5.54%	5.28%	5.07%	5.47%	3.35%	2.86%

Source: Auditor-Controller, County of Riverside

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)
June 30, 2013

Fiscal Year Ending June 30th	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
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
2004	222,635	9,600	10,411	26,633	35,853	305,132



Source: Auditor-Controller, County of Riverside

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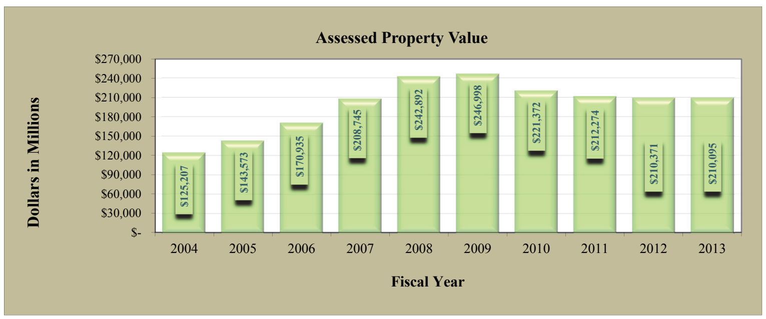
Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2013

	Fiscal Year Ending June 30th									
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Real Property										
Secured property	$ 201,971,552	$ 202,313,851	$ 204,153,163	$ 213,144,336	$ 238,312,506	$ 235,351,116	$ 202,009,520	$ 164,618,837	$ 137,784,611	$ 119,840,527
Unsecured property	8,123,443	8,057,242	8,121,065	8,227,172	8,685,393	7,540,803	6,735,421	6,316,569	5,787,971	5,365,993
Total Gross Assessed Value	210,094,995	210,371,093	212,274,228	221,371,508	246,997,899	242,891,919	208,744,941	170,935,406	143,572,582	125,206,520
Less:										
Tax-exempt real property	7,116,048	6,818,361	6,673,229	6,424,030	6,111,231	5,574,813	5,125,567	5,014,256	4,730,573	4,301,937
Total Taxable Assessed Value	$ 202,978,947	$ 203,552,732	$ 205,600,999	$ 214,947,478	$ 240,886,668	$ 237,317,106	$ 203,619,374	$ 165,921,150	$ 138,842,009	$ 120,904,583
Total Direct Tax Rate	1.1434	1.1254	1.1254	1.1222	1.1095	1.0919	1.0772	1.0805	1.0866	1.0771
Estimated Actual Taxable Value	$ 270,638,596	$ 271,403,643	$ 274,134,665	$ 286,596,637	$ 321,182,224	$ 316,422,808	$ 271,492,499	$ 221,228,200	$ 185,122,679	$ 161,206,111
Assessed Value as a % of Actual Value	77.63%	77.51%	77.43%	77.24%	76.90%	76.76%	76.89%	77.27%	77.56%	77.67%



Source: Auditor-Controller, County of Riverside

Table 7

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years
June 30, 2013

Fiscal Year Ending June 30th	County Direct Rates: Riverside County General Purpose	County Direct Rates: Riverside County Debt Service	Range of Overlapping Rates: Total City Rate	Range of Overlapping Rates: Total School Districts Rate	Range of Overlapping Rates: Total Special Districts Rate	Total Direct & Overlapping Rates
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%
2004	1.00000%	0.07870%	0% to .00608%	0% to .09819%	0% to .72543%	1.07710% to 1.72543%

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, 2013

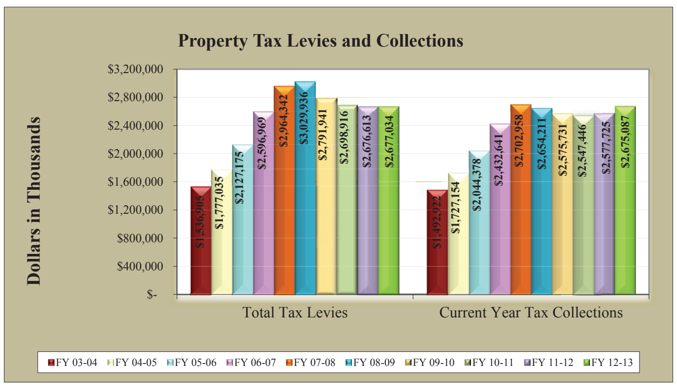
Tax Payer	2013 Taxable Assessed Value	2013 Percentage of Total County Taxable Assessed Value	2004 Taxable Assessed Value	2004 Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 23,532	0.83%	$ 6,911	0.45%
Verizon California Inc.	9,205	0.33%	6,631	0.43%
So. California Gas Co.	6,789	0.24%	3,461	0.23%
Inland Empire Energy Center, LCC	5,994	0.21%		
Federal National Mortgage Assn	3,416	0.12%		
Tyler Mall LTD Partnership	2,899	0.10%		
Abbott Vascular Inc.	2,898	0.10%		
Blythe Energy, LLC	2,739	0.10%	3,462	0.23%
Bank of New York Mellon	2,726	0.10%		
Chelsea GCA Realty Partnership	2,525	0.09%		
KB Home Coastal Inc.			3,506	0.23%
DS Hotel			2,741	0.18%
KSL Desert Resorts, Inc.			2,554	0.17%
Pulte Home Corp			2,548	0.17%
Norco Ridge Ranch			2,391	0.16%
Tyler Mall LTD, Partnership			2,185	0.14%
Total	$ 62,723	2.22%	$ 36,390	2.39%

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, 2013

Fiscal Year Ending June 30th	Total Secured Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections as of 6/30	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	$ 2,677,034	$ 2,675,087	99.93%	$ -	$ 2,675,088	99.93%
2012	2,676,613	2,577,725	96.31%	90,100	2,667,825	99.67%
2011	2,698,916	2,547,446	94.39%	104,466	2,651,912	98.26%
2010	2,791,941	2,575,731	92.26%	134,100	2,709,831	97.06%
2009	3,029,936	2,654,211	87.60%	199,368	2,853,579	94.18%
2008	2,964,342	2,702,958	91.18%	225,248	2,928,206	98.78%
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%
2004	1,536,905	1,413,508	91.97%	46,789	1,460,297	95.02%



*Delinquent taxes reported by year of collection; data by levy year unavailable.

Source: Auditor-Controller, County of Riverside

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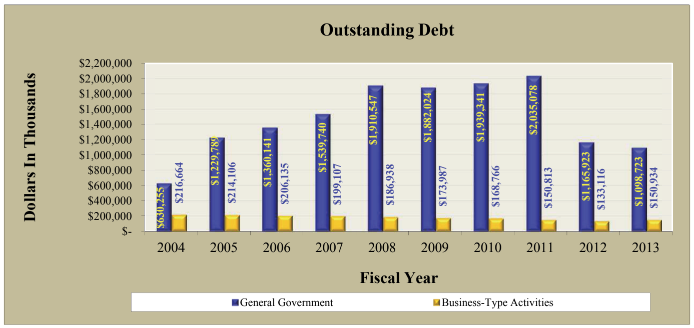
Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2013

	Fiscal Year Ending June 30th									
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
General Government										
Bonds	$ 744,460	$ 750,492	$ 1,551,323	$ 1,408,017	$ 1,359,277	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028	$ 91,758
Certificates of participation	282,095	309,511	367,272	385,447	391,914	408,024	335,866	348,486	325,572	387,869
Note and loans	4,420	4,925	5,355	21,987	13,222	310,809	310,139	113,383	150,344	67,010
Capital leases	67,748	100,995	111,128	123,890	117,611	105,317	87,337	83,829	75,845	83,618
Business-Type Activities										
Bonds	143,710	121,061	134,983	147,924	159,959	170,814	181,263	191,142	200,555	210,558
Certificates of participation				-	-	-	-	-	1,040	2,040
Capital leases	7,224	12,055	15,830	20,842	14,028	16,124	17,844	14,993	12,511	4,066
Total Primary Government	$ 1,249,657	$ 1,299,039	$ 2,185,891	$ 2,108,107	$ 2,056,011	$ 2,097,485	$ 1,738,847	$ 1,566,276	$ 1,443,895	$ 846,919
Percentage of Personal Income	1.67%	1.79%	3.08%	3.37%	3.28%	3.25%	2.90%	2.81%	2.92%	1.88%
Per Capita	$ 554	$ 583	$ 986	$ 985	$ 975	$ 1,004	$ 856	$ 807	$ 769	$ 477



Note: Per Capita is an estimate for fiscal years 2012 and 2013

Source: California State Department of Finance
Auditor-Controller, County of Riverside
Bureau of Economic Analysis

Table 11

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)
June 30, 2013

	Fiscal Year Ending June 30th									
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Bonds	$ 888,170	$ 871,553	$ 1,686,306	$ 1,555,941	$ 1,519,236	$ 1,257,211	$ 987,661	$ 1,005,585	$ 878,583	$ 302,316
Less:										
Amounts available in debt service fund	79,951	78,236	151,405	127,206	147,568	119,597	73,308	79,935	61,941	72,798
Total Net Obligation Bonds Outstanding	$ 808,219	$ 793,317	$ 1,534,901	$ 1,428,735	$ 1,371,668	$ 1,137,614	$ 914,353	$ 925,650	$ 816,642	$ 229,518
Percentage of Estimated										
Actual Taxable Value of Property	0.30%	0.29%	0.56%	0.51%	0.43%	0.36%	0.34%	0.43%	0.32%	0.46%
Per Capita	$ 358	$ 356	$ 692	$ 668	$ 651	$ 545	$ 450	$ 477	$ 435	$ 129

Note: Details regarding the County's outstanding debt can be found in the notes to the basic financial statements

Source: California State Department of Finance

Table 12

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Govermental Activities Debt
as of June 30, 2013
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 11,070,494	90.08%	$ 9,971,771
Subtotal, overlapping debt			9,971,771
County of Riverside direct debt			1,098,723
Total Direct and Overlapping Debt			$ 11,070,494

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, 2013

	Fiscal Year Ending June 30th									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	$ 2,537,237	$ 2,544,409	$ 2,570,012	$ 2,686,843	$ 3,011,083	$ 2,966,464	$ 2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307
Total net debt applicable to limit	(808,219)	(793,317)	(1,534,901)	(1,428,735)	(1,211,709)	(966,800)	(733,090)	(603,194)	(616,087)	(635,290)
Legal debt margin	$ 1,729,018	$ 1,751,092	$ 1,035,111	$ 1,258,108	$ 1,799,374	$ 1,999,664	$ 1,865,279	$ 1,522,638	$ 1,119,438	$ 876,017
Total net debt applicable to the limit as a percentage of debt limit	31.8%	31.2%	59.7%	53.2%	40.2%	32.6%	28.2%	28.4%	35.5%	42.0%

Legal Debt Margin Calculated for Fiscal Year 2013

Assessed value	$ 205,136,768
Less: Homeowners exemptions	2,157,821
Total assessed value	202,978,947
Debt limit (1.25% of total assessed value)	2,537,237
Debt applicable to limit:	
General obligation bonds (Governmental & Business-type)	888,170
Less: Amount set aside for repayment of general obligation debt	79,951
Total net debt applicable to limit	808,219
Legal debt margin	$ 1,729,018

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

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Ten Fiscal Years
(Dollars in Thousands)
June 30, 2013

Lease Revenue Bonds

Fiscal Year Ending June 30th	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
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%
2004	20,715	5,586	15,129	9,490	9,418	80.01%

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

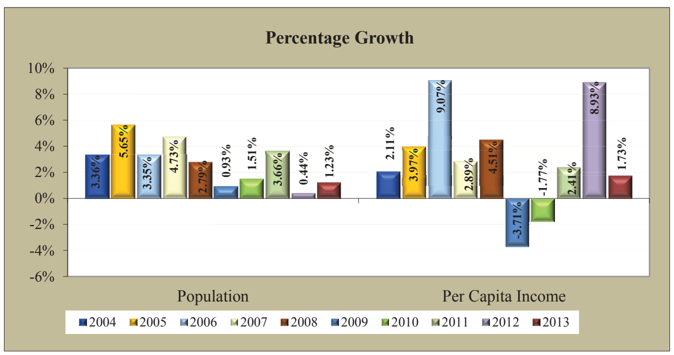
Inland Empire Tobacco Securitization Bonds

Revenue from Tobacco Settlement	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage	Fiscal Year
$ 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**
-	-	-	-	-	0.00%	**2004**

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Ten Fiscal Years
June 30, 2013

Fiscal Year Ending June 30th	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	School Enrollment	Unemployment Rate
2013	2,255,059	$ 74,288,000 [1]	$ 33,163 [1]	425,968	10.20%
2012	2,227,577	71,755,000 [1]	32,600 [1]	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%
2004	1,776,700	45,016,790	25,337	364,857	5.80%



Notes 1: Projection based on 10 years' running average (2001 - 2010)

Source: Bureau of Economic Analysis
Riverside County Superintendent of Schools
State of California, Employment Development Department
California State Department of Finance

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago
June 30, 2013

	Fiscal Year			
	2013		2004	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	18,728	2.23%	16,337	2.13%
March Air Reserve Base	9,000	1.07%	-	-
Stater Brothers Market	6,900	0.82%	5,600	0.73%
Walmart	5,681	0.68%	-	-
University of California Riverside	5,497	0.65%	-	-
Riverside Unified School District	5,000	0.60%	-	-
Corona-Norco Unified School District	4,633	0.55%	2,893	0.38%
Kaiser Permanente Riverside Medical Center	4,500	0.54%	-	-
Moreno Valley Unified School District	3,355	0.40%	-	-
Hemet Unified School District	3,270	0.39%	-	-
Fleetwood Enterprises, Inc.		-	2,125	0.28%
Eisenhower Medical Center		-	1,972	0.26%
Valley Health System		-	1,756	0.23%
Riverside Community Hospital		-	1,641	0.21%
KSL Desert Resorts Inc.		-	1,600	0.21%
Desert Regional Medical Center		-	1,500	0.20%
Vons		-	1,500	0.20%
Total	66,564	8.65%	36,924	4.92%

Source: Economic Development Agency

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Ten Fiscal Years
June 30, 2013

	Full-time Equivalent Employees									
	2013	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**
Function/Program										
General government										
Legislative and administrative	95	81	87	98	92	96	92	93	87	92
Finance	448	405	411	438	456	522	477	445	424	445
Counsel	67	65	64	70	69	69	69	58	52	50
Personnel	175	159	172	167	182	216	191	179	160	153
Elections	34	34	39	42	41	40	39	31	34	36
Communication	-	11	11	12	11	10	-	-	-	11
Property management	454	507	531	500	494	468	387	323	305	312
Promotion	90	117	139	180	186	177	168	142	126	121
Other general	39	31	32	36	36	39	-	-	1	1
Public protection										
Judicial	1,433	1,294	1,345	1,444	1,485	1,506	1,371	1,204	1,150	1,213
Police protection	2,847	2,304	2,408	2,449	2,586	2,474	2,354	2,113	1,926	1,914
Detention and correction	2,741	2,085	2,067	2,076	2,220	2,174	1,972	1,811	1,748	1,803
Fire protection	231	200	198	188	190	199	165	145	126	135
Protection/inspection	93	86	87	100	98	114	274	254	233	216
Other protection	712	600	615	669	737	778	541	523	441	446
Administration	106	75	62	65	58	60	50	39	36	37
Public ways and facilities										
Public ways	455	411	413	465	506	532	517	497	488	491
Parking Facilities	20	18	18	20	-	-	-	-	-	-
Health and sanitation										
Health	2,400	2,118	2,063	2,024	2,075	2,214	2,023	1,939	1,862	1,901
Hospital care	40	34	31	31	30	30	31	28	30	32
Public health ambulatory care	304									
California children's services	144	140	138	143	148	168	159	152	143	127
Public assistance										
Aid programs	3,843	3,334	3,089	3,132	3,159	3,297	2,948	2,841	2,796	2,744
Veterans' services	12	12	12	12	12	13	12	11	10	10
Other assistance	364	289	355	348	285	305	302	283	309	338
Education, recreation and culture										
Library services	12	10	1	-	1	1	1	1	1	1
Agricultural extension	5	5	5	5	5	6	5	5	4	4
Cultural services	-	3	3	3	3	2	2	2	2	2
County business-type functions										
Hospital care	2,955	2,351	2,295	2,246	2,186	2,097	1,889	1,680	1,589	1,526
Sanitation	194	160	174	198	211	206	170	158	149	130
Internal service	3,788	2,775	2,315	2,418	1,723	2,202	2,934	2,538	2,147	2,305
Special districts/Component units	840	660	591	547	533	534	526	540	528	528
Total	24,941	20,374	19,771	20,126	19,818	20,549	19,669	18,035	16,907	17,124

Note: Temporary employees, 2,089, filled as of 4/29/13, are included in the total number employees.
Source: County of Riverside, FY2013-14 Recommended Budget

Table 18

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2013

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	Fiscal Year Ending June 30th									
Agricultural Commissioner										
Export phytosanitary certificates	18,346	19,875	20,406	25,745	36,772	29,288	22,266	21,746	20,037	14,692 d
Pesticide use inspections	783	793	764	682	831	903	840	1,199	1,105	1,366 e
Weights and measures regulated	138,547	137,727	134,290	131,175	129,528	129,726	121,986	120,211	114,529	102,780
Agriculture quality inspections	456	553	693	643	668	643	1,061	541	1,067	1,251
Plant pest inspections	10,361	11,931	9,584	9,667	48,944	25,987	14,532	4,975	5,933	6,296
Nursery acreage inspected	6,156	6,920	6,338	6,923	7,627	7,851	9,226	7,382	7,431	5,355
Weights and measures inspected	63,653	51,074	56,751	77,278	80,862	83,269	97,039	150,308	101,223	31,794
Assessor-Clerk-Recorder										
Assessments	906,467	904,706	904,040	941,928	942,174	938,462	920,555	896,998	859,413	831,610
Official records recorded	648,812	592,531	612,804	673,674	682,708	773,308	957,123	1,082,688	1,039,166	1,019,271
Vital records copies issued	78,405	78,768	80,391	87,194	97,422	97,427	88,640	82,015	73,379	68,892
Official records copies issued	32,792	26,153	28,990	26,348	33,135	34,711	35,319	35,691	36,480	36,231
Auditor-Controller										
Invoices paid	426,660	389,798	412,374	488,192	522,097	504,866	449,367	457,439	472,942	492,675
Vendor warrants (checks) issued	259,458	255,463	265,979	300,428	320,613	255,767	237,645	235,044	242,763	220,649
Active vendors	80,011	78,887	65,090	64,761	59,685	75,575	68,358	62,699	56,686	49,970
Payroll warrants (checks) issued	509,376	509,468	506,870	532,904	532,202	522,215	496,386	469,692	449,011	448,845
Average payroll warrants (checks) per pay period	19,591	19,595	19,495	19,737	20,469	20,085	19,092	18,065	17,270	17,263
Audits per fiscal year	25	26	26	30	30	31	34	37	20	13
Tax Bills Levied	984,268	972,577	999,241	977,115	974,041	1,004,076	1,069,352	1,039,358	988,487	896,814
Tax Refunds/Roll Changes Processed	63,500	79,606	123,476	115,904	152,672	89,527	98,769	124,973	93,718	155,115
Community Action Partnership										
Utility assistance (households)	13,911	21,912	22,207	27,956	12,869	9,902	13,337	10,944	11,783	12,846
Weatherization (households)	179	842	1,375	2,083	1,033	853	465	801	795	711
Energy education attendees	6,368	14,950	13,807	11,725	10,775	19,396	14,590	10,389	11,508	1,953 a
Disaster relief (residents)	11,316	13,968	12,058	17,989	15,336	16,366	13,551	8,605	1,514	- b
Income tax returns prepared	3,111	2,711	3,006	2,257	2,011	1,828	1,384	2,651	-	- b
After school programs (students)	19,200	20,700	18,400	13,800	11,000	10,905	10,905	537	51	271
Homeless program (bed nights)	-	-	-	-	-	12,822	13,198	31,328	40,245	30,316 c
Homeless program (meals)	-	-	-	-	-	25,644	26,396	142,578	372,048	170,937 c
Leadership program enrollment	-	166	593	182	-	209	-	113	11	- b
Mediation (cases)	1,905	2,181	2,178	2,237	1,821	2,144	2,133	2,099	2,002	2,042
Public Health										
Facilities inspections	32,045	36,201	31,801	31,213	34,273	33,009	31,760	32,000	40,642	38,105
Environmental Health										
Patient visits	135,795	109,870	106,532	142,617	125,767	149,223	139,885	123,843	135,539	125,936
Patient services	353,269	392,621	390,607	313,409	466,800	601,889	438,639	369,041	339,095	376,534
Animal Control Services										
Animal impounds	35,201	36,518	49,408	62,770	71,834	30,305	27,362	29,206	20,467	21,307
Spays and neuters	11,908	9,771	8,305	7,225	8,480	7,208	5,645	5,806	2,401	3,080

Note:
a - Number of pamphlets mailed
b - Program not yet started / not tracked
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008
d - Phytosanitary = Plant pest cleanliness
e - Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Continued

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2013

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
	Fiscal Year Ending June 30th									
County Library										
Total circulation - books	3,059,094	3,387,218	3,724,657	3,718,343	3,464,547	3,280,929	2,352,624	2,051,276	2,324,539	2,222,575
Reference questions answered	434,057	441,269	404,913	370,619	382,795	426,533	383,428	454,590	430,226	423,925
Patron door count	4,148,012	4,080,738	731,699	3,599,064	3,170,424	2,744,576	2,352,403	2,433,646	2,226,360	1,447,505
Programs offered	6,521	8,382	7,624	7,214	5,618	5,570	4,546	2,353	2,274	3,759
Program attendance	143,053	163,692	163,416	148,612	127,717	103,393	80,100	84,994	45,605	68,437
County Regional Medical Center										
Emergency room treatments	119,606	101,952	99,706	96,993	88,459	82,584	76,666	73,448	68,105	66,411
Emergency room services - MH	14,275	16,750	15,376	14,288	9,702	7,867	7,624	7,536	8,076	8,276
Clinic visits	125,471	127,546	129,041	131,624	129,171	124,318	123,479	106,943	109,568	113,171
Admissions	24,260	23,949	23,638	23,536	23,253	23,433	24,393	22,262	21,723	20,587
Patient days	124,599	121,949	123,250	121,915	118,452	115,811	112,138	105,203	96,820	92,643
Discharges	24,279	23,694	23,668	23,559	23,238	23,440	24,430	22,244	21,741	20,554
Fire										
Medical assistance	97,054	96,843	97,066	94,193	91,707	89,404	89,329	86,129	80,484	76,601
Fires extinguished	13,517	12,990	4,271	4,449	4,406	5,659	6,372	5,060	14,696	14,816
Other services	20,049	11,856	16,522	17,076	18,486	19,472	16,310	19,035	10,870	10,786
Communities served	94	78	78	78	78	78	78	78	78	78
Mental Health										
Mental health clients (crisis/long-term care)	37,591	35,696	33,260	30,657	30,065	29,814	28,476	26,435	26,578	28,411
Substance abuse clients	15,755	17,849	16,987	16,736	18,712	17,746	18,597	18,120	18,188	18,432
Detention clients	11,899	10,544	8,874	10,831	12,781	9,441	5,522	6,351	6,041	6,402
Probate conservatorship clients	355	351	424	474	256	206	232	266	281	282
Mental health conservatorship clients	858	879	832	675	240	279	279	294	275	239
Probation										
Adults on probation	17,406	14,992	16,271	17,790	17,469	17,022	15,974	16,051	13,937	13,282
Juveniles in secure detention	194	193	225	248	241	293	343	322	310	367
Juveniles in treatment facilities	86	107	128	125	112	113	126	113	98	107
Juveniles in detention facilities	8,505	9,148	10,741	11,385	10,783	12,463	14,283	13,218	12,405	14,435
Public Social Services										
CalWORKs clients	33,341	33,682	33,412	31,022	26,905	22,310	20,336	19,880	20,846	20,296
Food stamp clients	116,333	107,076	91,606	74,484	52,877	36,339	30,781	28,749	27,992	24,796
Medi-Cal clients	135,570	130,562	124,061	116,758	107,904	101,542	105,578	108,887	110,994	105,598
In-home support services	20,641	19,070	18,201	16,852	16,307	14,845	13,934	12,590	12,171	11,314
Foster care placements	3,237	3,113	3,130	3,085	3,486	5,057	4,306	5,175	5,088	4,418
Child welfare services	9,178	9,664	9,916	9,591	10,217	11,912	12,333	11,639	11,153	9,411
Homeless program (bed nights)	8,296	8,331	10,746	12,900	10,854	-	-	-	-	-
Homeless program (meals)	16,592	16,660	21,494	25,800	21,707	-	-	-	-	-

Note: a - Average monthly
b - Average daily
c - Homeless program reporting responsibilities were transferred from Community Action Partnership (CAP) to Department of Social Services (DPSS) at the end of FY2008

Source: Various County Departments

Table 19

Continued

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Ten Fiscal Years
June 30, 2013

Table 19

Function/Program		Fiscal Year Ending June 30th 2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	
Registrar of Voters												
Voting precincts		1,218	853	1,649	2,370	2,387	3,474	1,472	1,872	1,160	2,389	
Polling places		642	522	746	1,158	1,205	2,017	610	1,060	613	1,299	
Voters	a	943,402	852,217	1,009,933	1,815,892	1,747,556	1,705,406	931,821	1,658,509	870,300	1,919,561	
Poll workers		2,960	2,300	3,281	4,186	6,287	8,355	2,622	3,992	2,692	4,911	
Sheriff												
Number of bookings		57,330	53,691	53,974	55,306	62,007	59,054	61,697	56,926	55,375	52,497	
Coroner case load		11,639	10,947	10,555	10,027	9,582	9,394	9,212	8,943	8,558	7,826	
Calls for services	b	172,664	176,062	232,821	255,601	302,400	280,000	279,415	250,000	240,182	219,145	
TLMA - Building & Safety												
Building permits issued		666	566	605	1,248	986	1,800	5,786	10,232	9,980	10,452	
Building plans checked		665	558	595	1,241	918	1,507	5,151	8,759	8,251	9,128	
Building structures inspected		514	447	890	1,321	1,780	3,158	8,580	9,593	8,182	8,887	
Veterans' Services												
Phone inquiries answered		36,107	36,707	43,617	41,569	39,393	29,553	23,287	21,917	25,276	-	c
Client interviews		14,714	14,990	15,630	25,209	13,955	10,571	8,199	7,467	7,559	-	c
Claims filed		5,735	6,030	5,485	5,581	5,812	5,194	3,786	3,372	3,503	-	c
Waste Management												
Landfill tonnage		1,102,626	1,071,309	1,071,394	1,032,942	1,024,267	1,220,124	1,325,284	1,423,469	1,328,935	1,231,767	
Recycling tonnage		2,679	2,206	2,499	1,803	2,356	3,385	3,048	3,758	2,619	2,850	

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

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Ten Fiscal Years
June 30, 2013

Fiscal Year Ending June 30th

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
County Libraries										
Branch libraries	35	33	33	33	33	33	29	29	29	28
Book mobiles	2	2	2	2	2	2	2	2	2	2
Books in collection	1,657,925	1,570,834	1,668,434	1,612,925	1,564,186	1,552,108	1,784,149	1,221,744	1,477,670	1,098,082
County Regional Medical Center										
Major clinics	4	4	4	4	4	4	4	4	4	4
Routine and specialty clinics	37	32	30	30	30	30	30	30	30	30
Beds licensed	439	439	439	439	439	439	439	439	439	439
Fire										
Stations	38	42	46	49	49	49	49	48	48	48
Trucks	142	145	156	154	149	143	141	135	125	126
Parks and Recreation										
Regional parks	11	11	12	12	13	13	13	13	13	13
Historic sites	5	5	4	4	6	6	6	6	6	6
Nature centers	4	4	4	4	5	5	5	5	5	5
Archaeological sites	6	6	6	6	7	7	7	7	7	7
Wildlife reserves	9	9	9	9	16	16	16	16	16	16
RV and Mobile Home Parks	3	3	3	3	-	-	-	-	-	-
Managed Areas	5	5	5	5	-	-	-	-	-	-
Recreational Facilities	2	2	2	-	-	-	-	-	-	-
Sheriff										
Patrol stations	10	10	10	10	10	10	10	10	10	10
Patrol vehicles	916	915	896	883	923	974	702	598	583	576
Waste Management										
Landfills	6	6	6	6	6	6	6	7	7	8
Capacity in tons	54,230,474	54,189,339	54,177,558	51,794,663	51,794,663	51,609,663	51,609,663	52,392,284	50,948,302	50,872,281

Source: Various County Departments

Table 20

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following are definitions of certain terms used in this Official Statement and a brief summary of certain provisions contained in the Master Trust Indenture, the First Supplemental Indenture, the Master Lease Agreement and the Master Site Lease. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to each of the Master Trust Indenture, the First Supplemental Indenture, the Master Lease Agreement and the Master Site Lease.

CERTAIN DEFINITIONS

"*Addition*" means the addition of Property to the leasehold under the Master Lease, and the lease of additional real property and improvements under the Master Lease from the Corporation to the County, as provided in the Master Lease.

"*Additional Bonds*" means all lease revenue bonds or lease revenue refunding bonds of any Series authorized by and at any time Outstanding pursuant to the Indenture, as supplemented by Supplemental Indentures, thereto and executed, issued and delivered in accordance with the Indenture, excluding the Initial Bonds.

"*Additional Payments*" means the amounts payable by the County as summarized below under the caption "MASTER LEASE AGREEMENT—Additional Payments."

"*Annual Debt Service*" means, for any Fiscal Year, the sum of: (a) the interest payable on all Outstanding Bonds in such Fiscal Year, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds, if any, are redeemed or paid from the respective Sinking Account as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any Bonds); (b) the principal amount of all Outstanding Serial Bonds, if any, maturing by their terms in such Fiscal Year; and (c) the principal amount of all Outstanding Term Bonds, if any, required to be redeemed or paid in such Fiscal Year (together with the redemption premiums, if any, thereon).

"*Assignment Agreement*" means the Assignment Agreement, dated as of June 1, 2014, by and between the Corporation and the Trustee, whereby the Corporation assigns to the Trustee for the benefit of the Owners the Corporation's rights under the Master Site Lease and the Master Lease, including the right to receive Base Rental Payments.

"*Authorized Denominations*" means $5,000 principal amount and integral multiples thereof.

"*Authorized Representative*" means, with respect to the Corporation, the President and any Vice President of the Corporation and/or any officer or employee of the Corporation authorized to perform specific acts or duties by resolution duly adopted by the Board of Directors of the Corporation, and, with respect to the County, the County Executive Officer, any Deputy County Executive Officer, the Finance Director of the County, and/or any officer or employee of the County authorized to perform specific acts or duties by resolution duly adopted by the Board of Supervisors of the County.

"*Base Rental Payment Date*" means the first day of May and November in each year during the Term of the Master Lease, commencing November 1, 2014.

"*Base Rental Payments*" means all amounts payable to the Corporation from the County as Base Rental Payments pursuant to the Master Lease.

"*Base Rental Payment Schedule*" means the schedule of Base Rental Payments payable to the Corporation from the County pursuant to the Master Lease.

"*Base Rental Period*" means each 12-month period during the Term of the Master Lease commencing on May 1 in any year and ending on April 30 in the next succeeding year; except that the first Base Rental Period during the term of this Master Lease shall commence on the Closing Date and end on May 1, 2015.

"*Beneficial Owner*" means any person who has the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"*Bond Counsel*" means a firm of attorneys nationally recognized as experts in the area of municipal finance who are familiar with the transactions contemplated under the Indenture and acceptable to the Corporation and the County.

"*Bond Fund*" means the fund by that name established pursuant to the Indenture.

"*Bonds*" means any debt obligation of the Corporation issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Indenture, including, but not limited to, bonds, notes, bond anticipation notes and other instruments creating an indebtedness of the Corporation and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and any Series of Bonds issued, and at any time Outstanding pursuant to, the Indenture.

"*Book-Entry Bonds*" means the Series 2014 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of the First Supplemental Indenture.

"*Business Day*" means a day of the year which is not a Saturday or Sunday, or a day on which banking institutions located in the State are required or authorized to remain closed, or on which the New York Stock Exchange is closed.

"*Capitalized Interest*" means the amount of interest on Bonds, if any, funded from the proceeds of the Bonds or other monies that are deposited with the Trustee as may be described in a Supplemental Indenture upon issuance of Bonds to be used to pay interest on the Bonds.

"*Certificate*," "*Statement*," and "*Requisition*" of the Corporation or of the County means, respectively, a written certificate, statement or requisition signed in the name of the Corporation by an Authorized Representative or signed in the name of the County by an Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"*Closing Date*" means June 5, 2014.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto and any regulations promulgated thereunder.

"*Continuing Disclosure Certificate*" means that certain Continuing Disclosure Certificate, dated as set forth in a Supplemental Indenture executed and delivered by the County in connection with the issuance of the respective Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"*Corporate Trust Office of the Trustee*" means the principal corporate trust office of the Trustee located at Wells Fargo Bank, National Association, 333 South Grand Avenue, Fifth Floor, Los Angeles, California 90071, Attention: Corporate Trust Department or such other or additional offices as may be specified to the Corporation by the Trustee in writing.

"*Costs of Issuance*" means all costs and expenses incurred by the County or the Corporation relating to the issuance, sale and delivery of the Series 2014 Bonds and the execution and delivery of the Indenture, the Master Site Lease, the Master Lease, Assignment Agreement including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee (including legal fees), financing discounts, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, including verification reports, costs of rating agencies for credit ratings, fees related to DTC, accounting fees, title insurance, fees for execution, transportation and safekeeping of the Bonds and any other charges and fees in connection or associated with the foregoing.

"*County*" means the County of Riverside, a political subdivision and body corporate and politic of the State.

"*Defeasance Securities*" means (a) Federal Securities which are not callable for redemption prior to their maturity by any person other than the owner thereof; and (b) other Permitted Investments (i) which either are not callable for redemption prior to their maturities by any person other than the owner thereof or for which an option to redeem prior to maturity has previously been irrevocably exercised (or an irrevocable covenant to exercise such option has previously been made by the person entitled to exercise such option) and the redemption date of such securities has thereby been irrevocably fixed prior to the use of any such securities as Defeasance Securities, and (ii) which at the time of their initial use as Defeasance Securities are rated in the highest generic rating category by S&P or Moody's.

"*DTC*" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and its successors and assigns.

"*Event of Default*" has the meaning contained in the Indenture summarized below under the caption "MASTER TRUST INDENTURE—Events of Default."

"*Excess GSA Payments Account*" means the Account of that name established within the Bond Fund pursuant to the First Supplemental Indenture.

"*Expiry Date*" means November 1, 2033, except as extended or sooner terminated pursuant to the Master Lease, or such other date or dates as set forth in an amendment to the Master Lease.

"*Federal Securities*" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are unconditionally pledged for the payment of interest and principal (including State and Local Government Securities ("SLGS")), or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities, as well as pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P.

"*First Supplemental Indenture*" means the First Supplemental Trust Indenture, dated as of June 1, 2014, as amended, by and between the Corporation and the Trustee.

"*Fiscal Year*" means the fiscal year of the Corporation, which period of time begins on July 1 of each given year and ends on June 30 of the following year, or such other similar periods as the Corporation designates as its fiscal year.

"*Fitch*" means Fitch Ratings, New York, New York, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

"*GSA*" means the United States of America, acting by and through the General Services Administration.

"*GSA Lease Agreement*" means that certain lease agreement between the County and the United States of America, acting by and through the General Services Administration (the "GSA"), No. GS-09B-93834, dated December 21, 1994, as amended.

"*GSA Payments*" means all moneys due or to become due to the County under the GSA Lease Agreement.

"*GSA Payments Account*" means the account of that name established within the Bond Fund pursuant to the First Supplemental Indenture.

"*Independent Counsel*" means an attorney duly admitted to the practice of law before the highest court of the State in which such attorney maintains an office and who is not an employee of the Corporation, the Trustee or the County.

"*Initial Bonds*" the Series 2014 Bonds.

"*Insurance Proceeds and Condemnation Awards Fund*" means the Fund by that name established and held by the Trustee pursuant to the Indenture.

"*Interest Accounts*" means the accounts established pursuant to a Supplemental Indenture in accordance with the Indenture.

"*Lease Year*" means the period from each November 1 to and including the following October 31, during the term of the Master Lease.

"*Master Lease*" means that certain Master Lease Agreement, dated as of June 1, 2014, between the County and the Corporation under which the Corporation subleases to the County the Property, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

"*Master Lease Payments*" means the Base Rental Payments and the Additional Payments.

"*Master Site Lease*" means the Master Site Lease dated as of June 1, 2014 by and between the County, as lessor, and the Corporation, as lessee, including any amendments thereto, pursuant to which the County leases the Property to the Corporation.

"*Master Trust Indenture*" or "*Indenture*" means the Master Trust Indenture, dated as of June 1, 2014, by and between the Corporation and the Trustee, as amended and supplemented.

"*Moody's*" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

"*Net Proceeds*" means any insurance proceeds (including self-insurance proceeds) or condemnation award, paid with respect to any of the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"*Official Statement*" means the Official Statement dated May 6, 2014 relating to the Series 2014 Bonds.

"*Opinion of Bond Counsel*" means a written opinion of Bond Counsel.

"*Outstanding*" means, when used as of any particular time with reference to Bonds, (subject to the provisions of the Indenture pertaining to disqualified bonds) all Bonds theretofore or thereupon executed by the Corporation and authenticated and delivered by the Trustee pursuant to the Indenture, except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the Corporation and authenticated and delivered pursuant to the Indenture.

"*Owner*" means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books required to be maintained by the Trustee pursuant to the Indenture.

"*Permitted Encumbrances*" means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Master Lease, permit to remain unpaid; (b) the Master Site Lease; (c) the Master Lease (including any amendment thereto); (d) the pledge under the Indenture; (e) any encumbrance, indebtedness and leases permitted under the Master Lease; (f) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law or any mechanics or other liens permitted under the Master Lease; (g) easements, rights of way, licenses, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date (or, in the case of any property added in connection with the issuance of Additional Bonds or any Substituted Property, which exist of record as of the date any such property is added to the description of Property) and which the County certifies in writing will not materially impair the County's right to use and occupy the Property or its ability to meet the requirement under the Master Lease summarized under the caption "MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Fair Rental Value*"; (h) restrictions arising under the terms of a redevelopment plan of any California redevelopment agency; (i) easements, rights of way and licenses granted to persons who develop or use the real property adjacent to the Property which the County certifies in writing will not damage, reduce the fair market value of or materially impair the use of the Property; (j) right grants by the County pursuant to the Master Lease in the section summarized under the caption "MASTER LEASE AGREEMENT—Liens;" and (k) the U.S. Government Lease for Real Property No. GS-09B-93834, dated December 21, 1994, as amended and supplemented, between the County and the United States of America, acting by and through the General Services Administration.

"*Permitted Investments*" means any of the following that at the time are legal investments under the laws of the State for moneys held under the Indenture and then proposed to be invested therein:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

(i) U.S. Export-Import Bank (Eximbank): Direct obligations or fully guaranteed certificates of beneficial ownership;

(ii) Farmers Home Administration (FmHA): Certificates of Beneficial Ownership;

(iii) Federal Financing Bank;

(iv) Federal Housing Administration Debentures (FHA);

(v) General Services Administration Participation Certificates;

(vi) Government National Mortgage Association (GNMA or Ginnie Mae): GNMA—guaranteed mortgage-backed bonds GNMA—guaranteed pass-through obligations;

(vii) U.S. Maritime Administration: Guaranteed Title XI financing; and

(viii) U.S. Department of Housing and Urban Development (HUD): Project Notes, Local Authority Bonds, New Communities Debentures—U.S. government guaranteed debenture U.S. Public Housing Notes and Bonds—U.S. government guaranteed public housing notes and bonds;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

(i) Federal Home Loan Bank System: senior debt obligations;

(ii) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac): senior debt obligations;

(iii) Federal National Mortgage Association (FNMA or Fannie Mae): senior debt obligations;

(iv) Federal Agricultural Mortgage Corporation: senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) obligations; and

(vi) Farm Credit System: Consolidated systemwide bonds and notes;

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and if rated by Moody's rated "Aaa," "Aal" or "Aa2" including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in clauses (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks which may include the Trustee and its affiliates; provided that the collateral is held by a third party and the bondholders have a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF which may include those of the Trustee and its affiliates;

(g) investment Agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements, long-dated (maturities over 30 days) repurchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by S&P in one of the two highest rating categories assigned by such rating agency;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank, including the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P;

(k) Repurchase Agreements ("Repos") for 30 days or less meeting the following criteria:

(i) Repos must be between the Corporation and a dealer bank or securities firm:

(A) primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P; or

(B) banks rated "A" or better by S&P;

(ii) the written repurchase agreement must include the following:

(A) securities which are acceptable for transfer are:

(1) direct obligations of the United States of America referred to in clause (a) above; or

(2) obligations of federal agencies referred to in clause (b) above; or

(3) obligations of federal agencies referred to in clause (c) above;

(B) the term of the Repos may be up to 30 days;

(C) the collateral must be delivered to the Corporation, the Trustee (if the Trustee is not supplying the collateral) or third party acting as agent for the Trustee is (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities); and

(D) valuation of Collateral:

(1) the securities must be valued weekly, marked to market at current market price plus accrued interest; and

(2) the value of collateral must be equal to 104% of the amount of cash transferred by the Corporation to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Corporation, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are as referred to in clause (c), then the value of collateral must equal 105%; and

(iii) a legal opinion must be delivered to the Corporation that states that the Repo meets guidelines under state law for legal investment of public funds;

(l) the Investment Trust of California (CalTRUST), a joint powers authority that invests in securities and obligations authorized by California Government Code Section 53601;

(m) 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; and

(n) the Riverside County Investment Pool, managed by the Treasurer-Tax Collector of the County of Riverside, California.

"*Principal Accounts*" means the subaccounts established pursuant to a Supplemental Indenture in accordance with the Indenture.

"*Project Fund*" means any fund by that name established pursuant to the Indenture.

"*Property*" means that certain real property together with improvements located thereon that are owned by the County, which is the subject of the Master Site Lease comprising those parcels described in Exhibit A of the Master Lease, as the same may be changed from time to time by Removal, Addition or Substitution as provided in the Master Lease, summarized in the section below entitled "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property"; subject, however, to Permitted Encumbrances.

"*Rebate Fund*" means the fund created by the Corporation pursuant to the Indenture.

"*Redemption Fund*" means the fund by that name established pursuant to the Indenture.

"*Removal*" means the release of all or a portion of the Property from the leasehold of the Master Lease and of the Master Site Lease as provided in the Master Lease, summarized under the caption below entitled, "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property."

"*Reserve Fund*" means any fund by that name, if any, established pursuant to the Indenture.

"*Reserve Fund Credit Facility*" means a letter of credit, line of credit, surety bond, insurance policy or similar facility deposited in a Reserve Fund, if any, in lieu of or in partial substitution for cash or securities on deposit therein.

"*Reserve Requirement*," if any, shall have the meaning set forth in a Supplemental Indenture.

"*Revenues*" means all Base Rental Payments made pursuant to the Master Lease and interest or profits from the investment of money in any fund, account or subaccount (other than any Rebate Fund) deposited in the Bond Fund pursuant to the Indenture and as permitted by Supplemental Indenture with respect to a particular Series of Bonds.

"*S&P*" means Standard & Poor's Ratings Services, a corporation organized and existing under the laws of the State of New York, its successors and assigns and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized credit rating agency selected by the Corporation.

"*Serial Bonds*" means Bonds for which no sinking fund payments are provided.

"*Series*" means, whenever used with respect to Bonds, all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as provided by the Indenture and any Supplemental Indenture.

"*Series 2014 Bond Account*" is defined as, collectively, the Series 2014 Interest Account and the Series 2014 Principal Account.

"*Series 2014 Bonds*" means the Series 2014A Bonds and the Series 2014B Bonds.

"*Series 2014A Bonds*" means the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A.

"*Series 2014B Bonds*" means the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable).

"*Series 2014A Costs of Issuance Fund*" means the fund of such designation established pursuant to the First Supplemental Indenture and into which money is deposited to pay Costs of Issuance of the Series 2014A Bonds.

"*Series 2014B Costs of Issuance Fund*" means the fund of such designation established pursuant to the First Supplemental Indenture and into which money is deposited to pay Costs of Issuance of the Series 2014B Bonds.

"*Series 2014 Interest Account*" means the account within the Series 2014 Bond Account within the Bond Fund of that designation created pursuant to the First Supplemental Indenture and into which money is to be deposited to pay interest on the Series 2014 Bonds.

"*Series 2014 Principal Account*" means the account within the Series 2014 Bond Account within Bond Fund of that designation created pursuant to the First Supplemental Indenture and into which money is to be deposited to pay principal on the Series 2014 Bonds.

"*Sinking Account*" means the account by that name established within the Series 2014 Principal Account pursuant to the First Supplemental Indenture.

"*Sinking Fund Installment*" means, with respect to any Series of Bonds, each amount so designated for the Term Bonds of such Series in the Indenture or in the Supplemental Indenture providing for the issuance of such Series of Bonds requiring payments by the Corporation to be applied to the retirement of such Series of Bonds on and prior to the stated maturity date thereof.

"*State*" means the State of California.

"*Substituted Property*" has the meaning as set forth in the Master Lease, summarized below under the caption entitled, "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property."

"*Substitution*" means the release of all or a portion of the Property from the leasehold of the Master Lease and the Master Site Lease, and the lease of substituted real property and improvements under the Master Lease and the Master Site Lease as provided in the Master Lease, summarized below under the caption entitled, "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property."

"*Supplemental Indenture*" means any indenture then in full force and effect which has been duly executed and delivered by the Corporation and the Trustee amendatory to the Indenture or supplemental thereto; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

"*Tax Certificate*" means the Tax Compliance Certificate executed by the County and the Corporation at the time of the issuance and delivery of Bonds, the interest on which is intended to be excluded from gross income of the Owners thereof for federal income tax purposes, as the same may be amended or supplemented in accordance with its terms.

"*Term Bonds*" means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

"*Term of the Master Lease*" or "*Term*" means the time during which the Master Lease is in effect, as provided for in the Master Lease.

"*Trustee*" means Wells Fargo Bank, National Association, a national banking association organized and existing under the laws of the United States, or any other association or authority which may at any time be substituted in its place as provided in the Indenture.

"*Written Request of the Corporation*" means a written request, certificate or requisition signed in the name of the Corporation by an Authorized Representative of the Corporation.

"*Written Request of the County*" means a written request, certificate or requisition signed in the name of the County by an Authorized Representative of the County.

MASTER TRUST INDENTURE

The following is a summary of certain provisions of the Master Trust Indenture and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Trust Indenture.

Equal Security

In consideration of the acceptance of the Bonds by the Owners thereof, the Indenture shall be deemed to be and shall constitute a contract between the Corporation and the Trustee for the benefit of the Owners from time to time of all Bonds authorized, issued, executed and delivered under the Indenture and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, with respect to all Bonds which may from time to time be authorized, issued, executed and delivered under the Indenture, subject to the agreements, conditions, covenants and provisions contained therein; and all agreements and covenants set forth in the Indenture to be performed by or on behalf of the Corporation shall be for the equal and proportionate benefit, protection and security of all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, issuance, execution or delivery thereof or for any cause whatsoever, except as to timing of interest and principal payments as expressly provided therein. Any Reserve Fund and any Reserve Credit Facility provided for at any time in satisfaction of all or a portion of the Reserve Requirement for a specific Series of Bonds or one or more Series of Bonds may, as provided by a Supplemental Indenture, secure only such specific Bonds or one or more Series of Bonds and, therefore, shall not be included as security for all Bonds under the Indenture unless otherwise provided by a Supplemental Indenture and moneys and securities which are held exclusively to pay Bonds which are deemed to have been paid and defeased under the Indenture shall be held solely for the payment of such specific Bonds.

Bonds Secured by a Pledge of Revenues

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Revenues, including any other amounts (including proceeds of the sale of the Bonds) held in the Bond Fund, are thereby pledged to secure the payment of the principal of, premium, if any, purchase price, and interest on the Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys there may be applied in such sums and for such purposes as are permitted under the Indenture including the replenishment of draws upon the Reserve Fund, if any, established for a Series of Bonds. This pledge shall constitute a pledge of and charge and lien upon the Revenues for the payment of the principal of, premium, if any, purchase price and interest on the Bonds in accordance with the terms set forth in the Indenture. Said pledge shall constitute a first lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the date of issuance for the Initial Bonds, without any physical delivery thereof or further act.

The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Corporation shall be deemed to be held, and to have been collected or received, by the Corporation as agent of the Trustee and shall forthwith be paid by the Corporation to the Trustee.

The Trustee agrees to provide written notice to the County at least five Business Days prior to each Base Rental Payment Date of the amount, if any, on deposit in the Bond Fund which shall serve as a credit against, and shall relieve the County of making, the Base Rental Payments due from the County on such Base Rental Payment Date.

Additional Bonds

Conditions for the Issuance of Bonds. The Corporation may at any time issue any Series of Bonds payable from the Revenues as provided in the Indenture and secured by a pledge of the Revenues as provided in the Indenture equal to the pledge securing the Outstanding Bonds theretofore issued under the Indenture, but only subject to the following specific conditions, which are made conditions precedent (except as otherwise indicated) to the issuance of any such Series of Bonds:

(a) excepting the Initial Bonds, the Corporation shall be, as evidenced by a Certificate of the Corporation, in compliance with all agreements and covenants contained herein and no Event of Default shall have occurred and be continuing under the Master Lease;

(b) the issuance of such Series of Bonds shall have been authorized by the Corporation and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purpose for which such Series of Bonds are to be issued;

(ii) the authorized principal amount and designation of such Series of Bonds;

(iii) the dated date and the maturity dates of, and the sinking fund payment dates, if any, for such Series of Bonds; provided, however, that (A) each maturity and sinking fund date shall occur on the date set forth in the Supplemental Indenture; (B) except as otherwise provided in the Supplemental Indenture, all such Series of Bonds of like maturity shall be identical in all respects, except as to number and denomination; and (C) 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 Series of Bonds on or before their respective longest maturity dates;

(iv) the interest payment dates for such Series of Bonds, which shall be Interest Payment Dates;

(v) the redemption premiums, if any, and the redemption terms, if any, for such Series of Bonds:

(vi) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the respective Interest Accounts;

(vii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in an escrow fund or a Project Fund or similar fund, account or subaccount;

(viii) the amount, if any, to be deposited from the proceeds of sale of such Series of Bonds in the Reserve Fund, if any, which amount shall be sufficient to cause the amount on deposit in the Reserve Fund, if any, to equal the Reserve Requirement for such Series of Bonds, if any, upon the issuance of such Series of Bonds;

(ix) the forms of such Series of Bonds; and

(x) such other provisions as are necessary or appropriate and not inconsistent herewith;

(c) excepting the Initial Bonds, the Master Lease shall have been further amended, if necessary, so as to modify the aggregate Base Rental Payments payable by the County thereunder in each Fiscal Year to at least equal the projected Annual Debt Service, including debt service on the new Series of Bonds to be issued in each Fiscal Year;

(d) excepting the Initial Bonds, a Certificate of the County stating that (i) the total fair rental value of the Property, which may be based on, but not limited to, the construction or acquisition cost to the County of improvements to the Property funded from such Series of Bonds and the application of any Capitalized Interest after the issuance of such Series of Bonds, in each Fiscal Year during the remaining Term of the Lease, is at least equal to the maximum total Base Rental Payments payable in any future Fiscal Year under the Lease attributable to the Property after the issuance of such Series of Bonds, (ii) the fair market value of the Property is at least equal to the principal amount of Bonds which would be Outstanding upon the execution and delivery of the Series of Bonds, (iii) the Property has a remaining useful life of at least equal to the remaining term of the Master Lease, as amended and (iv) the Property is available for immediate use and occupancy by the County;

(e) the Corporation has been advised in writing by each Rating Agency then rating the Outstanding Series 2014 Bonds, and which Rating Agency shall have received notice of such the proposed issuance of such Series of Bonds, that the issuance of such Series of Bonds will not, in and of itself, result in a reduction of the ratings of the Series 2014 Bonds by such Rating Agency; and

(f) (g) a certificate of the County stating that the County is in compliance with the insurance requirements of the Master Lease.

Nothing contained in the Indenture shall limit the issuance of any lease revenue bonds of the Corporation payable from the Revenues and secured by a pledge of the Revenues if, after the issuance and delivery of such lease revenue bonds, none of the Bonds theretofore issued will be Outstanding.

Procedure for the Issuance of Bonds. The Corporation may, at any time, execute and deliver any Series of Bonds for issuance under the Indenture and deliver them to the Trustee, and thereupon such Series of Bonds shall be authenticated and delivered by the Trustee to the purchaser thereof upon the Written Request of the Corporation, but only upon receipt by the Trustee of the following documents or money or securities, all of such documents dated or certified, as the case may be, as of the date of delivery of such Series of Bonds by the Trustee (unless the Trustee shall accept any of such documents bearing a prior date):

(a) an executed copy of the Supplemental Indenture authorizing the issuance of such Series of Bonds and complying with the conditions set forth in the Indenture;

(b) a Written Request of the Corporation as to the delivery of such Series of Bonds;

(c) an Opinion of Bond Counsel to the effect that (i) the Corporation has the right and power to execute and deliver the Supplemental Indenture and the Supplemental Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and no other authorization for the execution and delivery thereof is required; (ii) the Indenture, as amended and supplemented by the Supplemental Indenture creates the valid pledge of the Revenues which it purports to create as provided therein, subject to the application thereof to the purposes and on the conditions permitted hereby; (iii) such Series of Bonds are valid and binding special obligations of the Corporation, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles) and the terms hereof and entitled to the benefits of the Indenture, and such Series of Bonds have been duly and validly authorized, executed, issued and delivered in accordance with the Indenture; and (iv) the amendments to the Master Lease and the Master Site Lease if required in connection with such issuance have been duly authorized, executed and delivered and the Master Lease and Master Site Lease, as amended, are valid and binding upon the Corporation and the County and enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and by equitable principles); and (v) if applicable, the issuance of such Series of Bonds will not adversely affect the exclusion from gross income for federal tax purposes of interest on any Bonds then Outstanding;

(d) a Certificate of the Corporation certifying that the conditions for the issuance of such Series of Bonds contained in the Indenture have been complied with and satisfied; and

(e) such further documents, opinions, money or securities as are required by the provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds.

Establishment of Bond Fund; Receipt and Deposit of Revenues in the Bond Fund

The Indenture shall create a separate special trust designated the "Bond Fund." In order to carry out and effectuate the pledge contained thereof and summarized below under the caption, "MASTER TRUST INDENTURE—Bond Secured by a Pledge of Revenues," the Trustee agrees and covenants that all Revenues when and as received shall be received in trust thereunder for the benefit of the Owners of the Bonds and shall be deposited when and as received in the Bond Fund. All Revenues shall be accounted for and held in trust in the Bond Fund, and the Corporation shall have no beneficial right or interest in any of the Revenues except only as therein provided. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as therein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses thereinafter set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Corporation.

Establishment and Maintenance of Accounts for Use of Money in the Bond Fund

Subject to the allocation of money to any Rebate Fund, or any account therein, all money in the Bond Fund shall be set aside by the Trustee in the following respective special accounts within the Bond Fund (created by Supplemental Indenture and each of which the Trustee covenants and agrees to maintain in the Indenture) and shall be set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(a) *Interest Accounts*. On or before each Interest Payment Date, the Trustee, after taking into account Capitalized Interest, shall set aside from any Base Rental Payments and deposit in the respective Interest Accounts, established pursuant to a Supplemental Indenture, that amount of money which, together with any money contained in the Interest Accounts, is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made in the Interest Accounts if the amount contained in the Interest Accounts is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such interest payment date. All money in the Interest Accounts shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) *Principal Account*. On or before the Principal Payment Dates, the Trustee shall set aside from the Bond Fund and deposit in the respective Principal Accounts, established pursuant to a Supplemental Indenture, an amount of money equal to the aggregate principal amount of all Outstanding Serial Bonds maturing on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made with respect to the Term Bonds on such Principal Payment Dates. No deposit need be made in the respective Principal Accounts if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such Principal Payment Dates, plus the aggregate amount of all sinking fund payments required to be made on such Principal Payment Dates, for all Outstanding Term Bonds.

(c) *Reserve Fund*. The Trustee shall deposit in each Reserve Fund, if any, or any account therein, an amount, if any, required to cause the amount on deposit in such Reserve Fund, or any account therein, to equal the Reserve Requirement, if any, for such Bonds.

Any delinquent Base Rental Payments and any proceeds of rental interruption insurance with respect to the real property encumbered by the Master Lease shall be applied first to the respective Interest Accounts for the immediate payment of interest payments past due and then to the respective Principal Accounts for immediate payment of principal payments past due according to the tenor of any Bond, and then to any Reserve Fund, or account therein, pro rata among the Reserve Funds, to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement, if any. Any remaining money representing delinquent Base Rental Payments and any proceeds of rental interruption insurance shall be deposited in the Bond Fund to be applied in the manner provided in the Indenture.

Authorization for Creation of Reserve Fund

The Corporation may, at the time of issuance of any Series of Bonds, provide by Supplemental Indenture for the creation of a Reserve Fund, or any account therein bearing the designation set forth in the Supplemental Indenture, as security for such Series, and in its discretion reserving the right to allow a future Series of Bonds to participate in such Reserve Fund, or provide that such Series of Bonds participate in a Reserve Fund previously created for an Outstanding Series of Bonds when authorized by such Outstanding Series of Bonds' Supplemental Indenture. Any Reserve Fund established under a Supplemental Indenture shall be funded in an amount equal to the Reserve Requirement. The Corporation shall, by such Supplemental Indenture, provide for the manner of funding and replenishing of such Reserve Fund and shall establish such other terms with respect to such Reserve Fund as the Corporation may deem appropriate, including providing a Reserve Fund Credit Facility in lieu thereof.

Any moneys in the Reserve Fund, or any account therein, shall be used and withdrawn by the Trustee as provided in the Supplemental Indenture and may include one or more Reserve Fund Credit Facilities which may be substituted for the funds held by the Trustee in the Reserve Fund, and any account therein. All moneys in each Reserve Fund shall be held and disbursed as provided in the Supplemental Indenture or Supplemental Indentures under which such fund or funds were created. Notwithstanding this provision, no Reserve Fund shall be required for a given Series of Bonds if the Corporation determines that there is no need to create a Reserve Fund for such Series.

Establishment of Certain Funds

The Trustee shall establish the following special trust funds, which the Trustee agrees to maintain and keep separate and apart from all other funds and moneys held by the Trustee so long as the Series 2014 Bonds are Outstanding:

(d) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014 Interest Account" (the "Series 2014 Interest Account") created within the Bond Fund under the Master Indenture;

(e) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014 Principal Account" (the "Series 2014 Principal Account") created within the Bond Fund under the Master Indenture;

(f) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A Costs of Issuance Fund" (the "Series 2014A Costs of Issuance Fund");

(g) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable) Costs of Issuance Fund" (the "Series 2014B Costs of Issuance Fund");

(h) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B GSA Payments Fund" (the "Series 2014B GSA Payments Fund");

(i) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B GSA Payments Account" (the "Series 2014B GSA Payments Account") created within the Series 2014B GSA Payments Fund;

(j) the "Excess GSA Payments Account" (the "Excess GSA Payments Account") created within the Series 2014B GSA Payments Fund; and

(k) the "County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A Rebate Account" (the "Series 2014A Rebate Account") created within the Rebate Fund under the Master Indenture.

So long as any of the Series 2014 Bonds, or any interest thereon, remain unpaid, the moneys in the preceding funds shall be used for no purpose other than those required or permitted by the First Supplemental Indenture.

Investments

Moneys held by the Trustee in the funds and accounts created by means of the Indenture and under any Supplemental Indenture shall be invested and reinvested as directed by the Corporation, in Permitted Investments subject to restrictions set forth in the Indenture and First Supplemental Indenture and subject to the investment restrictions imposed upon the Corporation by the laws of the State. The Corporation shall direct such investments by written certificate (upon which the Trustee may conclusively rely) of an Authorized Representative of the Corporation or by telephone instruction followed by written confirmation by close of the Business Day by an Authorized Representative of the Corporation; in the absence of any such instructions, the Trustee shall, to the extent practicable, invest in Federal Securities.

The Trustee shall not be liable for any loss resulting from following the written directions of the Corporation or as a result of liquidating investments to provide funds for any required payment, transfer, withdrawal or disbursement from any fund or account in which such Permitted Investment is held.

The Trustee may buy or sell any Permitted Investment through its own (or any of its affiliates) investment department.

The Corporation and the County acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the County the right to receive brokerage confirmations of securities transactions as they occur, the Corporation and the County specifically waive receipt of such confirmations to the extent permitted by law. Securities and investment transactions made by the Trustee under the Indenture will be set forth in the cash transaction statements provided by the Trustee to the Corporation and the County.

Unless otherwise provided in a Supplemental Indenture, all interest or gain derived from the investment of amounts in any of the funds or accounts established by means of the Indenture and First Supplemental Indenture (except any Project Fund, the Reserve Fund and the Rebate Fund) shall be deposited by the Trustee in the Bond Fund, except that interest or gain derived from the investment of the amounts in: (a) any Reserve Fund, shall be retained therein to the extent required to maintain the Reserve Requirement thereof and if in excess of such Reserve Requirement, transferred on a pro rata basis to the Interest Account(s) for the Series of Bonds secured by such Reserve Fund; and (b) the Project Fund and any Rebate Fund, shall be retained therein.

Certain Covenants of the Authority and the Trustee

Punctual Payment and Performance. The Corporation will punctually pay the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued under the Indenture in strict conformity with the terms thereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants contained therein and in the Bonds.

Against Encumbrances. The Corporation will not make any pledge of or place any charge or lien upon the Revenues except as provided therein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds. Subject to this limitation, the Corporation expressly reserves the right to enter into one or more other indentures for any of its purposes, and reserves the right to issue other obligations for such purposes not having a pledge on Revenues. Nothing in this section shall in any way limit the Corporation's ability to (a) encumber its assets other than the Property or (b) encumber the Property in accordance with the terms of the Master Lease.

Against Sale or Disposition of the Property. Except as provided in the Master Lease, the Corporation will not sell or otherwise dispose of the Property, enter into any agreement which impairs the use of the Property or any part thereof necessary to secure adequate Revenues for the payment of the interest on and principal of and redemption premiums, if any, with respect to the Bonds, or which would otherwise impair the rights of the Owners with respect to the Revenues.

Insurance. The Corporation will maintain or cause to be maintained insurance with respect to the Property as required by the Master Lease.

Insurance Proceeds and Condemnation Awards; Title Insurance.

(a) The Trustee shall receive all moneys which may become due and payable under any insurance policies obtained pursuant to the Master Lease and pursuant to any condemnation awards in a separate fund to be established and maintained by the Trustee and designated the "Insurance Proceeds and Condemnation Awards Fund," and shall apply the proceeds of such insurance as provided therein. The Trustee shall permit withdrawals of said proceeds from time to time upon receiving the Written Request of the County, stating that the County or the Corporation has expended moneys or incurred liabilities in an amount equal to the amount therein requested to be paid over to it for the purpose of repair, reconstruction or replacement, and specifying the items for which such moneys were expended, or such liabilities were incurred, in such reasonable detail as the Trustee may in its discretion require.

(b) The Trustee shall not be responsible for the sufficiency of any insurance required by the Master 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 Master Lease shall not confer responsibility upon the Trustee as to the sufficiency of coverage or amounts of such policies. The Trustee may request, in writing, that the County deliver to the Trustee certificates or duplicate originals or certified copies of each insurance policy described in the schedule required to be delivered by the County to the Trustee pursuant to the Master Lease, summarized below under the caption "MASTER LEASE AGREEMENT—Insurance—*Insurance Proceeds; Form of Policies*."

(c) Proceeds of any policy of insurance, title insurance or condemnation award received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(i) if the County determines that the damage, title defect or taking giving rise to such proceeds has not materially affected the operation of the Property and will not result in an abatement of Base Rental Payments payable by the County under the Master Lease, such proceeds shall at the election of the County as set forth in a Written Request of the County, be deposited: (A) in the

Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; (B) in the Project Fund (and applicable account and subaccounts therein) and utilized to improve or enhance any remaining Property; or (C) in the respective Principal and Interest Accounts for application to the next two successive Base Rental Payments;

(ii) if any portion of the Property has been affected by such damage, title defect or taking, and if the County determines that such title defect or taking will result in an abatement of Base Rental Payments payable by the County under the Master Lease, and the County has not within 90 days of such damage, defect or taking notified the Trustee of its intent to repair or replace the damaged, defective or taken Property, then the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to cause the redemption of Outstanding Bonds in the manner provided in the Supplemental Indenture; or

(iii) if the Trustee receives a Written Request of the County within 90 days of such damage, defect or taking to the effect that the County desires to repair or replace the damaged, defective or taken Property, accompanied by a Certificate of the County to the effect that such repair or replacement will take less than 24 months and, upon completion, the Property will have a fair rental value at least equal to the fair rental value of the Property prior to the damage, defect or taking, the Trustee shall disburse the proceeds pursuant to the Indenture, as summarized under paragraph (a) of the section above entitled "MASTER LEASE AGREEMENT—Certain Covenants of the Corporation and the Trustee—*Insurance Proceeds and Condemnation Awards; Title Insurance*."

Accounting Records and Reports. The Corporation will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee (who shall have no duty to inspect), at reasonable hours and under reasonable conditions. The Corporation shall also keep or cause to be kept such other information as is required under the Tax Certificate.

Other Liens. The Corporation will keep the Property free from judgments, mechanics' and materialmen's liens (except those arising from the acquisition, construction and installation of the Property and except Permitted Encumbrances) and free from all liens, claims, demands and encumbrances of whatsoever prior nature or character to the end that the security for the Bonds provided therein will at all times be maintained and preserved free from any claim or liability which might hamper the Corporation in conducting its business or interfere with the County's use and occupancy of the Property, and the Trustee at its option (after first giving the Corporation 10 days' written notice to comply therewith and failure of the Corporation to so comply within such period) may defend against any and all actions or proceedings in which the validity thereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such action or proceeding; provided, however, that in defending such actions or proceedings or in paying or compromising such claims or demands the Trustee shall not in any event be deemed to have waived or released the Corporation 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 thereof and the pledge of the Revenues made therein and to perform such agreements and covenants.

Continuing Disclosure. Pursuant to the Master Lease, the County has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the Owners or any other person with respect to Rule 15c2-12 of the Securities and Exchange Commission. The Trustee by means of the Indenture covenants and agrees that it will comply with and carry out all of its obligations under the provisions of the Master Lease. Notwithstanding any other provision of the Indenture, failure of the County or the Trustee to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, or any Owner 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 to comply with its obligations under the Master Lease, or to cause the Trustee to comply with its obligations under this section.

The Trustee

Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture and no implied duties or obligations shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), 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.

(b) So long as no Event of Default has occurred and is continuing, the Corporation may remove the Trustee at any time and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Indenture, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) The Trustee may resign by giving written notice of such resignation to the Corporation and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the bond register. Upon receiving such notice of resignation, the Corporation shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 30 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the Corporation, or any Owner (on behalf of himself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Corporation and its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee under the Indenture; but, nevertheless, at the written request of the Corporation or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions therein set forth. Upon request of the successor Trustee, the Corporation and the County shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this paragraph, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts under the Indenture by first-class mail, postage prepaid, to the Owners at their addresses listed in the bond register.

(e) Any Trustee appointed under these provisions shall be a trust company, authority or bank having the powers of a trust company, having a corporate trust office in California, having a combined capital and surplus of at least $100,000,000, and subject to supervision or examination by federal or state authority. If such bank authority or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this paragraph the combined capital and surplus of such bank authority 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. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this paragraph (e), the Trustee shall resign immediately in the manner and with the effect specified as set forth in the Indenture.

(f) No provision in the Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it.

(g) The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the Revenues.

(h) The Trustee shall not be accountable for the use or application by the Corporation, the County or any other party of any funds which the Trustee has released under the Indenture.

(i) The Trustee may employ attorneys, agents or receivers in the performance of any of its duties under the Indenture and shall not be answerable for the misconduct of any such attorney, agent or receiver selected by it with reasonable care.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Indenture, shall succeed to the rights and obligations of such Trustee without the execution or filing of any paper or any further act, anything therein to the contrary notwithstanding.

Liability of Trustee.

(a) The recitals of facts therein and in the Bonds contained shall be taken as statements of the Corporation, and the Trustee assumes no responsibility for the correctness of the same, and makes no representations as to the validity or sufficiency of the Indenture, the Master Site Lease, the Master Lease or of the Bonds, and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties thereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee and, to the extent permitted by law, may act as depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture, except for actions arising from the negligence or willful misconduct of the Trustee. The permissive right of the Trustee to do things enumerated thereunder shall not be construed as a mandatory duty.

(e) The Trustee shall not be deemed to have knowledge of any Event of Default under the Indenture or under the Master Lease unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at the Corporate Trust Office of the Trustee. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee and may rely conclusively on the Certificates provided thereunder to establish the compliance with financial covenants thereunder.

(f) All indemnifications and releases from liability granted therein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(g) The Trustee shall have no responsibility or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(h) Before taking any action under the provisions of the Indenture summarized in the section entitled, "MASTER TRUST INDENTURE—Events of Default and Remedies" or in "MASTER TRUST INDENTURE—The Trustee—Liability of Trustee" hereinabove at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

In accepting the trust created by means of the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity, and all persons, including, without limitation, the Owners, the County and the Corporation, having any claim against the Trustee arising from the Indenture shall look only to the funds and accounts held by the Trustee thereunder for payment, except as otherwise provided therein or where the Trustee has breached its standard of care as described in this section. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

Amendments of the Indenture

(a) The Indenture and the rights and obligations of the Corporation, the County and of the Owners may be modified and amended at any time by a Supplemental

Indenture which shall become binding when the written consent of the Owners of at least 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 shall (i) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Corporation to pay the interest on or principal of or redemption premium, if any, on any Bond at the time and place and at the rate and in the currency provided therein without the express written consent of the Owner of such Bond; (ii) permit the creation by the Corporation of any pledge of the Revenues as provided therein superior to or on a parity with the pledge created thereby for the benefit of the Bonds; or (iii) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) This Indenture and the rights and obligations of the Corporation, of the Trustee and of the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Corporation and the Trustee may enter into with the consent of the County, but without the necessity of obtaining the consent of any Owners of the Bonds, for any purpose that will not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Corporation by means of the Indenture;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Corporation or the Trustee may deem necessary or desirable;

(iii) to modify, amend or supplement the Indenture in such a manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to facilitate and implement any book entry system (or any termination of a book entry system) with respect to the Bonds;

(v) to provide for the issuance, execution, delivery and payment of any Series of Bonds and to provide the terms of such Series of Bonds, subject to the conditions and upon compliance with the procedure set forth in the Indenture;

(vi) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code;

(vii) to permit the Trustee to comply with any duties imposed upon it by law;

(viii) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture;

(ix) to make any amendments appropriate or necessary to provide for or facilitate the delivery of any credit enhancement for any Bonds; or

(x) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the Owners of the Bonds then Outstanding.

The Trustee shall have the right to require such opinions of counsel as it deems necessary concerning the lack of material effect of the amendment on the Owners of the Bonds.

Events of Default

Any one or more of the following events shall be called an "Event of Default" under the Indenture:

(a) default in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) default in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) default by the Corporation or the County in the performance of any of the other agreements or covenants required therein to be performed by the Corporation or the County, respectively, and such default shall have continued for a period of 60 days after the Corporation and/or the County, as applicable, shall have been given notice in writing of such default by the Trustee;

(d) the Corporation or the County shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Corporation or the County seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the Corporation or the County or of the whole or any substantial part of its property; or

(e) the occurrence and continuation of an event of default under and as defined in the Master Lease.

Proceedings by Trustee.

(a) Upon the happening and continuance of any Event of Default the Trustee in its sole discretion may, and at the written request of the Owners of not less than a majority in aggregate principal amount of Bonds Outstanding shall, do the following:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Corporation to enforce all rights of the Owners of Bonds, including the right to require the Corporation to receive and collect Revenues and to enforce its rights under the Master Lease and to require the Corporation to carry out any other covenant or agreement with Owners of Bonds and to perform its duties under the Indenture;

(ii) bring suit upon the Bonds; and

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners.

(b) Notwithstanding the foregoing, neither the Indenture nor the Bonds provide for the remedy of acceleration of principal or interest due with respect to the Bonds prior to their stated due dates.

Application of Moneys.

(a) Any moneys received by the Trustee pursuant to this section, together with any moneys which upon the occurrence of an Event of Default are held by the Trustee in any of the funds and accounts under the Indenture (other than the Rebate Fund and other than moneys held for Bonds not presented for payment) shall, after payment of all fees and expenses of the Trustee, and the fees and expenses of its counsel, be applied as follows:

(i) unless the principal of all of the Outstanding Bonds shall be due and payable:

(A) FIRST, to the payment of the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

(B) SECOND, to the payment of the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and premium, if any, on such Bonds due on any particular date, then to the payment ratably, according to the amount due on such date, to the persons entitled thereto without any discrimination or privilege; and

(C) THIRD, to be held for the payment to the persons entitled thereto as the same shall become due of the principal of, interest, and premium, if any, on the Bonds, which may thereafter become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full such principal and premium, if any, due on any particular date, together with interest then due and owing thereon, payment shall be made in accordance with the FIRST and SECOND paragraphs hereof;

(ii) if the principal of all of the Outstanding Bonds shall be due and payable, to the payment of the principal, and premium, if any, and interest then due and unpaid upon the Outstanding Bonds without preference or priority of any of principal, premium or interest over the others or of any installment of interest, or of any Outstanding Bond over any other Outstanding Bond, ratably, according to the amounts due respectively for principal, premium, and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective amounts of interest specified in the Outstanding Bonds.

(b) Whenever moneys are to be applied pursuant to the provisions of this section such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The Trustee shall give, by mailing by first-class mail as it may deem appropriate, such notice of the deposit with it of any such moneys.

Defeasance

Discharge of Bonds.

(a) If the Corporation shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated in the Indenture, then the Owners of such Bonds shall cease to be entitled to the pledge of the Revenues as provided therein, and all agreements, covenants and other obligations of the Corporation to the Owners of such Bonds thereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Corporation all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the Corporation all money or securities held by it pursuant thereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Subject to the provisions of paragraph (a) above, when any of the Bonds shall have been paid and if, at the time of such payment, the Corporation shall have kept, performed and observed all the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by the

Corporation or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Indenture and such lien and all covenants, agreements and other obligations of the Corporation thereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

(c) Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption premium, if any, and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, those provisions of the Indenture contained in the Indenture relating to the compensation and indemnification of the Trustee shall remain in effect and shall be binding upon the Trustee and the Corporation.

(d) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in paragraphs (a), (b) and (c) above if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the redemption procedures of any Supplemental Indenture, notice of redemption of such Bonds on said redemption date, said notice to be given in accordance with the relevant Supplemental Indenture; and (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or Defeasance Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States of America), the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall, as verified by an independent certified public accountant, be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be; or (B) the principal of and redemption premiums, if any, with respect to such Bonds. Defeasance Securities deposited with the Trustee may be replaced with other Defeasance Securities and profits, gains, income and any other economic benefits arising from such substitution shall inure to the benefit of, and be paid to, the County.

Unclaimed Money. Notwithstanding the foregoing, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for one year after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for one year after the date of deposit of such money if deposited with the Trustee shall be repaid by the Trustee to the Corporation, and thereafter the holders of such Bonds shall look only to the Corporation for payment and the Corporation shall be obligated to make such payment, but only to the extent of the amounts so received without any interest thereon, and neither the Trustee nor any paying agent, if any, shall have any responsibility with respect to any of such moneys. The Corporation under the Indenture recognizes that while any Bonds are Outstanding in book-entry only form there should be no unclaimed moneys.

FIRST SUPPLEMENTAL TRUST INDENTURE

In addition to certain information contained under the captions "DESCRIPTION OF THE SERIES 2014 BONDS," "PLAN OF REFUNDING," and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2014 BONDS" in the forepart of this Official Statement, the following is a summary of certain provisions of the First Supplemental Trust Indenture and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the First Supplemental Trust Indenture.

Terms of the Series 2014 Bonds

The First Supplemental Indenture sets forth the terms of the Series 2014 Bonds, most of which terms are described in the forepart of this Official Statement under "DESCRIPTION OF THE SERIES 2014 BONDS."

Establishment of Funds

Pursuant to the First Supplemental Indenture, the Trustee will establish the following special trust funds and accounts, which the Trustee agrees in the First Supplemental Indenture to maintain and keep separate and apart from all other funds, accounts and moneys held by the Trustee so long as the Series 2014 Bonds are Outstanding: the Series 2014 Interest Account within the Series 2014 Bond Account within the Bond Fund, the Series 2014 Principal Account within the Series 2014 Bond Account within the Bond Fund, the Series 2014A Costs of Issuance Fund, the Series 2014B Costs of Issuance Fund, the Series 2014B GSA Payments Fund, the 2014B GSA Payment Account, the Excess GSA Payments Account, and the Series 2014A Rebate Account within the Rebate Fund.

The Trustee shall make deposits into the Series 2014 Interest Account and Series 2014 Principal Account within the Bond Fund as follows:

Series 2014 Interest Account. The Trustee shall deposit into the Series 2014 Interest Account (a) amounts received from the Corporation to be used to pay interest on the Series 2014 Bonds. The Trustee shall also deposit into the Series 2014 Interest Account any other amounts deposited with the Trustee for deposit in the Series 2014 Interest Account or transferred from other funds and accounts for deposit therein including amounts designated for prepayment or redemption of the Series 2014 Bonds. Earnings on the Series 2014 Interest Account shall be retained in such account.

Series 2014 Principal Account. The Trustee shall deposit into the Series 2014 Principal Account amounts received from the Corporation to be used to pay principal of the Series 2014 Bonds at maturity. The Trustee shall also deposit into the Series 2014 Principal Account any other amounts deposited with the Trustee for deposit into the Series 2014 Principal Account or transferred from other funds and accounts for deposit therein, including amounts designated for the prepayment or redemption of the Series 2014 Bonds. All moneys remaining in the Series 2014 Principal Account fifteen (15) days following the Principal Payment Dates shall be transferred to the Series 2014 Interest Account for the payment of interest on the Series 2014 Bonds.

The Bond Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

Series 2014A Costs of Issuance Fund and Series 2014B Costs of Issuance Fund.

(a) The proceeds of the Series 2014A Bonds deposited in the Series 2014A Costs of Issuance Fund and the proceeds of the Series 2014B Bonds deposited in the Series 2014B Costs of Issuance Fund, respectively, will be disbursed by the Trustee from time to time upon receipt from the Corporation of a written requisition executed by an Authorized Representative of the Corporation, which requisition shall state, with respect to each amount requested thereby, (i) the Account, if any, within the Series 2014A Costs of Issuance Fund or Series 2014B Costs of Issuance Fund, respectively, from which such amount is to be paid, (ii) that such amount is to be paid from such Account, if any, of the Series 2014A Costs of Issuance Fund or Series 2014B Costs of Issuance Fund, respectively, (iii) the number of the requisition, (iv) the amount to be paid, the name of the entity, if other than the Corporation, to which the payment is to be made and the manner in which the payment is to be made and (v) describe the Costs of Issuance represented by such payment.

(c) Moneys held in the Series 2014A Costs of Issuance Fund and in the Series 2014B Costs of Issuance Fund shall be invested and reinvested as directed by the Corporation in Permitted Investments.

(d) Earnings on the Series 2014A Costs of Issuance Fund and the Series 2014B Costs of Issuance Fund shall be deposited into the Series 2014A Interest Account or the Series 2014B Interest Account, respectively. Any amounts remaining in the Series 2014A Costs of Issuance Fund on December 5, 2014, shall be transferred to the Series 2014A Interest Account and the Series 2014A Costs of Issuance Fund shall be closed. Any amounts remaining in the Series 2014B Costs of Issuance Fund on December 5, 2014, shall be transferred to or the Series 2014B Interest Account and the Series 2014B Costs of Issuance Fund shall be closed.

Series 2014B GSA Payments Fund. GSA Payments received by the Trustee shall be deposited in the Series 2014B GSA Payments Account. Upon receipt of each monthly GSA Payment, the Trustee shall transfer from the GSA Payments Account and deposit (i) into the Series 2014 Interest Account, an amount equal to one-sixth (1/6th) of the interest due with respect to the Series 2014B Bonds on the next succeeding Interest Payment Date and (ii) into the Series 2014 Principal Account, an amount equal to one-twelfth (1/12th) of the principal due with respect to the Series 2014B Bonds on the next succeeding Principal Payment Date in accordance with the terms of this First Supplemental Indenture. Thereafter any remaining balance in the Series 2014B GSA Payments Account shall be transferred to the Excess GSA Payments Account. Any delinquent GSA Payments deposited in the GSA Payments Account shall be applied first to the payment of interest payments past due, and second to the payment of principal payments past due according to the tenor of any Series 2014B Bond.

On any Business Day, the Trustee shall transfer all amounts on deposit in the Excess GSA Payments Account as the County may direct in writing free and clear of any lien thereon created by the First Supplemental Indenture. The County may, at any time and from time to time, at its option, transfer amounts to the Trustee to be held in the Excess GSA Payments Account and shall have all rights to direct the disbursement of such amounts as provided in the First Supplemental Indenture.

Series 2014 Rebate Account. The Corporation hereby agrees that it will enter into the Tax Certificate and will, pursuant to this First Supplemental Indenture, create the Series 2014A Rebate Account, within the Rebate Fund created and established by the Master Trust Indenture, which fund will be funded if so required under the Tax Certificate and amounts in such Series 2014A Rebate Account shall be held and disbursed in accordance with the Tax Certificate.

MASTER LEASE AGREEMENT

The following is a summary of certain provisions of the Master Lease Agreement and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Lease Agreement.

Master Lease of the Property; Title to the Property

(a) The Corporation by means of the Master Lease subleases the Property to the County, and the County by means of the Master Lease subleases the Property from the Corporation, on the terms and conditions set forth in the Master Lease. The County thereby agrees and covenants during the Term of the Master Lease that, except as therein expressly provided, it will use the Property solely for public and municipal purposes so as to afford the public the benefit contemplated by the Master Lease and so as to permit the Corporation to carry out its agreements and covenants contained in the Indenture and further agrees that it will not abandon or vacate the Property.

(b) During the Term of the Master Lease, the Corporation shall hold leasehold title to the Property and any and all additions which comprise fixtures, repairs, replacements or modifications thereof, except for any items added to the Property by the County pursuant to the Master Lease.

The County and the Corporation expressly acknowledge that certain GSA Lease Agreement, pursuant to which the GSA has leased the Property. The leasehold interest granted pursuant to the GSA Lease Agreement is subordinate to the leasehold interest granted pursuant to the Master Lease. The County shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Master Lease, notwithstanding any subletting or granting of concessions which may be made.

Nothing contained in the Master Lease shall be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in the Master Lease or to relieve the County from any other obligations contained therein.

(c) If both the Trustee's and the County's estate under the Master Lease or any other lease relating to the Property or any portion thereof shall at any time for any reason become vested in one owner, the Master Lease and the estate created thereby shall not be destroyed or terminated by the doctrine of merger unless the County and the Trustee so elect as evidenced by recording a written declaration so stating; and unless and until the County and the Trustee so elect, the Corporation shall continue to have and hold a leasehold estate in the Property pursuant to the Master Site Lease throughout the Term thereof and the term of the Master Lease, and the Master Lease shall be deemed and constitute a sublease of the Property. The County by means of the Master Lease covenants not to permit or consent to any such merger as long as any Bonds are Outstanding.

Term of Agreement

The term of the Master Lease shall commence on the Closing Date and shall end on the Expiry Date, unless such Expiry Date is otherwise terminated or extended as provided in the Master Lease. If on the Expiry Date, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under the Master Lease shall have been abated at any time and for any reason, then the Term of the Master Lease shall be extended until the Indenture shall be discharged by its terms (but not later than 10 years after the then existing Expiry Date). If prior to the Expiry Date, the Indenture shall be discharged by its terms, the Terms of the Master Lease shall thereupon end.

Possession

The County agrees to accept possession and use of the Property as the owner of the leasehold interest thereof on the Closing Date, and shall pay the first Base Rental Payment with respect to the Property following the commencement of use and occupancy of the same by the County.

Master Lease Payments, Base Rental Payments

Base Rental Payments. Subject to the provisions of the Master Lease, the County agrees to pay to the Corporation, its successors and assigns, as rental for the use and occupancy of the Property during each Base Rental Period, the Base Rental Payments for all of the Property in the respective amounts as set forth in the Base Rental Payment Schedule attached to the Master Lease as Exhibit B, to be due and payable on the respective Base Rental Payment Dates specified in Exhibit B, plus the Additional Payments required under of the Master Lease; and provided, further, no Base Rental Payment need be made to the extent any Capitalized Interest is used pursuant to the Indenture or Supplemental Indenture, as supplemented to make such Base Rental Payment. Any amount held in an Interest Account or a Principal Account of the Bond Fund on any Base Rental Payment Date (other than amounts resulting from the prepayment of the Base Rental Payments in part but not in whole pursuant to the Master Lease and other amounts required for payment of past due principal of or interest on any Bonds not presented for payment or otherwise) shall be credited towards the Base Rental Payment next due and payable; and no Base Rental Payment need be made on any Base Rental Payment Date if the amounts then held in an Interest Account and a Principal Account of the Bond Fund and available for such purpose are at least equal to the Base Rental Payment then required to be paid. The Master Lease Payments for the Property payable in any Base Rental Period shall be for the use of such Property for such Base Rental Period. Notwithstanding any dispute between the Corporation and the County, the County shall make all Base Rental Payments when due, without deduction or offset, and shall not withhold any Base Rental Payment pending final resolution of the dispute. The County's obligation to make Base Rental Payments shall not be contingent on the GSA's performance under the GSA Lease Agreement.

Rate on Overdue Payments. If the County should fail to make any of the Base Rental Payments required in the Master Lease, the payment in default shall continue as an obligation of the County until the amount in default shall have been fully paid. The County by means of the Master Lease agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate equal to the applicable Bond Yield (or, if less, the maximum rate permitted by law).

Fair Rental Value. The Master Lease Payments for the Property for each Base Rental Period shall constitute the total rental for such Property for such Base Rental Period or portion thereof, and shall be paid by the County in each Base Rental Period for and in consideration of the right of the use of, and the continued quiet use and enjoyment of the Property during such Base Rental Period. The parties under the Master Lease have agreed and determined that the total Master Lease Payments for the Property for any Base Rental Period is not greater than the total fair rental value of the Property for such Base Rental Period. In making such determination, consideration has been given to the appraised or market value of the Property, the cost of improvements made or to be made to the Property, the replacement costs of existing improvements on the Property, third party or County appraisals, and other obligations of the parties under the Master Lease, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public. The parties by the Master Lease acknowledge that the parties may amend the Master Lease from time to time to increase the Base Rental Payments payable thereunder so that Additional Bonds may be executed and delivered pursuant to the Master Lease and the Indenture. Notwithstanding anything to the contrary contained in the Master Lease, the Master Lease may not be amended in a manner such that the sum of the Base Rental Payments (including Base Rental Payments payable pursuant to such amendment) and Additional Rental with respect to Outstanding Bonds and Additional Bonds, in any Base Rental Period is in excess of the annual fair rental value of the Property and other land and improvements leased to the County thereunder for such Base Rental Period, after giving effect to the application of proceeds of any Additional Bonds executed and delivered in connection therewith.

Budget and Appropriation. The County covenants to take such action as may be necessary to include all Master Lease Payments due thereunder in its annual budgets and to make the necessary annual appropriations for all such Master Lease Payments. In so providing for the payment of Master Lease Payments in its annual budgets, the County may take into account moneys on deposit in the various funds and accounts under the Indenture that are properly available to make Master Lease Payments. In addition, to the extent permitted by law, the County covenants to take such action as may be necessary to amend or supplement the budget appropriations for payments under the Master Lease at any time and from time to time during any fiscal year in the event that the actual Master Lease Payments paid in any fiscal year exceeds the pro rata portion of the appropriations then contained in the County's budget. The covenants on the part of the County therein contained 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 official to enable the County to carry out and perform the covenants and agreements in the Master Lease agreed to be carried out and performed by the County. The obligations of the County to make Base Rental Payments or Additional Payments do not constitute obligations 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 of the County to make Base Rental Payments or Additional Payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Assignment. The County understands and agrees that the Master Lease and the right to receive all Base Rental Payments have been assigned by the Corporation to the Trustee in trust for the benefit of the Owners of the Bonds pursuant to the Assignment Agreement and the Indenture, and the County by means of the Master Lease consents to such assignment. The Corporation by means of the Master Lease directs the County, and the County thereby agrees to pay to the Trustee at the Corporate Trust Office of the Trustee, all payments payable by the County pursuant to the provisions of the Master Lease summarized above under the caption "MASTER LEASE AGREEMENT —Master Lease Payments, Base Rental Payments" and all amounts payable by the County pursuant to article of the Master Lease related to the prepayment of the Master Lease Payments.

Application of Master Lease Payments. All Master Lease Payments received shall be applied: first to the Base Rental Payments due under the Master Lease (including any prepayment premium components); and thereafter to all Additional Payments due under the Master Lease, but no such application of any payments which are less than the total Master Lease Payments due and owing shall be deemed a waiver of any default under the Master Lease.

Quiet Enjoyment

During the Term of the Master Lease, the Corporation shall provide the County with quiet use and enjoyment of the Property, and the County shall during such Term peaceably and quietly have and hold and enjoy the Property, without suit, trouble or hindrance from the Corporation, except as expressly set forth in the Master Lease. The Corporation will, at the request of the County and at the County's cost, join in any legal action in which the County asserts its right to such possession and enjoyment to the extent the Corporation may lawfully do so. Notwithstanding the foregoing, the Corporation shall have the right to inspect the Property as provided in the Master Lease.

Leasehold Interest

During the Term of the Master Lease, the Corporation shall hold a leasehold interest in the Property. If the County prepays the Master Lease Payments for all of the Property in full pursuant to the Master Lease or pays all Master Lease Payments for all of the Property during the Term of the Master Lease as the same become due and payable, all right, title and interest of the Corporation in the Property, respectively, shall be transferred to and vested in the County and the Master Site Lease and the Master Lease shall terminate with respect to such Property.

Additional Payments

In addition to the Base Rental Payments, the County shall pay as Additional Payments: (a) all taxes, fees or assessments levied upon the Property or upon any interest therein of the Corporation or the Trustee; (b) insurance premiums, if any, on insurance required under the Master Lease; (c) all fees and expenses of the Trustee, and expenses of the County required to comply with the Master Lease and the Indenture; (d) any other fee, costs, or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Master Lease or the Indenture, including any amounts necessary to indemnify and defend the Corporation; and (e) any amounts required to be paid to the United States government pursuant to Section 148 of the Internal Revenue Code.

Additional Payments due under this section shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or within 30 days after notice in writing from the Trustee to the County stating the amount of Additional Payments then due and payable and the purpose therefor.

Additional Bonds

In addition to the Series 2014 Bonds to be executed and delivered under the Indenture, the Corporation may, from time to time at the request of the County, but only upon satisfaction of the conditions to the execution and delivery of an additional Series of Bonds set forth in the Indenture, enter into a Supplemental Indenture to authorize such additional Series of Bonds the proceeds of which may be used as provided in the Indenture and as provided in the Supplemental Indenture; provided that prior to or concurrently with the execution and delivery of such Bonds, the County and the Corporation shall have entered into an amendment to the Master Lease providing for an increase in the Base Rental Payments to be made under the Master Lease to pay Annual Debt Service on such additional Series of Bonds, subject to the limitations set forth in the provisions of the Master Lease summarized above under the caption, "MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Fair Rental Value*."

Maintenance; Utilities, Taxes and Assessments

During the Term of the Master Lease, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County. In exchange for the Master Lease Payments provided under the Master Lease, the Corporation agrees to sublease the Property to the County. The County shall, at its own expense, during the Term of the Master Lease maintain the Property, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Property which is destroyed; provided that the County shall not be required to repair or replace any such portion of the Property pursuant to Section 4.01 of the Master Lease if there shall be applied to the prepayment of Base Rental Payments insurance proceeds or other legally available funds sufficient to prepay (a) all of the Bonds Outstanding, or (b) any portion thereof relating to the Property or such portion thereof and the Base Rental Payments allocable to the remaining portion of the Property equals the pro rata portion of Base Rental Payments allocable to the Bonds Outstanding after such prepayment. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Property. It is understood and agreed that in consideration of the payment by the County of the rental provided for in the Master Lease, the County is entitled to occupy and use the Property, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Property during the Term of the Master Lease. The Corporation shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Property. The County by means of the Master Lease expressly waives the right to make repairs or to perform maintenance of the Property at the expense of the Corporation and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the Civil Code of the State relating thereto. The County shall keep the Property free and clear of all liens, charges and encumbrances, subject only to the provisions of the Master Lease summarized under the caption "MASTER LEASE AGREEMENT—Liens." The County shall pay for the furnishing of all utilities which may be used in or upon the Property during the Term of the Master Lease. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

The County shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Corporation or the County affecting the Property or the respective interests therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as are required to be paid during the Term of the Master Lease as and when the same become due.

The County may, at the County's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the County that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Corporation in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the County shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation and the Trustee.

Modification of Property

The County shall, at its own expense, have the right to make additions, modifications and improvements to the Property. All such additions, modifications and improvements, including those which comprise fixtures, repairs, replacements, additions or modifications to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Master Lease. The County shall have the right to conduct a survey of any parcel of land constituting any Property and to alter or change the boundaries of said parcel as a result of said survey so long as such change or alteration does not interfere with the improvements constructed on said parcel and so long as the remaining parcel together with the improvements thereon does not have a fair rental value less than the Base Rental Payments attributable to said Property. Additions, modifications and improvements shall not cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and such Property, upon completion of any additions, modifications and improvements made thereto pursuant to this section, shall have a fair rental value which is approximately equal to or greater than the fair rental value of the Property immediately prior to the making of such additions, modifications and improvements. The County will not permit any mechanic's or other lien to be established or remain against any of the Property for labor or materials furnished in connection with any repair or replacements made by the County pursuant to this section; provided that if any such lien is established and the County shall first notify the Corporation (or cause the Corporation to be notified) of the County's intention to do so, the County may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Corporation with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Corporation. The Corporation will cooperate fully in any such contest, upon the request and at the expense of the County.

Liens

The County and the Corporation will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Property, except Permitted Encumbrances, and except those incident to the execution and delivery of Additional Bonds and the Initial Bonds as contemplated by the Indenture. The County and the Corporation will not sell or otherwise dispose of the Property or any property essential to the proper operation of the Property, except as otherwise provided in the Master Lease.

Notwithstanding anything to the contrary contained in the Master Lease, the County may assign, transfer or sublease any and all of the Property or its other rights thereunder; provided that (a) the rights of any assignee, transferee or sublessee shall be subordinate to all rights of the Corporation thereunder; (b) no such assignment, transfer or sublease shall relieve the County of any of its obligations thereunder; (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 Master Lease; (d) any such assignment, transfer or sublease shall by its terms expressly provide that the fair rental value of the Property for all purposes shall be first allocated to the Master 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 Property unless concurrently with granting such remedy the same shall be also granted thereunder by an amendment to the Master Lease which shall in all instances be prior to and superior to any such assignment, transfer or sublease. Except as expressly provided in the Master Lease, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, for which it is responsible, if the same shall arise at any time. The County shall reimburse the Corporation for any expense incurred by it in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim.

Substitution, Removal or Addition of Property

(a) The County may amend the Master Lease and the Master Site Lease to (i) substitute other real property and/or improvements (the "Substituted Property") for all or any portion of the existing Property; (ii) remove all or a portion of real property (including undivided interests therein) and/or improvements ("Removal") from the definition of Property; or (iii) add real property and/or improvements ("Added Property") to the Property, upon compliance with all of the conditions set forth in paragraph (b) below. After a Substitution or Removal, the part of the Property for which the Substitution or Removal has been effected shall be released from under the leasehold of the Master Lease and the Master Site Lease.

(b) No Substitution, Addition or Removal shall take place under the Master Lease and under the Master Site Lease until the County delivers to the Corporation and the Trustee the following:

(i) executed counterparts (in proper recordable form) of amendments to the Master Site Lease and the Master Lease, containing: (A) in the event of a Removal, a legal description of all or part of the Property to be released; (B) in the event of a Substitution, a legal description of the Substituted Property to be substituted in its place; and (C) in the case of an Addition, a legal description of the Added Property;

(ii) a Certificate of the County (A) stating that the total fair rental value (which may be based on, but not limited to, the construction or acquisition cost or replacement cost of such Substitution or Addition to the County) of the property that will constitute the Property after such Addition, Substitution or Removal, for the remaining Term of the Master Lease, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due in the then current Base Rental Period or in any subsequent Base Rental Period during the Term of the Master Lease; provided, however, at the sole discretion of the County, in the alternative, in the event of a Substitution only, the Certificate of the County may evidence that the annual fair rental value of the new property is at least equal to that of the Substituted Property; (B) stating that the useful life of the Property after Substitution or Removal equals or exceeds the remaining term of the Master Lease and (C) in the case of any Addition or Substitution, stating that such Added Property or Substituted Property, as applicable, is essential to the performance of the governmental functions of the County;

(iii) an Opinion of Bond Counsel to the effect that (A) the amendments to the Master Lease and to the Master Site Lease contemplating Substitution, Addition or Removal have been duly authorized, executed and delivered and the Master Lease and the Master Site Lease as so amended constitute the valid and binding obligations of the County and the Corporation enforceable in accordance with their terms; and (B) the Substitution, Addition or Removal is authorized or permitted under the Master Lease;

(iv) with respect to an Addition or Substitution of property, a leasehold owner's title insurance policy or policies or a commitment for such policy or policies or an amendment or endorsement to an existing title insurance policy or policies, resulting in title insurance with respect to the Property after such Addition or Substitution in an amount at least equal to the aggregate principal amount of Bonds Outstanding; each such insurance instrument, when issued, shall name the Corporation and Trustee as the insured, and shall insure the leasehold estate of the Corporation and the Trustee, as assignee of the Corporation, in such real property subject only to Permitted Encumbrances;

(v) in the event of a Substitution or Addition, an opinion of the County Attorney of the County to the effect that the exceptions, if any, contained in the title insurance policy referred to in clause (iv) above (A) constitute Permitted Encumbrances; and (B) do not substantially interfere with the use and occupancy of the Substituted Property or Added Property described in such policy by the County for the purposes of leasing or using the Substituted Property or Added Property;

(vi) an Opinion of Bond Counsel that the Substitution, Addition and/or Removal does not cause the interest on any Bonds issued on a tax-exempt basis 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 the Master Lease with respect to the Substituted Property or Added Property.

Damage; Eminent Domain

The County covenants that if the Property is damaged in a manner which substantially interferes with its use, such Property will be promptly repaired or replaced at the County's expense, unless (a) such damage would not result in the abatement of any portion of the Master Lease Payments; or (b) the County elects to apply the proceeds of insurance and any other legally available funds to the redemption of Bonds pursuant to Sections 6.07 and 2.03(b) of the Indenture such that the remaining Base Rental Payments for the undamaged Property will not be reduced pursuant to Section 5.03 of the Master Lease. If all of the Property shall be taken permanently under the power of condemnation or eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Master Lease shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily, under the power of eminent domain, (a) the Master Lease shall continue in force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary; and (b) there shall be a partial abatement of Master Lease Payments as a result of the application of the Net Proceeds of any condemnation or eminent domain award to the prepayment of the Master Lease Payments under the Master Lease, in an amount to be agreed upon by the County and the Corporation such that the resulting Master Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any of the Property by fire or other casualty shall be deposited in the Insurance Proceeds and Condemnation Awards Fund by the Trustee promptly upon receipt thereof and applied as set forth in Section 6.07 of the Indenture.

From Eminent Domain Award. The Net Proceeds of any condemnation or eminent domain award resulting from any event described in Section 5.01 of the Master Lease shall be deposited in the Insurance Proceeds and Condemnation Awards Fund and applied as set forth in Section 6.07 of the Indenture.

Abatement of Rent

Except to the extent of (a) amounts held by the Trustee in the Bond Fund or in a Reserve Fund, if any; (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, or condemnation, there is substantial interference with the use and possession by the County of any portion of the Property, Master Lease Payments due under the Master Lease with respect to the Property shall be abated to the extent that the total fair rental value of the portion of the Property in respect of which there is no substantial interference is less than the remaining scheduled Base Rental Payments and Additional Payments, in which case Master Lease Payments shall be abated only by an amount equal to the difference. Such abatement shall continue for the period commencing with the date of such damage, destruction, title defect or condemnation and end with the restoration of the Property or portion thereof to tenantable condition or correction of title defect or substantial completion of the work of repair or replacement of the portions of the Property so damaged, destroyed, defective or condemned. For purposes of determining the annual fair rental value available to pay Base Rental Payments and Additional Payments, annual fair rental value of the Property shall first be allocated to the Master Lease as summarized in the section above entitled, "MASTER LEASE AGREEMENT—Master Lease Payments, Base Rental Payments—*Application of Master Lease Payments*."

Any abatement of Master Lease Payments pursuant to this section shall not be considered an Event of Default as defined in the Master Lease, but shall result in the extension of the Expiry Date by a period equal to the period of abatement for which Base Rental Payments have not been paid in full (but in no event later than 10 years after the then existing Expiry Date), and Base Rental Payments for such extension period shall be equal to the unpaid Base Rental Payments during the period of abatement but without interest thereon. The County waives the benefits of Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Master Lease by virtue of any such interference and the Master 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 Property so damaged, destroyed, defective or condemned.

In the event that Master Lease Payments are abated, in whole or in part, pursuant to this section due to damage, destruction, title defect or condemnation of any part of the Property and the County is unable to repair, replace or rebuild the 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 Property.

The County under the Master Lease acknowledges and agrees that during any period of abatement with respect to all or any part of the Property, the Trustee on behalf of the County shall use the proceeds of use and occupancy insurance and moneys on deposit in the Reserve Fund, if any, to make payments of principal and interest on the Bonds.

The County has the option, but not the obligation, to deliver Substituted Property for all or a portion of the Property pursuant to the Master Lease, as summarized below under the caption entitled, "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property," during any period of abatement.

Insurance

Fire and Extended Coverage Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, a policy or policies of property insurance against loss or damage to the Property known as "all risk," including earthquake (as scheduled) and flood. Such insurance shall be maintained with respect to the Property at any time in an amount not less than the aggregate principal amount of Bonds at such time Outstanding with respect to the Property. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) $50,000, in the case of all risk insurance; (ii) in the case of flood insurance, 2% of the value per structure with respect to locations situated within a 100-year flood plain (as defined by FEMA), subject to a minimum of $100,000 and a maximum of $500,000 per occurrence; and (iii) 5% of total value per structure per occurrence subject to a $100,000 minimum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance under this clause is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Property in accordance with the provisions of the Master Lease; provided further, in the case of earthquake insurance, the County need not self-insure against earthquake damage if earthquake insurance is not available from reputable insurers at a reasonable cost.

Liability Insurance. Except as hereinafter provided, the County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Property. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however, that the County's obligations with respect to liability insurance may be satisfied by self-insurance.

Rental Interruption or Use and Occupancy Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, rental interruption insurance from a provider rated at least "A" by A.M. Best & Company to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by the insurance required with respect to fire and extended coverage insurance described above in an amount sufficient at all times to pay the total rent payable under the Master Lease with respect to the Property for a period adequate to cover the period of repair or reconstruction; provided, however, that the amount payable under such policy shall not be less than the amount equal to two years' maximum Base Rental Payments; and provided further that the County's obligations under this paragraph shall not be satisfied by self insurance.

Title Insurance. The County shall obtain, for the benefit of the Corporation and the Trustee, upon the execution and delivery of the Master Lease, a CLTA title insurance policy on the Property in an amount equal to the aggregate principal amount of the Bonds, issued by a company of recognized standing duly authorized to issue the same, subject only to Permitted Encumbrances.

Boiler and Machinery Insurance. The County shall procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Master Lease, 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 Premises in an amount not less than $2,000,000 per accident.

Insurance Proceeds; Form of Policies. All policies or certificates of insurance issued by the respective insurers or insurance with the exception of workers' compensation insurance, shall provide that such policies or certificates shall not be canceled or materially changed without at least 30 days' prior written notice to the Trustee. A certificate executed by an Authorized Representative of the County certifying that such policies required or self-insurance permitted by the Master Lease have been obtained and that the requirements of the Master Lease have been fulfilled shall be deposited with the Trustee by the County before December 31 of each calendar year. To the extent to which the County self-insures, the County's risk manager, or an independent insurance consultant, shall certify to the Trustee before December 31 of each calendar year, the sufficiency of such self-insurance. Certificates of commercial general liability and workers' compensation insurance shall be furnished by applicable insurers, unless the County chooses to self-insure against such liability (in which case the County shall provide the Trustee evidence of such self-insurance), and, at least 10 days prior to the expiration dates of such policies, if any, evidence of renewals or self-insurance shall be deposited with the Trustee.

All policies or certificates of insurance provided for herein shall name the County as a named insured, and the Corporation and its directors and the Trustee as additional insureds. All insurance policy claims payments received with respect to fire and extended coverage insurance, rental interruption insurance, title insurance or boiler and machinery insurance shall be deposited with the Trustee for application pursuant to the Indenture. All proceeds of liability insurance and worker's compensation, other than self-insurance, shall be deposited with the County.

Notwithstanding the foregoing, the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above..

Assignment by the Corporation

The Corporation's rights under the Master Lease, including the right to receive and enforce payment of the Master Lease Payments to be made by the County under the Master Lease have been pledged and assigned to the Trustee pursuant to the Assignment Agreement and the Indenture, to which pledge and assignment the County consents.

Amendment

The Master Lease and the Master Site Lease may be amended in writing as may be mutually agreed by the Corporation 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 and Additional 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 and Additional Bond so affected; or (b) reduce the percentage of the principal amount of the Bonds and Additional Bonds Outstanding the consent of the Owners of which is required for the execution of any amendment of the Master Lease.

Notwithstanding the foregoing, the Master Lease and the Master Site Lease may be amended without the consent of the Owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained therein required to be observed or performed by the County or the Corporation, other agreements, conditions, covenants and terms thereafter to be observed or performed by the County or the Corporation, or to surrender any right reserved therein to or conferred therein on the County or the Corporation, 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 therein or in regard to questions arising thereunder which the County or the Corporation may deem desirable or necessary and not inconsistent therewith, and which shall not materially adversely affect the interests of the Owners;

(c) to modify the legal description of the Property to add or delete the description of Property, or to provide for any Substitution, Addition and/or Removal;

(d) to make any modifications or changes to the Master Lease or the Master Site Lease including any increase or decrease in Base Rental Payments resulting therefrom in order to enable the execution and delivery of any Series of Additional Bonds (unless otherwise provided in any Supplemental Indenture) in accordance with the Indenture and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of any Series of Additional Bonds, and which shall not materially adversely affect the interests of the Owners;

(e) to make any modifications or amendments related to any Substitution, Addition and/or Removal under the Master Lease, summarized below under the caption entitled, "MASTER LEASE AGREEMENT—Substitution, Removal or Addition of Property"; or

(f) to make any other modification or change to the provisions of the Master Lease or the Master Site Lease which does not materially adversely affect the interests of the Owners of the Bonds.

Events of Default and Remedies

Events of Default. The following shall be "events of default" under the Master Lease and the terms "events of default" and "default" shall mean, whenever they are used in the Master Lease, with respect to the Property, any one or more of the following events:

(a) failure by the County to pay any Master Lease Payment or other payment required to be paid thereunder at the time specified therein, and the continuation of such failure for a period of 10 days; provided, that failure to deposit any Master Lease Payments abated pursuant to the Master Lease shall not constitute an event of default; or

(b) failure by the County to observe and perform any covenant, condition or agreement in the Master Lease on its part to be observed or performed, other than as referred to in clause (a) above, for a period of 60 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Corporation or the Trustee; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation and the Trustee shall not unreasonably withhold their consent to an extension of such time if the Trustee receives a certificate from an Authorized Representative of the County to the effect that corrective action is being instituted by the County within the applicable period and is being diligently pursued to correct the default; or

(c) the filing by the County of a voluntary petition in bankruptcy, or failure by the County promptly to lift any execution, garnishment or attachment, or adjudication of the County as a bankrupt, or assignment by the County for the benefit of creditors, or the entry by the County into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the County in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may thereafter be enacted.

Remedies on Default. Upon the happening of any Event of Default, the Trustee, as assignee of the rights of the Corporation pursuant to the Assignment Agreement, may exercise those remedies granted to it pursuant to law or thereunder, subject to the terms of the Master

Lease. The Trustee, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(a) to terminate the Master Lease in the manner provided by the Master Lease on account of default by the County, notwithstanding any retaking of possession or re-letting of the Property as thereinafter provided for in clause (b), and to retake possession of the Property. In the event of such termination, the County agrees to surrender immediately possession of the Property, without let or hindrance, and to pay the Trustee all damages recoverable at law that the Trustee may incur by reason of default by the County, including, without limitation, any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such retaking possession of the Property. Neither notice to pay rent nor to deliver up possession of the Property given pursuant to law nor any proceeding in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property nor the appointment of a receiver upon initiative of the Trustee to protect the Trustee's interest under the Master Lease shall of itself operate to terminate the Master Lease, and no termination of the Master Lease on account of default by the County shall be or become effective by operation of law or acts of the parties thereto, unless and until the Trustee shall have given written notice to the County of the election on the part of the Trustee to terminate the Master Lease; or

(b) without terminating the Master Lease, (i) to collect each installment of Base Rental Payments as it becomes due and enforce any other term or provision thereof to be kept or performed by the County, and/or (ii) to exercise any and all rights to retake possession of the Property. In the event the Trustee does not elect to terminate the Master Lease in the manner provided for in clause (b) hereof, the County shall remain liable and agrees to keep or perform all covenants and conditions therein contained to be kept or performed by the County and to pay the Base Rental Payments to the end of the term of the Master Lease or, in the event that the Property is re-let, to pay any deficiency in Base Rental Payments that results therefrom; and further agrees to pay said Base Rental Payments and/or any deficiency punctually at the same time and in the same manner as hereinabove provided for the payment of Base Rental Payments under the Master Lease (without acceleration), notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years Base Rental Payments in excess of the Base Rental Payments therein specified and notwithstanding any retaking of possession of the Property by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of obtaining possession of the Property. Should the Trustee elect to retake possession of the Property as provided in the Master Lease, the County thereby irrevocably appoints the Trustee as the agent and attorney-in-fact of the County to re-let the Property, or any items thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period as the Trustee may deem advisable and the County thereby indemnifies and agrees to save harmless the Trustee from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any retaking of possession of and re-letting of the Property by the Trustee or its duly authorized agents in accordance with the provisions therein contained. The County agrees that the terms of the Master Lease constitute full and sufficient notice of the right of the Trustee to re-let the Property in the event of such reentry without effecting a surrender of the Master Lease, and further agrees that no acts of the Trustee in effecting such re-letting shall constitute a surrender of termination of the Master Lease irrespective of the use or the term for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that on the contrary, in the event of such default by the County, the right to terminate the Master Lease shall vest in the Trustee to be effected in the sole and exclusive manner provided for in clause (a). The County further waives the right to Base Rental Payments obtained by the Trustee in excess of the Base Rental Payments therein specified and thereby conveys and releases such excess to the Trustee as compensation to the Trustee for its services in re-letting the Property or any items thereof.

The County by means of the Master Lease waives any and all claims for damages caused or which may be caused by the Trustee in taking possession of the Property as therein provided and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the County, or any other person, that may be on or about the Property. Notwithstanding anything to the contrary contained in the Master Lease, the Trustee shall not re-enter or re-let the Property upon an Event of Default unless the Trustee or its sublessee agrees to perform the County's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder.

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

Prepayment of Master Lease Payments

Discharge of County. Upon the payment of all Base Rental Payments and Additional Payments payable under the Master Lease, all of the obligations of the County under the Master Lease shall thereupon cease, terminate and become void and shall be discharged and satisfied; provided, however, if any Outstanding Bonds and Additional Bonds shall be deemed to have been paid by virtue of a deposit of Base Rental Payments thereunder pursuant to the section of the Indenture summarized above under the caption, "DEFEASANCE—Discharge of Bonds," then the obligation of the County under the Master Lease to make Base Rental Payments under the Master Lease shall continue in full force and effect until the Outstanding Bonds and Additional 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. The time period for giving notice by the County to the Corporation and the Trustee specified in the second paragraph of the caption below shall not apply to the payment to the Owners of all Outstanding Bonds and Additional Bonds in accordance with the caption, "DEFEASANCE—Discharge of Bonds."

Prepayment of Base Rental Payments. If the Corporation is permitted to redeem Bonds pursuant to the Indenture, the County may prepay (together with any premium), from any source of available moneys, all or any part (in an integral multiple of an Authorized Denomination) of the principal components of Base Rental Payments payable under the Master Lease then unpaid.

Before making any prepayment pursuant to this section, at least 45 days before the prepayment date the County shall give written notice to the Corporation and the Trustee describing such event, specifying the order of principal payments 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 Corporation and the Trustee. In the event of prepayment in full, by depositing cash in an amount, which, together with amounts then on deposit in the Reserve Fund(s), the Insurance Proceeds and Condemnation Awards Fund and the Bond Fund, will be sufficient to pay the aggregate unpaid Base Rental Payments on said due date as set forth in Exhibit B of the Master Lease, together with any Base Rental Payments then due but unpaid, or, in the event of prepayment in part, by depositing cash equal to the amount desired to be prepaid (the principal component of which shall be an amount divisible by $5,000) together with any Base Rental Payments then due but unpaid. In the event of prepayment in part, the partial prepayment shall be applied against Base Rental Payments in such manner as the County shall determine and if the County shall fail to make such determination, starting with the next succeeding payment dates. Base Rental Payments due after any such partial prepayment shall be in the amounts set forth in a revised Base Rental Payment Schedule which shall be provided by, or caused to be provided by, the County to the Trustee and which shall represent an adjustment to the schedule set forth in Exhibit B of the Master Lease taking into account said partial prepayment.

Mandatory Prepayment From Net Proceeds of Insurance or Eminent Domain Award. The County shall be obligated to prepay the Master Lease Payment allocable to any portion of the Property, in whole or in part, on any Base Rental Payment Date, from and to the extent of any Net Proceeds of an insurance award or a condemnation or eminent domain award with respect to such portion of the Property theretofore deposited with the Trustee for such purpose pursuant to the Master Lease and the Indenture. Net Proceeds of an insurance award or condemnation or eminent domain award shall be applied in the manner permitted under the Master Lease. The County and the Corporation by means of the Master Lease agree that such Net Proceeds, to the extent remaining after payment of any delinquent Master Lease Payments and not used to repair or replace the damaged or taken Property, shall be credited towards the County's obligations under this section.

Credit for Amounts on Deposit. In the event of prepayment of the principal components of the Master Lease Payments in full for all of the Property under the Master Lease, such that the Indenture shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Bond Fund (including a Reserve Fund, if any) and the Insurance Proceeds and Condemnation Awards Fund shall be credited towards the amounts then required to be so prepaid.

MASTER SITE LEASE

The following is a summary of certain provisions of the Master Site Lease and does not purport to be a complete restatement thereof. Such summary is only a brief description of the provisions of such document and is qualified in its entirety by reference to the full text of the Master Site Lease.

Term of the Master Site Lease

The term of the Master Site Lease shall commence on the Closing Date for the Series 2014 Bonds and shall end on November 1, 2033 (the "Term"), unless such term is otherwise terminated or extended as set forth in the Master Site Lease, or such other date or dates as set forth in an amendment to the Master Site Lease (the "Expiry Date"). If on November 1, 2033, the Indenture shall not be discharged by its terms, or if the Base Rental Payments payable under the Master Lease shall have been abated at any time and for any reason, then the Term of the Master Site Lease shall be extended until the Indenture shall be discharged by its terms (but not later than November 1, 2043). If prior to November 1, 2033, the Indenture shall be discharged by its terms, the Term of the Master Site Lease shall thereupon end.

Assignments and Subleases

Except as provided in the Master Lease and the Indenture, as security for the Bonds, the Corporation shall not assign, mortgage, hypothecate or otherwise encumber the Master Site Lease or any rights under the Master Lease or the leasehold created under the Master Site Lease, by indenture or deed of trust or otherwise or sublet the Property without the written consent of the County (unless a default or Event of Default under the Master Lease or the Indenture shall have occurred and be continuing, in which case the consent of the County shall not be required), except that the County expressly approves and consents to the Master Lease, the Assignment Agreement, dated as of June 1, 2014, and recorded concurrently with the Master Site Lease, by and between the Corporation and Wells Fargo Bank, National Association, as Trustee, the Indenture, and the pledge and assignment to the Trustee of, and the granting to the Trustee of a security interest in and lien on, all of the Corporation's right, title and interest in and to the Property, including the Corporation's right to receive Lease Payments, pursuant to the Indenture.

Termination

Upon the termination or expiration of the Master Site Lease, the Corporation shall quit and surrender the Property in the same good order and condition as the same was in at the time of commencement of the term under the Master Site Lease, except for acts of God and reasonable wear and tear and any actions taken by the County that may affect the condition of the Property, and agrees that any permanent improvements and structures existing upon the Property at the time of such termination or expiration of the Master Site Lease shall remain thereon and title thereto shall vest in the County.

Default

In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of the Master Site Lease, which default continues for 30 days following notice and demand by the County for correction thereof to the Corporation, the County may exercise any and all remedies granted by law, except that no merger of the Master Site Lease and the Master Lease shall be deemed to occur as a result thereof; provided, however, prior to the Expiry Date, the County shall have no power to terminate the Master Site Lease by reason of any default on the part of the Corporation, if such termination would affect or impair any assignment of the Master Site Lease then in effect between the Corporation and the Trustee.

APPENDIX E
PROPOSED FORM OF BOND COUNSEL OPINION

June 5, 2014

County of Riverside Asset Leasing Corporation
Riverside, California

County of Riverside
Riverside, California

$10,890,000 COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014A	$7,605,000 COUNTY OF RIVERSIDE ASSET LEASING CORPORATION LEASE REVENUE REFUNDING BONDS (COURT FACILITIES PROJECT), SERIES 2014B (TAXABLE)

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the County of Riverside Asset Leasing Corporation (the "Corporation") of $10,890,000 aggregate principal amount of its Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A (the "Series 2014A Bonds") and $7,605,000 aggregate principal amount of its Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable) (the "Series 2014B Bonds" and, together with the Series 2014A Bonds, the "Series 2014 Bonds"). The Series 2014A Bonds have been issued by the Corporation to provide funds to refund the outstanding County of Riverside Certificates of Participation (Historic Courthouse Project) 2003 Series A and the outstanding County of Riverside Refunding Certificates of Participation (Capital Facilities Projects), 2003 Series B. The Series 2014B Bonds have been issued by the Corporation to provide funds to refund the outstanding County of Riverside Taxable Refunding Certificates of Participation (Bankruptcy Court Project), Series 2003.

The Series 2014 Bonds are being issued pursuant to a Master Trust Indenture, dated as of June 1, 2014 (the "Master Indenture"), by and between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of June 1, 2014 (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture"), by and between the Corporation and the Trustee. Issuance of the Series 2014 Bonds has been authorized by Resolution No. C2014-01, adopted by the Corporation on April 9, 2014 (the "Resolution").

The Series 2014 Bonds are payable from revenues consisting of primarily rental payments received by the Corporation from the County under a Master Lease Agreement, dated as of June 1, 2014 (the "Master Lease"), by and between the Corporation and the County, for the right to use and occupy certain real property and improvements (the "Property") subsequent to the County leasing the Property to the Corporation pursuant to a Master Site and Facilities Lease, dated as of June 1, 2014 (the "Master Site Lease"), by and between the County and the Corporation. The Series 2014 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing are pledged to the payment of the principal and interest on the Series 2014 Bonds.

We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted as copies conform to the originals.

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 events occur. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and we have assumed the accuracy of the factual matters represented, warranted or certified in the documents. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In our role as Bond Counsel, we have examined the Master Indenture, the First Supplemental Indenture, the Master Lease, the Master Site Lease, a Tax Compliance Certificate, dated this date relating to the Series 2014A Bonds (the "Tax Certificate"), opinions of counsel to the Corporation, the County and the Trustee, certificates of the Corporation, the County, the Trustee and others, copies, certified to us as being true and complete, of the proceedings of the County and the Corporation for the authorization and issuance of the Series 2014 Bonds, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

From such examination, our reliance on the assumptions contained herein and our consideration of such questions of law as we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Master Indenture and the First Supplemental Indenture have been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery by the Trustee, represent valid and binding agreements of the Corporation enforceable in accordance with their terms.

2. The Series 2014 Bonds have been validly authorized, executed and issued in accordance with the Resolution, the Master Indenture and the First Supplemental Indenture. The Series 2014 Bonds represent valid and binding limited obligations of the Corporation payable

solely from and secured by an assignment and pledge by the Corporation to the Trustee of the Revenues and certain funds and accounts created under the Master Indenture and the First Supplemental Indenture, and not out of any other fund or money of the Corporation or the County. The Series 2014 Bonds are limited obligations of the Corporation and do not constitute a debt, liability or obligation of the County or of the State of California or any political subdivision thereof and neither the faith and credit nor the taxing power of any of the foregoing are pledged to the payment of the principal and interest on the Series 2014 Bonds.

3. The Master Lease and the Master Site Lease have been duly executed and delivered by, and constitute the valid and binding obligations of, the Corporation and the County. The obligation of the County to make Base Rental Payments during the term of the Master Lease constitutes a valid and binding obligation of the County, payable from funds of the County legally available therefore.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Series 2014A Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2014A Bonds is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is included in the federal alternative minimum taxable income of certain corporations which must be increased by 75% of the excess of the adjusted current earnings of such corporation over the federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses) of such corporations. Interest on the Series 2014B Bonds is included in gross income for federal income tax purposes.

5. Under existing law, the interest on the Series 2014 Bonds is exempt from all present State of California personal income taxes.

The opinions set forth in paragraphs 4 and 5 regarding the exclusion of interest from gross income of the recipient is subject to the accuracy of certain representations and the continuing compliance by the Corporation and the County with covenants regarding federal tax law contained in the Master Indenture, the First Supplemental Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Series 2014 Bonds to be included in gross income retroactive to the date of issuance of the Series 2014 Bonds. Although we are of the opinion that interest on the Series 2014A Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Series 2014A Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Respectfully submitted,

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APPENDIX F

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 $10,890,000 aggregate principal amount of Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A, and $7,605,000 aggregate principal amount of Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable) (together, the "Bonds"). The Bonds are being delivered pursuant to a Master Trust Indenture dated as of June 1, 2014 (the "Master Trust Indenture"), between the Corporation and Wells Fargo Bank, National Association, as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Indenture, dated as of June 1, 2014, by and between the Corporation and Trustee (the "First Supplemental Indenture," and together with the Master Trust Indenture the "Indenture"). The County is executing this Disclosure Certificate as the "Obligated Person" in connection with the Series 2014 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 Series 2014 Bonds and in order to assist the Participating Underwriter in complying with the Rule (as hereinafter defined).

Section 2. Definitions. The definitions set forth in the Indenture apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2014 Bonds (including persons holding Series 2014 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2014 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 Series 2014 Bonds, or, if the Series 2014 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 Series 2014 Bonds, dated May 6, 2014.

"*Participating Underwriter*" shall mean any of the original underwriter of the Series 2014 Bonds required to comply with the Rule in connection with the offerings of the Series 2014 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 2013-14 Fiscal Year to be filed in the 2014-2015 Fiscal Year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that if the audited financial statements of the County are not available by the date required above for the filing of the Annual Report, the County shall submit unaudited financial statements and submit the audited financial statements as soon as available. If the County's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event.

(b) If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall send a notice to the MSRB in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the Corporation stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided**.**

Section 4. Content of Annual Reports. The County's Annual Report shall contain or incorporate by reference the following financial information or operating data presented in the final Official Statement relating to the Series 2014 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 Property and other occurrence which may provide the County with the opportunity to abate in whole or in part any Lease Payments; and

(c) To the extent not included in the financial statements, the following type of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budget of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of the aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of the annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

The County has not undertaken in this Disclosure Certificate to update all information an investor may want to have in making decisions to hold, sell or buy the Series 2014 Bonds but only to provide the specific information listed above.

Any or all of the items listed above may be incorporated by reference to other documents, including official statements of debt issues of the County or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Certain Events.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2014 Bonds:

(i) principal or interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) modifications to the rights of the Holders of the Series 2014 Bonds, if material;

(iv) optional, contingent or unscheduled calls, if any of the preceding are material, and tender offers;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2014 Bonds or other material events affecting the tax status of the Series 2014 Bonds;

(viii) unscheduled draws on debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on credit enhancements reflecting financial difficulties;

(x) substitution of credit or liquidity providers or their failure to perform;

(xi) release, substitution or sale of property securing repayment of the Series 2014 Bonds, if material;

(xii) bankruptcy, insolvency, receivership or similar proceedings described below of the County;

(xiii) appointment of a successor or additional trustee or the change or name of a trustee, if material; or

(xiv) the consummation of a merger, consolidation, or acquisition involving the County or the Corporation or the sale of all or substantially all of the assets of the Corporation or the County other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(b) An event described in item (xii) above of Section 5(a) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the County or the Corporation in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of said party, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of said party.

(c) The County shall provide notice of an occurrence of a Listed Event to the MSRB in a timely manner but not more than ten (10) business days after the occurrence of the event. Any notice of Listed Event(s) must be submitted to the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2014 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 Series 2014 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 Series 2014 Bonds, or the type of business conducted; and

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original execution and delivery of the Series 2014 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) The amendment or waiver does not materially impair the interests of Beneficial Owners, as determined either by parties unaffiliated with the Corporation (such as Bond Counsel), or by an approving vote of Beneficial Owners pursuant to the terms of the Indenture.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County or the Dissemination Agent to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Dissemination Agent to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the County or the Dissemination Agent to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the County has provided such information to the Dissemination Agent as required by this Disclosure Certificate. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any County Annual Report, County Audited Financial Statements, Listed Events or any other information, disclosures or notices provided to it by the County and shall not be deemed to be acting in any fiduciary capacity for the County, the Holders of the Series 2014 Bonds or any other party. The Dissemination Agent shall have no responsibility for the County's failure to report a Listed Event to the Dissemination Agent. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the County has complied with this Disclosure Certificate. The Dissemination Agent may conclusively rely upon certifications of the County at all times.

The County agrees to indemnify and save the dissemination agent and its respective officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their 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 gross negligence or willful misconduct.

The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Series 2014 Bonds.

(b) The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and the Dissemination Agent shall in no event incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The fees and expenses of such counsel shall be payable by the County.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriter, the Holders and Beneficial Owners from time to time of the Series 2014 Bonds, and any bond insurer maintaining a financial guaranty insurance policy on the Series 2014 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: June 5, 2014

COUNTY OF RIVERSIDE, CALIFORNIA

By:____________________________________
Jay E. Orr, County Executive Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	COUNTY OF RIVERSIDE, CALIFORNIA
Name of Bond Issue:	County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014A, and the County of Riverside Asset Leasing Corporation Lease Revenue Refunding Bonds (Court Facilities Project), Series 2014B (Taxable) (collectively, the "Series 2014 Bonds")
Date of Delivery:	June 5, 2014

NOTICE IS HEREBY GIVEN that the County of Riverside, California (the "County") has not provided an Annual Report with respect to the above-named Series 2014 Bonds as required by Section 3 of the Continuing Disclosure Certificate of the County relating to the Series 2014 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