NEW ISSUE
BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

In the opinion of Nixon Peabody LLP, Special Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the County described herein, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Special Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Special Counsel is further of the opinion that interest with respect to the Certificates is exempt from California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

$45,685,000
COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
(2009 PUBLIC SAFETY COMMUNICATION AND WOODCREST LIBRARY PROJECTS REFUNDING)
CUSIP: 768901 SZ4

Dated: Date of delivery

Due: November 1, 2039

The County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding) (the "Certificates") are issued to provide funds (a) to refund and redeem the County of Riverside Certificates of Participation, 2007 Series B (Public Safety Communication and Refunding Projects) (the "2007 Series B Certificates"), currently outstanding in the aggregate principal amount of $37,350,000; (b) to refund and retire the County of Riverside Asset Leasing Corporation (the "Corporation") Certificates of Participation Anticipation Note, Series 2006 (the "2006 Note") currently outstanding in the principal amount of $6,000,000; (c) to fund capitalized interest on a portion of the Certificates through July 1, 2012, (d) to fund a security deposit with respect to Base Rental (as defined below) payable under the Sublease (as defined below) and (e) to pay for the costs of issuance of the Certificates. The Certificates are issued pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among the County, the Corporation and Wells Fargo Bank, National Association, as trustee and tender agent (the "Trustee").

Proceeds of the 2007 Series B Certificates, along with proceeds of the County of Riverside Certificates of Participation, 2007 Series A (Public Safety Communication and Refunding Projects) (the "2007 Series A Certificates" and, together with the 2007 Series B Certificates, the "2007 Certificates") were issued to provide funds to enhance the County's public safety communications system, to current refund the County of Riverside Certificates of Participation (1997 Lease Refunding Project), to fund the cash portion of a reserve fund for the 2007 Certificates and pay the premium for a debt service reserve surety bond provided by Ambac Assurance Corporation to provide the balance of the reserve requirement for the 2007 Certificates, and to pay costs of executing and delivering the 2007 Certificates. The 2006 Note was issued to temporarily finance the costs of acquisition and construction of the Woodcrest Library, and was purchased by the Treasurer and Tax Collector of the County for the County Treasury Pool.

The Certificates will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. See APPENDIX C—"BOOK-ENTRY-ONLY SYSTEM." Principal of, premium, if any, and interest on the Certificates will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants (as defined herein) for subsequent disbursement to the beneficial owners of the Certificates.

The Certificates evidence proportionate interests of the Owners thereof in a Facilities Sublease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Sublease"), by and between the County and the Corporation, including the right to receive the base rental payments (the "Base Rental") to be made by the County under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein. The Base Rental to be paid by the County to the Corporation pursuant to the Sublease will be in amounts calculated to be sufficient to pay principal and interest represented by the Certificates when due. The County has agreed in the Sublease to pay all Base Rental, subject to abatement of such Base Rental, in whole or in part, in the event of material damage to or destruction of the Leased Premises (as defined herein) or a taking of the Leased Premises or a portion thereof. The County has covenanted in the Sublease to take such action as may be necessary to include Base Rental and Additional Rental (as defined herein) in its annual budget and to make the annual appropriations therefor.

Payment of the principal of and interest on, and the purchase price with respect to, the Certificates is supported by and payable from amounts drawn by the Trustee under an irrevocable letter of credit (the "Initial Letter of Credit") issued by

BANK OF AMERICA, N.A.

The Initial Letter of Credit will be issued in an amount equal to the aggregate principal amount of the Certificates plus up to 34 days' interest thereon calculated at the rate of 12% per annum. The Initial Letter of Credit, unless extended, will initially expire on December 10, 2012, and will permit the Trustee to draw thereunder amounts sufficient to pay (a) the principal of the Certificates when due at maturity, upon earlier redemption or upon acceleration, (b) regularly scheduled interest on the Certificates or payment of interest on a date established for the redemption of the Certificates, and (c) the purchase price of Certificates tendered or subject to mandatory tender and not remarketed. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES — The Letter of Credit; Provision of Alternate Letters of Credit" and "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

The Certificates are subject to mandatory and optional redemption and optional tender and mandatory tender as described herein.

The Certificates will initially be in the Weekly Rate Mode under the Trust Agreement unless and until the Mode for all of the Certificates is converted to a different Mode pursuant to the Trust Agreement. While the Certificates are in the Weekly Rate Mode, interest is payable on the first Business Day of each calendar month, commencing January 4, 2010. The Certificates are available initially in denominations of $100,000 and any integral multiple of $5,000 in excess thereof and are subject to conversion to a Daily Rate Mode or Fixed Rate Mode, upon the satisfaction of certain conditions set forth in the Trust Agreement. See "THE CERTIFICATES – General" and "–Interest Rate Provisions" herein and APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" attached hereto. Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as Remarketing Agent for the Certificates. This Official Statement is not intended to provide information with respect to the Certificates (including the terms of such Certificates) after conversion from a Weekly Rate Mode to another Mode. Owners and prospective purchasers of the Certificates should not rely on this Official Statement for information concerning the Certificates in connection with any conversion of the Certificates to Certificates in a Mode other than a Weekly Rate Mode, but should look solely to the offering document to be used in connection with any such conversion to another Mode. The Certificates are subject to mandatory tender for purchase and remarketing upon a Change in Mode.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE 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 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" ATTACHED HERETO.

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

The Certificates are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Nixon Peabody LLP, Special Counsel, and to certain other conditions. Certain legal matters will be passed upon for the County and the Corporation by County Counsel, for the Bank by its counsel, White & Case LLP, Los Angeles, California, and for the Underwriters by their counsel, Kutak Rock LLP, Los Angeles, California. It is expected that delivery of the Certificates will be made through the facilities of DTC on or about December 10, 2009 in New York, New York against payment therefor.

Merrill Lynch & Co.
(Remarketing Agent)

Barclays Capital

Dated: December 2, 2009

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

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

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

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

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

The County maintains a website. However, the information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Certificates.

COUNTY OF RIVERSIDE

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

Board of Supervisors

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

County Officials

William Luna, County Executive Officer
Don Kent, Treasurer-Tax Collector
Robert Byrd, CGFM, Auditor-Controller
Larry Ward, Assessor-County Clerk-Recorder
Pamela J. Walls, County Counsel

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION

Board of Directors

Harold Trubo, President
Bernard Simon, Secretary and Vice President
Stu Baily, Vice President
Joe Deledonne, Vice President

SPECIAL SERVICES

Special Counsel

Nixon Peabody LLP
Los Angeles, California

Underwriters' Counsel

Kutak Rock LLP
Los Angeles, California

Financial Advisor

Fieldman Rolapp & Associates
Irvine, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

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OFFICIAL STATEMENT

$45,685,000
COUNTY OF RIVERSIDE
CERTIFICATES OF PARTICIPATION
(2009 PUBLIC SAFETY COMMUNICATION AND WOODCREST LIBRARY PROJECTS REFUNDING)

INTRODUCTION

The purpose of this Official Statement, including the cover and the Appendices attached hereto, is to provide information in connection with the offering of $45,685,000 aggregate principal amount of County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding) (the "Certificates"). The Certificates will be issued pursuant to an Trust Agreement (the "Trust Agreement"), dated as of December 1, 2009, by and among the County of Riverside Asset Leasing Corporation (the "Corporation"), the County of Riverside (the "County") and Wells Fargo Bank, National Association, as trustee (the "Trustee").

The Certificates are being issued to provide funds (a) to refund and redeem the County of Riverside Certificates of Participation, 2007 Series B (Public Safety Communication and Refunding Projects) (the "2007 Series B Certificates"), currently outstanding in the aggregate principal amount of $37,350,000; (b) to refund and retire the Corporation Certificates of Participation Anticipation Note, Series 2006 (the "2006 Note") currently outstanding in the principal amount of $6,000,000; (c) to fund capitalized interest on a portion of the Certificates through July 1, 2012, (d) to fund a security deposit with respect to Base Rental payable under the Sublease (as such terms are hrereinafter defined), and (e) to pay for the costs of issuance of the Certificates, as further described below under "Estimated Sources and Uses of Funds." Proceeds of the 2007 Series B Certificates, along with proceeds of the County of Riverside Certificates of Participation, 2007 Series A (Public Safety Communication and Refunding Projects) (the "2007 Series A Certificates" and, together with the 2007 Series B Certificates, the "2007 Certificates") were issued to provide funds to enhance the County's public safety communications system (the "Project"), to current refund the County of Riverside Certificates of Participation (1997 Lease Refunding Project), to fund the cash portion of a reserve fund for the 2007 Certificates and pay the premium for a debt service reserve surety bond to provide the balance of the reserve requirement for the 2007 Certificates, and to pay costs of executing and delivering the 2007 Certificates. The 2006 Note was issued to temporarily finance the costs of acquisition and construction of the Woodcrest Library (the "Woodcrest Library Project"), and was purchased by the Treasurer and Tax Collector of the County for the County Treasury Pool.

The County will lease certain real property, buildings and improvements, as more particularly described herein (the "Leased Premises") to the Corporation pursuant to a Site and Facilities Lease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Site Lease"), by and between the County and the Corporation. The County will sublease the Leased Premises from the Corporation pursuant to a Facilities Sublease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Sublease"), by and between the County and the Corporation. The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive base rental payments (the "Base Rental") to be made by the County under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

Under the Sublease, as consideration for the use and occupancy of the Leased Premises, the County will make certain payments designated as Base Rental and certain other payments designated as

Additional Rental (the "Additional Rental") in the amounts, at the times and in the manner set forth in the Sublease. Pursuant to the Trust Agreement, the Trustee is to distribute the Base Rental received from the County, which constitutes the principal and interest evidenced and represented by the Certificates, to the Owners of the Certificates. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget, and to make the necessary annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated. However, the County is not obligated to levy or pledge any form of taxation for the payment of Base Rental or Additional Rental for the Leased Premises, nor has the County done so.

Pursuant to an Assignment Agreement (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Assignment Agreement"), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee, for the benefit of the Owners of the Certificates, all of its rights under the Sublease, including its right to receive Base Rental due under the Sublease and excluding only the Corporation's rights to indemnification thereunder. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES" herein.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE 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 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA (THE "STATE") OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. SEE APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" ATTACHED HERETO.

The Certificates will be supported by an irrevocable direct-pay letter of credit (the "Initial Letter of Credit") issued by Bank of America, N.A. (the "Bank"). Under the Initial Letter of Credit, the Trustee will be permitted to draw an amount not exceeding the stated amount indicated in the Initial Letter of Credit (the "Stated Amount") for the payments of principal of, purchase price of and interest on, the Certificates (other than Certificates owned by or for the account of the Corporation or the Bank ("Purchased Certificates")), whether at maturity, prior redemption, upon acceleration, purchase, on an Interest Payment Date (as defined below) or otherwise. The Stated Amount of the Initial Letter of Credit on any date will be based upon the aggregate principal amount of the Outstanding Certificates on or prior to such date and interest on such Certificates for up to 34 days calculated at a rate of 12% per annum based on a 365 day year for the actual number of days elapsed. In consideration for issuing the Initial Letter of Credit, the County will enter into a Reimbursement Agreement, dated as of December 1, 2009 (the "Reimbursement Agreement"), with the Bank. For a further description of the Initial Letter of Credit and the terms of the Reimbursement Agreement, see "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

Brief descriptions of the Certificates, the Sublease, the Site Lease, the Trust Agreement, the Letter of Credit, the County and the Corporation are provided below. Such descriptions do not purport to be comprehensive or definitive. All references made to various documents herein are qualified in their entirety by reference to the forms thereof, copies of which may be obtained from the Trustee in Los Angeles, California. All capitalized terms used and not otherwise defined in this Official Statement shall have the meanings set forth in the Sublease or the Trust Agreement. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE REFUNDING PLAN

A portion of the net proceeds of the Certificates along with certain funds released by the trustee for the 2007 Series B Certificates will be transferred to the trustee for the 2007 Series B Certificates to be applied to prepay the 2007 Series B Certificates in accordance with the terms of the trust agreement for the 2007 Series B Certificates. The County is refunding the 2007 Series B Certificates in order to modify the interest rate setting mechanism from auction rate to a standard weekly reset. The 2007 Series B Certificates are expected to be prepaid on December 14, 2009.

A portion of the net proceeds of the Certificates will be transferred to the County Treasurer and Tax Collector, as paying agent for the 2006 Note, to be applied for the payment and redemption on the Note. The County is repaying the 2006 Note to provide permanent financing for the Woodcrest Library Project. The 2006 Note is expected to be prepaid on December 10, 2009.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES OF FUNDS	
Principal Amount of Certificates	$ 45,685,000.00
Release from Prior Certificates	3,364,859.13
Total	$ 49,049,859.13
USES OF FUNDS	
Refund 2007 Series B Certificates	$ 37,437,150.00
Repay 2006 Note	6,000,000.00
Capitalized Interest(1)	4,224,110.86
Security Deposit(2)	465,611.51
Costs of Issuance(3)	922,671.51
Additional Proceeds	315.25
Total	$ 49,049,859.13

(1) Capitalized interest on a portion of the Certificates through July 1, 2012.
(2) Funding of the Security Deposit Requirement set forth in the Sublease. See "SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES-Base Rental" herein.
(3) Includes underwriters' discount, legal fees, printing costs, fees of the Bank, the Trustee, the rating agencies and other miscellaneous expenses associated with the issuance of the Certificates.

THE LEASED PREMISES

The Leased Premises consist of an administrative center, a library, and the Public Safety Communication System. See "THE PUBLIC SAFETY COMMUNICATION PROJECT" herein.

Corona County Administrative Center. This component consists of land and a two-story above grade and a one-story below grade 47,068 square foot building located at 505 South Buena Vista, Corona, California valued by the County at approximately $12.2 million. The County uses the facility to provide a variety of County services. The Sublease terminates with respect to this component on November 1, 2021.

Woodcrest Library. The Woodcrest Library is a 10,082 square foot library and community building, and includes a water wise garden and associated parking facilities. The site is located at 16533

Krameria Avenue in the unincorporated community of Woodcrest. The Woodcrest Library is the first project in the County to be LEED Certified. The library serves the residents of the unincorporated community of Woodcrest and its surrounding communities. It is valued by the County at approximately $11.2 million.

THE PUBLIC SAFETY COMMUNICATION PROJECT

The Project entails the enhancement of the County's public safety communications system (the "System"). The System is the means by which field deputies in the County's Sheriff's Department communicate among each other, answer calls and dispatch sheriff, fire and paramedic services. The current System includes various parcels of land, transmission towers, voice and data radio infrastructure, handheld and aircraft radios, and a mobile data radio system.

Due to regulatory mandates from the Federal Communications Commission and Department of Homeland Security, equipment aging, increasing maintenance burdens, fleet increases, rapidly increasing communications loads of the departments and the population growth of Riverside County, the County has determined that it is vital to undertake the Project to significantly upgrade the current System. The System will be developed on VHF and 800MHz frequencies with the capability of operating on the 700MHz frequency when the 700 band is released by the FCC for Public Safety.

The primary goals of the Project are to increase the deputy connectivity success rate from the current 80% to 95%, to expand the reach of the System from 60% coverage within the County to 95% coverage, provide for increased capacity and significantly improve the System's performance. This operational improvement addresses safety issues faced by deputies in the field.

Following a competitive process, the County awarded the primary contract for the upgrading of the System to Motorola, Inc. The contract amount is approximately $104 million. In addition to the contract with Motorola, Inc., the County expects to contribute an additional approximately $44 million to acquire the necessary parcels of land and to implement the Project for an estimated total Project cost of $148 million. The Project is expected to be completed in October 2011, and the Sublease terminates with respect to the Project on November 1, 2021.

Components of the Project include the addition and/or expansion of approximately 70 sites for the location of transmission equipment to serve the System. Approximately 46 of these sites are currently owned or otherwise controlled by the County and are undergoing improvements, including approximately 20 sites which are complete. The County has confirmed the location of the 25 remaining sites, and expects that some of these sites will be direct purchases of the real property and others will become available through long-term lease arrangements.

The County expects to replace all existing handheld and mobile radios with new multiband handheld and mobile radios that will operate in the VHF, 700 and 800 MHz frequency. Aircraft radios must meet stringent Federal Aviation Administration specifications. The Project will provide for the implementation of over 60 licensed frequencies in the 800 MHz, VHF, and 4.9 GHz bands and aircraft radios to support field operations. The Project will also replace the County's mobile data radio fixed infrastructure and mobile data computers installed in sheriff's department vehicles.

In addition to direct benefits to the County's Sheriff's Department, the enhanced System will provide higher levels of interoperability that would permit other governmental agencies to communicate with the County's System. This feature of the enhanced System will allow the development of a regional communication system that is available to other agencies while using limited radio frequencies and providing maximum interoperability.

THE CERTIFICATES

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

General

The Certificates are in fully registered form and registered in the name of Cede & Co., as nominee of DTC in the United States. DTC will act as securities depository of the Certificates. Ownership interests in the Certificates may be purchased in book-entry form only. Principal and purchase price of, interest on and premium, if any, on the Certificates will be paid by the Trustee to DTC or its nominee, which will in turn remit such payment to its Participants for subsequent disbursement to the beneficial owners of interests in the Certificates. Neither the County nor the Trustee will have any responsibility or obligations to the beneficial owners of the Certificates for the operation of the DTC book-entry system. The Certificates will initially be in the Weekly Rate Mode. The initial Adjustment Period (as defined in the Trust Agreement) for the Certificates in a Weekly Rate Mode will be from and including the date of delivery to and including Wednesday, December 16, 2009. During the Weekly Rate Mode, interest is payable on the first Business Day of each calendar month (each an "Interest Payment Date"), commencing January 4, 2010. The Certificates are available initially in denominations of $100,000 and any integral multiple of $5,000 in excess thereof. Each Certificate in the Weekly Rate Mode shall bear interest from the first day of the calendar month in which such Certificate is authenticated, unless such date of authentication is prior to the initial Record Date for such Certificate, in which event any such Certificate shall bear interest from the date of original authentication and delivery of the Certificates, until the entire principal amount of such Certificate is paid. Interest on any Certificate which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person in whose name the ownership of such Certificate is registered on the Registration Books at the close of business on a special Record Date to be established by the Trustee for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten days prior to such special Record Date. Interest on Certificates in the Weekly Rate Mode shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed. For Certificates in the Weekly Rate Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued from and including the first day of the preceding calendar month, through and including the last day of the preceding calendar month, except that payment shall be made on the initial Interest Payment Date for unpaid interest accrued from and including the date of issuance of the Certificates. At no time may the rate of interest on any Certificate (except Bank Certificates) exceed the Maximum Rate.

Certificates in the Daily Rate Mode or the Weekly Rate Mode may be changed to any other Mode at the times and in the manner provided in the Trust Agreement. Upon such Change in Mode, such Certificates shall cease to bear interest at the rate then in effect and shall bear interest at the rate as provided in the Notice of Change in Mode. Subsequent to such Change in Mode (unless such Change in Mode was to a Fixed Rate Mode), such Adjustable Rate Certificates may again be changed to a different Mode at the times and in the manner provided in the Trust Agreement. A Fixed Rate Mode shall be in effect until the maturity date of the Certificates in such Mode, or redemption prior thereto, and Certificates in a Fixed Rate Mode may not be changed to any other Mode.

This Official Statement is not intended to provide information with respect to the Certificates (including the terms of such Certificates) after conversion from a Weekly Rate Mode to another Mode. Owners and prospective purchasers of the Certificates should not rely on this Official Statement for information concerning the Certificates in connection with any conversion of the Certificates to Certificates bearing interest at a rate other than a Weekly Rate Mode, but should

look solely to the offering document to be used in connection with any such conversion to another Mode. The Certificates are subject to mandatory tender for purchase and remarketing upon a Change in Mode.

Determination of Adjusted Interest Rates for Certificates in the Weekly Rate Mode

The Adjusted Interest Rate for each Adjustment Period for any Certificate in the Weekly Rate Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date for such Adjustment Period as the minimum rate of interest which, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of such Certificate on the applicable Rate Determination Date at a price equal to the principal amount thereof plus accrued interest, if any. On each Rate Determination Date for Certificates in the Weekly Rate Mode, the Remarketing Agent shall notify the Trustee and the County of the Adjusted Interest Rate by telephone, telecopier, telex, telegram or other telecommunications device and shall confirm such notice in writing to the Trustee and the County as soon as practicable thereafter.

During the Weekly Rate Mode, the Remarketing Agent shall establish the Adjusted Interest Rate by 10:00 A.M. New York, New York time on each Rate Determination Date. The Remarketing Agent shall make the Adjusted Interest Rate for any Weekly Rate Mode Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

The determination of the Adjusted Interest Rates in accordance with the Trust Agreement shall be conclusive and binding upon the County, the Trustee, the Bank, the Remarketing Agent and the Owners.

Under the Trust Agreement, "Rate Determination Date" means, with respect to any Adjusted Interest Rate for any Adjustment Period, the date on which such Adjusted Interest Rate shall be determined, which, in the case of the Weekly Rate Mode, shall be each Thursday by 10:00 a.m. or, if Thursday is not a Business Day, the next succeeding day, or if such day is not a Business Day, then the Business Day next preceding such Thursday. Under the Trust Agreement, "Adjustment Period" means the period of time that any Adjusted Interest Rate remains in effect, which period, with respect to an Adjustable Rate Certificate in a Weekly Rate Mode, initially shall be the period from and including the first day that such Adjustable Rate Certificate becomes subject to the Weekly Rate Mode to the first following Wednesday and thereafter commencing on each Thursday to Wednesday of the following week. No Adjustment Period for an Adjustable Rate Certificate shall extend beyond the day preceding the maturity date of such Adjustable Rate Certificate. Under the Trust Agreement, "Adjusted Interest Rate" means, with respect to the interest rate to be borne by a Certificate during any Adjustment Period, the interest rate per annum determined on the applicable Rate Determination Date in accordance with the Trust Agreement.

Alternate Rate for Interest Calculation. In the event the Remarketing Agent fails to determine the Adjusted Interest Rate on Adjustable Rate Certificates for an Adjustment Period, the Certificates shall bear interest at the Maximum Rate until the Remarketing Agent can determine the Adjusted Interest Rate. "Maximum Rate" means 12% per annum. In the event the method of determining the Adjusted Interest Rate for such Mode shall be held to be unenforceable by a court of law of competent jurisdiction, the Certificates subject to such Mode shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered a written opinion of Special Counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which interest was legally paid, at the Alternate Rate for the Mode in effect. "Alternate Rate" means, unless otherwise set forth in a Supplemental Trust Agreement and as long as a Letter of Credit is in place, the following:

Short Term Rating		Long Term Rating	% of SIFMA Municipal Swap Index (Tax-Exempt)
A1 or P-1 or F-1	and	AAA	150%
A1 or P-1 or F-1	and	AA	250%
A1 or P-1 or F-1	and	A	350%
A2 or P-2 or F-2	and	BBB	450%
A3 or P-3 or F-3	and	<BBB-	Maximum Rate

Changes in Mode

General. The Certificates will initially be in the Weekly Rate Mode unless and until the Mode for all of the Certificates is converted to a different Mode pursuant to the Trust Agreement. All Certificates of the same Series must be in the same Mode. The initial Adjustment Period (as defined in the Trust Agreement) for the Certificates in a Weekly Rate Mode will be from and including the Closing Date, to and including Wednesday, December 16, 2009. The Trust Agreement provides that the County may effect a Change in Mode with respect to all of the Certificates to a Daily Rate Mode or a Fixed Rate Mode pursuant to the provisions of the Trust Agreement.

Changes in Mode between Adjustable Rate Modes. Subject to the provisions of the Trust Agreement, the County may effect a Change in Mode (other than a Change in Mode to a Fixed Rate Mode, which is discussed below) with respect to all of the Adjustable Rate Certificates by delivering to the Trustee, with copies to the Remarketing Agent and the Bank, not less than 40 days prior to the proposed Change in Mode, a Notice of Change in Mode stating (i) the election to change the Mode to which such Certificates are then subject (for purposes of this paragraph, the "Current Mode") to a different Adjustable Rate Mode (for purposes of this paragraph, the "New Mode"), which New Mode shall be specified, (ii) the date as of which the New Mode shall take effect which, in any case where the Current Mode is the Daily Rate Mode or the Weekly Rate Mode, shall be the first day of a calendar month, (iii) the date on which such Adjustable Rate Certificates are required to be purchased pursuant to the Trust Agreement, which shall be the date as of which the New Mode shall take effect, and (iv) a form of notice of mandatory purchase satisfying the requirements of the Trust Agreement.

The Trustee is required to give written notice not less than 15 days prior to a proposed Change in Mode to the Owners of the Certificates proposed to be subject to such Change in Mode and to the Bank of the Change in Mode and the mandatory purchase of all such Adjustable Rate Certificates as provided in the Trust Agreement. Such notice is required to include, among other things, the New Mode to which such Certificates are to be subject, the effective date of the New Mode, the rights of the Owners to tender such Certificates for purchase prior to the effectiveness of the New Mode, and the procedures for such a tender. The Certificates subject to a Change in Mode will be subject to mandatory purchase at the applicable Purchase Price on effective date of the New Mode. "Purchase Price," with respect to any Adjustable Rate Certificates purchased on a Mandatory Purchase Date, means an amount equal to 100% of the principal amount of such Adjustable Rate Certificates, plus, in the case of any Adjustable Rate Certificates purchased on (a) any Substitution Date, (b) the fifth Business Day prior to the Expiration Date, and (c) the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with the provisions of the Trust Agreement regarding Mandatory Purchase on Mandatory Purchase Dates, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest only on the Adjustable Rate Certificates, and the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn, accrued interest, if any, to such Mandatory Purchase Date. See " – Purchase of Adjustable Rate Certificates – Mandatory Tender for Purchase – Mandatory Purchase Upon a Change in Mode" herein.

Conditions to Change in Mode between Adjustable Rate Modes. The New Mode shall take effect only if the interest portion of the Letter of Credit shall be in an amount at least equal to the Letter of Credit Interest Amount, determined as of the date of the proposed Change in Mode, with such New Mode in effect. If such condition is satisfied, then New Mode shall take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then (i) all Certificates proposed to be subject to such Change in Mode shall be purchased on such date in accordance with the Trust Agreement, (ii) all Certificates proposed to be subject to such Change in Mode shall continue to be subject to the Current Mode for such Certificates and (iii) the Trustee shall, within five Business Days after the date of the proposed Change in Mode, send notice to the County, the Trustee, the Remarketing Agent and the Bank stating that the conditions to such Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in the Trust Agreement.

No Change in Mode with respect to a Certificate shall be permitted at any time if the Adjustment Period then applicable to such Certificate extends through the day preceding the maturity date thereof or the Expiration Date.

Changes in Mode to the Fixed Rate Mode. All of the Adjustable Rate Certificates may be converted from the then current Adjustable Rate Mode to the Fixed Rate Mode at the option of the County as provided in the Trust Agreement. The Conversion Date for Certificates in the Daily Rate Mode or the Weekly Rate Mode shall be the first Business Day of a calendar month. Not less than 15 days prior to such Conversion Date, the Trustee shall give notice of such conversion and the mandatory purchase of all such Certificates as provided in the Trust Agreement to the Owners of the Certificates proposed to be subject to such conversion and to the Bank. Such notice is required to include, among other things, the Conversion Date, the obligations of the Owners to tender such Certificates for purchase prior to the Conversion Date, and the procedures for such a tender.

On the Conversion Date so selected, the interest rate on the such Certificates to be converted to Fixed Rate Certificates shall, without any further action by the County, the Trustee or any other Person, be fixed to maturity so long as each of the following conditions is satisfied: (i) either (A) the Remarketing Agent shall have received binding commitments (other than as may be funded by draws under the Letter of Credit) on or before the Business Day preceding such Conversion Date to purchase all such Fixed Rate Certificates on such Conversion Date at a price at least equal to the purchase price required to be paid in respect of such Fixed Rate Certificates, or (B) on or before the Business Day preceding such Conversion Date, the Remarketing Agent and the County shall have entered into a written agreement for a firm commitment to purchase such Fixed Rate Certificates on such Conversion Date, (ii) the County shall have followed the procedures required to be followed by the County in connection with such Change in Mode, as described in the Trust Agreement, (iii) provision shall have been made on or prior to the Business Day preceding such Conversion Date for the timely payment in full of all amounts due or to become due under the Reimbursement Agreement with respect to the Certificates being converted, (iv) the Trustee shall be in possession of sufficient moneys to pay the expenses of remarketing the Fixed Rate Certificates, and (vi) a Favorable Opinion of Special Counsel, dated the Conversion Date, addressed to the Trustee and the Remarketing Agent shall have been delivered to the Trustee.

Conditions to Changes in Mode to the Fixed Rate Mode. Notwithstanding the delivery of notice of conversion as described above, such conversion of Certificates to the Fixed Rate Mode shall not take effect if: (i) the County withdraws such notice of conversion not later than the Business Day preceding the date on which the interest rates for such Fixed Rate Certificates are to be determined; (ii) the Remarketing Agent fails to determine the interest rates for such Fixed Rate Certificates; (iii) any notice required by the Trust Agreement with respect to such conversion is not given when required; (iv) there is not delivered to the Trustee the Favorable Opinion of Special Counsel described above; or (v) upon such conversion, any Certificates in the Fixed Rate Mode would be Bank Certificates, unless the Bank consents. In any of such events, the Certificates which were to be converted shall automatically be converted to a Weekly Rate Mode which shall commence on the date such conversion was to be made, provided that the mandatory tender for purchase pursuant to the Trust Agreement shall nevertheless be carried out if notice of the conversion to the Fixed Rate Mode has been given to the Owners of the Certificates. Withdrawal of a conversion notice shall be given by the County to the Trustee, the Remarketing Agent and the Bank by telephone, promptly confirmed in writing. No cancellation of a conversion to the Fixed Rate Mode pursuant to this subsection shall constitute an event of default under the Trust Agreement.

Prepayment

Optional Prepayment. Bank Certificates are subject to optional prepayment by the County, in whole or in part, in Authorized Denominations, on any Business Day prior to the stated Principal Payment Dates, at a redemption price equal to 100% of the principal amount thereof to be prepaid plus accrued and unpaid interest to such redemption date, if any, without premium. Adjustable Rate Certificates (other than Bank Certificates) are subject to optional prepayment by the County, if the County satisfies the conditions set forth in the Reimbursement Agreement, in whole or in part in Authorized Denominations on any Interest Payment Date, at a prepayment price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to the date fixed for prepayment, without premium, paid from draws upon the Letter of Credit. If any such prepayment is for less than all of the Adjustable Rate Certificates, Bank Certificates shall be prepaid first, and all other such Adjustable Rate Certificates shall be prepaid by lot in such manner as shall be determined by the Trustee.

Mandatory Sinking Fund Prepayment. Adjustable Rate Certificates with a stated Principal Payment Date of November 1, 2039, are subject to prepayment prior to such stated Principal Payment Date, in part, from Mandatory Sinking Account Payments, on November 1, 2010, and each November 1 thereafter continuing through and including November 1, 2039 as specified below, at a prepayment price equal to the principal evidenced thereby, plus accrued interest evidenced thereby to the date fixed for prepayment, without premium. The principal evidenced by such 2009 Certificates to be so prepaid and the dates therefor shall be as follows:

Prepayment Date	Principal Amount to be Prepaid
November 1, 2010	$ 70,000
November 1, 2011	85,000
November 1, 2012	90,000
November 1, 2013	95,000
November 1, 2014	100,000
November 1, 2015	105,000
November 1, 2016	115,000
November 1, 2017	120,000
November 1, 2018	12,225,000
November 1, 2019	12,725,000
November 1, 2020	13,230,000
November 1, 2021	1,870,000
November 1, 2022	160,000
November 1, 2023	170,000
November 1, 2024	180,000
November 1, 2025	190,000
November 1, 2026	200,000
November 1, 2027	210,000
November 1, 2028	225,000
November 1, 2029	235,000
November 1, 2030	250,000
November 1, 2031	265,000
November 1, 2032	280,000
November 1, 2033	295,000
November 1, 2034	315,000
November 1, 2035	335,000
November 1, 2036	355,000
November 1, 2037	375,000
November 1, 2038	395,000
November 1, 2039 (Stated Principal Payment Date)	420,000

Notwithstanding the foregoing, if an Adjustable Rate Certificate becomes a Bank Certificate, (i) the principal amount of Adjustable Rate Certificates to be prepaid pursuant to the preceding paragraph shall be reduced by the aggregate principal amount of such Bank Certificate, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the County, (ii) the Mandatory Sinking Fund Prepayment Dates and the Mandatory Sinking Account Payments to be made on such Mandatory Sinking Account Payment Dates with respect to such Bank Certificate shall be as determined in accordance with the Reimbursement Agreement during such period as such Adjustable Rate

Certificate constitutes a Bank Certificate, and (iii) to the extent such Adjustable Rate Certificate is thereafter remarketed, the principal amount of Adjustable Rate Certificates to be prepaid pursuant to the preceding paragraph shall be restored by the aggregate principal amount of such Adjustable Rate Certificate remaining Outstanding upon such remarketing, such restoration to be allocated among prepayment dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the County.

If some but not all of the principal evidenced by the Certificates with a stated Principal Payment Date of November 1, 2039 is prepaid in connection with an extraordinary prepayment in accordance with the Trust Agreement, the principal evidenced by the Certificates with a stated Principal Payment Date of November 1, 2039 to be prepaid pursuant to Mandatory Sinking Account Prepayments on any subsequent November 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of November 1, 2039 so prepaid pursuant to an extraordinary prepayment, such reduction to be allocated among prepayment dates in proportion to the amount by which the principal components of the Base Rental evidenced by such Certificates payable on such prepayment dates are abated pursuant to the Sublease as a result of the event that caused such Certificates to be prepaid pursuant to the Trust Agreement in amounts of Authorized Denominations. If some but not all of the principal evidenced by the 2009 Certificates with a stated Principal Payment Date of November 1, 2039 is prepaid pursuant to an optional prepayment, the principal evidenced by the Certificates with a stated Principal Payment Date of November 1, 2039 to be prepaid pursuant to Mandatory Sinking Account Prepayments on any subsequent November 1 shall be reduced by the aggregate principal evidenced by the Certificates with a stated Principal Payment Date of November 1, 2039 so prepaid pursuant to optional prepayments, such reduction to be allocated among prepayment dates in amounts of Authorized Denominations.

Whenever less than all the Certificates are to be prepaid on any one date, the Trustee shall select the Certificates to be prepaid (a) with respect to any prepayment pursuant to extraordinary prepayment, among Certificates with different stated Principal Payment Dates in proportion to the amount by which the principal components of the Base Rental evidenced by such Certificates are abated pursuant to the Sublease, and (b) with respect to any prepayment pursuant to optional prepayment, as directed in a Written Request of the County, and by lot among Certificates with the same stated Principal Payment Date in any manner that the Trustee deems fair and appropriate, which decision shall be final and binding upon the County, the Corporation and the Owners; provided, however, that Bank Certificates shall be selected first.

Prepayment Procedures

Notice of Prepayment. The Trustee shall give notice, at the expense of the County, of the prepayment of the Certificates; provided, however, that except with respect to prepayments of Certificates pursuant to a Mandatory Sinking Fund Prepayment, and except with respect to Certificates to be prepaid with the proceeds of obligations issued to accomplish a current or advance refunding of the Certificates, the Trustee shall not give notice of prepayment of Certificates unless there shall have been deposited with the Trustee funds sufficient to pay the prepayment price of the Certificates to be prepaid. The notice of prepayment shall specify (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (b) the date of prepayment, (c) the place or places where the prepayment will be made, including the name and address of any paying agent, (d) the prepayment price, (e) the CUSIP numbers assigned to the Certificates to be prepaid, (f) the numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the principal evidenced by such Certificate to be prepaid, (g) the interest rate and stated Principal Payment Date of each Certificate to be prepaid in whole or in part, (h) with respect to any notice of any optional prepayment of Adjustable Rate Certificates, that the Bank may direct the Trustee to cancel such prepayment upon the occurrence and continuation of any event of default under the Reimbursement Agreement, and (i) if the Certificates are to be prepaid with the proceeds of obligations issued to accomplish a current or advance refunding of the Certificates, a statement that the prepayment of the Certificates is contingent on such obligations being issued. Such notice of prepayment shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price and that from and after such date interest evidenced thereby shall cease to accrue and be payable.

The Trustee shall take the following actions with respect to such notice of prepayment:

At least 30 but not more than 60 days prior to any prepayment date, notice of prepayment shall be given to the respective Owners of Certificates designated for prepayment by first-class mail, postage prepaid, at their addresses appearing on the registration nooks maintained by the Trustee as of the close of business on the day before such notice of prepayment is given.

The actual receipt by an Owner of any notice of such prepayment shall not be a condition precedent to prepayment, and neither failure to receive such notice nor any defect therein shall affect the validity of the proceedings for the prepayment of such Certificates or the cessation of interest evidenced thereby on the date fixed for prepayment.

A certificate by the Trustee that notice of prepayment has been given to Owners as provided in the Trust Agreement shall be conclusive as against all parties, and no Owner whose Certificate is called for prepayment may object thereto or object to the cessation of interest evidenced thereby on the fixed prepayment date by any claim or showing that said Owner failed to actually receive such notice of prepayment.

In the event the Bank directs the Trustee to cancel any optional prepayment of Adjustable Rate Certificates upon the occurrence and continuation of any event of default under the Reimbursement Agreement, the prepayment of such Certificates shall be cancelled and the Trustee shall, prior to the date on which such prepayment is to occur, give notice to the Persons and in the manner in which the notice of prepayment was given, that the prepayment is cancelled and that there shall be no prepayment of Adjustable Rate Certificates pursuant to such notice of prepayment. The Trustee shall provide copies of all such notices and all revocations of notices to the Bank and County at the same time it gives notices to Owners.

The Trustee shall give notice of prepayment of any Certificates to be prepaid upon receipt of a Written Request of the County (which request shall be given to the Trustee at least 45 days prior to the date fixed for prepayment (unless otherwise agreed by the Trustee and the Bank)).

Partial Prepayment of the Certificates. Upon surrender of any Certificates prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or evidencing the unpaid principal of the Certificates.

Effect of Notice of Prepayment. If notice of prepayment has been duly given as aforesaid and moneys for the payment of the prepayment price of the Certificates to be prepaid are held by the Trustee, then on the prepayment date designated in such notice, the Certificates so called for prepayment shall become payable at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced by the Certificates so called for prepayment shall cease to accrue, such Certificates shall cease to be entitled to any benefit or security under the Trust Agreement and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof, and such moneys shall be pledged to such prepayment. The Trustee shall, upon surrender for payment of any of the Certificates to be prepaid, pay such Certificates at the prepayment price thereof.

Purchase of Adjustable Rate Certificates

Tender for Purchase Upon Election of Owner. Any Owner of an Adjustable Rate Certificate in the Weekly Rate Mode may demand that such Adjustable Rate Certificate, or any portion thereof (so long as the principal amount purchased, and the principal amount not purchased, are each in an Authorized Denomination), be purchased on any Purchase Date at a price equal to the principal amount thereof plus accrued but unpaid interest, if any, to the Purchase Date. Unless otherwise provided in a Letter of Representation, such demand for purchase shall be made as follows: (i) delivery to the Remarketing Agent at its principal office in New York, New York, to the Trustee at the Principal Office of the Trustee, no later than the applicable Tender Deadline of an applicable Tender Notice, and (ii) subject to the provisions of the Trust Agreement regarding tender for purchase upon election of Owner, delivery of such Adjustable Rate Certificate duly endorsed in blank for transfer at the Office of the Trustee at or prior to 12:00 P.M. (Noon) New York, New York time on the Purchase Date specified in the Tender Notice.

Any Tender Notice by any Owner shall be irrevocable. If such Owner is required but fails to deliver the Adjustable Rate Certificate referred to in such notice to the Trustee, such Adjustable Rate Certificate shall nonetheless be deemed to have been tendered and, upon provision for payment of the Purchase Price therefor from the funds described under "– Tender and Purchase of Adjustable Rate Certificates" below, no interest shall accrue on such Adjustable Rate Certificate for the benefit of such Owner from and after the Purchase Date and such Owner shall have no rights under the Trust Agreement as the Owner of such Adjustable Rate Certificate except the right to receive the Purchase Price of such Adjustable Rate Certificate.

Mandatory Purchase on Mandatory Purchase Dates. Each Adjustable Rate Certificate shall be subject to mandatory purchase on each Mandatory Purchase Date at the applicable Purchase Price. Subject to the provisions of the Trust Agreement with respect to Adjustable Rate Certificates subject to mandatory purchase which are not tendered and unless otherwise provided in a Letter of Representation, all Adjustable Rate Certificates required to be purchased in accordance with the Trust Agreement shall be tendered for purchase by delivery to the Trustee at the Principal Office of the Trustee on or prior to the Mandatory Purchase Date and shall be purchased with the funds described under "– Tender and Purchase of Adjustable Rate Certificates" below. Under the Trust Agreement, "Mandatory Purchase Date" means (a) the date of any Change in Mode, (b) any Substitution Date, (c) the fifth Business Day prior to the Expiration Date, and (d) the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with the provisions of the Trust Agreement regarding Mandatory Purchase on Mandatory Purchase Dates, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Certificates, and the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn.

Notice of each mandatory purchase described in the preceding paragraph shall be given by the Trustee by first-class mail, postage prepaid to the Owners not less than 15 days prior to the Mandatory Purchase Date or, in the case of a mandatory purchase on the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with the provisions of the Trust Agreement regarding Mandatory Purchase on Mandatory Purchase Dates, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Certificates, that the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn, as soon as practicable (but in no event less than two days) after the Trustee's receipt of the written notice from the Bank described therein (with copies thereof to be given to the other Notice Parties). Each such notice shall state (i) the Mandatory Purchase Date, (ii) if such Adjustable Rate Certificate is required to be tendered as described under this subheading, and each Adjustable Rate Certificate shall be tendered for purchase by delivery of such Adjustable Rate Certificate to the Trustee at the Office of the Trustee on or prior to the Mandatory Purchase Date and that any Adjustable Rate Certificate not so tendered for purchase as required shall be deemed to have been so tendered and, upon provision for payment of the Purchase Price therefor from the funds described under "– Tender and Purchase of Adjustable Rate Certificates" below, shall be deemed to have been purchased on the Mandatory Purchase Date after which no interest shall accrue thereon for the benefit of the Owner required to so tender such Adjustable Rate Certificate and such Owner shall have no rights under the Trust Agreement as the Owner of such Adjustable Rate Certificate except the right to receive the Purchase Price thereof, and (iii) that all Adjustable Rate Certificates subject to such mandatory purchase shall be purchased on the applicable Mandatory Purchase Date at the applicable Purchase Price.

All Adjustable Rate Certificates required to be purchased on any Purchase Date or Mandatory Purchase Date shall be required to be delivered to the Trustee's Depository participant account at or before 11:00 a.m. If the Owner of any Adjustable Rate Certificate that is subject to mandatory purchase pursuant to the Trust Agreement fails to deliver such Adjustable Rate Certificate to the Trustee for purchase on the Purchase Date or Mandatory Purchase Date, and if the Trustee is in receipt of the Purchase Price therefor, such Adjustable Rate Certificate shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Adjustable Rate Certificate shall be transferred to the purchaser. Any Owner who fails to deliver such Adjustable Rate Certificate for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Adjustable Rate Certificate to the Trustee. The Trustee shall, as to any tendered Adjustable Rate Certificates that have not been delivered to it, promptly notify the Remarketing Agent of such nondelivery.

The requirement for physical delivery of the Adjustable Rate Certificates will be satisfied when the ownership rights on the Adjustable Rate Certificates are transferred by the tendering Owner's direct participant to the Depository and followed by a book-entry credit of the Adjustable Rate Certificates to the Trustee's participant account.

Tender and Purchase of Adjustable Rate Certificates. The Remarketing Agent shall use its best efforts to remarket Adjustable Rate Certificates to be purchased as described under "– Tender for Purchase Upon Election of Owner" and "– Mandatory Purchase on Mandatory Purchase Dates" above (other than on a date that is the fifth Business Day prior to the Expiration Date, and the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with the provisions of the Trust Agreement regarding Mandatory Purchase on Mandatory Purchase Dates, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Certificates, and the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn) at a price of par plus accrued and unpaid interest, if any.

Adjustable Rate Certificates subject to purchase as described under "– Tender for Purchase Upon Election of Owner" and "– Mandatory Purchase on Mandatory Purchase Dates" above shall be purchased from the Owners thereof at the Purchase Price which shall be payable solely from the following sources in the following order: (i) except with respect to Adjustable Rate Certificates to be purchased as described under "– Mandatory Purchase on Mandatory Purchase Dates" above on a date that is the fifth Business Day prior to the Expiration Date, or the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (a) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with the provisions of the Trust Agreement regarding Mandatory Purchase on Mandatory Purchase Dates, or (b) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Certificates, and the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn, immediately available funds on deposit in the Remarketing Proceeds Account, and (ii) immediately available funds on deposit in the Letter of Credit Purchase Account.

On each Purchase Date and each Mandatory Purchase Date, the Remarketing Agent (i) unless otherwise provided in a Letter of Representation, at or prior to 10:45 A.M. New York, New York time, shall deliver to the Trustee instructions for registration of the Adjustable Rate Certificates remarketed in accordance with the provisions of the Trust Agreement, (ii) at or prior to 10:45 A.M. New York, New York time, will give telephonic notice, immediately confirmed in writing, to the Trustee and the Bank, specifying the aggregate principal amount of Adjustable Rate Certificates not remarketed which must be purchased by the Bank on such date, if any, and the amount of proceeds from the remarketing that will be delivered by the Remarketing Agent shall cause to be paid to the Trustee on such date, if any, and (iii) at or prior to 11:00 A.M. New York, New York time, will cause to be paid via the Depository to the Trustee in immediately available funds the proceeds of the remarketing, if any. If such notice from the Remarketing Agent indicates that Adjustable Rate Certificates are required to be purchased from the proceeds of a drawing under the Letter of Credit, the Trustee shall give telephonic notice to the County at or prior to 11:15 A.M. New York, New York time on such date specifying the information set forth in the preceding sentence; provided, however, that if the Remarketing Agent fails to provide such notice, the Trustee, shall determine the required draw amount from the remarketing proceeds it has received from the Remarketing Agent via the Depository. The Trustee shall, at or prior to 11:30 A.M. on such date, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 2:30 P.M. New York, New York time on such date, an amount, in immediately available funds, equal to the Purchase Price of Adjustable Rate Certificates not remarketed which must be purchased by the Bank on such date. The aggregate amount of Adjustable Rate Certificates specified in such direction to be purchased from the proceeds of a drawing under the Letter of Credit shall not be reduced by any subsequent direction. The proceeds of such draw shall be deposited in the Letter of Credit Purchase Account.

If the funds available for purchases of Certificates pursuant to the Trust Agreement are inadequate for the purchase of all Certificates tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Trustee shall, after any applicable grace period, (1) return all tendered Certificates to the Owners thereof, (2) return all moneys transferred via the Depository to the Remarketing Agent for return to the Persons providing such moneys, (3) return all moneys from any draw on the Letter of Credit to the Bank (if any) and (4) return to the County all moneys transferred from the County. At such time, the Certificates shall remain in the Weekly Rate Mode or convert to the Weekly Rate Mode and shall bear interest at the Maximum Rate.

CERTAIN CONSIDERATIONS RELATING TO SALES OF THE CERTIFICATES BY THE REMARKETING AGENT

The Remarketing Agent is Paid by the County

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Certificates that are optionally or mandatorily tendered by the owners thereof (subject to the terms of the Remarketing Agreement), as described above in this Official Statement. The Remarketing Agent is appointed by the County and is paid by the County for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Certificates.

The Remarketing Agent May Purchase Certificates for Its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, has routinely purchased such obligations for its own account in order to achieve a successful remarketing of such obligations (i.e., because there are otherwise not enough buyers to purchase the obligations) or for other reasons. The Remarketing Agent is permitted, but not obligated, to purchase tendered Certificates for its own account and, if it does so, it may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Certificates by routinely purchasing and selling Certificates other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Certificates. The Remarketing Agent may also sell any Certificates it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Certificates. The purchase of Certificates by the Remarketing Agent may create the appearance that there is greater third-party demand for the Certificates in the market than is actually the case. The practices described above also may result in fewer Certificates being tendered in a remarketing.

The Certificates May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Certificates bearing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Certificates (including whether the Remarketing Agent is willing to purchase Certificates for its own account). There may or may not be Certificates tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Certificates tendered for purchase on such date at par and the Remarketing Agent may sell Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Certificates at the remarketing price. In the event a Remarketing Agent owns any Certificates for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Certificates on any date, including an interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Certificates other than through Tender Process May Be Limited

The Remarketing Agent may buy and sell Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their Certificates other than by tendering the Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Certificates, Without a Successor Being Named

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement.

SECURITY AND SOURCE OF PAYMENT FOR THE CERTIFICATES

Base Rental

The Certificates evidence proportionate interests of the Owners thereof in the Sublease, including the right to receive the Base Rental payments to be made by the County thereunder. The County has agreed in the Sublease to pay all Base Rental, subject to abatement of such Base Rental, in whole or in part, in the event of material damage to or destruction of the Leased Premises or a taking of the Leased Premises or a portion thereof. The County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Sublease in its annual budget and to make the annual appropriations for all such Base Rental and Additional Rental, except to the extent such payments are abated. Base Rental is scheduled to be paid as set forth herein. The County has agreed in the Sublease to pay from legally available funds (A) Scheduled Base Rental in the amounts set forth in the Sublease ("Scheduled Base Rental"), a portion of which shall constitute principal and a portion of which shall constitute interest as determined in accordance with the Sublease, and (B) Excess Base Rental as defined and determined in accordance with the Sublease. The County has agreed to transfer to the Trustee from proceeds of the Certificates, on the Closing Date, for deposit in the 2009 Adjustable Rate Security Deposit Subaccount within the 2009 Base Rental Subaccount of the Base Rental Account of the Certificate Fund a security deposit in the amount of $465,611.51, which amount is equal to 31 days of interest with respect to the Certificates at the Maximum Rate (the "Security Deposit Requirement"). Base Rental payable by the County in support of Adjustable Rate Certificates shall be due on the first day of each month during the Lease Term commencing January 1, 2010, or on the preceding Business Day in the event that any such day is not a Business Day. In accordance with the Sublease, monthly Scheduled Base Rental in support of the Adjustable Rate Certificates shall be in an amount equal to 31 days of interest with respect to the Adjustable Rate Certificates at the assumed per annum interest rate equal to 4.00% (the "Assumed Interest Rate"), plus the amount necessary to restore the Security Deposit to the Security Deposit Requirement, plus the amount of principal due with respect to the Adjustable Rate Certificates during the current calendar month. The County shall credit against monthly Base Rental due in support of Adjustable Rate Certificates an amount equal to the funds available in the 2009 Adjustable Rate Security Deposit Subaccount in excess of the Security Deposit Requirement, less the amount of interest accrued but unpaid with respect to the Adjustable Rate Certificates during the immediately preceding calendar month.

The Trustee, pursuant to the Trust Agreement, will receive the Base Rental for the benefit of the Owners. The Trustee will have no obligation or liability to the Owners of the Certificates with respect to the payment of the Base Rental by the County when due, or with respect to the performance by the County of any other covenant made by it in the Sublease. Additional Rental payable by the County under the Sublease includes amounts sufficient to pay certain taxes and assessments, if any, insurance premiums, and certain administrative costs.

The Sublease provides that the obligation of the County to make Base Rental and Additional Rental will be absolute and unconditional and such Base Rental and Additional Rental will not be subject to set-off or counterclaim, subject to the provisions of the Sublease relating to abatement more particularly described below under "RISK FACTORS – Abatement." The Sublease also provides that the covenants of the County thereunder are deemed to be duties imposed by law, and it further provides that it will be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform the covenants and agreements of the County contained in Sublease. The Sublease further provides that the County will pay Base Rental and Additional Rental from legally available funds.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE 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 CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE SUBLEASE 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 APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS" HEREIN.

The Initial Letter of Credit; Provision of Alternate Letters of Credit

The payment of principal of, interest on and purchase price of the Certificates tendered for purchase and not remarketed will be made by the Bank through a direct-pay letter of credit (the "Initial Letter of Credit") pursuant to the provisions of a Reimbursement Agreement, dated as of December 1, 2009 (the "Reimbursement Agreement"), among the County, the Corporation and the Bank.

So long as the Initial Letter of Credit or an Alternate Letter of Credit is in place and the Bank is honoring timely draws made thereunder, the Trustee will draw upon the Initial Letter of Credit and apply the moneys therefrom to the payment of each installment of principal of and interest and premium, if any on the Certificates, including upon any redemption thereof, and to the payment of the Purchase Price of each tendered Certificate. Funds provided to the Trustee constituting (i) Base Rental payments by the County, including the proceeds from rental interruption insurance, (ii) the net proceeds of any insurance or condemnation award and (iii) remarketing proceeds, shall be applied timely by the Trustee to the reimbursement of the Bank pursuant to the terms of the Reimbursement Agreement so long as the Bank is honoring timely draws made on the Reimbursement Agreement. To the extent the Reimbursement Agreement Provider is not honoring timely draws made on the Reimbursement Agreement, the Trustee shall pay such funds as otherwise set forth in the Trust Agreement to the payment of each installment of principal of and interest on the Certificates, including upon any redemption thereof.

The Initial Letter of Credit currently expires on December 10, 2012 and unless extended, the Certificates will be subject to mandatory tender and purchase on the first Business Day which is at least five (5) Business Days prior to the expiration date.

Pursuant to the Trust Agreement, the Trustee shall accept a substitute letter of credit or other security or liquidity device issued in accordance with the Trust Agreement which shall have a term of not less than 364 days and shall have the same material terms as the then-existing Letter of Credit (an "Alternate Letter of Credit") on the Substitution Date, and immediately thereafter, shall surrender the Letter of Credit then in effect to the Bank, if at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Special Counsel, and (iii) written evidence of the provision for purchase from the Bank of all Bank Certificates, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due it under the Reimbursement Agreement on or before the effective date of such Alternate Letter of Credit, together with written confirmation from the Bank that such evidence is satisfactory; provided, however, that no surrender of the Letter of Credit shall take place unless and until the Bank has honored the draw upon the existing Letter of Credit to mandatorily purchase the Adjustable Rate Certificates. The County shall give the Trustee, the Bank, the Remarketing Agent and the Owners written notice of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit then in effect no less than 40 days prior to the proposed Substitution Date. The Certificates are subject to mandatory tender for purchase on each Substitution Date.

See "THE BANK" and "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" herein.

Insurance

The Sublease requires the County to maintain rental interruption insurance to cover loss, total or partial, of the use of the Leased Premises as a result of any of the hazards covered by the "all risk" insurance described below in an amount sufficient at all times to pay the total rent payable under the Sublease for a period adequate to cover the period of repair or reconstruction. Such policy provides that the amount payable thereunder shall not be less than an amount equal to two years' maximum Base Rental.

The Sublease also requires the County to maintain insurance on the Leased Premises against loss or damage to the Leased Premises known as "all risk" insurance, including earthquake and flood. Such insurance is required to be maintained with respect to each such Leased Component at all times, and in an amount not less than the aggregate principal amount of Certificates at such time Outstanding with respect to each such Leased Component. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (a) $50,000, in the case of all risk insurance; (b) $250,000, in the case of flood insurance per unit or 2% of total value per unit per occurrence, subject to a $250,000 minimum situated within a 100 year flood plain; and (c) 5% of the loss per unit and per occurrence subject to a $500,000 maximum for earthquake insurance. However, in the case of all risk and flood insurance, if insurance is not available from reputable insurers at a reasonable cost, the County may self-insure to the extent necessary to enable it to repair or replace the Leased Premises in accordance with the provisions of the Sublease; 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. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Facilities Sublease."

Additional Certificates

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

THE BANK

The following information concerning the Bank has been provided by representatives of the Bank and has not been independently confirmed or verified by the Underwriters, the County or the Corporation. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

Bank of America, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the "Bank Corporation") and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of September 30, 2009, the Bank had consolidated assets of $1.460 trillion, consolidated deposits of $1.003 trillion and stockholder's equity of $163 billion based on regulatory accounting principles.

The Bank Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Bank Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank. Moody's Investors Service, Inc. ("Moody's") currently rates the Bank's long-term debt as "Aa3" and short-term debt as "P-1." The outlook is stable. Standard & Poor's currently rates the Bank's long-term debt as "A+" and its short-term debt as "A-1." The outlook is stable. Fitch Ratings, Inc. ("Fitch") currently rates long-term debt of the Bank as "A+" and short-term debt as "F1+." The outlook is stable. Further information with respect to such ratings may be obtained from Moody's, Standard & Poor's and Fitch, respectively. No assurances can be given that the current ratings of the Bank's instruments will be maintained.

The Bank will provide copies of the most recent Bank Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon Street, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT. PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE LETTER OF CREDIT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE LETTER OF CREDIT IS A BINDING OBLIGATION OF THE BANK, THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE BANK CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND ARE SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery hereof shall not create any implication that there has been no change in the affairs of the Bank Corporation or the Bank since the date hereof, or that the information contained or referred to in this section is correct as of any time subsequent to its date.

THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

Set forth below is a summary of certain provisions of the Initial Letter of Credit. This summary is qualified in its entirety by reference to the Initial Letter of Credit, a copy of which can be obtained from the Trustee. Unless otherwise defined, capitalized terms used herein shall have the same meanings given such terms in the Reimbursement Agreement.

The Initial Letter of Credit

Set forth below is a summary of certain provisions of the Initial Letter of Credit. This summary is qualified in its entirety by reference to the Initial Letter of Credit, a copy of which can be obtained from the County.

General. The payment of the principal of, interest on, redemption price of, and Purchase Price of, the Certificates will initially be paid from proceeds drawn under an irrevocable direct-pay letter of credit (the "Initial Letter of Credit") issued by Bank of America, N.A. ("Bank"). The Bank will pay from its own funds all drawings made under the Initial Letter of Credit.

Stated Amount; Term. The Initial Letter of Credit will have an initial stated amount equal to the aggregate principal amount of the Certificates (the "Principal Portion") plus interest thereon (the "Interest Portion") at an assumed rate of 12% per annum for 34 days, calculated on the basis of a 365-day year and actual days elapsed (such method of calculating interest on any principal amount of Certificates, the "Interest Coverage Amount"). The scheduled expiration date of the Initial Letter of Credit is December 10, 2012 (such date or any later date or dates as the Bank shall specify from time to time in a written notice to the Trustee, the "Stated Expiration Date"). The Initial Letter of Credit will be issued on the date the Certificates are executed and delivered. The Initial Letter of Credit will support Certificates while they bear interest in the Daily Rate Mode or the Weekly Rate Mode. Wells Fargo Bank, National Association in its capacity as Trustee will be the beneficiary of the Initial Letter of Credit (the "Beneficiary"). No person other than the Beneficiary shall be permitted to present drawings under the Initial Letter of Credit. The Initial Letter of Credit may be transferred to a successor Beneficiary.

Termination. The Initial Letter of Credit will terminate on the earliest (the "Termination Date") to occur of the following:

(1) The Stated Expiration Date;

(2) The date on which the Bank honors payment of a drawing in respect of the payment of the principal of the Certificates in which the Beneficiary certifies that no such Certificates will remain "outstanding" after the application of the proceeds of such drawing;

(3) The date on which the Bank honors payment of a drawing in respect of the payment of the redemption price of the Certificates in which the Beneficiary certifies that no such Certificates will remain "outstanding" after the application of the proceeds of such drawing;

(4) The date on which the Bank honors payment of a mandatory tender drawing in connection with (a) the substitution of the Initial Letter of Credit with an alternate credit facility, (b) a conversion of all of the Certificates to an interest rate mode other than a Daily Rate Mode or a Weekly Rate Mode, (c) the occurrence of the Stated Expiration Date for the Initial Letter of Credit or (d) the receipt by the Beneficiary of a Default Notice (as defined below) from the Bank;

(5) Thirty (30) days after the Beneficiary receives written notice from the Bank (a) of the occurrence of an "Event of Default" under the Reimbursement Agreement among the County, the Corporation and the Bank (the "Reimbursement Agreement," see "Reimbursement Agreement – Events of Default" below for a description of these events), and (b) instructing the Beneficiary to make its final drawing under the Initial Letter of Credit (a "Default Notice"); or

(6) The date on which the Initial Letter of Credit is surrendered by the Beneficiary to the Bank accompanied by a certificate in the form prescribed by the Initial Letter of Credit.

Following the termination of the Initial Letter of Credit, the Bank shall have no further obligation to honor drawings made (or attempted to be made) under the Initial Letter of Credit by the Beneficiary.

Reduction and Reinstatement of Stated Amount. After the Bank honors payment of a drawing in respect of the payment of regularly scheduled interest on the Certificates secured by the Initial Letter of Credit, the Interest Portion of the stated amount of the Initial Letter of Credit shall be reduced by the amount of such drawing. Immediately thereafter, the Interest Portion shall be reinstated by the amount of such drawing.

After the Bank honors payment of a drawing in respect of the payment of the principal or redemption price of the Certificates secured by the Initial Letter of Credit, the stated amount shall be automatically and permanently reduced as follows: (1) the Principal Portion shall be reduced by the amount so drawn with respect to the payment of principal or principal component of the redemption price of the Certificates and (2) the Interest Portion shall be reduced by the Interest Coverage Amount calculated with respect to such principal amount or principal component.

After the Bank honors payment of a drawing (other than a final drawing) in respect of the payment of the Purchase Price of Certificates in connection with the tender for purchase thereof at the request of the owner or in connection with a mandatory tender for purchase of all Certificates (each, a "Purchase Drawing"), the stated amount shall be automatically reduced as follows: (1) the Principal Portion shall be reduced by the amount so drawn with respect to the payment of principal of the Certificates and (2) the Interest Portion shall be reduced by the Interest Coverage Amount calculated with respect to such principal amount. Following a Purchase Drawing and the Bank's receipt of a Certificate from the Beneficiary requesting reinstatement of the Initial Letter of Credit and stating that reimbursement of such Purchase Drawing has been made to the Bank, the stated amount of the Initial Letter of Credit shall automatically be reinstated as follows: (a) the Principal Portion shall be reinstated by an amount equal to the principal amount of Certificates that have been remarketed and (b) the Interest Portion shall be reinstated by an amount equal to the Interest Coverage Amount calculated with respect to such principal amount.

After the Bank honors payment of the Beneficiary's final drawing under the Initial Letter of Credit, the stated amount, the Principal Portion and the Interest Portion of the Initial Letter of Credit shall be automatically and permanently be reduced to zero and the Initial Letter of Credit will terminate.

The Reimbursement Agreement

Set forth below is a summary of certain provisions of the Reimbursement Agreement. This summary is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which can be obtained from the County.

Defined Terms.

"Bank Certificate" means any Certificate purchased by the Bank with the proceeds of a Drawing under the Initial Letter of Credit.

"Business Day" mean any day of the year other than (i) a Saturday, (ii) a Sunday, (iii) any day which shall be in Los Angeles, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required to close, and (iv) any day which the Trustee advises the Bank in writing is a legal holiday or a day on which banking institutions are authorized or required to close in the city in which the corporate trust office of the Trustee is located.

"Debt" means for any person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such person representing money borrowed (including by the issuance of debt securities), (ii) all obligations of such person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any lien upon property of such person, whether or not such person has assumed or become liable for the payment of such indebtedness, (iv) all obligations of such person as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such person, (v) all obligations of such person on or with respect to letters of credit, banker's acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (vi) certificates of participation evidencing an undivided ownership interest in payments made by such person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, and (vii) all Debt of any other person of the kind referred to in clauses (i) through (vi) above which is guaranteed (regardless of form) directly or indirectly in any manner by such person.

"Drawing" means a drawing made or permitted to be made pursuant to the terms of the Initial Letter of Credit.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Liquidity Drawing" means a Drawing made under the Initial Letter of Credit for the purpose of purchasing Certificates in connection with an Optional Tender or a Mandatory Tender.

"Mandatory Tender" means a tender (or deemed tender) of a Certificate for purchase by the owner thereof pursuant to, and in accordance with, the Trust Agreement as a result of (i) a change in mode from a Daily Rate Mode to a Weekly Rate Mode and *vice versa*, and (ii) the expiration of the Initial Letter of Credit in accordance with its terms without substitution.

"Obligations" means the County's obligation to reimburse all Drawings, to repay all Liquidity Advances and Term Loans, to pay debt service on the Bank Certificates, to pay the principal, interest, fees, expenses, costs and other amounts owed to the Bank or the Bank's parent pursuant to the terms of the Reimbursement Agreement, any Related Document or any other document, instrument or agreement entered into by the County with or in favor of the Bank in connection therewith, together with all covenants and duties owing by the County to the Bank of any kind or description, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising

"Optional Tender" means a tender of a Certificate for purchase by the owner thereof pursuant to, and in accordance with, the Trust Agreement.

"Rating" means, with respect to any Rating Agency, the lowest rating assigned by such Rating Agency to any long-term appropriation lease obligation of the County (without regard to bond insurance or any other form of credit enhancement).

"Rating Agency" means Fitch Ratings (or any successor rating agency), Moody's Investors Service (or any successor rating agency) and/or Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (or any successor rating agency), as the context may require.

"Related Documents" means the Trust Agreement, the Certificates, the Assignment Agreement, the Site Lease, the Sublease, each Remarketing Agreement and the Purchase Contract.

"Term Loan Amortization End Date" means, with respect to any Term Loan, the first to occur of (i) the fifth (5th) anniversary of the Term Loan Commencement Date; (ii) the fifth (5th) anniversary of the Termination Date; (iii) the date on which any Bank Certificate representing such Term Loan matures, is prepaid or cancelled pursuant to the Trust Agreement; (iv) the date on which any Bank Certificate representing such Term Loan is remarketed pursuant to the Trust Agreement and the Remarketing Agreement; (v) the date on which the Letter of Credit is replaced by an Alternate Letter of Credit pursuant to the terms of the Trust Agreement; (vi) the date on which the Certificates are converted to a mode other than a Daily Rate Mode or a Weekly Rate Mode; and (vii) the date the Bank gives a Default Notice.

"Term Loan Amortization Payment Date" means, with respect to any Term Loan, the related Term Loan Amortization Start Date and, thereafter, the first Business Day of each sixth month thereafter with the final payment of principal being due and payable on the related Term Loan Amortization End Date.

"Term Loan Amortization Start Date" means the first May 1 or November 1, as the case may be, immediately following the Term Loan Commencement Date; provided that the Term Loan Amortization Start Date shall not occur within the first ninety days immediately following the Term Loan Commencement Date.

"Term Loan Commencement Date" means, for a Term Loan, the ninety first day following the date the related Liquidity Advance was made.

Reimbursement of Drawings under the Initial Letter of Credit. If the Bank honors a Drawing, the County shall, or shall cause the Beneficiary to, reimburse the aggregate amount of such drawing to the Bank on the Business Day on which such drawing is honored; provided, however, under the circumstances described below, the Bank may make Liquidity Advances to the County, the proceeds of which will be deemed to reimburse unpaid Liquidity Drawings made under the Initial Letter of Credit.

Unless the commitment of the Bank to make Liquidity Advances to the County has terminated (see "Reimbursement Agreement – Remedies"), if the Bank honors payment of any Liquidity Drawing and if the County does not reimburse the full amount of such drawing on the same Business Day, then the County shall be deemed to have requested, and the Bank shall be deemed to have made, a liquidity advance to the County on the date and in the amount of such drawing (each, a "Liquidity Advance"), which Liquidity Advance shall be payable solely from Lease Payments and amounts on deposit in the applicable funds and accounts established pursuant to the Trust Agreement. Subject to the abatement provisions set forth in the Sublease and the fair rental value limitations set forth in the Reimbursement Agreement and the Sublease, unless a Liquidity Advance becomes a Term Loan (as described below, each Liquidity Advance made by the Bank to the County shall mature and be payable in full on the ninety first day following the date on which such Liquidity Advance was made (the "Liquidity Advance Maturity Date").

Unless (i) the commitment of the Bank to make Term Loans to the County has terminated (see "Reimbursement Agreement – Remedies"); (ii) the County has given the Bank at least one Business Day's prior notice that it intends to pay a Liquidity Advance in full on the Liquidity Advance Maturity Date therefor; (iii) the representations and warranties of the County made in the Reimbursement Agreement cannot be reaffirmed on and as of the applicable Liquidity Advance Maturity Date; or (iv) an event has occurred and is continuing, or would result from the deemed payment of such Liquidity Advance on the Liquidity Advance Maturity Date therefor, which constitutes an Event of Default (see "Reimbursement Agreement – Events of Default"), the unpaid principal amount of such Liquidity Advance shall be converted into, and the Bank shall be deemed to have extended to the County, a term loan at such time (each, a *"Term Loan"*). Subject to the abatement provisions set forth in the Sublease and the fair rental value limitations set forth in the Reimbursement Agreement and the Sublease, the principal of each Term Loan shall be repaid, in approximately equal semi-annual installments, commencing on the Term Loan Amortization Start Date and shall be repaid on each subsequent Term Loan Amortization Payment Date thereafter, with the last such payment being due and payable on the Term Loan Amortization End Date.

Payments received by the Bank in respect of Certificates purchased with the proceeds of a drawing made under the Initial Letter of Credit shall be applied against the Liquidity Advance or Term Loan derived from such drawing.

Payment of Other Amounts. Pursuant to the Reimbursement Agreement, the County has agreed to pay certain fees to the Bank, to pay increased costs and compensate the Bank for loss of return in the event of certain changes in law and to indemnify to the Bank and certain other persons in certain circumstances. The County has also agreed to pay, in the manner set forth in the Reimbursement Agreement, interest (or, if interest is already accruing, interest at a higher interest rate) on Liquidity Advances, Term Loans and amounts that are not paid when due.

Representations, Warranties and Covenants. In connection with the execution and delivery of the Reimbursement Agreement, each of the County and the Corporation will make an extensive number of representations and warranties to the Bank and will covenant to take or do, and to refrain from taking or doing, certain actions. The inaccuracy of such representations and warranties and/or the failure to comply or perform such covenants may lead to an Event of Default.

Events of Default. The occurrence or existence of any of the following specified events shall each constitute an "Event of Default" under the Reimbursement Agreement:

(1) The County shall fail to pay when due (i) the amount of any Drawing; (ii) the principal of or interest on any Liquidity Advance or Term Loan; or (iii) any other amount payable under the Reimbursement Agreement, and such default shall continue unremedied for five Business Days; or

(2) The County shall (i) default in the due performance or observance by it of certain non-curable covenants; (ii) default in the due performance or observance by it of certain information covenants and such default shall continue unremedied for a period of five (5) Business Days; or (iii) default in the due performance or observance by it of any other term, covenant or agreement under the Reimbursement Agreement (other than those referred to in paragraph (1) above or clauses (i) and (ii) of this paragraph (2)) and such default shall continue unremedied for a period of thirty days after written notice to the County by the Bank; or

(3) The Corporation shall (i) default in the due performance or observance by it of non-curable covenants; or (ii) default in the due performance or observance by it of any other term, covenant or agreement under the Reimbursement Agreement (other than those referred to in clause (i) of this paragraph (3)) and such default shall continue unremedied for a period of thirty days after written notice to the Corporation by the Bank; or

(4) Any representation, warranty, certification or statement made or deemed made by the County or the Corporation in the Reimbursement Agreement, any Related Document or in any certificate, financial statement or other document delivered pursuant to the Reimbursement Agreement shall prove when made or deemed made, in the reasonable judgment of the Bank, to have been inaccurate and misleading in any material respect; or

(5) The County shall (i) default in any payment of any Debt or lease obligation payable from the County's general fund beyond the period of grace (not to exceed thirty days), if any, provided in the instrument or agreement under which such Debt or lease obligation was created, or (ii) default in the observance or performance of any agreement or condition relating to any Debt or lease obligation payable from the County's general fund contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of any Debt or lease obligation payable from the County's general fund (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, such Debt or lease obligation payable from the County's general fund to become due prior to its stated maturity; or (iii) any Debt or lease obligation payable from the County's general fund shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof other than as a result of the voluntary refunding thereof by the County; or

(6) The County or the Corporation shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of itself or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or in the reasonable judgment of the Bank be unable, to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(7) An involuntary case or other proceeding shall be commenced against the County or the Corporation seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property

and such case or proceeding is not controverted within thirty days and dismissed within sixty days; or an order for relief shall be entered against the County or the Corporation under the federal bankruptcy laws as now or hereafter in effect; or

(8) Any material provision of the Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the County or the Corporation shall contest any such provision, or the County, the Corporation or any agent or trustee on behalf of the County or the Corporation shall deny that such entity has any or further liability under the Reimbursement Agreement or any of the Related Documents to which such entity is a party; or

(9) A moratorium shall have been declared or announced by a Governmental Authority (whether or not in writing) with respect to any Debt of the County payable from the County's general fund; or

(10) Dissolution or termination of the existence of the County or the Corporation; or

(11) A judgment or order for the payment of money in excess of $10,000,000 and for which insurance proceeds shall not be available shall be rendered against the County and such judgment or order shall not be stayed, bonded, vacated, discharged or satisfied for a period of sixty days; or

(12) Any of the funds or accounts established pursuant to the Trust Agreement or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the County or the Corporation and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen days after its issue or levy; or

(13) Any pledge or security interest created by the Reimbursement Agreement or any Related Document to secure any amount due by the County under the Reimbursement Agreement or with respect to the Certificates shall fail to be fully enforceable with the priority required under the Reimbursement Agreement or thereunder; or

(14) Any event which materially and adversely affects the financial condition of the County or the ability of the County to observe and perform its obligations under the Reimbursement Agreement and the County Related Documents shall have occurred and be continuing; or

(15) (i) The withdrawal or suspension for credit-related reasons by any Rating Agency of a Rating; or (ii) the downgrade by any Rating Agency of a Rating to a level below "BBB-" (or its equivalent) in the case of Fitch or "BBB-" (or its equivalent) in the case of S&P or "Baa3" (or its equivalent) in the case of Moody's; or

(16) There shall have been rendered a determination that interest on any of the Certificates is includable in the gross income of the Owners thereof for Federal income tax purposes, as a result of the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service, whether or not such decree, judgment or action is appealable or deemed to be final under applicable procedural law, or delivery to the County, the Bank and the Trustee of an opinion of nationally recognized bond counsel selected by the Bank and reasonably acceptable to the County and the Trustee to the effect that the interest borne by the Certificates is includable in the gross income of the recipients thereof generally for Federal income tax purposes; or

(17) An "event of default" (or similar event) shall have occurred under any of the Related Documents.

Remedies. Upon the occurrence of an Event of Default hereunder the Bank, in its sole discretion, may do any, none or all of the following:

(1) Deliver a written notice to the Trustee requiring the Trustee to cause a mandatory purchase of all Outstanding Certificates pursuant to the Trust Agreement and in connection therewith instructing the Trustee to submit a final Drawing under the Letter of Credit to pay the purchase price of such Certificates upon their mandatory purchase; or

(2) The Bank may by written notice to the County take any or all of the following actions (provided, that, if an Event of Default of the type described in paragraph (6) or (7) thereof shall occur, the result which would occur upon the giving of written notice by the Bank to the County as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the commitment of the Bank to make Liquidity Advances and Term Loans terminated, whereupon such commitment shall terminate immediately; and (ii) declare the principal of and any accrued interest in respect of all Liquidity Advances, Term Loans and all other Obligations (other than the payment of the principal of and interest on Bank Certificates) owing hereunder to be, whereupon the same shall become, forthwith due and payable; or

(3) The Bank may, but shall not be obligated to, take such action as may be necessary to cure such Event of Default on behalf of and for the account of the County; or

(4) Exercise any rights and remedies available to the Bank at law, equity or under any Related Document.

No exercise of remedies by the Bank described above shall result in, or be construed to require, an acceleration of Rental Payments under the Sublease or abrogate abatement of Rental Payments made in accordance with the terms of the Sublease. No exercise of remedies by the Bank described above shall abrogate the obligation of the Bank to honor Drawings presented in accordance with the terms of the Initial Letter of Credit prior to the termination of the Initial Letter of Credit in accordance with its terms.

RISK FACTORS

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

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 economy of the County is currently experiencing a slowdown as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop on residential building permits, a decline in the rate of home sales and the median price of single-family homes and condominiums and an increase in notices of default on mortgage loans secured by homes and condominiums. 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 Certificates 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."

Expiration of the Initial Letter of Credit

The Initial Letter of Credit expires on December 10, 2012 (the "Stated Expiration Date"), subject to extension or earlier termination in certain circumstances as described therein. If the Initial Letter of Credit is not extended or an Alternate Letter of Credit is not obtained by the County, the Certificates will be subject to mandatory redemption. There can be no assurance that the Corporation will be able to obtain an extension of the Initial Letter of Credit or an Alternate Letter of Credit. The Bank is under no obligation to extend the Initial Letter of Credit beyond the scheduled expiration thereof. See "THE CERTIFICATES—Optional and Mandatory Purchase" and "THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT— Initial Letter of Credit" herein. The Stated Expiration Date for the Initial Letter of Credit should not adversely affect any Registered Owners during any Interest Period that does not extend beyond the Stated Expiration Date.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Initial Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Initial Letter of Credit in the event of any deterioration in the financial condition of the Bank. None of the County, the Corporation or the Bank assumes any liability to any purchaser of the Certificates as result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

Prospective purchasers of the Certificates should evaluate the financial strength of the Bank based upon the information contained in and referred to under the caption "THE BANK" and other information available upon request from the Bank and should not rely upon any governmental supervision by any regulatory entity.

Limitation on Enforcement of Remedies

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

Abatement

Except to the extent of (a) amounts held by the Trustee in the Certificate Fund and the Capitalized Interest Account; (b) amounts received in respect of rental interruption insurance or title insurance; and

(c) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due hereunder with respect to any Leased Premises subject to the Site Lease or portion thereof shall be abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to such Leased Premises or portion thereof, there is substantial interference with the use or right of possession by the County of such Leased Premises or portion thereof. The amount of abatement shall be such that the resulting Base Rental and Additional Rental do not exceed fair rental value for the use and possession of such Leased Premises and the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination shall be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental does not exceed such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of such Leased Premises to tenantable condition.

In the event that casualty insurance proceeds are unavailable because there is no coverage for the hazard or such proceeds are insufficient in amount to provide for complete repair or reconstruction or replacement of the Leased Premises, or in the event the Leased Premises is not repaired or replaced during the period of time that proceeds of the County's rental interruption insurance may be available in lieu of Base Rental payments (a period of approximately 24 months) and the period for which funds are available from the Capitalized Interest Account, the Base Rental payments may be insufficient to cover payment to Owners of Certificates. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Facilities Sublease."

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 less.

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

Flood zones are identified by the Federal Emergency Management Agency ("FEMA"). FEMA designates land located in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) as being within a Non-Special Flood Hazard Area (a "NSFHA"). A NSFHA is an area that is in a low- to moderate-risk flood zone (*i.e.* not in a floodplain) and has less than a 1% chance of flooding each year. While the

County is located within a NSFHA, severe, concentrated rainfall could result in localized flooding and river overflows. The County can make no representation that future maps will not be revised to include the County within an area deemed subject to flooding. The occurrence of wildfires or flooding in the County could result in the interference with the right of the County to use and occupy all or a portion of the Leased Premises and the abatement of the Base Rental payments.

Risk of Uninsured Loss; Earthquakes

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

The County is obligated under the Sublease to secure and maintain, or cause to be secured and maintained, earthquake insurance with respect to the Leased Premises 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 Leased Premises are covered through an insurance policy that covers multiple properties owned by the County rather than through stand-alone insurance policies. If the properties covered by the insurance policy, including the Leased Premises, sustain one or more losses or damages in a Fiscal Year and the losses or damages exceed the annual cumulative limit provided under the insurance policy, then the County may be unable to make a claim under the insurance policy for the loss or damage and there may not otherwise be any other insurance covering the loss or damage to the Leased Premises.

Default and Limitations on Remedies

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

The remedies provided for in the Sublease include, in addition to all other remedies provided at law, (a) terminating the Sublease and reletting the Leased Premises, and (b) retaining the Sublease and holding the County liable for each installment of Base Rental payments as it becomes due.

The enforcement of any remedies provided in the Sublease and Trust Agreement may be limited by law (including limitations on a lessor's rights under real property leases and limitations on the rights of real property secured creditors) or could prove both expensive and time consuming. Although the Sublease provides that if the County defaults the Trustee may re-enter the Leased Premises and re-let them, the Leased Premises may not be easily recoverable and, even if recovered, could be of little value to others because of their specialized nature, regulatory restrictions, limitations related to maintaining tax-exempt status of interest with respect to the Certificates or other legal limitations as to the persons by whom and the circumstances under which the Leased Premises can be used. Moreover, due to the essential governmental nature and use of the Leased Premises, it is not certain whether a court would permit the exercise of a remedy removing the County from them.

The Leased Premises may be substituted as more fully described in APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Facilities Sublease."

Additional Obligations of the County

The Base Rental and other payments due under the Sublease (including payment of costs of repair and maintenance of the Leased Premises, taxes and other governmental charges levied against the Leased Premises) are payable from funds lawfully available to the County. The County is currently liable on other obligations payable from general revenues. The County has the capability to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental 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, 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.

Under the terms of the Trust Agreement, the County, the Corporation and the Trustee may by execution of a Supplemental Trust Agreement, without the consent of the Owners, provide for the execution and delivery of Additional Certificates representing additional Base Rental; and the Trustee may execute and deliver such Additional Certificates subject to satisfying certain conditions set forth in the Trust Agreement. See APPENDIX D—"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS—Trust Agreement."

Bankruptcy

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

THE COUNTY

The County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the south by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. The County is the fourth largest county (by area) in the state and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,107,653 as of January 1, 2009, reflecting a 1.4% increase over January 1, 2008.

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

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

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains and the 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 County Board of Supervisors to serve one-year terms. The Board of Directors elects a President, Secretary, and Treasurer from among its members. The County's Executive Officer, Clerk of the Board of Supervisors, Treasurer-Tax Collector, Purchasing Agent and County Counsel serve as staff to the Corporation.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES 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 County, 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 2008-09 was $1,977,836,053 and the amount shown in its budget for that year as the appropriations subject to limitation was $903,395,447. The County's appropriations limit for Fiscal Year 2009-10 is $2,022,935,264 and the amount subject to the limitation is $924,759,013.

Article XIII C and Article XIII D of the State Constitution

Articles XIII C and XIII D of the California Constitution were added in 1996. Article XIII C 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 require a two-thirds vote. In addition, Article XIII C removed many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge. As a result, voters of the County could approve 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.

Article XIII D imposes requirements and limitations for "assessments" for governmental services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. Article XIII D limits "fees" and "charges," defined to mean "any levy other than an ad valorem tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." Property related fees and charges (i) must not generate revenues exceeding the funds required to provide the property related service, (ii) must not be used for any purpose other than those for which the fees and charges are imposed, (iii) must be for a service actually used by, or immediately available to, the owner of the property in question, or (iv) must not be used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The County must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the County may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services, or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

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, (f) required that any tax imposed by a local governmental entity on or after August 1, 1985 be ratified by a majority vote of the voters voting in an election on the tax within two years of November 5, 1986 or be terminated by November 15, 1988 (a requirement that was subsequently declared unconstitutional, as described below) and (g) 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 County to impose a special tax, and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or County 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.* ("*La Habra*"). In this decision, the court held that a public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes subject to Proposition 62 is three years. Accordingly, a challenge to a tax subject to Proposition 62 may only be made for those taxes received within three years of the date the action is brought.

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 which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected party, and (iv) a prohibition against fees and charges which are used for general governmental services, including police, fire or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

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

On September 20, 2006, an action was filed against the County challenging the validity of certain annual assessments imposed by the County. The action was entitled *Beutz v. County of Riverside* (RIC 457351) and challenged an annual assessment on certain residential property in the Wildomar area of the County within Wildomar Landscape Maintenance District 2006-1. The annual assessment of approximately $195,000 was levied to pay, in part, the costs of maintenance of four county parks in the Wildomar area of the County. The plaintiff in the *Beutz* action was challenging the engineer's report supporting the assessment and claiming that the challenged assessment levy was void due to procedural violations of California's Landscape and Lighting Act (California Government Code Sections 22500 et seq.) and Prop 218 (Articles XIII C and XIII D of the California Constitution). On March 11, 2008 the Superior Court granted summary judgment in favor of the County. Judgment was entered against plaintiff Beutz on May 6, 2008. On July 25, 2008, plaintiff Beutz filed a Notice of Appeal. As of September 28, 2009 the case had been fully briefed. A decision on the appeal is expected in December 2009. The County does not believe that an adverse ruling would have a material impact on County finances. On July 1, 2008 the Wildomar Landscape Maintenance District 2006-1 and the four associated parks became part of the newly incorporated City of Wildomar. Any future assessments will be imposed by the City of Wildomar on behalf of the District.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in 2007-08 fiscal year, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. Such shifting has occurred in the 2009-10 fiscal year. See APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE–Financial 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 currently in effect, 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

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

Assessment Appeals and Assessor Reductions

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

In addition to reductions in assessed value resulting from Proposition 8 appeals, California law also allows assessors to reduce assessed value unilaterally based on a general decline in market value of an area. Although Proposition 8 reductions are temporary and are expected to be eliminated under Proposition 13 if and when market conditions improve, no assurance is given that such reductions will be eliminated. The County has been affected by a reduction in taxable property assessed values due to successful property owner appeals and unilateral reductions by the County Assessor, and may experience additional reductions in the future. In fiscal year 2009-10, the secured property tax roll declined by 10.5% from the prior year. See APPENDIX A – "INFORMATION REGARDING THE COUNTY OF RIVERSIDE."

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

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

Assessor-initialized reductions will represent the bulk of adjustments to the tax roll during a time of a market decline. For fiscal year 2009-10 over 300,000 properties on the County's tax rolls reflect a Proposition 8 reduction. Those adjustments are completed prior to the finalization of the tax roll in the summer.

Future Initiatives

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

STATE OF CALIFORNIA FINANCIAL INFORMATION

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

State Budget Finances

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2008-09, approximately 40% of the County's General Fund budget revenues consists of payments from the State and 19% consists 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 takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website. An impartial analysis of the budget is posted by the Office of the Legislative Analyst at its website. In addition, various State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer. The information referred to is prepared by the respective State agency maintaining each website and not by the County or the Underwriters, and the County and the Underwriters take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

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

State Budget for Fiscal Year 2008-09. The 2008-09 Budget Act (the "2008-09 Budget Act") was released on September 23, 2008. The 2008-09 Budget Act reported that the State General Fund began Fiscal Year 2008-09 with a balance of $4 billion. The 2008-09 Budget Act projected State General Fund revenues and transfers for Fiscal Year 2008-09 of $102 billion, a decrease of approximately 1% from the anticipated revenues and transfers for Fiscal Year 2007-08, and State General Fund expenditures of $103.4 billion, an increase of approximately 0.06% above the anticipated expenditures for Fiscal Year 2007-08. The 2008-09 Budget Act projected ending Fiscal Year 2008-09 with a State General Fund balance of $2.6 billion, of which $885 million would be reserved for the liquidation of encumbrances and $1.7 billion would be deposited in a reserve for economic uncertainties.

The Governor's economic forecasts for Fiscal Year 2008-09 reflected weaker economic performance throughout the country and the State. The 2008-09 Budget Act addressed a projected $24.3 billion budget shortfall which was identified in the Governor's May Revision to the Proposed 2008-09 Budget with a combination of cuts in expenditures and projections of increased revenues. The 2008-09 Budget Act included vetoes on behalf of the Governor in the amount of $510 million of spending approved by the State Legislature. The 2008-09 Budget Act included a proposal to increase the Budget Stabilization Account (the "BSA") from 5% of State General Fund expenditures to 12.5%. In addition, the 2008-09 Budget Act proposed an annual transfer to the BSA of 3% of the General Fund and the elimination of the ability to suspend such annual transfers. The State would only be permitted to transfer funds from the BSA if (a) actual revenues during such fiscal year are below a specified level, and (b) funds transferred from the BSA to the State General Fund are appropriated in a stand alone bill.

Legislative Analyst's Office Analysis of the 2008-09 Budget Act; November Special Session Proposals; Projections Through 2013-14. In November 2008, the Legislative Analyst's Office (the "LAO") released a report entitled "California Spending Plan 2008-09; The Budget Act and Related Legislation" (the "LAO Spending Plan Report"), which provides an analysis by the LAO of the 2008-09 State Budget. The LAO Spending Plan Report and other reports of the LAO are available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference.

The LAO stated that the 2008-09 Budget Act, combined with proposals set forth in the November Special Session, contained approximately $24 billion in one-time solutions to close the budget gap and projected a General Fund reserve of $1.7 billion. Key revenue solutions included, among other things, the sale of an additional $3.3 billion in Economic Recovery Bonds during the spring of 2008, acceleration of tax payments (estimated payments and limited liability company fee payments), changes to the State's accounting practices to accrue $1.9 billion earlier, enforcement of new penalties on corporations for underpayment of taxes, suspension of net operating loss deductions for two years for larger companies and restrictions on larger companies on the use of specified business related tax credits in 2008 and 2009. The LAO stated that the budget solutions are one time in nature and the State will continue to face multibillion dollar operating shortfalls in the coming years absent corrective action. Further, the LAO stated that the effects of economic slowdown which has occurred throughout the United States threaten the viability of the 2008-09 Budget Act.

On November 11, 2008 the LAO released a report entitled "Overview of the Governor's Special Session Proposals" (the "LAO Special Session Overview"), which provided an analysis of the Governor's proposals made during the November Special Session, which included tax increases, spending reductions and modifications related to cash management, stimulating the economy, unemployment insurance and mortgages. The LAO stated that, absent corrective action, the State will face annual budget shortfalls in the range of $22 billion through 2013-14. According to the LAO, the revenue assumptions underlying the 2008-09 Budget Act were overly optimistic, and State revenues were projected to decline $25 billion over the next two years.

The Governor proposed spending reductions to, among other things, Proposition 98 funding, Medi-Cal, social services such as CalWORKs and higher education. According to the LAO, the Governor's November Special Session proposals could decrease the projected budget gap in Fiscal Year 2008-09 and Fiscal Year 2009-10 and leave $169 million in reserve. However, the LAO projected that the State's budget deficit will grow again after programs such as the Governor's proposed three-year sales tax increase terminate. According to the LAO Special Session Overview, the Governor's proposals, if enacted, could reduce the State's budget deficit through Fiscal Year 2013-14 by roughly 50%.

The LAO recommended the State Legislature take action to generate savings in Fiscal Year 2008-09 that could carry-over into Fiscal Year 2009-10. Such action could allow local governments and public entities more time to plan and mitigate adverse effects of reductions or program changes. Further, the LAO recommended that the Legislature consider carefully the duration of the Governor's proposed tax increases and that any such increase should be in effect for at least a three-year period. The LAO recommends, among other things, increasing vehicle license fees by 1% and making such increase the foundation of a program realignment with local governments. The LAO proposed that the $1.6 billion allocated from the State to criminal justice and mental health programs be realigned to counties and supported by the revenues raised by the increased vehicle license fees and most of the vehicle license fees revenue currently retained by the Department of Motor Vehicles.

On November 20, 2008 the LAO released a report entitled "California's Fiscal Outlook: LAO Projections, 2008-09 Through 2013-14" (the "LAO Projections"). The LAO Projections provided a further analysis of the LAO Special Session Overview and projections of the State's General Fund revenue and expenditures through Fiscal Year 2013-14 (the "Forecast Period").

According to the LAO, the continuation of the credit crisis and the decline in stock prices will erode the State's revenue collections. Further, the LAO Projections stated that without corrective action, General Fund revenues and transfers will decline by $8.7 billion in Fiscal Year 2008-09, $6.9 billion in Fiscal Year 2009-10, and will increase modestly through Fiscal Year 2013-14. The LAO estimates that General Fund expenditures will increase from $104.5 billion in Fiscal Year 2008-09 to $106.3 billion in Fiscal Year 2009-10. The LAO projected that through the Forecast Period annual rates of increase in spending major program areas will be as follows: Proposition 98 spending at 2.2%, Medi-Cal at 6.1%, In-Home Supportive Services ("IHSS") at 7.9%, Department of Corrections and Rehabilitation at 2.6% (taking into consideration court-ordered increases in healthcare costs and salary increases) and debt service expenses for general obligation and lease-revenue bonds at 9.9%.

The LAO recommended that the Legislature take early action, decrease spending and increase revenue, create solutions that have ongoing impacts, restructure State programs to increase efficiency and curb additional state borrowing in order to balance the budget for the current Fiscal Year and Fiscal Year 2009-10.

State Budget for Fiscal Year 2009-10. On February 20, 2009, the Governor signed into law the budget for Fiscal Year 2009-10 (the "2009-10 Budget Act"). The 2009-10 Budget Act aims to address the State's projected $41 billion deficit and contains mid-year reductions to the 2008-09 Budget Act. The 2009-10 Budget Act includes six measures that appeared on the ballot at a special election held on May 19, 2009. See "—Legislative Analyst's Office Overview of the 2009-10 Budget Act" below. The 2009-10 Budget Act estimated Fiscal Year 2008-09 revenues and transfers of $89.37 billion, total expenditures of $94.09 billion and year-end deficit of $2.34 billion, which included a $2.37 billion prior-year State General Fund balance, a $3.42 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The 2009-10 Budget Act estimated Fiscal Year 2009-10 revenues and transfers of $97.73 billion, total expenditures of $92.21 billion and year-end surplus of $3.18 billion (net of the $2.34 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $2.01 billion would be deposited in a reserve for economic uncertainties.

The following are some of the major impacts of the 2009-10 Budget Act on the County:

(a) The 2009-10 Budget Act includes deferrals of payments to counties for social services and transportation. For February, March and April 2009, monthly transfers of fuel excise tax allocations to cities and counties will be deferred. Payments are scheduled to resume and deferred payments will be paid in May 2009. The 2009-10 Budget Act also authorizes two-month deferrals of health and social services payments to counties from July and August to

September 2009. Counties are scheduled to receive deferred payments from the State by September 30, 2009. Counties with populations under 40,000 persons are exempt from the deferral of payments for social services.

(b) The 2009-10 Budget Act also includes a number of reductions and revenues tied to the American Recovery and Reinvestment Act of 2009 (the "ARRA"). Certain reductions to CalWORKs grants, Medi-Cal benefits and reimbursements, SSI/SSP grants, IHSS, the judicial branch and higher education are scheduled to be enacted in statute and could be suspended if expected revenues from the ARRA are certified by the Department of Finance to equal $10 billion, including revenues anticipated to be received by June 30, 2010. If revenues from the ARRA are not sufficient to meet the $10 billion target, the reductions would be permanent. If revenues from the ARRA reach $10 billion, the reductions would not go into effect. Future statutes would be required to enact the reductions should they become necessary. On March 4, 2009, the Department of Finance released a preliminary estimate that the State would receive approximately $8 billion in federal economic stimulus funds, $2 billion short of what is required to prevent the cuts. The Department of Finance and the State Treasurer's Office are working with various interested entities to analyze the Department of Finance's preliminary estimates.

(c) The 2009-10 Budget Act increases personal income tax liability by 0.25% in each personal income tax bracket, although the rate will drop to 0.125% if revenues from the ARRA reach $10 billion.

(d) The 2009-10 Budget Act increases the Vehicle License Fee ("VLF") rate from 0.65% to 1.15%, 0.15% of which will be dedicated to local public safety programs. The remaining 0.35% of the increase will be deposited into the State's General Fund. The 2009-10 Budget Act also imposes a 0.65% rate on commercial vehicles. The higher rates are scheduled to take effect on May 19, 2009 and last until July 1, 2011, with a possible two-year extension under certain circumstances. See "—Vehicle License Fees" herein.

(e) Under the 2009-10 Budget Act, the State's portion of the sales and use taxes would increase by 1%, beginning April 1, 2009 and lasting until July 1, 2011, with a possible one-year extension under certain circumstances.

(f) Generation of approximately $6 billion in revenues for Fiscal Year 2009-10 based on voter approval of three propositions on the ballot for the May 19, 2009 special election, including a proposed $5 billion borrowing from future lottery revenues (Proposition 1C).

Legislative Analyst's Office Overview of the 2009-10 Budget Act. On February 25, 2009, the LAO released its Overview of the State Budget (the "LAO 2009-10 Budget Overview"). The LAO 2009-10 Budget Overview notes that the 2009-10 Budget Act proposes to balance the 2008-09 Budget Act and the 2009-10 Budget Act by raising approximately $98 billion in revenues and spending approximately $92 billion of these revenues. The $6 billion difference is proposed to be used to cover a year end deficit in Fiscal Year 2008-09 and build up a reserve account. The LAO 2009-10 Budget Overview also notes that the 2009-10 Budget Act includes more than $40 billion in solutions, including the following:

(a) *Spending Reductions*. The 2009-10 Budget Act included about $15 billion in spending-related reductions. The largest reductions related to kindergarten through twelfth grade schools, which experienced both reductions to core program funding and the deferral of payments to future years. Reductions also included furloughing state workers, eliminating inflationary adjustments for many programs and making other reductions in services.

(b) *Tax Increases.* The 2009-10 Budget Act included about $12.5 billion in tax increases. Most of these higher taxes are the result of increased rates for the sales and use tax, vehicle license fee and personal income tax.

(c) *Federal Funds.* The 2009-10 Budget Act also assumed receipt of more than $8 billion in federal funds from the recent economic stimulus law to help balance the budget.

(d) *Borrowing.* The 2009-10 Budget Act counted on $5 billion from the borrowing of future lottery profits.

Pursuant to the 2009-10 Budget Act, five propositions were presented before state voters on May 19, 2009 projected to result in billions of dollars in budget solutions. The voters rejected all of these ballot propositions. As a result, the LAO forecasts that the 2009-10 Budget Act would not be in balance under current revenue forecasts, and that the Legislature and the Governor will need to agree to billions of dollars of additional spending cuts, tax increases and/or other budgetary solutions to bring the budget back into balance.

The LAO expects the State to face multibillion dollar budget shortfalls in the coming years due to a number of reasons. The State's economic recovery from the recession is expected to be relatively slow. In addition, many of the solutions adopted as part of the 2009-10 Budget Act are short term in nature, meaning that they will not help balance the budget in future years. Consequently, based on current projections, the LAO projects that the State will need to adopt billions of dollars in additional spending reductions, tax increases, or other solutions in the coming years.

In addition, in a LAO report concerning the State's cash flow crisis dated May 7, 2009, the LAO cites a Department of Finance report estimating a June 30, 2009 General Fund balance of approximately $6.9 billion, as compared to a balance of over $12.0 billion, over $15.0 billion and over $20.0 billion on June 30, 2008, 2007 and 2006, respectively. The LAO, citing forecasts from the Department of Finance, identifies that the forecasted cash flow deficit of $7.9 billion in July 2009 could require the Controller to delay state payments as was done in February 2009, or require the State to borrow between $17 and $23 billion to fund the State's cash flow needs during Fiscal Year 2009-10. The LAO projects that borrowing well over $13.0 billion may be difficult or impossible.

Revised State Budget for 2009-10. On July 28, 2009, the Governor signed certain amendments to the 2009-10 Budget Act (as amended, the "Revised 2009-10 Budget Act") to address a projected $24.16 billion shortfall in revenues. The Revised 2009-10 Budget Act estimates Fiscal Year 2008-09 revenues and transfers of $84.1 billion, total expenditures of $91.5 billion and year-end deficit of $3.38 billion, which included a $4.07 billion prior-year State General Fund balance, a $4.46 billion withdrawal from the reserve for economic uncertainties and an allocation of $1.08 billion to the reserve for the liquidation of encumbrances. The Revised 2009-10 Budget Act estimates Fiscal Year 2009-10 revenues and transfers of $89.54 billion, total expenditures of $84.58 billion and year-end surplus of $1.58 billion (net of the $3.38 billion deficit from Fiscal Year 2008-09), of which $1.08 billion would be reserved for the liquidation of encumbrances and $500 million would be deposited in a reserve for economic uncertainties.

Features of the Revised 2009-10 Budget Act affecting the counties in general include the following:

(a) The Revised 2009-10 Budget Act reduces program expenditures by approximately $18 billion in Fiscal Year 2008-09 and Fiscal Year 2009-10, primarily through reductions in education funding and health and social services programs, including in-home support services, CalWORKs, immigrant assistance programs, child welfare services and SSI/SSP.

(b) The Revised 2009-10 Budget Act borrows approximately 8.0% of property tax revenues from counties, cities and special districts for Fiscal Year 2009-10, totaling approximately $1.9 billion, which amount will be repaid within three years, all in accordance with Proposition 1A (2004). The manner in which the borrowing will be allocated (i.e., the amount to be borrowed from particular local agencies), and whether the property taxes paid to Local Agencies by the State in lieu of VLF and in-lieu Sales Tax, remains subject to determination. The Revised 2009-10 Budget Act also creates a state-financed loan repayment securitization program, which will allow local agencies to issue bonds in order to offset local fiscal effects of the Proposition 1A borrowing. An estimate of the impact of the proposed Proposition lA borrowing for the County is described in APPENDIX A.

(c) The Revised 2009-10 Budget Act assumes $1 billion in reductions to the federal Medi-Cal program, subject to receipt of additional federal funds.

(d) The Revised 2009-10 Budget Act requires redevelopment agencies to shift $1.7 billion in Fiscal Year 2009-10 and $350 million in Fiscal Year 2010-11 into a new fund which would be used to offset State General Fund spending for education and other programs, and allows redevelopment agencies to extend the life of their projects by one year.

(e) The Revised 2009-10 Budget Act suspended $34.7 million of reimbursement to local agencies for Williamson Act subventions.

(f) The Revised 2009-10 Budget Act uses $562 million of "spillover" from sales taxes on gasoline to reimburse the General Fund for transportation debt service costs.

Update on State Cash Flow Finances. On June 24, 2009, the State Controller announced that the State may issue registered warrants ("IOUs") beginning July 2, 2009 to local governments for social services, private contractors, state vendors, taxpayers entitled to income and corporate tax refunds and for payments for other state operations if immediate budget and cash solutions are not quickly adopted by the governor and the State Legislature. IOUs were issued to private businesses, local governments (including the County), taxpayers receiving income tax refunds and owners of unclaimed property. The IOUs bear interest at the rate of 3.75% per year. The State has announced that the IOU's are redeemable as of September 4, 2009. The County has received IOUs from the State in the total amount of over $7 million. As of October 2009, the County has remitted all of these IOU's to the State and received payment in the full amount. See "APPENDIX A—INFORMATION REGARDING THE COUNTY OF RIVERSIDE." The County does not expect a negative impact from the issuance of IOUs on its financial condition at this time.

Future State Budgets. No prediction can be made by the County as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, 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 its finances and operations, the outcome or impact of future ballot measures and legislation, 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, including the current economic downturn, over which the County has no control.

Impact of the American Recovery and Reinvestment Act on the County

On February 17, 2009, the President of the United States signed the ARRA into law. The ARRA intends to stimulate the economy by reducing taxes and creating jobs directly and indirectly through the funding of various infrastructure projects and other programs by up to $828 billion. One of the stated purposes of the ARRA is to stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and state and local tax increases.

The County believes that it stands to benefit both directly and indirectly from the ARRA, but the County cannot predict the impact of ARRA, if any, on the County. The ARRA includes a variety of funding mechanisms including block grants, competitive grants and loans. The ARRA also includes increases to some existing formula based grants and payments.

The ARRA provides funds for the Energy Efficiency and Conversation Block Grant program, which would help state and local governments implement innovative practices to improve energy efficiency, lower energy usage and reduce greenhouse gas emissions. Additional energy efficiency programs funded by the ARRA that may benefit the County include grants to encourage electric transportation, federal aid to help state and local governments purchase efficient alternative fuel vehicles, and various grants and loans to state and local governments for diesel emissions reduction projects.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code") imposes certain requirements that must be met subsequent to the execution and delivery of the Certificates for interest with respect thereto to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest with respect to the Certificates to be included in gross income for Federal income tax purposes retroactive to the date of execution and delivery of the Certificates. Pursuant to the Trust Agreement and the Tax Certificate, the County has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest with respect to the Certificates from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the County has made certain representations and certifications in the Trust Agreement and the Tax Certificate. Nixon Peabody LLP, Special Counsel, will not independently verify the accuracy of those representations and certifications.

In the opinion of Special Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the County described above, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Special Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest with respect to the Certificates is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

State Taxes

Special Counsel is also of the opinion that interest with respect to the Certificates is exempt from California personal income taxation. Special Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Certificates nor as to the taxability of the Certificates or the income therefrom under the laws of any state other than the State of California.

Ancillary Tax Matters

Ownership of the Certificates may result in other Federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Certificates may also result in other Federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Certificates; for certain certificates issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Certificates is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest with respect to the Certificates may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Special Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinion attached as APPENDIX E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Certificates, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the Federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest with respect to the Certificates for Federal or state income tax purposes, and thus on the value or marketability of the Certificates. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest with respect to the Certificates from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Certificates may occur. Prospective purchasers of the Certificates should consult their own tax advisers regarding such matters.

Special Counsel has not undertaken to advise in the future whether any events after the date of execution and delivery of the Certificates may affect the tax status of interest with respect to the Certificates. Special Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Certificates, or the interest thereon, if any action is taken with respect to the Certificates or the proceeds thereof upon the advice or approval of other counsel.

The form of opinion of Special Counsel is attached hereto as APPENDIX E.

RATINGS

The Certificates have been assigned a rating of "Aa3/VMIG 1" (a long-term rating of "Aa3" and a short-term rating of "VMIG 1") by Moody's Investors Service ("Moody's") and "A+/A-1" (a long-term rating of "A+" and a short-term rating of "A-1") by Standard & Poor's, A Division of The McGraw-Hill

Companies, Inc. ("S&P"). These ratings reflect only the views of such rating agencies and explanation of the significance of such ratings may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007 and from S&P at 55 Water Street, New York, New York 10041. There is no assurance that such ratings will continue for any given period of time or that they may not be lowered, suspended or withdrawn entirely by a rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward change in or withdrawal of any such rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The County has agreed to sell, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as representative for the Underwriters, has agreed to purchase, the Certificates at a price equal to the aggregate principal amount thereof. The Underwriters will be paid a fee in the amount of $124,558.48. The Underwriters' obligation is subject to certain conditions precedent, and the Underwriters do not have the right to purchase less than all the Certificates. The Underwriters intend to offer the Certificates to the public initially at the offering price set forth on the cover page hereof and may subsequently change such offering price and other selling terms from time to time without prior notice. The Certificates may be offered by the Underwriters and sold to certain dealers (including dealers depositing such Certificates into investment trusts, accounts or funds) and others at prices lower than the public offering price set forth on the cover page hereof.

Merrill Lynch, Pierce, Fenner & Smith Incorporated, as an Underwriter and the Remarketing Agent for the Certificates, and the Bank are both wholly-owned, indirect subsidiaries of Bank of America Corporation.

FINANCIAL ADVISOR

Fieldman Rolapp & Associates, Irvine, California, has served as the Financial Advisor to the County in connection with the offering of the Certificates. The Financial Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness, of the information contained in this Official Statement.

FINANCIAL STATEMENTS

The general purpose financial statements of the County, pertinent sections of which are included in APPENDIX B to this Official Statement, have been audited by Vavrinek, Trine, Day & Co., LLP, independent certified public accountants, as stated in their report appearing in APPENDIX B. Vavrinek, Trine, Day & Co., LLP, has not consented to the inclusion of its report as APPENDIX B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP, with respect to any event subsequent to its report dated December 8, 2008. See APPENDIX B—"COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008" attached hereto.

CERTAIN LEGAL MATTERS

The validity of the Certificates and certain other legal matters are subject to the approving opinion of Nixon Peabody LLP, Special Counsel. The opinion of Special Counsel will be delivered with the Certificates in substantially the form set forth in APPENDIX E hereto. Certain legal matters will be passed upon for the Bank by its counsel, White & Case LLP, for the Underwriters by their counsel, Kutak Rock LLP, and for the County and the Corporation by County Counsel.

MISCELLANEOUS

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

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

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

COUNTY OF RIVERSIDE

By /s/ Bill Luna
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 2,107,653 as of January 1, 2009, representing a 36.4% increase since the 2000 Census or a simple annual average increase of 4%.

Numerically, the County's population grew by over one-half million, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 56,000 to its population. This is followed by Riverside (45,264), Temecula (44,888), Moreno Valley (43,920), Indio (33,114), Corona (23,631), Lake Elsinore (21,339), Beaumont (21,019) and La Quinta (20,084). The city of Beaumont experienced the most rapid growth rate with a population increase of 185%. Several areas in the unincorporated County also grew rapidly. These include Eastvale, Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. The Cities of Menifee and Wildomar incorporated October 1, 2008 and July 1, 2008, respectively. Currently, the growth in the County has tempered due to the economy. Between January 1, 2008 and January 1, 2009, the County population increased by 1.4%. Although this rate is far below the average for this decade, it is above 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	1990	2000	2007	2008	2009
Banning	20,570	23,562	28,293	28,148	28,457
Beaumont	9,685	11,384	28,271	31,317	32,403
Blythe	8,428	20,465	22,636	21,627	21,329
Calimesa	-	7,139	7,420	7,423	7,498
Canyon Lake	-	9,952	10,979	10,994	11,128
Cathedral City	30,085	42,647	52,151	51,972	52,447
Coachella	16,896	22,724	38,515	40,317	41,000
Corona	76,095	124,966	146,147	146,698	148,597
Desert Hot Springs	11,668	16,582	24,907	25,939	26,552
Hemet	36,094	58,812	73,299	73,205	74,361
Indian Wells	2,647	3,816	4,945	5,000	5,093
Indio	36,793	49,116	77,208	80,962	82,230
Lake Elsinore	18,285	28,928	47,669	49,556	50,267
La Quinta	11,215	23,694	41,125	42,743	43,778
Menifee	-	-	-	-	67,705
Moreno Valley	118,779	142,381	180,603	182,945	186,301
Murrieta	-	44,282	97,329	99,576	100,714
Norco	23,302	24,157	27,375	27,143	27,160
Palm Desert	23,252	41,155	49,789	50,686	51,509
Palm Springs	40,181	42,807	46,893	47,019	47,601
Perris	21,460	36,189	50,701	53,340	54,323
Rancho Mirage	9,778	13,249	16,957	16,975	17,180
Riverside	226,505	255,166	291,611	296,191	300,430
San Jacinto	16,210	23,779	34,371	35,491	36,477
Temecula	27,099	57,716	98,009	99,873	102,604
Wildomar	-	-	-	-	31,321
TOTALS					
Incorporated	785,027	1,116,358	1,497,203	1,533,751	1,648,465
Unincorporated	385,386	429,029	537,637	553,461	459,188
County-Wide	1,170,413	1,545,387	2,034,840	2,078,601	2,107,653
California	29,473,000	33,871,648	37,559,440	37,883,992	38,292,687

Source: U.S. Census Bureau, except that 2007, 2008 and 2009 data is from the State Department of Finance, Demographic Research Unit (with 2000 DRU Benchmark).

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 2003 through 2008.

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
2003			
Riverside County	$ 27,623,743	$39,321	36.0%
California	$674,721,020	$42,924	41.2%
2004			
Riverside County	$ 29,468,208	$40,275	37.1%
California	$705,108,410	$43,915	42.5%
2005			
Riverside County	$ 32,004,418	$41,326	38.9%
California	$720,798,122	$44,681	43.7%
2006			
Riverside County	$ 35,656,620	$43,490	41.8%
California	$764,120,082	$46,275	45.6%
2007			
Riverside County	$ 38,631,365	$45,310	44.3%
California	$814,894,437	$48,203	47.9%
2008			
Riverside County	$ 40,935,407	$46,958	46.2%
California	$832,531,445	$48,952	48.8%

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

Source: "Survey of Buying Power," Sales & Marketing Management Magazine, 2003, 2004, 2005, 2007 and 2008 and Demographics USA, Trade Dimensions for 2006.

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	2004	2005	2006	2007	2008
Agriculture	18.7	18.3	17.3	16.4	16.2
Construction	111.8	123.3	129.7	112.5	90.5
Finance Activities	45.7	49.0	51.6	50.2	46.3
Government	212.5	220.4	222.5	225.3	230.0
Manufacturing:	120.1	121.0	123.4	118.5	107.0
Nondurables	34.6	35.0	36.5	36.5	34.4
Durables	85.5	86.1	86.9	82.1	72.6
Natural Resources and Mining	1.2	1.4	1.4	1.2	1.2
Retail Trade	153.8	165.7	173.2	175.6	168.0
Professional, Educational and other Services	399.9	416.5	435.0	445.8	439.4
Transportation, Warehousing and Utilities	55.5	60.2	63.8	69.5	70.2
Wholesale Trade	45.6	49.9	54.2	56.8	55.1
Information, Publishing and Telecommunications	14.0	14.5	15.3	15.4	14.8
Total, All Industries	1,178.7	1,240.3	1,287.4	1,287.2	1,238.7

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

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

The following table sets forth the major employers located in the County as of 2008:

COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS[1]
(2008)

Company Name	Product/Service	No. of Local Employees[2]
County of Riverside	County Government	18,912[3]
March Air Reserve Base	Government/Military	8,400
University of California, Riverside	Educational Institution	7,147
Wal-Mart	Retail Store	6,550
Stater Bros. Markets	Grocery Retailer	6,500
Riverside Unified School District	School District	5,099
Pechanga Resort & Casino	Casino/Resort	5,000
Abbott Vascular	Medical & Biotech Manufacturer	4,500
Riverside Community College District	Higher Education	3,765
Kaiser Permanente Riverside Medical Center	Healthcare	3,200

(1) Certain major employers in the County may have been excluded because of the data collection methodology used by The Business Press.
(2) Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.
(3) Data with respect to County employees is provided by the County Human Resources Department and excludes temporary and per diem employees, which totaled approximately 1,895 in 2008.

Source: The Business Press 2009 Book of Lists

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

	2003	2004	2005	2006	2007	2008	September 2009
County[1]	6.5%	6.0%	5.4%	5.0%	6.0%	8.6%	14.7%[2]
California[1]	6.8	6.2	5.4	4.9	5.4	7.2	12.0[2]
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.8[3]

(1) Data is not seasonally adjusted. The unemployment data for the County and State is calculated using unrounded data.
(2) Preliminary.
(3) 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 2003 through 2007, and the first two quarters of the 2008 calendar year:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)

	2003	2004	2005	2006	2007	2008*
Apparel Stores	$ 746,015	$ 867,276	$ 990,129	$ 1,080,385	$ 1,171,013	$ 800,293
General Merchandise Stores	2,427,411	2,756,019	3,021,908	3,250,377	3,272,665	2,158,413
Drug Stores	244,560	270,316	282,566	303,177	320,469	231,626
Food Stores	1,028,392	1,079,972	1,197,438	1,309,782	1,352,609	956,827
Packaged Liquor Stores	61,514	66,728	74,828	78,895	84,397	70,036
Eating and Drinking Places	1,713,632	1,940,610	2,157,801	2,316,422	2,388,039	1,778,807
Home Furnishing and Appliances	691,051	862,551	964,629	948,217	843,945	567,235
Building Materials & Farm Implements	1,868,995	2,476,092	2,756,280	2,738,153	1,961,911	1,144,657
Auto Dealers & Supplies	3,662,151	4,179,940	4,474,566	4,326,040	4,301,385	2,519,299
Service Stations	1,536,240	1,855,263	2,277,082	2,630,716	2,835,690	2,454,576
Other Retail Stores	2,050,991	2,427,910	2,641,985	2,860,181	2,710,393	1,624,460
Retail Stores Total	$16,030,952	$18,715,949	$20,839,212	$21,842,345	$21,242,516	$14,306,229
All Other Outlets	5,678,183	6,521,199	7,417,279	7,973,892	7,781,093	5,505,465
Total All Outlets	$21,709,135	$25,237,148	$28,256,491	$29,816,237	$29,023,609	$19,811,694

*Note: Reflects Taxable Sales Transactions for the period of January 1, 2008 through September 30, 2008.

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

Although the California State Board of Equalization has not provided final information with respect to taxable sales transactions for 2008, in calendar year 2008 the County (together with all taxing agencies in the County) experienced an approximate 10% decline in sales tax receipts compared to the prior year.

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 2004.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS(1)
(IN THOUSANDS)

	2004	2005	2006	2007	2008	2009(1)
RESIDENTIAL						
New Single-Family	$5,997,514	$6,243,790	$4,412,257	$2,207,320	$1,214,752	$ 665,434
New Multi-Family	404,616	407,429	431,579	238,316	243,741	59,350
Alterations and Adjustments	135,178	164,312	158,098	141,996	118,490	65,867
Total Residential	$6,537,308	$6,815,531	$5,001,934	$2,587,832	$1,576,983	$ 790,651
NON-RESIDENTIAL						
New Commercial	$ 580,058	$ 552,665	$ 648,068	$ 682,331	$ 539,944	$ 53,549
New Industry	203,311	120,366	288,353	184,506	70,411	12,278
New Other(2)	334,002	344,702	290,010	240,765	138,766	77,135
Alterations & Adjustments	222,496	274,339	303,407	350,539	292,694	120,590
Total Nonresidential	$1,339,867	$1,292,072	$1,529,838	$1,458,141	$1,041,815	$263,552
TOTAL ALL BUILDING	$7,877,175	$8,107,603	$6,531,772	$4,045,973	$2,618,798	$1,054,203

(1) Through September 30, 2009

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

Source: Construction Industry Research Board

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	2004	2005	2006	2007	2008
Single Family	29,478	29,994	20,692	9,763	3,815
Multi-Family	4,748	4,140	4,519	2,690	2,104
TOTAL	34,226	34,134	25,211	12,453	5,919

Source: Construction Industry Research Board

The following table sets forth a comparison of median housing prices for Los Angeles County, Riverside County and Southern California as of August 2008 and August 2009.

COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES

	August 2008	August 2009	Percent change
County of Riverside	$247,450	$190,000	(23.2)%
Los Angeles County	380,000	329,000	(13.3)%
Southern California[1]	330,000	275,000	(16.7)%

(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 and quarters indicated.

COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES

Year	Los Angeles	Riverside	San Bernardino	Southern California[1]
2004	901	348	697	2,221
2005	585	304	402	1,702
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,423	23,557	125,056
2009[2]	13,836	12,237	9,632	47,770

(1) Southern California is comprised of Los Angeles, Orange, San Diego, Riverside, San Bernardino and Ventura Counties.
(2) First two quarters of 2009.

Source: MDA DataQuick Information Systems.

Agriculture

Agriculture remains a leading 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 2004 through 2008 is presented in the following table.

COUNTY OF RIVERSIDE

Value of Agricultural Production

	2004	2005	2006	2007	2008
Citrus Fruits	$ 123,574,100	$ 138,244,700	$ 107,897,000	$ 121,387,100	$ 135,759,800
Trees and Vines	211,936,500	188,553,200	191,321,200	189,286,500	173,678,000
Vegetables, Melons, Miscellaneous	174,866,300	261,019,500	213,643,300	234,854,700	266,414,900
Field and Seed Crops	75,219,000	77,687,300	68,611,700	94,492,000	123,545,400
Nursery	211,271,200	229,210,200	270,992,800	272,326,200	230,416,200
Apiculture	2,951,300	2,736,800	3,554,300	3,948,900	5,637,000
Aquaculture Products	15,579,100	13,367,300	11,514,700	9,829,200	12,077,700
Total Crop Valuation	$ 815,397,500	$ 910,819,000	$ 867,535,000	$ 926,124,600	$ 947,529,000
Livestock and Poultry Valuation	316,207,700	257,852,100	234,903,400	338,938,600	321,060,900
Grand Total	$1,131,605,200	$1,168,671,100	$1,102,438,400	$1,265,063,200	$1,268,589,900

Source: Riverside County Agricultural Commissioner

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses most of the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County, 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. The Moreno Valley Freeway (State Route 60) provides an alternate (to Interstate 10) east-west link to Los Angeles County.

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

Transcontinental bus service is provided by Greyhound Lines. Intercounty, intercity and local bus service is provided by the Riverside Transit Agency to western County cities and communities. There are also four municipal transit operators in the western County providing services within the cities of Banning, Beaumont, Corona and Riverside. The Sun Line Transit Agency provides local bus service throughout the Coachella Valley, including the cities of Palm Springs and Indio. The Palo Verde Valley Transit Authority provided 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 the Los Angeles Department of Airports. Four major airlines schedule commercial flight service at Palm Springs Regional Airport. County-operated general aviation airports include those in Thermal, Hemet, Blythe and French Valley. The cities of Riverside, Corona and Banning also operate general aviation airports. There is a military base at March Air Reserve Base, which converted from an active duty base to a reserve-only base on April 1, 1996. The March AFB Joint Powers Authority (the "JPA"), comprised of the County and the Cities of Riverside, Moreno Valley and Perris, is responsible for planning and developing joint military and civilian use. The JPA has constructed infrastructure improvements, entered into leases with private users and initialized a major business park project.

Education

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

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

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide demand and the County's water supply is supplemented by imported water. At the present time, imported water is provided by 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 and Palo Verde Irrigation District also provide supplemental water to cities and agencies within the County.

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

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

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

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

FINANCIAL INFORMATION

Budgetary Process and Budget

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County makes adjustments during the course of the fiscal year to reflect revenue, as realized, and to record changes in expenditure requirements. For example, in recent years, many counties have adopted final budgets in advance of the State budget and made adjustments, if required, upon the passage of the State budget. The County conducts a quarterly review, with major adjustments generally addressed in the end of the first, second and third quarters.

Fiscal Year 2008-09 Final Budget

The County adopted its fiscal year 2008-09 budget on July 1, 2008. This budget approved total general fund appropriations of $2.6 billion. Such appropriations were for primary County services including public protection, health and sanitation, and public assistance. These three areas comprised approximately 88% of the County's total anticipated general fund expenditures.

The County relies significantly upon State and Federal payments for reimbursement of various costs including certain mandated programs. For fiscal year 2008-09, approximately 38% of the County's general fund revenue consisted of payments from the State and 20% consisted of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 33% of the County's general fund revenue consisted of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of California, permanently extending a 1/2 cent sales tax for public safety statewide. Sales tax receipts for the County from this 1/2 cent levy were $120.5 million in fiscal year 2008-09. General sales tax receipts for the County were $34.4 million in fiscal year 2008-09.

As of June 30, 2009, fund balance for the general fund was estimated at $358 million or 14% of the total general fund expenditures. This amount includes $93 million of reserved fund balance, $195 million of designated fund balance, and $70 million of unreserved fund balance.

Preliminary final figures for the 2008-09 fiscal year reflect a 6.5% reduction in discretionary revenue compared to the prior fiscal year, mainly due to decreased property tax revenue. The County's general fund expenses for fiscal year 2008-09 decreased 1.6% from the prior fiscal year, supported in part by reserves and designations. The County planned and used reserves to compensate for lower-than-budgeted Proposition 172 revenue in fiscal year 2008-09 and to balance the County's budget in fiscal year 2009-10.

Mid-Year Developments and Adjustments

The County's financial condition changed since June 30, 2008 due to the economic downturn. The County's discretionary revenues eroded, and the County made downward adjustment to its property, sales and public safety sales tax estimates. In addition to potential loss of revenues due to Proposition 1A (2004), the County estimated approximately $633,000 in additional reductions in cash receipts from the state from other proposals. See "—Impacts of State Budget" below.

The Board of Supervisors of the County issued quarterly reports monitoring the 2008-09 budget, and adjusted the budget as necessary. On April 23, 2009, the County Executive Officer released the fiscal year 2008-09 Third Quarter Budget Report (the "Budget Report"). As with the first two quarters of fiscal year 2008-09, the County continued to experience revenue declines in the third quarter, and various departments continued to implement cost-cutting efforts to meet current-year spending targets. Discretionary revenue for the third quarter was down $3.7 million, for a cumulative decline of $16.4 million for fiscal year 2008-09. The County projected discretionary revenue for fiscal year 2009-10 to be $627 million, reflecting a $100 million decline from the original 2008-09 final budget.

To offset losses in revenue, the County has drawn down reserves. The County expects to draw down reserves in fiscal year 2009-10 by an additional $70 million. Funds remaining in the contingency budget at each year-end are utilized to reestablish contingency in the following year's budget. The County's contingency reserve was funded at $30 million in the fiscal year 2009-10 budget.

Fiscal Year 2009-10 Final Budget

The County adopted its fiscal year 2009-10 Budget on June 30, 2009. This budget approved total general fund appropriations of $2.55 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy to slow in fiscal year 2009-10 and does not expect additional revenue to be available to expand services. Further, the County believes additional revenue losses are possible. For fiscal year 2009-10, approximately 40% of the County's general fund revenue consists of payments from the State and 21% consists of payments from the Federal government. The portion of the County's revenue that is not dependent upon State, Federal or other restricted sources is considered to be "discretionary." Approximately 25% of the County's general fund revenue consists of wholly discretionary revenue. The County uses the discretionary portion of general fund revenue to match, if necessary, external sources of revenue and to fund the cost of general government services, including the costs of public protection not funded by trial court funding from the State of California or moneys from the Public Safety Sales Tax (Proposition 172).

Sales tax receipts for the County from the 1/2 cent levy pursuant to Proposition 172 are estimated to reach $114 million in fiscal year 2009-10, which represents a 5.4% decrease from the prior fiscal year. General sales tax receipts for the County are estimated at $25.6 million in fiscal year 2009-10, and represents a 25.6% decrease from the prior year.

The adopted budget anticipated a structural deficit of approximately $50.6 million in fiscal year 2009-10. At the end of the first quarter, the County reported a further decline in revenues, bringing the current projected deficit to approximately $70 million. At the same time, the County reported a higher than expected ending balance. The 2009-10 budget solution incorporates budget cuts, assumed labor savings through labor concessions, and the use of reserves. The 2009-10 budget is based on assumptions that, if unrealized, will require additional cuts or layoffs. These assumptions include the department heads' ability to meet budget targets, no County backfill for reductions in State program funding, some layoffs, labor concessions (reducing labor cost by 10 percent), and additional cuts and labor concessions for fiscal year 2010-11. The County has reduced its labor costs for unrepresented employees and reached agreements for cost cuts with its largest bargaining units.

Impacts of State Budget

The State is currently facing an expanding deficit. Developments to the State budget may also significantly impact the County's finances. Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. The new State budget included this shift for fiscal year 2009-10 as allowed by Proposition 1A. The County will experience a reduction in its revenues of approximately $45 million in fiscal year 2009-10, as discussed below.

The County was asked to estimate the potential effect of the Proposition 1A (2004) borrowing plan contained in the fiscal year 2009-10 State budget. See "RISK FACTORS—State Budget Finances" in the Official Statement. The County participated in a securitization program in connection with the State's repayment of the Proposition 1A (2004) borrowing which is expected to offset the shifted revenue.

COUNTY OF RIVERSIDE
FISCAL YEAR 2009-10 REVENUES THAT MAY BE
SUBJECT TO STATE SUSPENSION OF PROPOSITION 1A (2004)

Component	Amount
8% Property Tax	$26,200,000
Sales Tax Triple Flip	800,000
Property Tax in Lieu of VLF	17,800,000
Total	$44,800,000

The approximately $44.8 million in fiscal year 2009-10 revenues subject to Proposition 1A (2004) includes approximately $38 million in General Fund revenues of the County. On November 19, 2009, the California Statewide Communities Development Authority issued the $1,895,000,000 California Statewide Communities Development Authority Revenue Bonds (State of California Proposition 1A Receivables Program) Series 2009 (the "Proposition 1A Bonds"). The County opted to sell its General Fund portion of Proposition 1A receivable from the State and received approximately $38 million in Proposition 1A Bond proceeds. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS — Proposition 1A" and "STATE OF CALIFORNIA FINANCIAL INFORMATION– State Budget Finances — Revised State Budget for 2009-10."

Disruptions in payments to the County from the State, whether temporary or permanent, will require adjustments to the 2009-10 budget. 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.

Beginning July 2, 2009, the State Controller began issuing registered warrants ("IOUs") to local governments for social services, private contractors, State vendors, taxpayers entitled to income and corporate tax refunds, and for payment for other State operations. The County had received approximately $7.6 million in IOU's from the State. As of October 15, 2009, the IOUs have been repaid in full. The State may issue additional IOUs to the County in the future; however, the County cannot determine the amounts of these additional IOUs at this time.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2009-10 Final Budget from time to time.

Final Budget Comparison. The following table compares the final 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, the budget is amended to reflect actual receipts and expenditures.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS[1]
FISCAL YEARS 2005-06, 2006-07, 2007-08, 2008-09 AND 2009-10
(IN MILLIONS)

	2005-06 Budget	2006-07 Budget	2007-08 Budget	2008-09 Budget	2009-10 Budget
REQUIREMENTS					
General Government	$ 175.5	$ 217.58	$ 279.30	$ 238.6	$ 239.2
Public Protection	815.5	947.66	1,032.48	1,132.0	1,055.2
Public Ways and Facilities	4.5	6.62	6.79	2.1	2.2
Health and Sanitation	394.3	381.17	410.68	392.3	295.2
Public Assistance	640.7	663.05	721.38	791.1	815.5
Education	.3	0.39	0.49	0.6	0.4
Recreation and Cultural	.2	0.31	0.29	0.3	0.3
Debt Retirement-Capital Leases	34.9	10.87	14.82	22.3	6.8
Contingencies	20.0	32.08	32.15	34.8	30.0
Increase (Decrease) Reserves	23.8	6.15	8.92	5.0	(12.8)
Total Requirements[4]	$ 2,109.7	$ 2,265.88	$ 2,507.30	$2,619.1	$2,532.0
AVAILABLE FUNDS					
Beginning Unrestricted Fund Balance	$ 62.1[3]	$ 22.66	$ 33.43	$ 107.1[3]	$ 112.8
Estimated Revenues:					
Property Taxes[2]	165.6	214.16	262.61	287.2	244.9
Other Taxes[2]	58.6	77.54	71.06	49.1	46.1
Licenses, Permits and Franchises	23.1	29.71	31.63	24.9	20.7
Fines, Forfeitures and Penalties	46.1	48.26	51.99	60.6	55.7
Use of Money and Properties	24.3	53.51	53.16	29.7	13.5
Aid from Other Governmental Agencies:					
State	755.1	842.83	938.46	991.8	962.0
Federal	418.9	415.25	444.70	465.4	511.1
Charges for Current Services	361.0	424.61	462.26	385.1	452.7
Other Revenues	194.9	137.33	158.01	217.9	112.5
Total Available Funds[4]	$2,109.7	$2,265.86	$2,507.30	$2,619.1	$2,532.0

(1) Excludes mid-year amendments or adjustments.

(2) Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2005-06 Budget, the 2008-09 Budget and the 2009-10 Budget, and included with Other Taxes in the 2006-07 Budget and the 2007-08 Budget.

(3) Includes reserves used.

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

Source: County Auditor-Controller

Riverside County Treasurer's Pooled Investment Fund

The following information concerning the Riverside County Treasurer's Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the County or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of October 31, 2009, the portfolio assets comprising the PIF had a market value of $5,121,939,772.

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, 2009, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, mandatory deposits constituted approximately 83.02% of the funds on deposit in the County Treasury, while approximately 16.98% 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 2009 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 investments in the Pooled Investment Fund as of October 31, 2009, were as follows:

	Market Value	% of Pool
Federal Agency Securities	$ 3,676,739,122	71.78%
Cash Equivalents & Money Market Funds	668,548,000	13.05
Commercial Paper	0	0.00
Negotiable Certificates of Deposit	0	0.00
Medium Term Notes	270,178,710	5.27
Municipal Bonds	117,949,840	2.30
Certificates of Deposit	0	0.00
U.S. Treasury Bonds	286,215,000	5.59
Local Agency Obligations (1)	102,309,000	2.01
Total	$5,121,939,772	100.00%
Weighted Average Yield:	1.22%	
Weighted Average Maturity:	1.09 years	

(1) Represents County obligations issued by the Riverside District Court Financing Corporation and the County of Riverside Asset Leasing Corporation, the County's Teeter Obligation Note and bond anticipation notes issued by the Redevelopment Agency of the County of Riverside.

Source: County Treasurer-Tax Collector

As of October 31, 2009, the market value of the PIF was 100.47% 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 organized to conform to California Government Code Section 27310 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. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. 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 ten dollar 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 1998-99 through fiscal year 2009-10.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 1998-99 THROUGH 2008-09

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
1998-99	964,844,205	39,123,776	4.05%	1,015,412,511	105.24%
1999-00	1,020,377,070	34,509,599	3.38%	1,076,947,278	105.54%
2000-01	1,106,323,882	40,719,497	3.68%	1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50%	1,235,188,224	102.10%
2002-03	1,348,190,139	44,478,022	3.30%	1,388,639,880	103.00%
2003-04	1,506,949,011	42,164,689	2.80%	1,571,572,091	104.29%
2004-05	1,747,034,222	55,557,116	3.18%	1,797,065,686	102.86%
2005-06	2,094,068,686	88,930,195	4.25%	2,116,369,838	101.06%
2006-07	2,559,448,076	180,175,146	7.04%	2,532,293,674	98.94%
2007-08	2,964,341,768	255,672,935	8.62%	2,928,205,634	98.78%
2008-09	3,029,936,136	222,218,035	7.33%	3,128,587,624	103.26%
2009-10	2,791,941,475	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
1998-99	34,146,467	34,811,411	101.95
1999-00	37,937,325	38,540,297	101.59
2000-01	44,069,979	42,217,300	95.80
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	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) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

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 1998-99 through fiscal year 2008-09.

COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1998-99 THROUGH 2008-09

Fiscal Year	Tax Levy for Increased Assessments(1),(2)	Refunds for Decreased Assessments(1) (3)	Net Tax Levy	Collections(1),(2)
1998-99	31,007,626	6,446,611	24,561,015	28,675,990
1999-00	48,702,588	4,387,767	44,314,821	49,125,986
2000-01	54,057,911	3,282,783	50,775,128	40,942,746
2001-02	68,229,225	2,080,315	66,148,910	58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09(4)	60,817,712	46,478,150	14,339,562	74,316,444

(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. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

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 2004-2005 through fiscal year 2009-10.

COUNTY OF RIVERSIDE
ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE[1]
FISCAL YEARS 2004-05 THROUGH 2009-10
(IN MILLIONS)

Category	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
SECURED PROPERTY:						
Land	$ 44,284	$ 52,819	$ 66,302	$ 77,403	$ 82,908	$ 70,165
Structures	89,242	107,234	130,830	155,847	152,908	140,608
Personal Property	810	783	803	1,476	1,510	1,349
Utilities	2,080	2,286	2,614	2,807	3,154	2,907
Total Secured	$136,416	$163,122	$200,549	$237,173	$240,480	$215,029
UNSECURED PROPERTY:						
Land	$ 5	$ 4	$ 3	$ 3	$ 3	$ 2
Improvements	2,465	2,709	2,839	3,195	3,682	3,761
Personal Property	3,050	3,308	3,571	3,976	4,338	4,245
Total Unsecured[2]	$ 5,520	$ 6,021	$ 6,413	$ 7,174	$ 8,023	$ 8,008
Grand Total	$141,936	$169,143	$206,962	$244,347	$248,503	$223,037

(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 are expected to continue to decline in 2009. See "Demographic and Economic Information-Building and Real Estate Activities" herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

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

In response to the decline in the local housing market, for FY 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 incorporate these Prop 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 FY 09-10, 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%.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2008-09 totaling approximately $10.6 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 $634.4 million of assessed value, representing $6.3 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2007-08 and fiscal year 2008-09. The majority of appeals applicable to fiscal year 2007-08 have been completed. The remainder of the fiscal year 2007-08 and the fiscal year 2008-09 assessment appeals are expected to be completed by June 1, 2010.

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 2009-10 budget will be determined primarily by three components: (i) the remainder of the fiscal year 2007-08 and fiscal year 2008-09 assessment appeals still to be completed; (ii) a portion of the fiscal year 2009-10 appeals being completed during fiscal year 2009-10; and (iii) additional assessment revenue which the County Assessor projects will be billed during the fiscal year and reduce the impact of the appeals related to that fiscal year.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2008-09, approximately 74% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at 22.4 million as of June 30, 2009. 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 is anticipated to be accomplished through the sale, prior to December 31, 2009, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately $186 million and County of Riverside Teeter Obligation Note, Series C (the "C Notes") in the amount of approximately $72 million. The total amount of approximately $258 million is comprised of approximately $163 million representing fiscal year 2008-09 delinquent property taxes and approximately $95 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make the annual repayment. The letter of credit will expire on November 5, 2012. The C Notes are expected to be sold publicly backed by the General Fund.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2009-10.

COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2009-10
SECURED AND UNSECURED ASSESSMENTS

TAXPAYER	TOTAL TAXES LEVIED	PERCENTAGE OF TOTAL TAX CHARGE
DEUTSCHE BANK NATIONAL TRUST COMPANY	$7,609,656.58	0.27%
U.S. BANK NATIONAL ASSOCIATION	5,420,268.68	0.19
CENTEX HOMES	4,586,374.30	0.16
BANK OF NEW YORK	3,744,285.96	0.13
TYLER MALL LTD PARTNERSHIP	3,269,642.00	0.12
FEDERAL NATIONAL MORTGAGE ASSN	3,138,056.80	0.11
HSBC BANK USA	3,016,516.04	0.11
WELLS FARGO BANK	3,003,731.26	0.11
KB HOME COASTAL INC	2,787,685.88	0.10
FEDERAL HOME LOAN MORTGAGE CORP.	2,780,201.86	0.10
LOWES HIW INC	2,718,321.62	0.10
STANDARD PACIFIC CORP	2,697,067.00	0.10
WALGREEN CO	2,531,508.62	0.09
ASHBY USA	2,520,493.08	0.09
KSL DESERT RESORT	2,421,064.60	0.09
BRE PROP INC	2,322,109.38	0.08
PALM DESERT FUNDING CO	2,285,401.90	0.08
COSTCO WHOLESALE CORP	2,283,373.62	0.08
PARDEE HOMES	2,262,596.34	0.08
TARGET CORP	2,224,647.46	0.08
DS HOTEL	2,132,301.46	0.08
WORLDMARK THE CLUB	1,977,363.96	0.07
WAL MART REAL ESTATE BUSINESS TRUST	1,941,915.94	0.07
WATSON LABORATORIES INC.	1,896,075.04	0.07
DOS LAGOS LIFESTYLE CENTER	1,884,992.38	0.07
TOTAL	**$73,455,651.76**	**2.63%**

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2009-10 are shown below.

COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2009-10
BY ASSESSED VALUE

ASSESSEE	ASSESSED VALUE
Deutsche Bank National Trust Company	$ 510,232,418
U.S. Bank National Association	344,754,334
Abbot Vascular Inc.	313,028,231
Kaiser Foundation Hospitals	295,948,194
Eisenhower Memorial Hospital	270,041,179
Bank of New York	244,773,809
Walgreens Company	239,476,608
Centex Homes	222,147,281
Lowes HIW Inc.	221,207,547
Target Corp.	212,441,568
Subtotal	$ 2,874,051,169
All Others	214,565,519,149
Total	$217,439,570,318†

† Excludes State assessed property.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2007-08, the County retained approximately 12.2% of the total amount collected (and is budgeted to retain 11.9% in fiscal year 2008-09). The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

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

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues 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 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 1998-99 THROUGH 2009-10

Fiscal Year	Frozen Base Value	Full Cash Value Increments(1)	Total Tax Allocations(2)
1998-99	$ 9,198,183,768	$15,066,118,043	$152,612,557
1999-00	9,839,372,531	16,820,555,845	170,384,171
2000-01	10,966,072,778	20,127,612,843	203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605(4)	62,304,215,777	629,000,000(3)

(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. Estimate.
(4) County report of increment of assessed district value for FY 2009-10.

Source: County Auditor-Controller

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

The County has formed a redevelopment agency with project areas in 39 unincorporated communities. As of June 30, 2009, the County Redevelopment Agency had a total land area of 76,386 acres and a base year assessed value, including State-owned land, of $2,916,116,730. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 2009-10 is estimated at approximately $10,956,471 (based on average county share of 13% of the 1% general property tax).

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 2007-08 were audited by Vavrinek, Trine, Day and Co., LLP. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

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 new 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 new 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 now 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, 2008, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2008."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2003-04 THROUGH 2007-08

(In Thousands)

	2003-04	2004-05	2005-06	2006-07	2007-08
BEGINNING FUND BALANCE	$ 220,209[(1)]	$ 249,053	$ 339,321[(1)]	$ 446,918	$ 570,964
REVENUES					
Taxes	193,329	219,420	273,493	301,573	309,295
Licenses, permits and franchises	19,964	22,157	21,569	25,803	24,525
Fines, forfeitures and penalties	42,905	70,023	62,305	81,148	90,788
Use of money and property – Interest	8,724	21,126	42,826	62,848	61,623
Use of money and property – Rents and concessions	1,359	4,253	4,131	2,805	2,578
Government Aid – State	673,403	660,761	785,390	893,390	905,998
Government Aid – Federal	373,146	395,655	395,105	430,606	473,731
Governmental Aid-Other	46,750	55,661	69,042	81,703	95,808
Charges for current services	263,107	293,581	326,066	319,198	358,767
Other revenues	55,260	82,334	13,936	38,856	29,308
TOTAL REVENUES	$1,677,947	$1,824,971	$1,993,863	$2,237,932	$2,352,421
EXPENDITURES					
General government	$ 101,429	$ 105,992	$ 123,716	$ 119,365	$ 145,290
Public protection	674,389	742,550	798,035	916,524	1,032,582
Public ways and facilities	--	3,430	3,930	4,405	4,717
Health and sanitation	362,010	279,472	337,139	341,467	368,753
Public assistance	536,275	569,412	588,928	644,912	704,404
Education	337	332	349	394	464
Recreation and cultural	181	175	203	203	206
Capital Outlay	1,008	6,616	7,929	8,811	8,670
Debt service	14,454	36,119	33,576	29,751	26,132
TOTAL EXPENDITURES	$1,690,083	$1,744,098	$1,893,805	$2,065,932	$2,291,218
Excess (deficit) of revenues over (under) expenditures	(12,136)	80,873	100,058	172,000	61,203
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	$ 60,999	$ 69,014	$ 103,586	$ 89,449	$ 104,892
Transfer to other funds	(21,027)	(53,102)	(104,172)	(146,214)	(269,961)
Capital Leases	1,008	6,616	8,125	8,811	8,670
Total other Financing Sources (Uses)	40,980	22,528	7,539	(47,954)	(153,399)
NET CHANGE IN FUND BALANCES	28,844	103,401	107,597	124,046	(92,196)
FUND BALANCE, END OF YEAR	249,053	352,454	446,918	570,964	478,768
Less:					
Reserved Fund Balance	100,940	121,249	100,436	88,233	84,466
Designated Fund Balance	70,361	185,014	277,833	339,773	335,630
UNDESIGNATED UNRESERVED FUND BALANCE	$ 77,752	$ 46,191	$ 68,649	$ 142,958	$ 58,672

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

Source: County Auditor-Controller.

COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2004 THROUGH JUNE 30, 2008

(In Thousands)

	2004	2005	2006	2007	2008
ASSETS:					
Cash & Marketable Securities	$ 65,681	$184,723	$257,077	$283,080	$216,816
Taxes Receivable	4,367	20,679	19,939	40,766	58,256
Accounts Receivable	21,472	37,177	43,255	60,621	48,196
Interest Receivable	4,078	9,214	9,124	14,673	9,384
Advances to Other Funds	5,646	40	20	37	0
Due from Other Funds	8,892	8,435	5,895	5,417	24,716
Due from Other Governments	214,319	195,064	206,270	252,411	239,844
Inventories	2,979	1,801	1,806	1,540	2,105
Restricted Assets	230,390	436,555	228,897	263,390	263,566
Total Assets	$557,824	$893,688	$772,283	$921,935	$866,259
LIABILITIES:					
Accounts Payable	$ 70,790	$ 86,713	$85,857	$82,441	94,061
Salaries & Benefits Payable	46,367	52,805	63,119	70,585	83,753
Due To Other Funds	945	4,928	1,189	288	283
Due to Other Governments	19,663	45,057	35,017	41,432	40,991
Deferred Revenue	170,981	133,742	140,101	156,155	168,282
Deposits Payable	25	67	82	70	121
Bonds & Notes Payable	--(1)	217,922	--(1)	--(1)	--(1)
Total Liabilities	$308,771	$541,234	$325,365	$350,971	$387,491
FUND BALANCE:					
Reserved	$100,940	$121,249	$100,436	$ 88,233	$ 84,466
Unreserved	148,113	231,205	346,482	482,731	394,302
Fund Balance	$249,053	$352,454	$446,918	$570,964	$478,768
Total Liabilities and Fund Balance	$557,824	$893,688	$772,283	$921,935	$866,259

(1) No activity to report.

Source: County Auditor-Controller.

Long-Term Obligations of County

During its 116 years of existence, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of October 1, 2009, the County had $760,319,659 in direct general fund obligations and $382,090,000 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 October 1, 2009.

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF OCTOBER 1, 2009)

RIVERSIDE COUNTY

2009-10 Assessed Valuation: $217,161,424,754 (includes unitary utility valuation)
2008-09 Adjusted Assessed Valuation: $176,145,272,200

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 10/1/09
Metropolitan Water District	6.795 %	$ 19,938,229
Community College Districts	1.487-99.999	461,207,722
Unified School Districts	2.773-100.	1,769,753,331
Perris Union High School District	100.	56,172,260
Union School Districts	100.	56,883,493
City of Corona	100.	840,000
City of Riverside	100.	17,315,000
Eastern Municipal Water District Improvement Districts	100.	47,175,000
Elsinore Valley Municipal Water District Improvement District No. U2	100.	555,000
Coachella County Water District Improvement Districts	100.	8,150,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,965,000
San Gorgonio Memorial Hospital District	100.	108,000,000
Other Special Districts	100.	1,500
Community Facilities Districts	94.268-100.	2,853,950,055
Riverside County 1915 Act Bonds	100.	25,765,753
City and Special District 1915 Act Bonds (Estimated)	100.	267,773,500
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,696,445,843
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Riverside County General Fund Obligations	**100. %**	**$ 760,319,659**
Riverside County Pension Obligations	**100.**	**382,090,000**
Riverside County Board of Education Obligations	100.	8,270,000
School Districts General Fund and Lease Tax Obligations	2.773-100.	572,748,334
City of Corona General Fund Obligations	100.	71,090,000
City of Moreno Valley General Fund Obligations	100.	81,450,000
City of Murrieta General Fund Obligations	100.	16,200,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.	128,801,423
City of Riverside Certificates of Participation	100.	195,675,000
City of Riverside Pension Obligations	100.	139,410,000
Other City General Fund and Special Tax Obligations	100.	116,119,800
Other Water District Certificates of Participation	0.241-100.	6,645,208
Other Special District Certificates of Participation	100.	3,730,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,482,549,424
Less: **Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)**		**16,354,386**
School District QZABS supported by investment fund payments		8,719,061
City of Corona Certificates of Participation supported by waste water revenues		3,185,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues		12,460,000
Other Special District self-supporting bonds (supported from enterprise revenues)		2,832
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,441,828,145
GROSS COMBINED TOTAL DEBT		$8,178,995,267 (2)
NET COMBINED TOTAL DEBT		$8,138,273,988

(1) Based on 2008-09 ratios.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2009-10 Assessed Valuation:
Overlapping Tax and Assessment Debt..2.62%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt ($1,142,409,659)..0.65%
Combined Net Direct Debt ($1,126,055,273)...0.64%
Gross Combined Total Debt..4.64%
Net Combined Total Debt...4.62%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: $0

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 December 1, 2009, the County's current outstanding lease obligations total $725,841,160. The County's annual lease obligation is approximately $69,808,743 and the maximum annual lease payment is $88,497,632.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of December 1, 2009.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of December 1, 2009)

	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	$ 68,300,000	$ 11,205,000[2]
County of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	1,706,402	997,270
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	53,650,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C	2019	71,985,000	68,895,000	19,599,869[3]
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,900,000	844,500[4]
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	19,780,000	1,473,900
2008 Series A	2022	72,445,000	72,445,000	5,853,100
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	12,120,000	874,505
2005 Series B[5]	2027	22,610,000	20,505,000	1,467,177
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	11,050,000	1,447,363
County of Riverside Certificates of Participation[6] (1998 Larson Justice Center Refunding)	2021	36,100,000	22,355,000	2,484,910
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	15,674,685	
Series 2002	2020	925,000	660,000	1,807,910[7]
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	8,240,000	2,314,469
2008 Series A[8]	2032	78,895,000	78,895,000	4,067,037
County of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	33,120,000	2,532,656
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[9]	2018	8,685,000	3,670,000	1,023,215
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project)[10]	2036	51,655,000	48,070,000	3,405,913
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	33,480,000	2,165,544
County of Riverside Certificates of Participation)[11] (2007 A/B Public Safety Communication and Refunding Projects	2022	111,125,000	106,155,000	6,244,405
TOTAL		$ 981,195,073	$ 725,841,160	$ 69,808,743

(1) Annual base rental for fiscal year 2009-2010 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 December 1, 2009 was approximately 0.57%.
(3) Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.
(4) Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending December 1, 2009 was approximately 1.28%.
(5) The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.
(6) The 1998 Larson Justice Center Refunding Project refunded the 1994 Desert Justice Center Project, and is being refunded with the 2009 Larson Justice 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 2007 Series B refunded the 1997 Lease Refunding Projects and are being refunded with the 2009 Public Safety Communication and Woodcrest Library Project Refunding.

Source: County Executive Office.

Additional Obligations

The County currently plans to issue prior to December 31, 2009 approximately $258 million aggregate principal amount of its Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B and Teeter Plan Obligation Notes, Series C to fund its on-going obligations under the Teeter Plan. See "-Teeter Plan" above. In addition, the County currently plans to enter into a lease agreement with the Corporation pursuant to which the County will be obligated to make lease payments in an aggregate principal amount of approximately $24,395,000, in connection with certificates of participation to be issued to current refund the County's Certificates of Participation 1998 Larson Justice Center Refunding Project. Due to current market conditions targeted savings goals could not be met, therefore such refunding has been postponed until market conditions improve and savings goals are met.

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 adopted 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 also entered into an amended and restated interest rate swap agreement with a notional amount of $76,300,000. The interest rate swap agreement is with Citigroup Financial Products, Inc. (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 A3 by Moody's, A by Standard & Poor's and A+ by Fitch as of June 30, 2009. Downgrade provisions specify that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (in the case of S&P) or A3 (in the case of 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.

The amendment provides that if an "Insurer Downgrade Event" occurs, the Counterparty may deem the transaction to be uninsured. "Insurer Downgrade Event" is deemed to occur if the insurer fails at any time to have two out of three of the following ratings: (i) a claims-paying ability rating of "A+" or higher from S&P, (ii) a financial strength rating of "A1" or higher from Moody's, and (iii) a financial strength rating of "A+" or higher from Fitch. Should an Insurer Downgrade Event occur, the County is required, within one business day of the Counterparty's determination that the transaction is no longer insured, to either (i) provide an alternate credit support document acceptable to the Counterparty from a credit support provider rated at least "AAA" by S&P and "Aaa" by Moody's, or (ii) deliver collateral to the Counterparty. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. Assured Guaranty Corp. has a rating of "AAA" by S&P and "Aa2" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

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

COUNTY OF RIVERSIDE
REGULAR EMPLOYEES
1998 THROUGH 2009

Year	Regular Employees(1)
1998	11,687
1999	12,808
2000	13,332
2001	15,951
2002	14,729(2)
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009(3)	18,221

(1) As of December 31st of each year. Excludes temporary and per diem employees, which totaled approximately 2,593 employees in 2005, 2,522 employees in 2006, 2,671 employees in 2007, 1,895 employees in 2008 and 1,571 in 2009.

(2) Reduction in regular employees due to court employees becoming State employees.

(3) As of October 7, 2009.

Source: County Human Resources Department

County employees comprise 11 bargaining units, plus another 7 unrepresented employee groups. Eleven of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), represent approximately 70% of all County employees in a variety of job classifications. Salary, benefits and other personnel issues for management, confidential and other units which are exempt from collective bargaining, are governed by a County ordinance for personnel matters.

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

The County's agreement with SEIU and LIUNA will extend through June 30, 2010. The agreement with LEMU will extend through June 30, 2012. The agreement with RSA for the Law Enforcement Unit will extend through January 31, 2011. The County's agreement with RSA for the Public Safety Unit expired on January 31, 2009, and its agreement with DDAA expired on March 31, 2009. The County is currently negotiating with RSA for the Public Safety Unit and with the DDAA to reach new agreements. In the meantime the County has imposed Terms and Conditions of Employment on the DDAA. During the last twenty years, there has been no major County employee work stoppage.

Retirement Program

General. The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its California Public Employees' Retirement System ("PERS") Contract (as amended to date, and as may further be amended from time to time, the "PERS Contract"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides simultaneous coverage of 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 miscellaneous members is the product of the benefit factor (based on age), years of service, and final compensation; the benefit factor ranges from 2% at age 50 to 3% at ages 60 and beyond. For safety members, the benefit factor is 3% at age 50 and beyond. The plan also provides for cost-of-living adjustments of 2% per year after retirement.

Included among the employees covered under the PERS Contract are trial court employees. The State is obligated to reimburse the County for the share of PERS costs associated with the trial court employees with the County, but the County remains primarily liable for such costs under the PERS Contract.

The County established in 2003 a Pension Advisory Review Committee ("PARC") to develop an institutional framework to help guide policy decisions about retirement benefits. One of PARC's primary responsibilities is the preparation of an annual report informing the Board of Supervisors and the public about important developments affecting the County's retirement program, including its projected costs and funding status. The most recent annual PARC report was delivered to the Board of Supervisors on April 7, 2009 (the "2009 PARC Report"). See "– Retirement Program – Funding Status" and "– Retirement Program – Projected County Contributions and UAAL" herein for a description of the PARC Report.

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

The staff actuaries at PERS prepare annually an 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 2008 covered PERS' fiscal year 2006-07). The actuarial valuation expresses the County's required contribution rates in percentages of payroll, which percentages the County contributes in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (thus, the County's contribution rates derived from the actuarial valuation as of June 30, 2007, which was prepared in October 2008, is effective during the County's fiscal year 2009-10). 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 fund 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 PERS will fund under the PERS Plans that are attributed to the current year, and the UAAL represents the actuarial present value of benefits that PERS will fund 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 of 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 fund under the PERS Plans to retirees and active employees upon their retirement and 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 smoothes gains and losses over a number of years (the exact number of which is adjusted as expected values fluctuate) using a smoothing technique. Prior to April 2005, one-third of the gain or loss realized was recognized in a given fiscal year. Under the rate stabilization policy effective as of April 2005, one-fifteenth 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 May 2004, 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 3.5% to 3%. 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 8.25% to 7.75%; (ii) the long term salary increase assumption has decreased from 3.75% to 3.25%; and (iii) the inflation component of individual salary scales has decreased from 3.75% to 3.25%. 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 significant demographic assumption changes. 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 response to the significant asset value declines of fiscal year 2008-09, in June 2009 the PERS Board approved an enhancement to its smoothing methodology. 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 to 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 addition to required County contributions, members are also obligated to make certain payments. The members' contribution rates are fixed at 9% of salaries for the Safety Plan and 8% of salaries for the Miscellaneous Plan. In addition to making annual contributions to PERS in accordance with the applicable actuarial valuation, the County also is obligated pursuant to the collective bargaining arrangements with the County's employee unions 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"). The County pays the employee share of safety retirement to the Safety Plan for all safety members hired prior to June 25, 1992 and the employee share of miscellaneous retirement to the Miscellaneous Plan for all miscellaneous members who were hired prior to January 10, 1992. For safety members hired after June 25, 1992, the employee will pay the employee share for the first three years, and the County will pay the employee share in subsequent years. (New safety members transferring from another public agency may be exempt from paying the entire employee share under certain conditions.) For miscellaneous members hired after January 10, 1992, the employee will pay the employee share for the first five years, and the County will pay the employee share for all subsequent years. For Miscellaneous members who are in the management, confidential and unrepresented units, the County will pay the employee share for all years. **Member contributions, including member contributions paid by the County, 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 Safety Plan as of June 30, 2007, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 18.605% be implemented as the required rate for fiscal year 2009-10, which the County anticipates will result in a contribution to PERS of approximately $43.96 million for that fiscal year. In addition, the County will pay to PERS approximately $18.73 million in County Offsets of Employee Contributions for fiscal year 2009-10, which will result in a total contribution by the County to PERS for the Safety Plan for fiscal year 2009-10 of approximately $62.69 million. In the actuarial valuation for the Miscellaneous Plan as of June 30, 2007, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 11.999% be implemented as the required rate for fiscal year 2009-10, which the County anticipates will result in a contribution to PERS of approximately $99.60 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately $41.08 million in County Offsets of Employee Contributions for fiscal year 2009-10, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year 2009-10 of approximately $140.68 million.

The amount of the County's contribution rates under the PERS Plans increased substantially in fiscal years 2003-04 and 2004-05 due in part to the significant investment losses during fiscal years 2000-01 through 2002-03 and the benefit improvements for both Safety and Miscellaneous plans. While the investment gains experienced in fiscal year 2003-04 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.

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 the County's actuary, Bartel & Associates ("Bartel"), due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of $72.7 million. The County believes that it is reasonable to expect that over the remaining 26 years of the bond's life the transaction will produce savings. On June 6, 2006, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the transfer to PERS of an estimated $5.1 million from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. This prepayment generated $2 million in cash-flow benefit to the County, which affected and is reflected in the June 30, 2006 valuation. On June 28, 2007 and again on June 23, 2008, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized the second and third transfer to PERS of $6.5 million for each transfer from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability. In 2009, pursuant to PARC recommendations, the Board of Supervisors authorized the use of $6 million from the liability management fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. As of June 30, 2009, the County has purchased $4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of $247,000. Also in 2009, the County issued $200.8 million in Tax and Revenue Anticipation Notes through the California Statewide Communities Development Authority, plus an additional $92.2 of tax-exempt Tax and Revenue Anticipation Notes, the proceeds of which were used to prepay a portion of the County's PERS contributions for fiscal year 2009-10.

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, 2003 through June 30, 2007 and the total employer contributions made by the County for fiscal year 2005-06 through fiscal year 2010-11. The two tables are based on PERS Actuarial Reports for those years:

HISTORICAL FUNDING STATUS
(Safety Plan)

Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount[1]	County Offsets of Employee Contributions
2003	$ 94,526,520	89.6%	2005-06	$ 31,142,344[2]	$ 13,414,052[2]
2004	133,684,051	86.9	2006-07	36,722,257	14,719,343
2005	58,201798	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	95.0	2008-09	46,983,428[3]	17,839,488[3]
2007	78,113,619	94.3	2009-10	49,372,599[3]	18,731,462[3]

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Miscellaneous Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007 (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,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount[1]	County Offsets of Employee Contributions
2003	$ 330,444,892	83.5%	2005-06	$ 73,074,464[2]	$ 33,122,091[2]
2004	397,462,924	82.2	2006-07	79,679,334	35,086,123
2005	106,958,141	95.7	2007-08	88,824,408	37,106,508
2006	142,160,688	94.8	2008-09	95,930,361[3]	40,075,029[3]
2007	135,212,288	95.5	2009-10	98,328,620[3]	41,076,905[3]

(1) Indicated amounts are those amounts paid by the County to PERS in the indicated years and do not reflect all amounts paid by the County under the Safety Plan or otherwise.

(2) Includes payments from the County to PERS in connection with the issuance of the 2005 Pension Obligation Bonds and the 2005 Taxable TRANS, which payments will affect and be reflected commencing with the June 30, 2005 valuation.

(3) Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2008-09.

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007 (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)
2003	907,018,000	814,074,000	92,944,000	89.6	147,519,000	63.0
2004	1,021,085,045	887,401,000	133,684,051	86.9	161,598,000	82.7
2005	1,127,240,234	1,069,038,436	58,201,798	94.8	168,806,459	34.5
2006	1,231,954,415	1,170,092,909	61,861,506	95.0	189,606,339	32.6
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

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)
2003	1,998,882,000	1,669,502,000	329,380,000	83.5	542,056,000	60.8
2004	2,231,623,980	1,834,161,056	397,462,924	82.2	571,677,315	69.5
2005	2,471,523,205	2,364,565,064	106,958,141	95.7	592,531,095	18.1
2006	2,741,753,157	2,599,592,469	142,160,688	94.8	659,274,265	21.6
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2005-06 through fiscal year 2009-10 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
2003	2005-06	17.095%[(1)]	11.829%[(1)]
2004	2006-07	18.031	11.916
2005	2007-08	18.625	12.051
2006	2008-09	19.033	12.164
2007	2009-10	18.605	11.999

(1) Provided by the County; rates reflect adjustment due to the receipt of $396,874,938 on February 17, 2005 in connection with the issuance of the 2005 Pension Obligation Bonds.

Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

Projected County Contributions and UAAL. **The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the**

County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The County expects to receive the June 30, 2008 report of the PERS actuary by December 1, 2009, which will include projections for the County's contribution rate for the fiscal year 2010-11 and 2011-12 for the Miscellaneous Plan and the Safety Plan. The County expects that the investment losses incurred in fiscal year 2008–09 will impact the County's contribution rates beginning in fiscal year 2011-12. PERS has projected contribution rate increases for fiscal years 2011-12 through 2014-15 for all participating employers based on their applicable volatility index. Based on the PERS projections for all its participating employers, the County expects the Miscellaneous Plan contributions to increase by 1.0% of payroll rate for fiscal year 2011-12, an additional 1.6% increase in fiscal year 2012-13, and another 1.7% increase in fiscal year 2013-14, for a cumulative increase of 4.3% over three years. Based on the PERS projections for all its participating employers, the County expects the Safety Plan contributions to increase by 1.5% of payroll rate for fiscal year 2011-12, an additional 2.5% increase in fiscal year 2012-13, and another 2.6% increase in fiscal year 2013-14, for a cumulative increase of 6.6% over three years. Because of the 15 year smoothing method, additional losses will continue to be recognized, but not as severely as the first three years. Without significant future investment gains, the Miscellaneous Plan and Safety Plan will continue to see a 0.2% per year increase for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments which smooth 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 7.75% 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 such 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 a discussion of the smoothing policy of PERS, see "– The County's PERS Contract" above.

According to the 2009 PARC Report submitted to the Board of Supervisors on April 7, 2009, Bartel forecasted that as of June 30, 2009, the County will have a UAAL of $600 million for the Miscellaneous Plan and $300 million for the Safety Plan, which are expected to contribute to the projected funding status, on a net basis (which includes the County's outstanding pension obligation bond liability), of 74.1% for the Miscellaneous Plan and 75.9% for the Safety Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2009 which is greater than the assumed actuarial rate of return of 7.75%. According to the 2009 PARC Report, many experts consider a funded ratio based on actuarial asset values of 80% or better to be sound for government pensions.

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, 2009 the County's current required contribution level is 0.68%. The County has elected to contribute 2% of payroll in order to reach a target 90% funded ratio within one year. The County's contribution to the Plan was $2,090,002 for fiscal year 2008-09 and is estimated to be $550,000 for fiscal year 2009-10. The Plan's unfunded liabilities as of June 30, 2008 are approximately $2,481,640.

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 50 years of age at retirement qualify to receive the post-retirement benefits.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). These disclosure requirements are effective for the County beginning fiscal year 2007-08.

GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of January 1, 2009 (the "Health Benefits Valuation"), prepared by Aon Consulting. Based on the combination of plans and contribution levels that the County offers, assuming a blended interest rate of 7.24% before 2011 and the fully pre-funded rate of 7.75% thereafter, the present value of benefits was estimated to be $67.4 million, the accrued actuarial liability was estimated to be $55.3 million and the annual normal cost was $1.7 million. If the accrued actuarial liability of $67.4 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been $4.45 million. Approximately 17% of the County's OPEB liability was attributable to the "implicit subsidy" of allowing pre-65 retirees to receive coverage at the active premium rates instead of the normally higher retiree rates.

The Board of Supervisors took action on September 12, 2006 to end the implicit subsidy of pre-65 retirees by separately rating early retiree medical plans as of January 1, 2011. In addition, action was taken 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 $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 Benefit Valuation, overall, the actions of the Board reduced the County's OPEB liability from $237 million in 2006 to $67.4 million in 2009.

Medical Center

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

The Riverside County Regional Medical Center ("RCRMC") is a 520,000 square foot state-of-the-art tertiary care and level II adult and pediatric 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, the State Medi-Cal program, the County Medially Indigent Service Program and the County Indigent Adult program.

RCRMC is reimbursed for cost reimbursable items at a tentative rate until final settlement is determined after submission of annual cost reports by RCRMC and audit thereof by Medicare.

Based on preliminary estimates, at June 30, 2009, RCRMC reflected unrestricted net assets of approximately $52 million for Fiscal Year 2008-09. RCRMC had a cash balance of approximately $76.5 million as of June 30, 2009. In Fiscal Year 2008-09, RCRMC had an increase in net assets of $ 9.8 million. RCRMC continued to experience growth in patient collections in Fiscal Year 2008-09. Amounts received by RCRMC in fiscal year 2008-09 for Medi-Cal days and Medi-Cal and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06 and expires on June 30, 2010. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for Fiscal Year 2008-09 or may be required to reimburse the State for any overpayment received during such Fiscal Year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals on January 1 for the preceding fiscal year.

Historically, the County's budget included a general fund contribution to RCRMC to address potential revenue shortfalls. The County does not anticipate a revenue shortfall for RCRMC for fiscal year 2009-10, and accordingly the County has not included a general fund contribution to RCRMC for fiscal year 2009-10.

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 a claims 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 deductible; flood coverage is subject to a 2% 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 $600 million in limits. Earthquake coverage (covering scheduled locations 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 $200 million excess rooftop limit available to any one tower. Earthquake is subject to a deductible equal to 5% of replacement cost value subject to a $100,000 maximum. Boiler and machinery provides up to $100 million in limits, with various deductibles. 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, 2009 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, 2009 was approximately $166 million.

Litigation

There is no action, suit or proceeding known to the Corporation or the County to be pending or threatened, restraining or enjoining the execution or delivery of the Certificates, the Indenture, the Lease or the Sublease or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the County taken with respect to any of the foregoing.

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APPENDIX B

THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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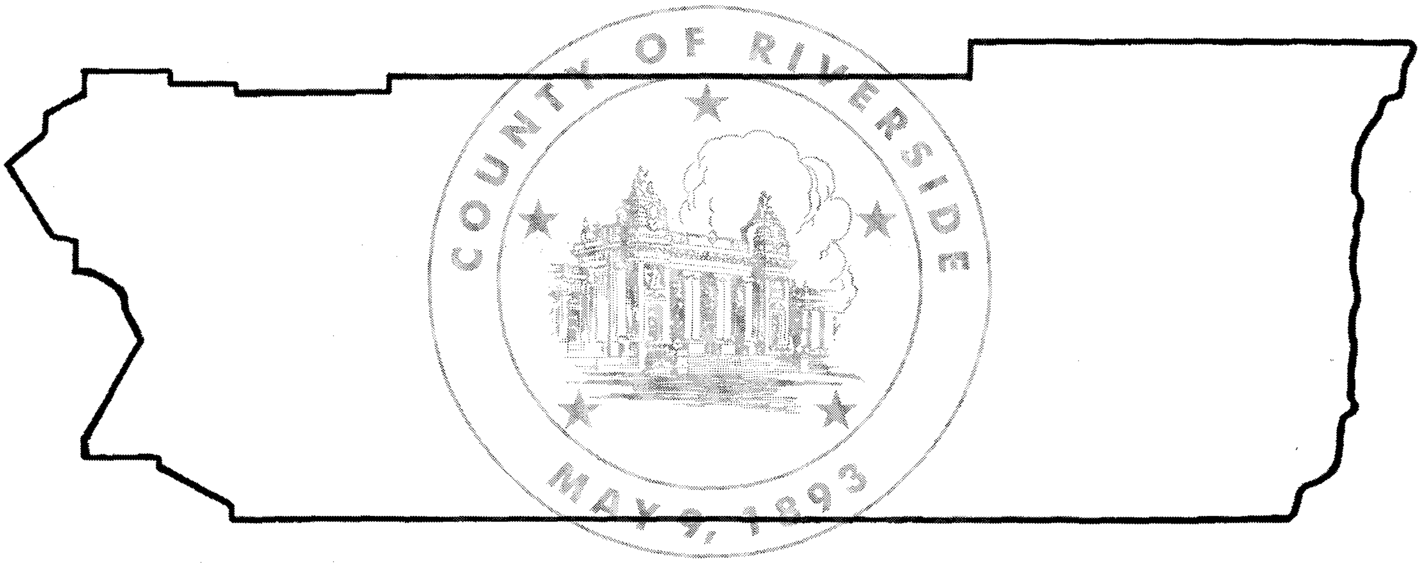
Fiscal Year Ended June 30, 2008

2008

Comprehensive Annual Financial Report



County of Riverside California

Prepared by the Office of:

Robert E. Byrd, CGFM
County Auditor-Controller

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COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2008

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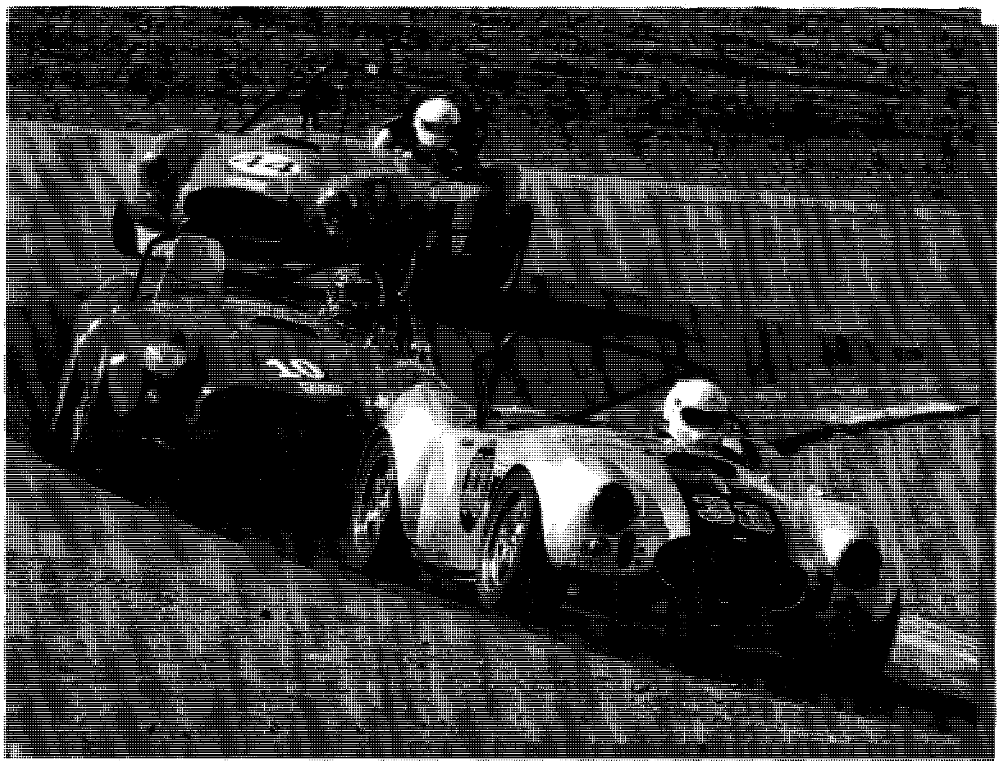

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Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, MBA
ASSISTANT AUDITOR-CONTROLLER

December 8, 2008

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 the County of Riverside:

The Comprehensive Annual Financial Report of the County of Riverside for the Fiscal Year Ended June 30, 2008 is hereby submitted in accordance with the provision of Section 25253 of the Government Code of the State of California. 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 compliment 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 one discretely presented component unit. 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, the State's fourth largest county by area, 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 immediately east of Los Angeles and Orange Counties, south of San Bernardino County, and north of San Diego and Imperial Counties. There are 24 incorporated cities located within the County. The largest cities in the County are the cities of Riverside (the County seat) with a population of 296,842, Moreno Valley with a population of 183,860, and Corona with a population of 147,428.

Total County population was 2,088,322 on January 1, 2008, an increase of 2.7% as compared to the revised estimate for 2007 from the California State Department of Finance. Estimated population figures are developed by the State as of January 1 of each year with a revised estimate for the prior year. Approximately 26.6% of the residents live in unincorporated areas. The County is part of the Riverside-San Bernardino-Ontario Metropolitan Statistical Area (MSA), which includes all of Riverside and San Bernardino Counties. The MSA has large and rapidly expanding construction, professional and business services, and trade, transportation, and utilities industries. Total nonfarm employment in the MSA rose 22.6% from March 2001 to March 2008, while the population increased by 31.3% in the County from January 1, 2001 to January 1, 2008. As of September 2008, unemployment in the MSA was 9.1% (revised on an annual basis by the California Employment Development Department Labor Market Information Division) as compared to 6% for the United States.

The County is governed by a five-member Board of Supervisors, who each serves four-year terms, and annually elects a Chairman and Vice-Chairman. The Supervisors represent five districts. The 1st District includes areas within the City of Riverside, Lake Elsinore, and the unincorporated communities of Lakeland Village, Lake Mathews, Mead Valley, Wildomar, Santa Rosa Rancho, as well as portions of Gavilan Hills and Woodcrest. The Second District includes the cities of Corona, Norco, approximately 1/3 of the City of Riverside. The unincorporated communities consist of Jurupa Valley, Home Gardens, El Cerrito, Eastvale, Coronita, and Green River. The Third District includes the cities of Canyon Lake, Hemet, Menifee, Murrieta, San Jacinto, and Temecula. Major unincorporated areas in the District include Aguanga, Anza, Idyllwild, Menifee Valley, Valle Vista, Winchester, Wine Country, and Pinyon Pines. The Fourth District is the largest District by far, covering the eastern two-thirds of the County. Within the Fourth District are the cities of Palm Springs, Cathedral City, Rancho Mirage, Palm Desert, Indian Wells, La Quinta, Indio, Coachella, and Blythe. Major unincorporated areas in the District include Bermuda Dunes, Thousand Palms, Sky Valley, Desert Edge, Mecca, Thermal, Oasis, Vista Santa Rosa, North Shore, Desert Center, Lake Tamarisk, Mesa Verde, and Ripley. The Fifth District includes cities of Moreno Valley, Perris, Calimesa, Beaumont, Banning, Desert Hot Springs, and northern Palm Springs. The unincorporated areas include Nuevo, Lakeview, Juniper Flats, Meadowbrook, Good Hope, a portion of Mead Valley, Romoland, Homeland, Green Acres, Highgrove, Box Springs, Pigeon Pass, Reche Canyon, San Timotoe Canyon, Oak Valley, Cherry Valley, Banning Bench, Cabazon, Palm Springs Village, and Palm Springs West.

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

Certificate, Licenses and Permits Birth, marriage, and death certificates, animal licensing and building permits	**Human Services** Assistance for Families, Veteran Services, Utility Assistance
Children's Services Child Support Services, Mentor programs, and Children Medical Services	**Libraries and Museums** Edward Dean Museum, 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, Animal Shelters
Emergency Services Office of Emergency Services, Early Warning Notification System, Shelter Grant program, and Homeless program	**Property Information** Building Permit Report, Get 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
Monitors Solid Waste, Liquid Waste, Medical Waste, Tattooing, Sewage Disposal, Water Systems, Wells, Backflow Devices, Food Services, Public Pools and Mobile Home Parks, Vector Control, Hazardous Materials Services, Fire Protection, Waste Reduction, and Recycling

Flood Control
Flood Control and Water Conservation

Health
Family Health Centers, Disease Control, Nutrition Services, Family Planning, Health Education, Injury Prevention, Emergency Medical Services, Mental Health Services, Industrial Hygiene, Laboratory, Nursing, Epidemiology, Medical Marijuana Identification Cards

Housing
First Time Home Buyer Programs, Low Income Housing, Rental Assistance Program, Homeless Shelter, Neighborhood Stabilization Program

Public and Official Records
Official Recorded Documents, Fictitious Business Names Search, Grantor/Grantee Search, Vital Records, and Court Records Search

Roads and Highways
Road Maintenance, Land Development, Engineering Services, and Survey

Taxes
Property Tax Portal, Tax Bills, Assessor-County Clerk Recorder, Treasurer-Tax Collector, Auditor-Controller

FACTORS AFFECTING ECONOMIC CONDITION

Local Economy

The continuing downslide in all economic indicators, the national credit crisis, the volatility on Wall Street, and the drop in real estate values added uncertainty to the recession's degree and duration.

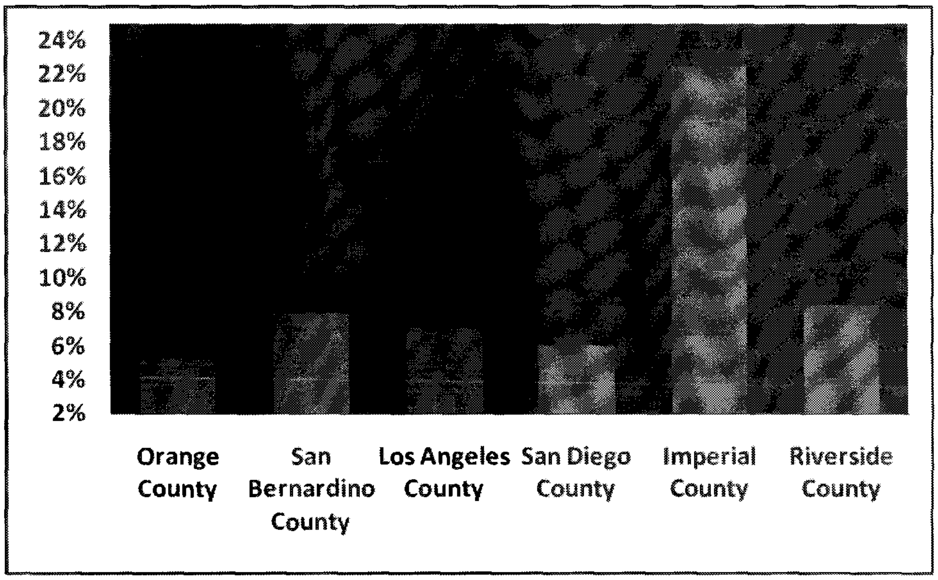
Locally, current data signal further property value declines tied to California law Proposition 8, allowing taxable value of property to be reduced when the market value dips below the Proposition 13, Factored Base Year Value. Therefore, assessed values will likely be down next year. The declines in the real estate market continue to negatively impact the business of the County, in comparing the first quarter of FY 2008-09 to the first quarter of FY 2007-08, the volume of documents recorded decreased by four percent. Building and Safety permit volume continues to decrease as well. The County continues to experience declines in the residential home market and a significant reduction in the amount of new construction throughout the County. Sales data indicates that as of October 2008, market values have fallen to the same levels as March 2003. This reduction in values, after adding current new construction, foretell an assessment roll reduction. Property transfers are on schedule to exceed the 80,000 transfers for FY 2008-09; almost 60 percent of those transfers involve foreclosures and bank owned property sales, which further reduce assessed values.

The rapid decline in property values and the level of foreclosure activity today far exceeds what was seen during the downturn of the 1990's. An evaluation of the current declining market indicates that over 321,000 properties are in the target range to be reviewed for possible reductions. This includes the 275,000 properties reviewed for FY 2008-09, of which over 219,000 were reduced.

The County continues to exercises strong fiscal discipline by conservatively estimating revenue and preserving reserves. Current projections reveal a likely need to cut budgets on the order of 25 percent over the next four years. The first cut is in place and County departments have been directed to submit preliminary plans for implementing second year cuts, while protecting core services. It is expected that the County's strong reserve position will allow it to absorb the financial impacts caused by the current economic slowdown and state funding this coming year. Should the current economic climate continue beyond 2010, the County expects to make appropriate budget adjustments to maintain its fiscal stability.

Riverside County's unemployment rate as of June 30, 2008 is the second highest compared to the surrounding counties. The unemployment rate has increased by 2.7% compared to fiscal year 2007.

Unemployment Rate Comparison
For Fiscal Year Ended June 30, 2008



The Riverside County Integrated Project

The Riverside County Integrated Project (RCIP) is composed of the County's General Plan of Land Use, the Western Riverside County Multiple Species Habitat Conservation Plan (MSHCP), the Community and Environmental Transportation Acceptability Plan (CETAP), and a Special Management Plan (SAMP). The RCIP is closely coordinated with regional councils of government, state and federal government agencies, and private stakeholders. Currently, work is progressing on the five-year update of the General Plan of Land Use and the completion of the SAMP and CETAP.

Trial Court Facilities

On September 30, 2002, Governor Gray Davis signed the Trial Court Facilities Act of 2002 (SB 1732). This landmark legislation transfers the governance of California's more than 450 courthouse facilities from the counties to the state. Although the bill became effective on January 1, 2003, it is expected that the transition time will take up to seven years.

The County and the Judicial Council of the State of California have been negotiating transfer agreements since July 1, 2003, and will continue through December 31, 2008. The transfer of courthouse facilities to the Judicial Council must be completed by December 31, 2008. The County transfer plan includes the transfer of the court facilities and associated parking. During fiscal year ending June 30, 2008, Court Facility Transfer Payment (CFPs) packets were submitted to the Administrative Office of the Courts (AOC) for the following court facilities located in Riverside

County: Old Riverside Municipal Court, Riverside 1961 Annex, Southwest Justice Center, Temecula Court, Hemet Court, Corona Court, Riverside Juvenile Court, Indio Juvenile Court, Indio CAC/Annex Justice Center, Palm Springs Court, Blythe Courthouse, Lake Elsinore Court, and Perris Court. It is anticipated that the above mentioned courts will all officially transfer to the AOC during fiscal year ending June 30, 2009, as well as the Riverside Family Law Court.

During fiscal year ending June 30, 2007, the Hall of Justice and Banning Court were transferred. In October 2005, the Moreno Valley Court was transferred. Prior to June 30, 2005, the Larson Justice Center was the first court facility in the County to be transferred and the second court transfer throughout the State. Some important areas to consider with each facility to be transferred are bonded indebtedness, deferred maintenance, and capital projects. Once each facility is transferred, the County's financial obligation to court facilities is capped as a maintenance-of-effort amount established under the legislation. Although the County continues to contribute to trial court funding through maintenance of effort obligations, the restructuring of court funding ends a dual system of County and state funding. These funds are accounted for in the agency funds.

Development Agreement Fees

In December 1987, the Board of Supervisors adopted procedures consistent with provisions of the California Government Code Section 65864 et al. for consideration of development agreements. As a legal contract between the County and a developer, a development agreement was intended to strengthen the public planning process, encourage private participation in comprehensive planning, reduce the economic costs of development, and promote the maximum efficient utilization of resources at the least economic cost to the public. In February 1988, the Board of Supervisors adopted a schedule of development agreement fees payable on residential projects prior to issuance of building permits, in the amount of $5,784 per residential unit. Since that date, a number of Development Agreements have expired. Effective January 1, 2008, the fee, based on an adjusted consumer price index, was $3,988 and consisted of the following components:

	Development Agreement Fee
Public Facilities	$ 3,138
Public Services Offset	850
Total	$ 3,988

With the exception of the public services offset, development agreement revenue will be used to help the County construct capital facilities and acquire parkland, trails, habitat, and open space to meet the demand caused by new growth and development. The public services offset is intended to help defray the cost of providing governmental services, such as sheriff's patrol services. As of June 30, 2008, the total of unexpended and uncommitted development agreement money available in capital project funds is $1.9 million.

Development Mitigation Fees

Ordinance 810

In March 2001, the Board of Supervisors adopted Ordinance 810 establishing an interim open space mitigation fee. This ordinance was amended on November 26, 2002, and again on July 22, 2003. The most recent amendment was due to implementation of the MSHCP. Collection of the fee is performed by both the County and cities within the County. Responsibility for accounting has been transferred to the Riverside Conservation Authority. Riverside Conservation Authority is a joint powers authority formed between the County and various cities in the Western County area. Reporting of the Ordinance 810 fees in this section references those collected before June 22, 2004, which was when Ordinance 810.2 went into effect. Fees are no longer collected for Ordinance 810.1.

As of June 30, 2008, the total amount of unexpended, uncommitted, interim open space mitigation funds related to Ordinance 810 and 810.1 is about $289,000.

Ordinance 659

In July 1988, the Board of Supervisors adopted Ordinance No. 659 establishing a County-wide (unincorporated area only) development mitigation fee for residential development. The purpose of this fee was to finance the construction of County facilities necessary to accommodate future residential growth in the County. Fee revenues will also be used for the procurement of parklands and the development of recreational trails. In addition, fee revenues will be used for the preservation of habitat, open space, and specifically-listed plants and animals as outlined in the general plan. Development mitigation fees are no longer collected and have been superseded with the passage of Ordinance 659.6, development impact fees.

As of June 30, 2008, the total of unexpended, uncommitted, development mitigation funds related to Ordinance 659 in capital project funds is about $289,500.

Development Impact Fees

In September 2001, the Board of Supervisors adopted Ordinance 659.6 establishing a County-wide (unincorporated area only) development impact fee for residential development. Ordinance 659.6 replaced and superseded those fees associated with Ordinance 659. Ordinance 659.6 became effective 60 days after adoption.

Development impact fees are collected to address impacts associated with residential, commercial, and industrial development throughout the unincorporated County region and are used for the purpose of constructing or acquiring needed facilities and preserving open space, wildlife, and their habitats.

Fees are assessed by unit for single-family and multiple-family residential development, and by acre for commercial and industrial development. Fees vary according to the area plan under development. There are 20 area plans. The range for single-family residential development impact fees is from $3,598 to $7,280 per unit. The range for multiple-family residential development impact fees is $3,039 to $5,815 per unit. Commercial development impact fees range from $20,737 to $34,873 per acre. The range for industrial development impact fees is from $10,577 to $17,440 per unit. The range for surface mining development impact fees is from $4,195 to $9,197 per acre.

Fees collected under Ordinance 659.6 can only be used for those projects identified and listed within the public facilities needs list through the year 2010. Changes to the list may occur on an annual basis and are subject to approval by the Board of Supervisors. Annual inflationary adjustments are authorized through Ordinance 659.6 and are subject to published indices of the consumer price index, the building cost index, and the construction cost index. An update of the development impact fees was approved by the Board of Supervisors on September 12, 2006, resulting in an increase of development impact fees effective November 11, 2006. As of June 30, 2008, the total unexpended, uncommitted, development impact fees are about $66.5 million.

FINANCIAL INFORMATION

Internal Control

The management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government are protected from loss, theft, or misuse. Management is also responsible for ensuring that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Single Audit

As a recipient of federal and state assistance, the County is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. These internal controls are subject to on-going evaluations by management and the County's internal audit staff members. As part of the single audit, tests were made to obtain reasonable assurance about whether the County met the compliance requirements of OMB Circular A-133. The single audit for fiscal year ending June 30, 2007, reported that the County complied, in all material respects, with the requirements of OMB Circular A-133 applicable to each of its major federal programs. The single audit for fiscal year ending June 30, 2008, is in process and will be issued in a separate report.

Budgetary Controls

The objective of budgetary controls is to ensure that the annual appropriated budget approved by the County Board of Supervisors is in compliance with the legal provisions of Section 29088-29091 of the Government Code. The County budget is prepared and adopted on or before October 2 of each fiscal year, except as provided by state statutes and Board of Supervisors resolutions. The budget for fiscal year 2007-08 was adopted on June 26, 2007. Activities of the general fund, all special revenue funds, certain debt service, and capital projects funds are included in the annually appropriated budget. The level of budgetary control, or the level that cannot be exceeded without action by the Board of Supervisors, is the appropriation level of the budget unit. The budget unit represents an organization within a department or an agency. The Board of Supervisors must approve transfers of appropriations between budget units and supplemental appropriations financed by unanticipated revenues. Transfers of appropriations between appropriation classifications within the same budget unit are approved by the County Executive Officer. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and fund balances are reserved for encumbrances outstanding at that time. As demonstrated by the statements and schedules included in the financial section of this report, the County continues to meet its responsibility for sound financial management.

For a more detailed overview and analysis of the County of Riverside's financial position see the MD&A preceding the basic financial statements.

General Fund Cash Balance and Fund Balance

The unrestricted cash balance of the general fund decreased from $283.1 million at June 30, 2007 to $216.8 million at June 30, 2008. This decrease is attributable primarily to capital project contributions and the acquisitions of new County facilities. Also, recent decline in the real estate market has caused documentary transfer taxes and building permit revenues to decrease. The fund balance of the County's General Fund represents the equivalent of 52 working days of expenditures.

Cash Management

Per State law, the County Treasurer holds and manages the County's cash and investments. The portfolio shall be actively managed in a manner that is responsive to the public trust and consistent with State law. The first and primary objective of the Treasurer's investment of public funds is to safeguard investment principal, second to maintain sufficient liquidity within the portfolio to meet daily cash flow requirements, and third, to achieve a reasonable rate of return or yield on the portfolio consistent with these objectives. In accordance with its investment policy, the County manages its interest rate risk by limiting the weighted average maturity of its investment portfolio to less than 1.5 years. The weighted average maturity as of June 30, 2008 was 1.22 years. To provide sufficient liquidity to meet daily expenditures, the portfolio shall maintain at least 40% of its total value in securities having maturities one year or less. Securities maturing in less than one year totaled 50.8%. The Treasurer's pooled investment fund is currently rated Aaa/MR1 by Moody's Investor Services and AAA/V1+ by Fitch ratings.

In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Pools, school district and special district external investment pools are reported as investment trust funds. Of the Treasurer's total cash and investments pool of $5.5 billion at June 30, 2008, $3.0 billion relates to the external investment pool participants, which includes mandatory and discretionary depositors.

Restrictive investment policies are in place to minimize credit and market risks while maintaining a competitive yield on the portfolios. The County Treasurer's selection of investments is more restrictive than those authorized in Sections 53601 and 53635 of the California Government Code and gives primary consideration to the safety and preservation of the principal amounts invested. On-going cash flow projections are maintained for the coming 12 months to assure that adequate funds are available to meet daily cash expenditure requirements. The investment policies are reviewed and updated annually.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Oversight Committee has reviewed and approved investment policies for funds held outside the County Treasury.

State statutes, specific debt financing indentures, and contractual arrangements generally determine the investment restrictions of County cash and investments not held in the County Treasury.

Retirement Plan

The County of Riverside contributes to the California Public Employees Retirement System (PERS). PERS is a public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. All full-time and some part-time and seasonal benefited County employees are eligible to participate in the system. Generally, temporary hourly employees and part-time employees working less than 20 hours per week, cannot participate in the system unless 1,000 hours are worked in a fiscal year. Certain other employees, such as per diem medical and dental personnel, crossing guards, service aides and program assistants are specifically excluded from participation in the system, regardless of the number of hours worked. Benefits are vested after five years of service. Eligible County employees who retire at or after fifty years of age with five years of credited service are entitled to an annual retirement benefit payable monthly for life. Miscellaneous member (non-prosecution unit) employees hired after January 9, 1992 make their own contributions for the first five years. With some exceptions, safety member employees hired after June 25, 1992, make their own contributions for the first five years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date.

The employee contribution rate for the 401(a) defined benefit retirement plan for part-time/temporary employees is 3.75%. The employer's contribution rate is currently 5.78% of base earnings (excludes overtime and earnings exceeding the social security base of $94,200 for calendar year 2006, $97,500 for calendar year 2007, and $102,000 for 2008).

Risk Management

The County maintains a comprehensive risk management program under the full-time direction of a professional risk manager. The County self-insures the primary layers for general liability (including auto), medical malpractice, and workers' compensation. The County purchases all-risk property insurance that includes flood, a level of earthquake, boiler, and machinery coverage subject to various deductibles. The County records estimated liabilities for claims filed, and for incurred but not reported (IBNR) claims. Additionally, the County self-insures unemployment insurance and short-term disability income benefits.

The County purchases policies of excess insurance for general liability, including auto and workers' compensation, and medical malpractice. Medical malpractice utilized a policy that provided annual coverage on a claims-made basis prior to FY 1998-99. Effective July 1, 1998, the County's medical malpractice coverage changed to an occurrence basis with all prior acts coverage. Effective October 2002, the medical malpractice insurance program returned to a claims-made basis. In addition, the County purchases specialty coverage for aviation and watercraft liabilities, fidelity crime bond, and long-term disability benefits.

The County participates in the California State Association of Counties (CSAC) Excess Insurance Authority's (CSAC-EIA, a Joint Powers Authority) programs for excess liability, medical malpractice, worker's compensation, and primary and excess property programs. CSAC-EIA provides some support services for selected programs, such as: excess disability, medical malpractice annual audits, risk management in-services for medical malpractice, as well as loss prevention resources for general liability. Additionally, CSAC-EIA subsidizes participating counties for actuarial studies on a two year basis. These activities are accounted for in internal service funds (ISF). Accordingly, estimated liabilities for claims filed or to be filed for incidents that have occurred through June 30, 2008, are reported in these funds. Where certain funds have a retained earnings deficit or insufficient reserves, the

County has provided a funding plan or the County may elect to increase charges. However, when funding exceeds the approved confidence level, departments are given a rate holiday or a reduced rate charge. Revenues of these internal service funds primarily originate from user charges to departments/agencies/special districts and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

OTHER INFORMATION

Independent Audit

The County of Riverside contracted for its annual audit with the independent certified public accounting firm of Vavrinek, Trine, Day & Co., LLP. In addition to meeting its contractual requirements for the audit of the basic financial statements, the audit is also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and the related U.S. Office of Management and Budget Circular A-133. The auditors' report on the basic financial statements, required supplementary information, and other supplementary information is included in the financial section of this report. A separate report relating to the single audit is available in the County Auditor-Controller's Office.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County of Riverside for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twentieth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not be accomplished without the dedicated service of the entire staff of the Auditor-Controller's Office. My particular appreciation is extended to staff members who spent many late nights and weekends working on the preparation of this report. I would also like to thank the staff members of the contributing component units and departments for their participation in the preparation of this report.

I would also like to express my appreciation to the Board of Supervisors and County Executive Officer for their vision and support in the planning and administration of the financial operations of the County of Riverside. Their exemplary leadership has kept the County on sound financial footing and well positioned as we address the challenges of the 21st century.

Finally, I would like to thank our independent auditors, Vavrinek, Trine, Day & Co., LLP, for their efforts throughout this audit engagement.

Respectfully yours,

Robert E Byrd

ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER

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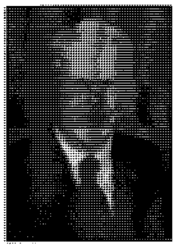
COUNTY OF RIVERSIDE

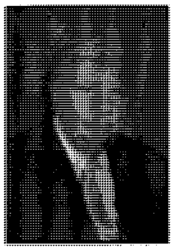
List of Principal Officials
As of June 30, 2008

ELECTED OFFICIALS

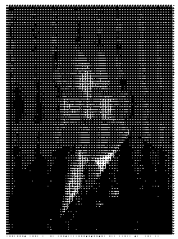
Board of Supervisors



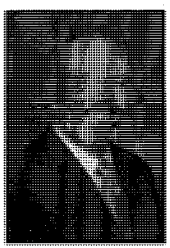
BOB BUSTER
First District



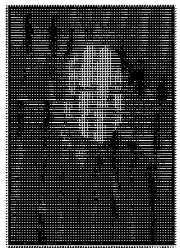
ROY WILSON
Chairman
Fourth District



JEFF STONE
Vice Chairman
Third District



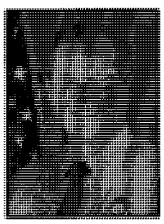
JOHN F. TAVAGLIONE
Second District



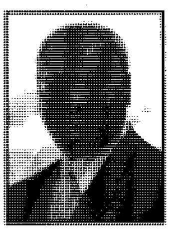
MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

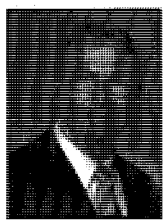
ROD PACHECO
District Attorney



STANLEY SNIFF, JR.
Sheriff
Coroner
Public Administrator



ROBERT E. BYRD
Auditor
Controller



LARRY WARD
Assessor
Clerk
Recorder

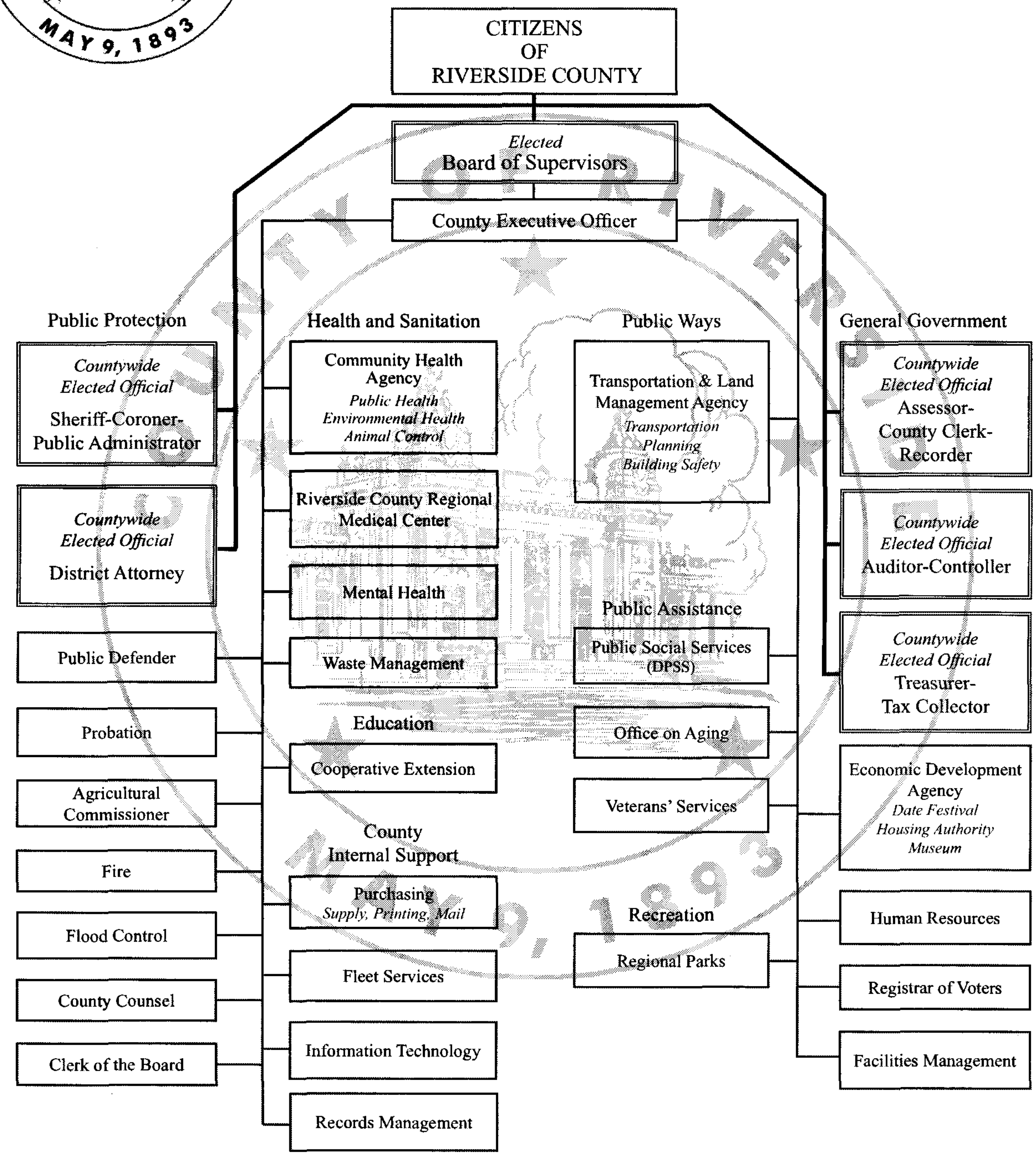
PAUL MCDONNELL
Treasurer
Tax Collector

APPOINTED OFFICIALS

LARRY PARRISH
County Executive Officer

JOE S. RANK
County Counsel

COUNTY OF RIVERSIDE ORGANIZATION CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Riverside California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

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

Oline S. Cox

President

Jeffrey R. Esser

Executive Director

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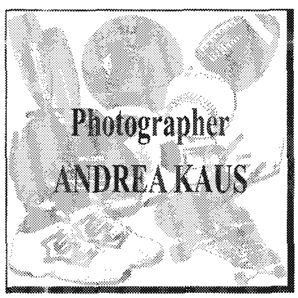
FINANCIAL SECTION



FINANCIAL SECTION

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Riverside, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), County of Riverside Redevelopment Agency (the RDA) and the Children and Families First Commission of Riverside County (the Commission), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	25%	8%
Business-type Activities	7%	18%
Aggregate Remaining Fund Information	9%	1%
Discretely Presented Component Unit	100%	100%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com
FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the County has adopted the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions,* GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers,* and GASB Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No.25 and No. 27,* in 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and schedules of funding progress listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 fund financial statements and schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vavrinek, Trine, Day & Co., LLP

Rancho Cucamonga, California
December 8, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S

DISCUSSION AND ANALYSIS

The information in this section is not covered by the Independent Auditor's Report. It is presented as required supplementary information for the benefit of the readers of the Comprehensive Annual Financial Report.

Management's Discussion & Analysis *(Unaudited)*

This section of the County of Riverside's Comprehensive Annual Financial Report presents a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with the Letter of Transmittal.

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 County's basic financial statements include three components:

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

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

- Other Required Supplementary Information – Retirement Plan Schedules of Funding Progress
- Combining Statements for Nonmajor Governmental, Nonmajor Enterprise and Fiduciary funds
- Combining Statements and Schedules for Special Revenue, Debt Service, Capital Projects, Internal Service, and Fiduciary funds
- Statistical Section

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

The *Statement of Net Assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation and sick leave).

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

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

The financial information for the Children and Families Commission, a legally separate component unit that is appointed by and serves at the will of the County, is discretely presented separately from the financial information of the primary government. The Commission is shown as a discretely presented component unit due to the financial benefit/burden relationship with the County.

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
- Redevelopment Agency for the County of Riverside
- Riverside County Flood Control and Water Conservation District (Flood Control)
- Riverside County Regional Park and Open-Space District
- Riverside County Public Financing Authority (no activity for fiscal year 2007-08)
- Riverside County Service Areas
- Inland Empire Tobacco Securitization Authority

Fund Financial Statements 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 GASB Statement No. 34. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting is also used to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The governmental funds' balance sheet and statement of revenues, expenditures and changes in fund balances provided are accompanied by a 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 and capital projects funds). The governmental fund statements present the financial information of each major fund (the General Fund, Teeter Debt Service Fund, Public Facilities Improvements Capital Projects Fund and Redevelopment Capital Projects Fund) in separate columns. Financial information for the remaining governmental funds (nonmajor funds) is combined into a single, aggregated presentation. Financial information for each of these nonmajor governmental funds is presented in the Supplementary Information section.

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

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 provide the same type of information as shown in the government-wide financial statements, in more detail. The County maintains the following two types of proprietary funds:

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the Regional Medical Center (RMC), Waste Management, County Service Areas, Housing Authority, and Flood Control. RMC and Waste Management financial statements are reported in separate columns of the proprietary fund statements due to the materiality criteria defined by GASB Statement No. 34. Individual fund statements for County Service Areas, Housing Authority, and Flood Control are presented in the Supplementary Information section.

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

Fiduciary funds report assets held in a trustee or agency capacity for others and therefore cannot be used to support the County's programs nor be reflected in the government-wide financial statements. Fiduciary funds maintained by the County include a pension trust fund, investment trust funds, private-purpose trust funds, and agency funds. The fiduciary fund financial statements 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.

Required Supplementary Information, in addition to this MD&A, presents schedules of retirement plan funding progress.

FINANCIAL HIGHLIGHTS

- At the close of the current fiscal year, the County's assets of $6.6 billion exceeded its liabilities of $3.2 billion, by $3.4 billion (net assets). Of this amount $1.7 billion (unrestricted net assets*)* may be used to meet the County's ongoing obligations to citizens and creditors; $805.4 million (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and $872.4 million is invested in capital assets, net of related debt.

- During fiscal year 2007-08, the County's net assets increased by $322.2 million. Of this amount, $319.5 million was from governmental activities and $2.7 million was from business-type activities. Countywide expenses of $3.2 billion were substantially offset by program revenues of $2.4 billion leaving an operating deficit of $749.6 million. The operating deficit was offset by general revenues of $1.1 billion resulting in the increase in net assets.

- As of June 30, 2008, the total fund balances of the governmental funds were $2.1 billion. This represents an increase of 22.1%, or $387.3 million, in comparison with the prior year. Approximately 18.3%, or $391.2 million, of the combined fund balances was available to meet the County's current and future needs (*unreserved-undesignated fund balance*).

- As of June 30, 2008, fund balance for the General Fund was $478.8 million, or 20.9% of the total General Fund expenditures. This amount includes $84.5 million of reserved fund balance and $335.6 million of designated fund balance.

- The County's long-term debt showed a net increase of 18.3%, or $389.5 million, compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation, loans payable and other long term debt.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets – Net assets may serve as a useful indicator of a government's financial position. At the end of the current fiscal year, the County reported positive net assets balances for both governmental and business-type activities, with total assets exceeding liabilities by $3.4 billion.

The County's total net assets increased by 10.6%, or $322.2 million, during fiscal year 2007-08 compared to the prior year's increase of 13.6%, or $363.6 million. $319.5 million of the increase in net assets was from governmental activities and $2.7 million was from business-type activities. For the prior year, $327.3 million of the increase in net assets was from governmental activities and $36.3 million from business-type activities. Below are the three components of net assets and their respective fiscal year-end balances:

- **Invested in capital assets net of related debt** represents 26.0%, or $872.4 million, of the County's total net assets for fiscal year 2007-08 compared to 31.4%, or $956.4 million, for fiscal year 2006-07. The component consists of capital assets (land and easements, structures and improvements, infrastructure, and equipment) net of accumulated depreciation and reduced by any debt attributable to the acquisition, construction, or improvement of the assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- **Restricted net assets** account for 24.0%, or $805.4 million, of the County's total net assets for fiscal year 2007-08 compared to 20.4%, or $620.1 million, for fiscal year 2006-07. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net assets** account for 50.0%, or $1.7 billion, of the County's total net assets for fiscal year 2007-08 compared to 48.3%, or $1.5 billion, for fiscal year 2006-07. This component of the County's total net assets may be used to meet the County's ongoing obligations to citizens and creditors. Of the unrestricted net assets for fiscal year 2007-08, $1.6 billion is from governmental activities and $101.7 million is for business-type activities compared to $1.4 billion for governmental activities and $100.6 million for business-type activities for the prior year.

The table below provides summarized data from the Statement of Net Assets of the County for June 30, 2008 as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2008	2007	2008	2007	2008	2007	%
Current and other assets	$ 3,499,206	$ 2,925,165	$ 320,857	$ 314,998	$ 3,820,063	$ 3,240,163	18%
Capital assets	2,472,555	2,201,178	256,274	257,095	2,728,829	2,458,273	11%
Total assets	5,971,761	5,126,343	577,131	572,093	6,548,892	5,698,436	15%
Other liabilities	627,537	480,284	50,238	40,840	677,775	521,124	30%
Long-term liabilities	2,199,725	1,803,156	319,695	326,736	2,519,420	2,129,892	18%
Total liabilities	2,827,262	2,283,440	369,933	367,576	3,197,195	2,651,016	21%
Net assets:							
Invested in capital assets, net of related debt	802,981	903,076	69,441	53,321	872,422	956,397	-9%
Restricted	769,368	569,477	36,074	50,629	805,442	620,106	30%
Unrestricted	1,572,150	1,370,350	101,683	100,567	1,673,833	1,470,917	14%
Total net assets	$ 3,144,499	$ 2,842,903	$ 207,198	$ 204,517	$ 3,351,697	$ 3,047,420	10%

Governmental Activities

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

- Operating Grants and Contributions are revenues received from parties outside of the County, such as State and Federal agencies, and are generally restricted to one or more specific programs. These revenues were the largest governmental activities revenue source for fiscal year 2007-08 with a total of $1.3 billion being recognized. Public Assistance received 53.6% of the governmental activity funding for fiscal year 2007-08 compared to 56.0% of the governmental activity funding from this source in the prior year. Public Protection received 18.4% of the governmental activity funding for fiscal year 2007-08, compared with 20.8% for fiscal year 2006-07.

- A total of $611.6 million was earned as governmental activity charges for services compared to $609.2 million for fiscal year 2006-07. 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. Public Protection, which is primarily generated through contracted law enforcement services provided by the Sheriff's Department to various local governments, generated 51.8% of this revenue source, compared to 50.4% from the prior year. General government generated 28.0% compared to 28.1% for prior year.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $25.3 million earned for fiscal year 2007-08 compared to $48.2 million earned for fiscal year 2006-07. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2007-08, 94.8% of the revenue, or $24.0 million, as compared to 96.9%, or $46.7 million, for fiscal year 2006-07, was received for public ways and facilities programs and is primarily related to the construction and acquisition of infrastructure capital assets.

- General revenue related to governmental activities primarily consists of taxes, other revenues, and investment earnings. Property tax revenue is the largest governmental activities general revenue with $506.3 million earned during the year, an increase of 9.4%, or $43.5 million, as compared to the $462.8 million earned in fiscal year 2006-07. This increase is primarily attributable to higher assessed property values combined with a significant increase in new development. Motor vehicle in-lieu of taxes revenue increased 11.6% from $245.7 million in fiscal year 2006-07 to $274.3 million in fiscal year 2007-08.

Expenses: Total program expenses for governmental activities were $2.7 billion for the current fiscal year as compared to $2.4 billion for the prior fiscal year, an increase of 10.2%, or $247.9 million. 41.8%, or $1.1 billion, of total governmental activities expenses were for Public Protection; 21.0%, or $564.3 million, for Public Assistance; 12.3%, or $330.2 million, for Health and Sanitation and 12.4%, or $331.7 million, for General Government.

Business-type Activities

Revenues: The County has two major business-type activities: The Riverside County Regional Medical Center (RMC), and Waste Management. In addition, Flood Control, County Service Areas, and Housing Authority are included in the business-type activities of the County. Business-type activities recover all or a significant portion of their costs through user fees and charges and provide services primarily to non-County entities. For the current year, 99.9%, $479.5 million, 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, $333.4 million, was received by RMC as compared to $337.9 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $497.8 million for the fiscal year compared to $466.7 million for the prior fiscal year. This represents an increase of 6.7%, or $31.1 million. 71.0%, or $353.5 million, of total expenses were incurred by RMC compared to 70.5%, or $329.1 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.0% of total expenses for business-type activities, or $74.3 million compared to 15.1%, or $70.2 million, for the prior fiscal year; Waste Management Department was 13.0%, or $64.5 million, compared to 13.0%, or $60.8 million, the prior fiscal year. Flood Control and County Service Areas account for the remaining 1.1% of expenses compared to 1.3% for the prior fiscal year.

Management's Discussion & Analysis *(Unaudited)*

The following table provides information from the Statement of Activities of the County for the fiscal year 2007-08, as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2008	2007	2008	2007	2008	2007	%
Revenues:							
Program revenues:							
Charges for services	$ 611,605	$ 609,195	$ 479,479	$ 475,611	$ 1,091,084	$ 1,084,806	0.58%
Operating grants and contributions	1,315,716	1,210,941	-	-	1,315,716	1,210,941	8.65%
Capital grants and contributions	25,333	48,186	306	261	25,639	48,447	-47.08%
General revenues:							
Property taxes	506,327	462,817	-	-	506,327	462,817	9.40%
Sales and use taxes	40,985	51,093	-	-	40,985	51,093	-19.78%
Other taxes	15,898	16,865	-	-	15,898	16,865	-5.73%
Motor vehicle in-lieu taxes	274,282	245,723	-	-	274,282	245,723	11.62%
Investment earnings	138,071	122,517	10,389	10,198	148,460	132,715	11.86%
Other	85,924	13,191	-	-	85,924	13,191	551.38%
Total revenues	3,014,141	2,780,528	490,174	486,070	3,504,315	3,266,598	7.28%
Expenses:							
General government	331,741	296,917	-	-	331,741	296,917	11.73%
Public protection	1,122,370	935,550	-	-	1,122,370	935,550	19.97%
Public ways and facilities	209,019	57,578	-	-	209,019	57,578	263.02%
Health and sanitation	330,206	350,082	-	-	330,206	350,082	-5.68%
Public assistance	564,318	688,213	-	-	564,318	688,213	-18.00%
Education	17,977	14,847	-	-	17,977	14,847	21.08%
Recreation and culture	12,457	11,941	-	-	12,457	11,941	4.32%
Interest on long-term debt	96,173	81,197	-	-	96,173	81,197	18.44%
Regional Medical Center	-	-	353,481	329,128	353,481	329,128	7.40%
Waste Management	-	-	64,538	60,772	64,538	60,772	6.20%
Housing Authority	-	-	74,252	70,218	74,252	70,218	5.74%
Flood Control	-	-	5,201	6,242	5,201	6,242	-16.68%
County Service Areas	-	-	343	329	343	329	4.26%
Total expenses	2,684,261	2,436,325	497,815	466,689	3,182,076	2,903,014	9.61%
Excess (deficiency) before Transfers	329,880	344,203	(7,641)	19,381	322,239	363,584	-11.37%
Transfers in (out)	(10,322)	(16,892)	10,322	16,892	-	-	0.00%
Change in net assets	319,558	327,311	2,681	36,273	322,239	363,584	-11.37%
Net Assets, Beginning of Year, as Restated	2,824,941	2,515,592	204,517	168,244	3,029,458	2,683,836	12.88%
Net Assets, End of Year	$ 3,144,499	$ 2,842,903	$ 207,198	$ 204,517	$ 3,351,697	$ 3,047,420	9.98%

FINANCIAL ANALYSIS OF FUND STATEMENTS

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

Governmental Funds

The focus of the County's governmental funds is to provide information on the sources, uses, and balances of current financial resources. Such information is useful in assessing the County's short-term financial requirements. In particular, unreserved fund balance 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, and debt service funds. As of June 30, 2008, the County's governmental funds reported combined fund balances of $2.1 billion, an increase of $387.3 million, in comparison with the prior year. Of this total amount, $1.0 billion constitutes *unreserved fund balance,* which is available for spending at the County's discretion. The remainder of fund balance, $1.1 billion is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County program: $103.0 million
- Outstanding debt service: $95.7 million
- Liquidation of current contractual commitments: $785.7 million
- Other smaller restrictions: $148.7 million

Total governmental fund revenue increased by 4.3%, or $123.5 million, from the prior fiscal year with $3.0 billion being earned for the fiscal year-ended June 30, 2008. Expenditures increased by 10.3%, or $278.6 million, from the prior fiscal year with $3.0 billion being expended for governmental functions during fiscal year 2007-08, compared to $2.7 billion for the prior fiscal year. Therefore, governmental fund balance increased by 9.9%, or $387.3 million. In comparison, fiscal year 2006-07 had an increase in governmental fund balance of 25.1%, or $352.5 million, over fiscal year 2005-06.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $394.3 million, compared to $482.7 million for the prior fiscal year, while total fund balance was $478.8 million for the current year and $571.0 million for the prior year. As a measure of the General Fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. The unreserved fund balance is 17.2% of the total General Fund expenditure of $2.3 billion for the current year as compared to 23.4% of the prior year total of $2.1 billion. The total fund balance of the General Fund for the current year is 20.9% of the total General Fund expenditure as compared to 27.6% for the prior year.

Teeter Debt Service fund taxes receivable balance increased from $37.0 million in the prior fiscal year to $76.0 million in the current fiscal year due to higher actual buyout in fiscal year 2007-08. Teeter notes payable increased in the current fiscal year to $168.4 million compared to $86.2 million in fiscal year 2006-07 due to increase in actual borrowing based on delinquency property tax analysis. Each year the Teeter notes payable balance will change depending on the amount of delinquent property taxes incurred by the County.

Public Facilities Improvements Capital Projects fund balance increased from $256.3 million to $590.9 million, 130.5%, or $334.6 million. The increase is attributable to the new funding received from future Tobacco Tax Settlement of $271.4 million and $76.0 million from general fund to be used for various capital projects of the County such as land and building acquisitions, correctional facility expansion, animal shelter, fleet services facilities, public safety communications project, remodeling of County Administrative Centers and hub jail.

Redevelopment Capital Projects fund had a $19.8 million decrease in fund balance. The significant change was a result of expenditures exceeding revenues due to 43% increase in costs for housing projects under construction in the Desert Community Project area and a grant issued to the Tres Lagos Senior Apartments.

Proprietary Funds

The County's proprietary funds financial statements provide the same type of information as the government-wide financial statements, but in more detail. The Regional Medical Center and Waste Management are shown in separate columns of the fund statements due to materiality criteria 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 that can be found in the Supplemental Information section.

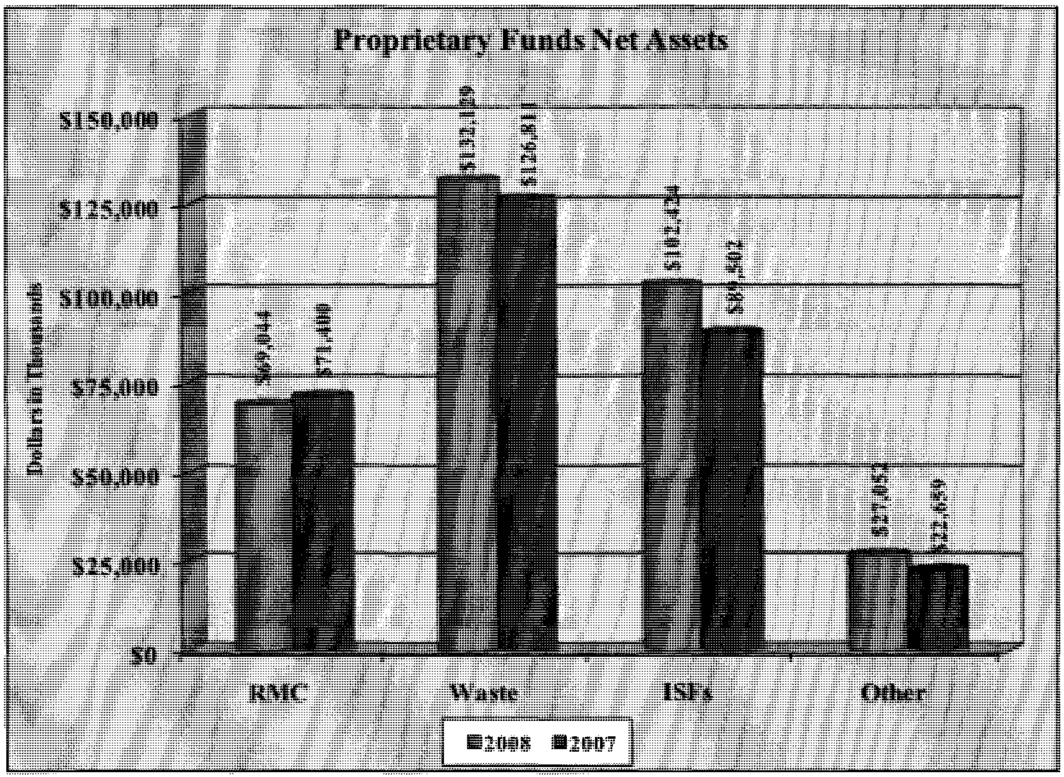
At the end of the fiscal year, total proprietary fund net assets were $330.6 million, compared to $310.4 million for prior fiscal year. Total proprietary fund net assets increased 6.5% or $20.3 million, compared to a 27.5%, or $66.9 million, increase for the prior fiscal year.

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

- Riverside County Regional Medical Center: $64.9 million
- Waste Management: $48.7 million
- Other enterprise fund activities: $9.1 million
- Internal service fund activities: $83.3 million

RMC's net assets decreased from $71.4 million to $69.0 million, 3.3%, or $2.4 million. The change resulted from a decrease in operating revenue in the Self Pay financial category.

Waste Management's net assets increased from $126.8 million to $132.1 million. The change resulted from the excess of revenues over expenses by 4.2%, or $5.3 million.



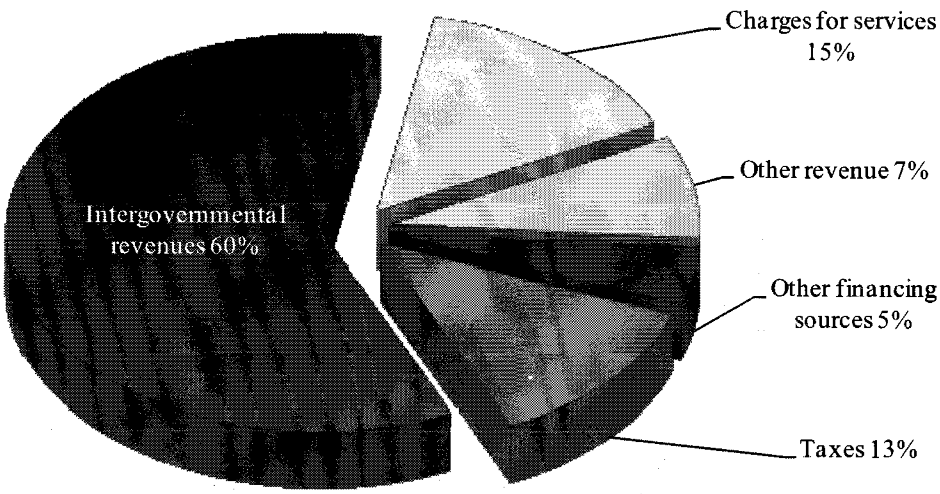
GENERAL FUND FINANCIAL ANALYSIS

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

Revenues and Other Financing Sources	Fiscal Year 2007-08	Percent of Total	Fiscal Year 2006-07	Percent of Total
Taxes	$ 309,295	13%	$ 301,575	13%
Intergovernmental revenues	1,475,537	60%	1,405,699	60%
Charges for services	358,767	15%	319,198	14%
Other revenue	208,822	7%	211,460	9%
Other financing sources	113,562	5%	98,260	4%
Total	$ 2,465,983	100%	$ 2,336,192	100%

The increase in tax revenue was attributable to increase in assessed property values by 1.5% compared to a 16.6% increase in the prior fiscal year. The increase in intergovernmental revenue was primarily attributable to increases in the vehicle license fee revenue from the State, growth in mandated client service programs and mental health managed care revenues. The increase in charges for services was primarily the result of increased revenues from city law enforcement contracts, expanded city fire protection services and rent. Other revenue decreased due to decline in building permits and lower interest earned.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2008

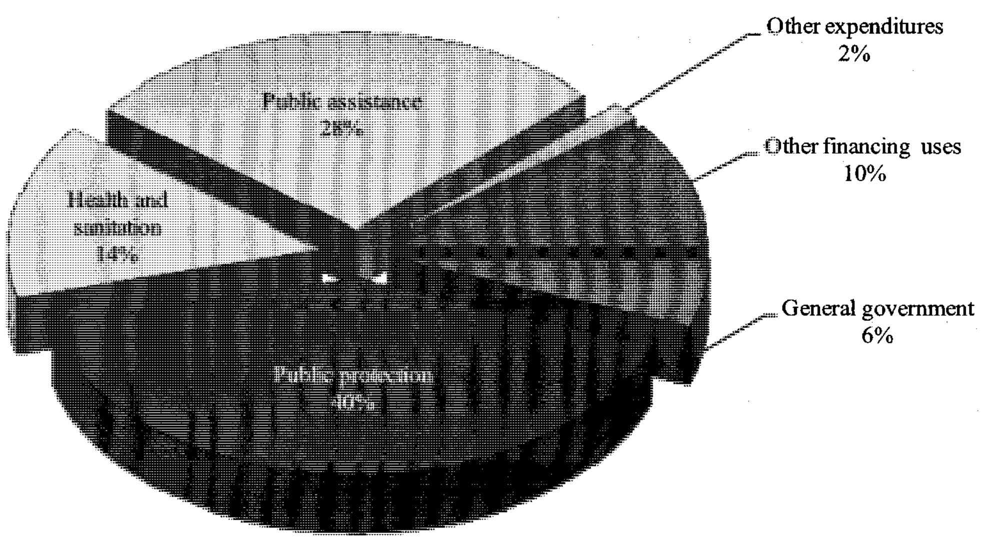


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2007-08	Percent of Total	Fiscal Year 2006-07	Percent of Total
General government	$ 145,290	6%	$ 119,365	5%
Public protection	1,032,582	40%	916,524	41%
Health and sanitation	368,753	14%	341,467	16%
Public assistance	704,404	28%	644,912	29%
Other expenditures	40,189	2%	43,664	2%
Other financing uses	266,961	10%	146,214	7%
Total	$ 2,558,179	100%	$ 2,212,146	100%

The increase of expenditures in general government was attributable to CORAL rent, the Electronic Content Management System with the Assessor-Clerk Recorder, and the presidential primary election in February 2008. The increase of expenditures in public protection was attributable to additional staffing, increases in city law enforcement contracts, the opening of a fire station, and the increase in the State contract rates for Fire Protection. The increase of expenditures in health and sanitation was attributable to the hiring of 63 additional positions to support the Mental Health Services Act (MHSA). Public Health also increased their staffing due to the expansion of clinical services being offered at the Rubidoux and Perris clinics. The increase in public assistance was attributable to expansion and remodeling projects at five site locations.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2008



GENERAL FUND BUDGETARY HIGHLIGHTS

This section provides a summary of the primary factors attributing to the General Fund variances between 1) the original 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 Variance

The original general fund estimated revenue budget decreased by $27.4 million, or 1.1%, from $2.5 billion to the final amended revenue budget of $2.5 billion. The $27.4 million represents a decrease of $81.7 million from charges for services and offset by an increase of $39.0 million from aid from other governmental agencies, $6.8 million from other revenue, $4.0 million from taxes, $2.8 million from fines, forfeitures and penalties and $1.6 million from interest.

Charges for Current Services: The budget for charges for current services had a net decrease of $81.7 million, or 16.9%. The decrease is a result of a $102.2 million drop for intergovernmental activities. This was all offset by increase of $8.7 for the Sheriff's Department contracted city law enforcement services, the Executive Office CORAL activities of $3.2 million, another $3.2 million from facilities management's real estate division and $2.4 million from the Assessor due to property tax collections, supplemental charges, and special assessments.

Aid Received from Other Governmental Agencies: Aid received from other governmental agencies increased by $39.0 million, or 7.3%, and consisted of the following: Federal aid increased by $26.7 million and State aid increased by $12.3 million. Increases in Federal aid were the result of Federal Operating Grants increasing for the Sheriff's Department by $1.3 million and for the Fire Department by $3.3 million. Probation Department had an increase of $7.0 million due to a $1.5 million increase in Title IV-E Funding and a $5.5 million increase for the Temporary Assistance to Needy Families (TANF) program. Mental Health had an increase of $1.7 million due to the Mental Health Services Act (MHSA) agreement. Federal Health Grants increased for the Department of Public Health by $1.6 million for the Women Infant Children (WIC) contract. Department of Public Social Services had an increase of $9.0 million due to the Federal Public Assistance Programs and Administration. Increases in State aid were primarily the result of an increase to the Department of Mental Health by $5.6 million related to the Mental Health Services Act (MHSA) and an increase to the Department of Public Social Services by $3.7 million due to Public Assistant Programs. The Office of the Auditor Controller had an increase of $2.0 million in Vehicle License Fees (VLF) while the Sheriff's Department had a decrease of $1.4 million in Growth Public Safety Sales taxes. Probation had an increase of $1.8 million for the Youthful Offender Program (YOP).

Other Revenue: The increase in other revenue of $6.8 million, or 4.4%, was primarily the result of an increase in Redevelopment Pass Thru of $11.0 million. This was offset by a decrease of $2.0 million for contractual revenue from the Office of the Auditor Controller and by a $1.9 million decrease in charges from Facilities Management.

Taxes: The budget for taxes had a net increase of $4.1 million, or 1.2%, which primarily consisted of a $21.0 million increase in teeter overflow, a $3.7 million increase in current secured property taxes, a $3.0 million decrease in documentary transfer taxes, a $15.0 million decrease in current supplemental property taxes, and a $2.7 million decrease in sales and use taxes.

Fines, forfeitures and penalties: The budget for fines, forfeitures and penalties had a net increase of $2.8 million, or 5.4%, which was the result of the Assessor's office CIO Penalty.

Interest: The budget for interest had a net increase of $1.6 million, or 3.1%, which was the result of better than anticipated interest on invested funds from the Treasurer-Tax collector.

Expenditure Appropriation Variances

The original general fund appropriation budget decreased by $33.4 million, or 1.3%, from $2.6 billion to the final amended appropriation budget of $2.5 billion. The significant appropriation changes were a decrease of $79.1 million from general government and a decrease of $28.6 million from debt service offset by an increase of $57.7

million from public protection, an increase of $10.3 million from public assistance and an increase of $6.1 million from health and sanitation. The major appropriation variances are described below.

General Government: The appropriation budget decreased by $79.1 million, or 25.7%, from the original budget of $308.1 million to $229.0 million. The following describe the significant factors for the variances:

- Salaries and employee benefits increased by $3.1 million, or 2.5%, mainly due to increases by the Executive Office and the Assessor. The Executive Office budget increased by $5.5 million primarily due to the establishment of a trust fund with CalPERS to fund Other Post Employment Benefits (OPEB). The Assessor increased by $1.2 million due to positions that were split between the Assessor and Clerk-Recorder were funded 50.0% by the Assessor.
- Services and supplies increased by $28.3 million, or 23.6%, mainly due to increases by the Executive Office, Facilities Management, Human Resources, the Assessor, and the Registrar of Voters. The Executive Office increased by $1.0 million due to Countywide information technology projects. Facilities Management increased by $18.0 million due to new lease agreements, the purchase of Riverside Centre, the purchase of land in Perris, the increase in cleaning supplies cost, and the increase in temporary help services. Human Resources increased by $3.2 million mainly due to the department's remodeling costs. The Assessor increased by $2.4 million primarily due to professional services contracted for the Electronic Content Management System (ECMS) project. The Registrar of Voters increased by $1.4 million due to the Presidential Primary in February 2008.
- Other charges decreased by $80.6 million, or 60.8%, mainly due to increases by the Executive Office and the Board of Supervisors. There was a decrease of $198.0 for intergovernmental activities which was offset by the Executive Office increasing by $109.2 million mainly due to funding of various capital improvement projects and the purchases of real property. The Board of Supervisors increased by $6.3 million due to contributions made to worthy organizations and County programs.
- Capital assets increased by $4.4 million, or 140.2%, mainly due to an increase for the Assessor of $3.5 million to purchase computer equipment and software for the Electronic Content Management System (ECMS) project.
- Intrafund transfers increased by $19.2 million, or 19.1%, mainly due to increases in Human Resources of $2.6 million for the department's remodeling project and in Facilities Management of $16.5 million for new lease agreements.
- Appropriation for contingencies decreased by $15.1 million, or 47.0%. Monies budgeted in contingency is to cover current and potential general-fund liabilities. During the year, the major liabilities covered were $7.5 million for Fire Department, $1.0 million for Mental Health Detention Programs, $6.5 million for Current Supplemental Property Tax and Document Transfer Tax, and $1.4 million for Registrar of Voters. Fire Department needed the adjustment to cover overrun in budget due to revenue shortfalls, overestimated salary savings and under budget costs of fire protection services. Mental Health hired 16 of the 23 position approved by the Board to offer mental health services at County jails and position were budgeted in the general fund. Revenue sources Current Supplemental Property Tax and Document Transfer Tax had to be reduced due to the economic downturn resulting in a reduction in appropriation for contingency to offset losses. Registrar of Voters needed budget adjustment to comply with Sequoia voting system recertification conditions to comply with Secretary of the State requirements.

Debt Service: The budget for principal decreased by $37.2 million, or 70.2%, from the original budget of $53.0 million to $15.8 million. There was a decrease of $40.5 million as a result of intergovernmental activity. This was then offset by $3.2 million for Executive Office CORAL financing the purchase of the Monroe Park Building and the upgrade of the 800 MHZ public-safety radio system upgrade.

Public Protection: The appropriation budget increased by $57.7 million, or 5.6%, from the original budget of $1.0 billion to $1.1 billion. The following describe the significant factors for the variances:

- Salaries and employee benefits increased by $13.2 million, or 2.0%, mainly due to an increase of $3.6 million from the District Attorney increasing their staff members by 48.0%, a decrease of $1.0 million from Public Defender for salary savings, and an increase of $23.1 million from the Sheriff for increased contract law enforcement and correctional facility positions.

- Services and supplies increased by $40.8 million, or 13.0%, mainly due to the Executive Office, the County Clerk-Recorder, the District Attorney, the Public Defender, the Sheriff, Probation, Fire Protection, Code Enforcement, and Animal Services Control. The Executive Office increased by $1.2 million due to an increase in legal services and investigative costs in Indigent Defense. The County Clerk-Recorder increased by $1.9 million mainly due to the Electronic Content Management System (ECMS) project. The Public Defender increased by $1.4 million primarily due to tenant improvements and moving costs. The Sheriff increased by $15.2 million mainly due to contract law enforcement and maintenance costs. Probation increased by $5.2 million primarily due to the renovation of the Palms Spring Office, computer equipment purchases, purchase of 10 new mid-size sedans and purchase of new office furniture to accommodate the new leased facility. Fire Protection increased by $10.1 million due to higher costs of fire protection services. Code Enforcement increased by $1.3 million due to renovations and professional services for community cleanups and abatement of substandard structures. Animal Control Services increased by $1.1 million primarily due to use of temporary help services.
- Other Charges decreased by $2.9 million, or 4.7%, mainly due to a decrease of $10.7 million for intergovernmental activities and offset by a $7.8 million increase in Probation for security improvements for its juvenile institutions, growth in Title IV-E claimable services, and facilities maintenance.
- Capital Assets increased by $8.0 million or 118.0% mainly due to the County Clerk-Recorder increase of $1.3 million in computer equipment and capitalize software for the Electronic Content Management System (ECMS) project, the Sheriff department increase of $4.3 million in vehicles, communication equipment, and aircraft equipment, and the Fire department increase of $1.6 million in fire engines, trucks, and fire equipment.

<u>Public Assistance</u>: The appropriation budget increased by $10.3 million, or 1.4%, from the original budget of $721.4 million to $731.2 million. The significant factor for the variance is an increase in other charges of $15.2 million, or 3.8%. The increase is mainly due to the Department of Public Social Services with an increase of $16.7 million. $8.2 million of the increase contributed to adoption assistance services increasing and the state increasing the rate for foster care assistance and $3.2 million was for services provided to clients such as drug testing, home supportive services, transitional housing and other and $4.4 million was for an increase in child care services. Intergovernmental activities decreased by $5.5 million.

<u>Health and Sanitation</u>: The appropriation budget increased by $6.1 million, or 1.5%, from the original budget of $410.7 million to $416.8 million. The following describe the significant factors for the variances:

- Services and supplies increased by $12.0 million, or 11.3%, mainly due to an increase in Mental Health of $1.9 million attributed to additional Mental Health Services Act (MHSA) costs and temporary help services and an increase in the Community Health Agency of $9.0 million for temporary help services, administrative support, and medical supplies.
- Capital Assets increased by $1.8 million, or 73.6%, mainly due to an increase in Mental Health of $1.5 million for equipment related to the Mental Health Services Act (MHSA).

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 $78.0 million resulting from unexpended appropriations of $221.3 million, or 8.8%, and overestimated revenue of $143.2 million, or 5.7%. The following contributed to the variance:

Expenditure Variances

General fund actual expenditures of $2.3 billion were 8.8%, or $221.3 million, less than the final amended appropriation budget of $2.5 billion. General government, public protection, health and sanitation, public assistance, debt service and public ways and facilities were the six most significant factors attributing to the unexpended appropriations as follows:

<u>General Government:</u> Actual expenditures of $145.3 million were less than the final amended budget of $229.0 million by $83.7 million or 36.5%. The following describe the significant factors for the variances:

- Salaries and employee benefits were $10.8 million or 8.7% less than budgeted primarily due to over 36 vacant positions at Facilities Management.
- Services and supplies were $12.0 million or 8.1% less than budgeted mainly due to Human Resources and Facilities Management. Human Resources had savings of $1.8 million because costs for budgeted remodeling the department were financed with 7-year payment plan. Facilities Management had savings of $8.1 million due to less than expected tenant improvements, professional services, and expenses related to the purchase of the Riverside Centre and land.
- Other charges were $41.2 million or 79.4% less than budgeted primarily due to intergovernmental activities.
- Capital Assets were $4.4 million or 57.4% less than budgeted mainly due to Assessor and Facilities Management. The Assessor had savings of $1.5 million in the Electronic Content Management System (ECMS) project. Facilities Management had savings of $2.8 million because budgeted amounts for the purchase of land for the construction of PSEC towers were paid directly by the Executive Office budget.
- Appropriations for Contingencies are budgeted by the Board of Supervisors based on Executive Office recommendations for potential liabilities from general fund appropriations. This fiscal year the Board budgeted $17.0 million for any such potential liabilities.

Public Protection: Actual expenditures of $1.0 billion were less than the final amended budget of $1.1 billion by $55.5 million or 5.1%. The following describe the significant factors for the variances:

- Salaries and employee benefits were $15.1 million or 2.3% less than budgeted primarily due to County Clerk-Recorder, Sheriff, Probation, and Fire Protection. Due to vacant positions, there were salary savings for the County Clerk-Recorder of $6.0 million and the Sheriff of $6.9 million. Probation had savings of $1.3 million due to retirements. Fire Protection had savings of $1.6 million due to 34 vacant positions in Public Safety Communications Officers (PSCO) and Fire planning personnel.
- Services and supplies were $13.1 million or 3.7% less than budgeted due to savings in professional services for the County Clerk-Recorder of $5.0 million, Fire Protection with savings of $2.3 million, Building and Safety with savings of $1.0 million and the Planning Department had a $1.8 million savings in professional services.
- Other charges were $23.0 million or 39.0% less than budgeted mainly due to intergovernmental activities.
- Capital assets were $5.2 million or 35.4% less than budgeted with a majority of the variance from County Clerk-Recorder with $1.4 million and Fire Protection with $2.6 million primarily due to savings in fire equipment purchases.

Health and Sanitation: Actual expenditures of $368.8 million were less than the final amended budget of $416.8 million by approximately 11.5%, or $48.0 million. The following describe the significant factors for the variances:

- Salaries and employee benefits were $15.2 million or 7.7% less than budgeted primarily due to Mental Health and the Community Health Agency. Mental Health Treatment, Detention, and Substance Abuse had savings of $12.4 million mainly due to State budget cuts, 63 vacant Mental Health Services Act positions, 12 vacant Behavioral Health positions, and per diem positions replaced with permanent staff. The Community Health Agency had savings of $4.2 million due to vacant positions in Public Health and Administration.
- Services and supplies were $7.1 million or 6.0% less than budgeted primarily due to Mental Health with $1.8 million and the Community Health Agency with $5.1 million due to less than expected administrative support costs and SB612 payments.
- Other charges were $34.5 million or 16.4% less than budgeted primarily due to Executive Office-Contribution to Health and Mental Health with savings of $24.4 million, Mental Health with savings of $6.7 million due to private care provider contracts being less than anticipated, and the Community Health Agency with savings of $2.7 million due to intergovernmental activities.
- Capital Assets were $2.6 million or 60.4% less than budgeted primarily due to Mental Health with $2.5 million savings attributed to incomplete tenant improvements for clinics and pending vehicle purchases.
- Intrafund transfers were $11.4 million or 10.0% less than budgeted primarily due to Mental Health with a variance of $5.5 million attributed to lower vehicle license fee (VLF) tax receipts and intergovernmental

activities and the Community Health Agency with a variance of $5.4 million attributed to intergovernmental activities.

Public Assistance: Actual expenditures of $704.4 million were less than the final amended budget of $731.7 million by approximately 3.7%, or $27.3 million. The following describe the significant factors for the variances:

- Salaries and employee benefits were $3.4 million or 1.6% less than budgeted primarily due to the Department of Public Social Services Administration having a with savings of $8.3 million due to staff attrition.
- Services and supplies were $5.3 million or 4.8% less than budgeted primarily due to the Department of Public Social Services Administration savings of $5.3 million in computer equipment and communication equipment installations.
- Other charges were $21.3 million or 5.1% less than budgeted primarily due to Probation Court Placement Care savings of $3.0 million and a Department of Public Social Services savings of $18.7 million. Both departmental savings came from less than expected child care services, client services, and number of juveniles being placed in group homes.
- Intrafund transfers were $2.8 million or 21.5% less than budgeted primarily due to Probation Court Placement Care for $2.8 million as a result of less than expected number of juveniles being placed in group homes by the Department of Public Social Services.

Debt Service: Actual expenditures of $26.1 million were less than the final amended budget of $30.6 million by approximately 14.7%, or $4.5 million, primarily due to intergovernmental activities.

Public Ways and Facilities: Actual expenditures of $4.7 million were less than the final amended budget of $6.9 million by $2.2 million or 31.4%, primarily due to the Surveyor Department with savings of $1.4 million in salaries and employee benefits.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the County's capital assets for both its governmental and business-type activities amounted to $2.7 billion (net of accumulated depreciation). The capital assets include land and easements, land improvements, construction in progress, and infrastructure. The County's infrastructure consists of channels, storm drains, levees, basins, roads, traffic signals, bridges, runways, parks, park trails, and landfill liners. The County's capital assets increased by 11.0%, or $270.6 million, from $2.5 billion in fiscal year 2006-07 to $2.7 billion in fiscal year 2007-08.

The increase of the County's capital assets was primarily due to construction in progress projects. Construction in progress rose from $356.1 million in fiscal year 2006-07 to $383.4 million in fiscal year 2007-08, a 7.6% increase. The 2008 balance includes additions of $103.3 million, retirements of $18.6 million, and transferred or completed projects of $57.5 million. Land and easement increased by 2.5% as a result of the continual donation of land to the Flood Department.

In fiscal year 2007-08, new major projects budgeted for construction and design include the following: Siemens Hospital Information System for the Riverside County Regional Medical Center with a budgeted amount of $17.9 million for its portion of the projects, $2.1 million for the Inpatient Treatment Facility Emergency Room expansion project and $1.8 million for several clinic expansion projects. The Desert Hot Springs Family Care Clinic budgeted at $8.2 million and the construction of the Blythe Animal Shelter for approximately $2.0 million. New fire stations made their way to this fiscal year's budget, such as the North Shore Fire Station at $3.5 million and the Home Gardens Fire Station for $2.0 million. The administrative buildings in downtown Riverside have a budget of $2.0 million for reconfiguration to several of its floors. $1.5 million was budgeted for the South West Justice Center parking lot expansion project in Murrieta.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2007-08:

- In fiscal year 2007-08, additions in the amount of $103.3 million consist of costs related to existing projects and new projects.

  Existing project costs include the following:

  - The Facilities Department incurred $28.2 million of costs for projects involving the Smith Correctional Facility 3rd expansion project in the City of Banning, which comprised of the addition of three new housing units, approximately 650 beds. The Perris Sheriff Complex and Health Clinic, as well as the Palm Desert Cove Community Sheriff Facility. Construction of the District Attorney Law Building, located on Orange Street in Riverside is currently under way.
  - Roads and signal infrastructures additions were $24.6 million.
  - The Fire Department experienced the addition of the $3.2 million. This consisted of the Cabazon Fire Station and the Lake Riverside Fire Station.

  New project costs include the following:

  - The Mission Boulevard streetscape phase 3 project has amounted to an addition of $9.6 million. This project consists of improvements along Mission Boulevard between Crestmore and Riverview Drive, in the community of Rubidoux.
  - The Armstrong Road and Sierra Avenue storm drain and street improvement projects in the community of Sunnyslope, were an addition of $6.3 million.
  - Flood incurred $4.4 million in new projects. $2.7 million, for example was for the construction of a new storm drain, the Hemet Master Drainage line D and D-5 projects.
  - Mead Valley Fire Station in the amount of $1.8 million.
  - The Riverside County Regional Medical Center has incurred costs of $1.6 million related to the Siemens Hospital Information System.

Retired projects from Construction in Progress:

- Parks incurred the retirement of 27 park projects totaling $15.4 million of non depreciable assets. This figure consists of major projects such as the Rancho Jurupa expansion of Headquarters office space, the Santa Ana River Trail from Hidden Valley to Norco and the water system improvements project at Lake Cahuilla.

Construction in Progress Transfers:

- Completed construction in progress projects were transferred from construction in progress to other designated capital asset accounts during fiscal year 2007-08, approximately in the amount of $58.0 million. The major projects read as follows:

  - $31.5 million was transferred to buildings and improvement. Examples of such projects were the Smith Correctional Facility Inmate Education and Counseling Center for $7.7 million, the Smith Correctional Facility 120 bed expansion and Intake Release Center first and second phase for $13 million. $5.5 million for the Assessor Clerk Recorder Administration Building and renovation in Box Springs and $3.0 million for the Nuevo Fire Station.
  - $17.9 million for the Lamb Canyon liner Phase 2 Stage 3, which was transferred to landfill liners and improvements.
  - $4.8 million was transferred to structures and improvements. $4.1 million was for 3 Public Safety Radio sites stationed at Edom Hill, Indio Hill, and Pine Cove.
  - $4.4 million was transferred to infrastructure from Flood. The Hemet Master Drainage Plan line D Stage 4 project involves water and sewage piping construction within the City of Hemet and the County of Riverside. It consists of an underground storm drain facility along Stetson Avenue from Buena Vista Street to 800 East of Yale Street.

Depreciable capital asset

The following will consists of a breakdown of the additions, retirements and transfers that make up the balance of depreciable capital assets:

Additions to depreciable assets:

- Total fiscal year 2007-08 depreciable capital asset current year additions $301.1 million, which were comprised of the following:
  - Infrastructure in the amount of $147.4 million:
    - Roads in the amount of $118.6 million, for which $113.3 million consists of donated assets. Flood storm drains in the amount of $14.1 million, $5.9 million in park trails and improvements and $4.8 million in bridges. Flood channels incurred additions in the amount of $1.8 million and $1.3 million was incurred for runways.
  - Structures and improvements amount to $100.6 million:
    - Buildings and improvements in the amount of $92.0 million. $56 million was incurred by the Facilities Department with the purchase of real property, known as the Riverside Centre. These buildings are located at 3403 Tenth Street, 3499 Tenth Street and 3901 Lime Street in the City of Riverside. The Rubidoux Fleet Operations Center amounted to an addition of $15.2 million and the Cabazon Fleet Facility was an addition of $5.1 million.
    - Buildings leased in the amount of $7.8 million, which was due to the Coachella Valley Animal Shelter.
  - Equipment in the amount of $53.1 million:

    Vehicles leased - $18.4 million
    Computer and office equipment - $10.4 million
    Equipment leased - $9.1 million
    Equipment vehicles - $7.7 million
    Equipment field - $4.1 million
    Miscellaneous equipment - $3.2 million

Retirements of depreciable assets:

- Retirement of depreciable assets was composed of $24.2 million. Equipment in the amount of $22.5 million was retired, primarily from Fleet Services and Information Technology.

Transfers:

- $67.2 million was transferred from completed construction in progress projects 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 $132.2 million in depreciation.

Analysis of capital assets from fiscal year 2006-2007 to fiscal year 2007-2008:

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)
	2008	2007	2008	2007	2008	2007	%
Infrastructure	$1,142,496	$1,043,655	$ 47,860	$ 31,188	$1,190,356	$1,074,843	11%
Land and easements	342,274	333,097	21,147	21,419	363,421	354,516	3%
Land improvements	99	99	5,990	6,571	6,089	6,670	-9%
Structures and improvements	512,306	403,199	144,616	150,468	656,922	553,667	19%
Equipment	110,490	93,147	18,104	19,299	128,594	112,446	14%
Construction in progress	364,890	327,981	18,557	28,150	383,447	356,131	8%
Total	$2,472,555	$2,201,178	$256,274	$257,095	$2,728,829	$2,458,273	11%

Additional information on the County's capital assets can be found in Note 9 of this report.

<u>Debt Administration</u>

Under the direction of the Board of Supervisors, the County's Debt Advisory Committee reviews all debt issuances of the County and its financing component unit organizations and advises the Board accordingly. As of fiscal year-end June 30, 2008, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled $463 as of June 30, 2008. The calculated legal debt limit for the County is $3.0 billion.

The County staff met in August with all three credit rating agencies regarding the County's financial picture. As a result, the County's high ratings were reaffirmed by Moody's, Fitch, and S&P; however, Fitch placed the County on a negative outlook because of uncertainties with the state budget and the housing crisis. Each rating agency noted the County's strong management team and its discipline in setting aside reserves while the economy and housing market were strong. The County's issuer ratings are at AA levels and validate the budget benchmarks and financial controls the County created and its adherence to those controls.

The following are credit ratings maintained by the County:

	Moody's Investors Service, Inc.	Standards & Poor's Corp.	Fitch
Long-term lease debt	A2	AA-	AA-
Issuer credit	Aa3	AA	AA

The County has issued tax-exempt Tax and Revenue Anticipation Notes (TRANs) to provide needed cash to cover the projected cash flow deficits of the County's General Fund during the fiscal year July 1 through June 30. In fiscal year 2007-08, the County, as a participant in the California Statewide Communities Development Authority Pool, issued $320.0 million in TRANs to satisfy short-term cash flow needs. Included in this amount was $73.0 million to pre-pay the County fiscal year 2007-08 CALPERS employer's normal contribution.

In December 1993, the Board of Supervisors formally passed a resolution necessary for the County to adopt the Teeter Plan (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. Funding for the County's on-going obligations under

Teeter was accomplished through the sale of Tax-Exempt Commercial Paper Notes, Series B (The "Teeter Notes") in the amount of $168.4 million. The approximately $168.4 million was comprised of $136.0 million representing fiscal year 2006-07 delinquent property taxes and $32.4 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the Notes and the County's General Fund is pledged to the repayment of the Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual repayment. The letter of credit will expire on November 5, 2012.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2008.

County's Outstanding Debt Obligation
(In Thousands)

	Governmental Activities		Business-Type Activities		Total		Increase/ (Decrease)
	2008	2007	2008	2007	2008	2007	%
Loans payable	$ 304,809	$ 310,139	$ -	$ -	$ 304,809	$ 310,139	-2%
Notes payable	6,000	-	-	-	6,000	-	100%
Bonds payable	1,086,397	806,398	170,814	181,263	1,257,211	987,661	27%
Certificates of participation	408,024	335,866	-	-	408,024	335,866	21%
Capital Leases	105,317	87,337	16,124	17,844	121,441	105,181	15%
Total Outstanding	$1,910,547	$1,539,740	$ 186,938	$199,107	$2,097,485	$1,738,847	21%

<u>Outstanding Debt</u>: The County of Riverside's total debt increased by 20.6%, $358.6 million ($370.8 million in governmental funds less $12.2 million in business-type), during the current fiscal year. The key factors in this increase are as follows:

- The issuance of the 2007 Certificate of Participation Bonds, Series A for $73.7 million and Series B for $37.3 million. The purpose of the bonds is to finance the acquisition and installation of an enhancement of the public safety communication system of the County of Riverside and to refund and defease $24.2 million of the 1997 Lease Refunding Certificate of Participation.

- The Inland Empire Tobacco Securitization Authority issued Tobacco Settlement Asset-Backed Bonds Series 2007 for $294.1 million. The purpose of the bonds is to provide resources to purchase the County of Riverside's Sold County Tobacco Assets (rights). The bonds are primarily secured by a portion of tobacco settlement revenues required to be paid to the State of California under the Master Settlement Agreement entered into by participating cigarette manufacturers, 46 states, including the State, and six other U.S. jurisdictions.

Additional information on the County's long-term debt can be found in Note 13 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET OUTLOOK

Riverside County's economy is currently experiencing a recession as evidenced by an increased unemployment rate, a slowdown in total personal income and taxable sales, a drop in residential building permits, and a decline in the real estate market.

To fund the fiscal year 2008-09 budget, the County drew on reserves creating a slight structural budget imbalance ($13.0 million). Fiscal year 2008-09 discretionary revenue is expected to be less than fiscal year 2007-08 by about 1.0% percent ($8.0 million). Following is a summary depicting the general sources of fiscal year 2008-09 discretionary revenue.

Summary of Fiscal Year 2008-09
General-Fund Discretionary Revenue (in thousands)

Source		Final Budget Estimate
Property Taxes	$	337,660
Motor Vehicle In Lieu		220,845
Interest		27,815
Sales Tax *		38,000
Documentary Transfer Tax		9,000
Fines and Penalties		29,245
Tax Loss Reserve Fund-Overflow		45,000
Franchise Tax		7,600
Other (Prior Year & Miscellaneous)		7,218
Federal In-Lieu Taxes		1,800
El Sobrante Tipping Fees		1,775
Transient Occupancy Tax		1,630
Total	$	727,588

* Does not include public safety sales tax revenue

The County's employee retirement benefit contribution rate for fiscal year 2008-09 for miscellaneous members is 12.2% and the Safety contribution rate is 19.0%. 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 2009-10 rates are projected at 12.0% (Miscellaneous) and 18.6% (Safety). Additional information regarding the County's retirement plans are included in Notes 18, 19 and 20 of the financial statements and schedules of retirement funding progress are included in the Required Supplementary Information section.

Assessed property values increased 16.6% in fiscal year 2007-08 and 1.5% in fiscal year 2008-09 yielding a total assessed property tax roll of $243.0 billion for fiscal year 2008-09. The $3.5 billion increase reflected the County-wide residential real estate market burdened with foreclosures and bank sales, declining sales prices and a substantial drop in new construction.

REQUEST 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: web site: www.auditorcontroller.org.

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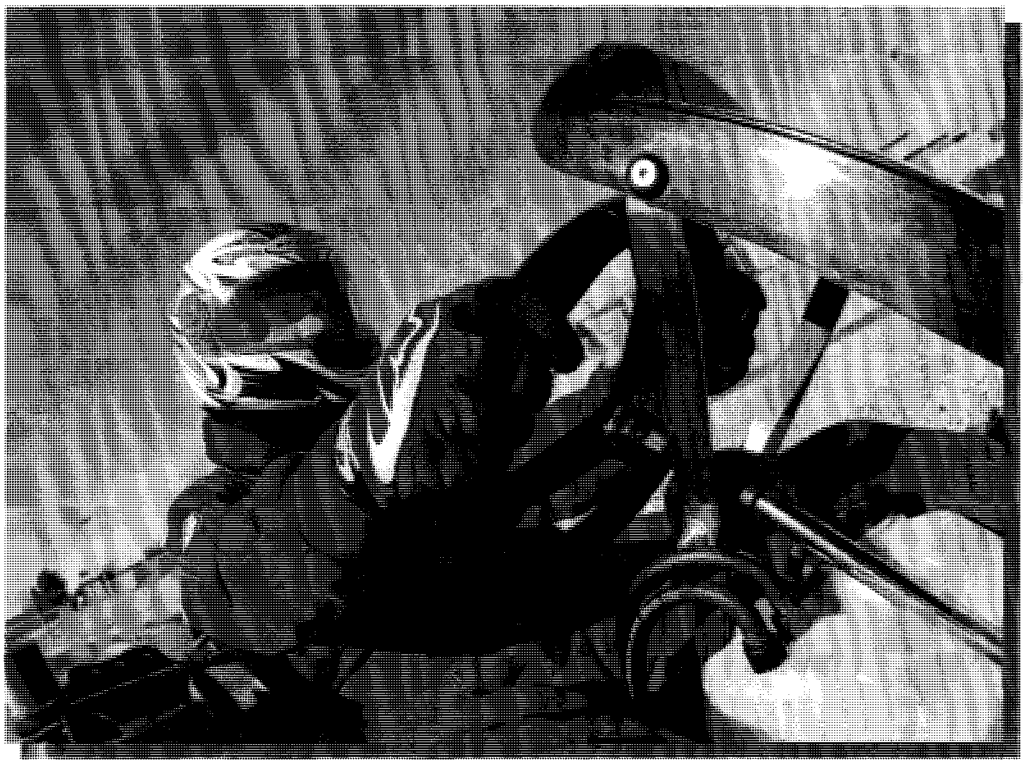
BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS



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COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2008
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
ASSETS:				
Cash and investments (Note 5)	$ 1,862,605	$ 139,927	$ 2,002,532	$ 60,128
Receivables, net (Notes 1 and 7)	492,118	76,890	569,008	5,343
Inventories	5,672	7,333	13,005	-
Internal balances (Note 8)	21,722	(21,722)	-	-
Pension asset, net (Notes 18 and 19)	406,950	2,818	409,768	-
OPEB asset, net (Note 20)	10,812	-	10,812	
Prepaid items and deposits	19,018	1,790	20,808	8
Restricted cash and investments (Notes 5 and 6)	533,722	112,312	646,034	-
Other noncurrent receivables (Note 7)	30,583	-	30,583	-
Notes receivable (Note 7)	28,670	-	28,670	-
Land held for resale	66,066	-	66,066	-
Capital assets (Note 9):				
Depreciable assets, net	1,765,391	216,570	1,981,961	78
Nondepreciable assets	707,164	39,704	746,868	-
Bond issuance costs	21,268	1,509	22,777	-
Total assets	5,971,761	577,131	6,548,892	65,557
LIABILITIES:				
Current Liabilities:				
Accounts payable	168,594	18,250	186,844	3,154
Salaries and benefits payable	96,730	15,272	112,002	162
Due to other governments	43,598	11,834	55,432	312
Interest payable	16,016	724	16,740	-
Deposits payable	189	106	295	-
Notes payable (Note 12)	168,436	-	168,436	-
OPEB obligation, net (Note 20)	-	23	23	
Other liabilities	2,876	4,029	6,905	-
Unearned revenue (Note 7)	131,098	-	131,098	400
Long-term liabilities (Note 13) :				
Due within one year	179,412	32,020	211,432	127
Due beyond one year	2,020,313	287,675	2,307,988	89
Total liabilities	2,827,262	369,933	3,197,195	4,244
NET ASSETS:				
Invested in capital assets, net of related debt	802,981	69,441	872,422	78
Restricted for:				
Children's programs	-	-	-	61,235
Community development	559,815	-	559,815	-
Debt service	90,666	24,681	115,347	-
Health and sanitation	12,296	10,959	23,255	-
Public protection	24,310	-	24,310	-
Public ways & facilities	75,178	-	75,178	-
Other programs	7,103	434	7,537	-
Unrestricted	1,572,150	101,683	1,673,833	-
Total net assets	$ 3,144,499	$ 207,198	$ 3,351,697	$ 61,313

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, 2008
(Dollars in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTION/PROGRAM ACTIVITIES:				
Primary government:				
Governmental activities:				
General government	$ 331,741	$ 171,403	$ 119,544	$ -
Public protection	1,122,370	316,719	242,326	329
Public ways and facilities	209,019	52,787	51,949	24,006
Health and sanitation	330,206	56,897	190,373	-
Public assistance	564,318	2,492	705,627	-
Education	17,977	5,935	581	998
Recreation and culture	12,457	5,372	5,316	-
Interest on long-term debt	96,173	-	-	-
Total governmental activities	2,684,261	611,605	1,315,716	25,333
Business-type activities:				
Regional Medical Center	353,481	333,414	-	306
Waste Management Department	64,538	63,525	-	-
Housing Authority	74,252	77,507	-	-
Flood Control	5,201	4,661	-	-
County Service Areas	343	372	-	-
Total business-type activities	497,815	479,479	-	306
Total primary government	$ 3,182,076	$ 1,091,084	$ 1,315,716	$ 25,639
Component unit:				
Children and Families First Commission	$ 25,360	$ -	$ 28,544	$ -

General revenues:
Taxes:
Property taxes
Sales and use taxes
Other taxes
Grants/contributions not restricted
Intergovernmental revenue not restricted to programs:
Motor vehicle in-lieu of taxes
Investment earnings
Other
Transfers
Total general revenues and transfers
Changes in net assets
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)
NET ASSETS, END OF YEAR

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

Net (Expenses) Revenues and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Unit	
				FUNCTION/PROGRAM ACTIVITIES:
				Primary government:
				Governmental activities:
$ (40,794)	$ -	$ (40,794)		General government
(562,996)	-	(562,996)		Public protection
(80,277)	-	(80,277)		Public ways and facilities
(82,936)	-	(82,936)		Health and sanitation
143,801	-	143,801		Public assistance
(10,463)	-	(10,463)		Education
(1,769)	-	(1,769)		Recreation and culture
(96,173)	-	(96,173)		Interest on long-term debt
(731,607)	-	(731,607)		Total governmental activities
				Business-type activities:
-	(19,761)	(19,761)		Regional Medical Center
-	(1,013)	(1,013)		Waste Management Department
-	3,255	3,255		Housing Authority
-	(540)	(540)		Flood Control
-	29	29		County Service Areas
-	(18,030)	(18,030)		Total business-type activities
(731,607)	(18,030)	(749,637)		Total primary government
				Component unit:
			$ 3,184	Children and Families First Commission
506,327	-	506,327	-	
40,985	-	40,985	-	
15,898	-	15,898	-	
274,282	-	274,282	-	
138,071	10,389	148,460	2,615	
85,924	-	85,924	267	
(10,322)	10,322	-	-	
1,051,165	20,711	1,071,876	2,882	
319,558	2,681	322,239	6,066	
2,824,941	204,517	3,029,458	55,247	
$ 3,144,499	$ 207,198	$ 3,351,697	$ 61,313	

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

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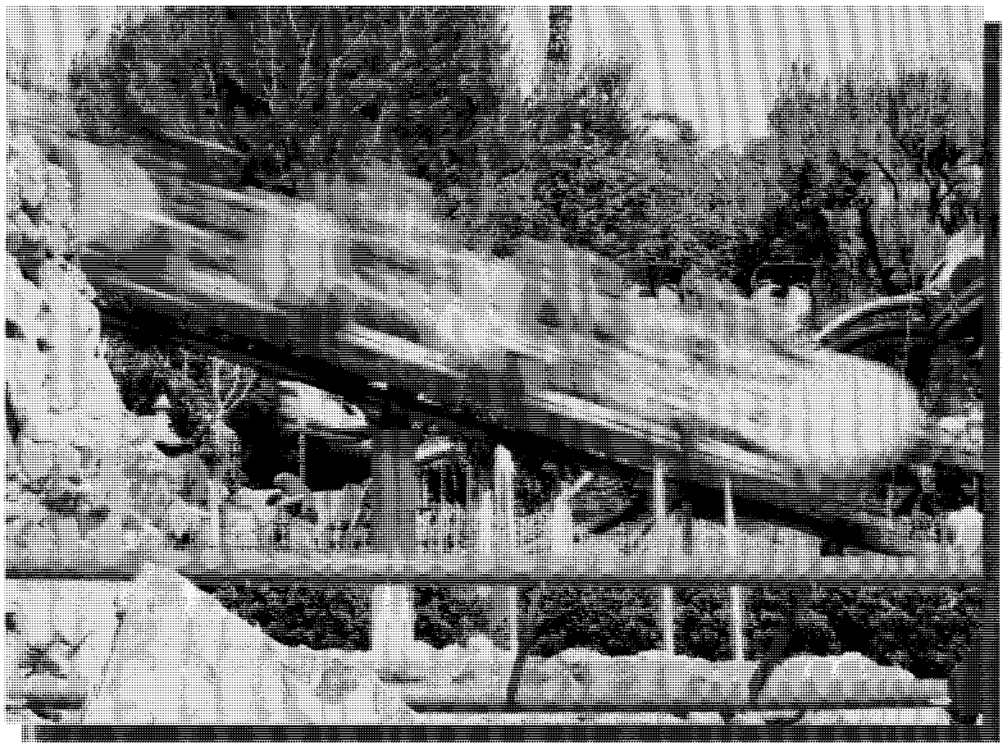
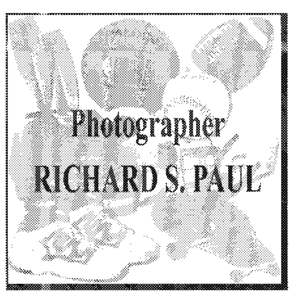
BASIC FINANCIAL STATEMENTS –
FUND FINANCIAL STATEMENTS





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COUNTY OF RIVERSIDE

Balance Sheet
Governmental Funds
June 30, 2008
(Dollars in Thousands)

	General	Teeter Debt Service	Public Facilities Improvements Capital Projects
ASSETS:			
Cash and investments (Note 5)	$ 216,816	$ -	$ 596,349
Accounts receivable (Notes 1 and 7)	48,196	-	-
Interest receivable (Note 7)	9,384	432	3,552
Taxes receivable (Note 7)	58,256	75,992	-
Due from other governments (Note 7)	239,844	-	225
Inventories	2,105	-	-
Due from other funds (Note 8)	24,716	-	727
Prepaid items	3,376	-	-
Restricted cash and investments (Notes 5 and 6)	263,566	98,670	-
Advance to other funds (Note 8)	-	-	-
Notes receivable (Note 7)	-	-	-
Land held for resale	-	-	-
Total assets	866,259	175,094	600,853
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts payable	94,061	-	8,559
Salaries and benefits payable	83,753	-	-
Due to other governments	40,991	-	-
Due to other funds (Note 8)	283	6,658	1,144
Deposits payable	121	-	-
Teeter notes payable (Note 12)	-	168,436	-
Advances from other funds	-	-	-
Deferred revenue (Note 7)	168,282	-	235
Total liabilities	387,491	175,094	9,938
Fund balances (Note 14):			
Reserved	84,466	-	590,915
Unreserved, designated, reported in:			
General fund	335,630	-	-
Special revenue funds	-	-	-
Capital projects funds	-	-	-
Unreserved, undesignated, reported in:			
General fund	58,672	-	-
Special revenue funds	-	-	-
Total fund balances	478,768	-	590,915
Total liabilities and fund balances	$ 866,259	$ 175,094	$ 600,853

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

Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds	
			ASSETS:
$ 305,835	$ 499,439	$ 1,618,439	Cash and investments (Note 5)
-	21,482	69,678	Accounts receivable (Notes 1 and 7)
6,337	3,910	23,615	Interest receivable (Note 7)
-	12,735	146,983	Taxes receivable (Note 7)
-	37,223	277,292	Due from other governments (Note 7)
-	1,044	3,149	Inventories
-	5,431	30,874	Due from other funds (Note 8)
-	15,631	19,007	Prepaid items
-	170,986	533,222	Restricted cash and investments (Notes 5 and 6)
-	750	750	Advance to other funds (Note 8)
6,564	22,106	28,670	Notes receivable (Note 7)
42,707	23,359	66,066	Land held for resale
361,443	814,096	2,817,745	Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
3,209	43,514	149,343	Accounts payable
-	7,563	91,316	Salaries and benefits payable
-	2,293	43,284	Due to other governments
1,616	20,368	30,069	Due to other funds (Note 8)
-	68	189	Deposits payable
-	-	168,436	Teeter notes payable (Note 12)
-	750	750	Advances from other funds
-	25,545	194,062	Deferred revenue (Note 7)
4,825	100,101	677,449	Total liabilities
			Fund balances (Note 14):
122,036	335,647	1,133,064	Reserved
			Unreserved, designated, reported in:
-	-	335,630	General fund
-	38,876	38,876	Special revenue funds
234,582	6,935	241,517	Capital projects funds
			Unreserved, undesignated, reported in:
-	-	58,672	General fund
-	332,537	332,537	Special revenue funds
356,618	713,995	2,140,296	Total fund balances
$ 361,443	$ 814,096	$ 2,817,745	Total liabilities and fund balances

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

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COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Assets
June 30, 2008
(Dollars in Thousands)

Fund balances - total governmental funds (page 31)		$ 2,140,296
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		2,415,371
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		21,268
Net OPEB and pension assets are not current financial resources and therefore are not reported in the governmental funds.		417,762
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.		62,964
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	$ 1,086,397	
Capital lease obligations	68,752	
Certificates of participation	408,024	
Loans payable	304,809	
Notes payable	6,000	
Accrued interest payable	16,016	
Accreted interest payable	14,587	
Compensated absences	132,028	(2,036,613)
Internal service funds are used by management to charge the costs of equipment, fleet management, printing, information technology, supply services, risk management, and temporary assistance to individual funds. Since internal service funds predominantly service government activities, the assets and liabilities of these funds are included as governmental activities in the statement of net assets.		123,451
Net assets of governmental activities (page 25)		$ 3,144,499

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, 2008
(Dollars in Thousands)

	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects
REVENUES:			
Taxes	$ 309,295	$ -	$ -
Licenses, permits, and franchise fees	24,525	-	-
Fines, forfeitures, and penalties	90,788	-	-
Use of money and property:			
Interest	61,623	1,773	22,884
Rents and concessions	2,578	-	-
Aid from other governmental agencies:			
Federal	473,731	-	-
State	905,998	-	-
Other	95,808	-	-
Charges for services	358,767	-	18,824
Other revenue	29,308	-	27,646
Total revenues	2,352,421	1,773	69,354
EXPENDITURES:			
Current:			
General government	145,290	740	133,410
Public protection	1,032,582	-	-
Public ways and facilities	4,717	-	4,718
Health and sanitation	368,753	-	-
Public assistance	704,404	-	-
Education	464	-	-
Recreation and culture	206	-	-
Debt service:			
Principal	10,705	-	-
Interest	15,427	3,002	-
Cost of issuance	-	-	-
Capital outlay	8,670	-	-
Total expenditures	2,291,218	3,742	138,128
Excess (deficiency) of revenues over (under) expenditures	61,203	(1,969)	(68,774)
OTHER FINANCING SOURCES (USES):			
Transfers in	104,892	3,750	425,822
Transfers out	(266,961)	(1,781)	(22,471)
Issuance of debt	-	-	-
Issuance of refunding bonds	-	-	-
Discount on long-term debt	-	-	-
Premium on long-term debt	-	-	-
Payment to refunded bonds escrow agent	-	-	-
Proceeds from sale of capital assets	-	-	-
Capital leases	8,670		
Total other financing sources (uses)	(153,399)	1,969	403,351
NET CHANGE IN FUND BALANCES	(92,196)	-	334,577
Fund balances, beginning of year, as previously reported	570,964	-	256,338
Adjustments to beginning fund balances (Note 4)	-	-	-
Fund balances, beginning of year, as restated	570,964	-	256,338
FUND BALANCES, END OF YEAR	$ 478,768	$ -	$ 590,915

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

	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Taxes	$ -	$ 243,863	$ 553,158
Licenses, permits, and franchise fees	-	127	24,652
Fines, forfeitures, and penalties	-	1,241	92,029
Use of money and property:			
Interest	15,360	26,667	128,307
Rents and concessions	-	12,908	15,486
Aid from other governmental agencies:			
Federal	-	70,856	544,587
State	-	65,301	971,299
Other	-	8,050	103,858
Charges for services	-	70,298	447,889
Other revenue	1,738	43,440	102,132
Total revenues	17,098	542,751	2,983,397
EXPENDITURES:			
Current:			
General government	38,937	90,959	409,336
Public protection	-	51,137	1,083,719
Public ways and facilities	-	143,168	152,603
Health and sanitation	-	6,506	375,259
Public assistance	-	43,172	747,576
Education	-	17,443	17,907
Recreation and culture	-	11,441	11,647
Debt service:			
Principal	-	35,778	46,483
Interest	-	72,697	91,126
Cost of issuance	-	3,868	3,868
Capital outlay	-	28,021	36,691
Total expenditures	38,937	504,190	2,976,215
Excess (deficiency) of revenues over (under) expenditures	(21,839)	38,561	7,182
OTHER FINANCING SOURCES (USES):			
Transfers in	27,114	243,822	805,400
Transfers out	(26,197)	(497,197)	(814,607)
Issuance of debt	-	294,084	294,084
Issuance of refunding bonds	-	111,125	111,125
Discount on long-term debt	-	(2,898)	(2,898)
Premium on long-term debt	-	3,272	3,272
Payment to refunded bonds escrow agent	-	(24,290)	(24,290)
Proceeds from sale of capital assets	1,159	-	1,159
Capital leases			8,670
Total other financing sources (uses)	2,076	127,918	381,915
NET CHANGE IN FUND BALANCES	(19,763)	166,479	389,097
Fund balances, beginning of year, as previously reported	387,449	538,262	1,753,013
Adjustments to beginning fund balances (Note 4)	(11,068)	9,254	(1,814)
Fund balances, beginning of year, as restated	376,381	547,516	1,751,199
FUND BALANCES, END OF YEAR	$ 356,618	$ 713,995	$ 2,140,296

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, 2008

(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 35)		$ 389,097
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	$ 369,306	
Less loss on sale of capital assets	(15,540)	
Less current year depreciation	(100,783)	252,983
Prepaid pension costs and OPEB costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		19,693
Bond issuance costs are expended in the governmental funds when paid but are capitalized and amortized in the statement of net assets. This is the net amount of capitalized bond issuance cost.		3,261
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Proceeds in excess of principal payments		(360,456)
Current amortization of bond premiums		277
Under the modified accrual basis of accounting, revenue cannot be recognized until it is available to liquidate liabilities of the current period; under accrual accounting, revenue must be recognized as soon as earned, regardless of its availability. Also, any liability of earned but unavailable deferred revenue must be eliminated in the government-wide financial statements.		10,273
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	(2,959)	
Change in accreted interest	(12,807)	
Change in long-term compensated absences	(12,465)	(28,231)
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.		17,596
Change in net assets of governmental activities (page 27)		$ 319,558

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, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 300,780	$ 304,842	$ 309,295	$ 4,453
Licenses, permits, and fees	31,626	31,595	24,525	(7,070)
Fines, forfeitures, and penalties	84,876	87,696	90,788	3,092
Use of money and property:				
Interest	50,833	52,433	61,623	9,190
Rents and concessions	23,557	23,568	2,578	(20,990)
Aid from other governmental agencies:				
Federal	448,401	475,119	473,731	(1,388)
State	944,811	957,118	905,998	(51,120)
Other government	597	597	95,808	95,211
Charges for current services	483,610	401,873	358,767	(43,106)
Other revenue	153,987	160,802	29,308	(131,494)
Total revenues	2,523,078	2,495,643	2,352,421	(143,222)
EXPENDITURES:				
Current:				
General government				
Salaries and employee benefits	121,042	124,127	113,304	(10,823)
Services and supplies	119,704	147,958	135,959	(11,999)
Other charges	132,529	51,958	10,709	(41,249)
Capital assets	3,176	7,630	3,252	(4,378)
Intrafund transfers	(100,550)	(119,737)	(117,934)	1,803
Appropriation for contingencies	32,150	17,034	-	(17,034)
Total general government	308,051	228,970	145,290	(83,680)
Public protection:				
Salaries and employee benefits	657,113	670,356	655,238	(15,118)
Services and supplies	313,895	354,745	341,610	(13,135)
Other charges	61,931	59,004	36,013	(22,991)
Capital assets	6,743	14,697	9,498	(5,199)
Intrafund transfers	(9,382)	(10,757)	(9,777)	980
Total public protection	1,030,300	1,088,045	1,032,582	(55,463)
Health and sanitation:				
Salaries and employee benefits	201,229	197,197	181,995	(15,202)
Services and supplies	106,589	118,606	111,463	(7,143)
Other charges	214,085	210,959	176,420	(34,539)
Capital assets	2,480	4,306	1,707	(2,599)
Intrafund transfers	(113,702)	(114,257)	(102,832)	11,425
Total health and sanitation	410,681	416,811	368,753	(48,058)
Public assistance:				
Salaries and employee benefits	228,896	218,693	215,281	(3,412)
Services and supplies	106,200	110,713	105,449	(5,264)
Other charges	399,343	414,569	393,266	(21,303)
Capital assets	100	870	739	(131)
Intrafund transfers	(13,158)	(13,158)	(10,331)	2,827
Total public assistance	$ 721,381	$ 731,687	$ 704,404	$ (27,283)

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, 2008
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget Over (Under)
Education:				
Salaries and employee benefits	$ 312	$ 275	$ 265	$ (10)
Services and supplies	179	292	199	(93)
Total education	491	567	464	(103)
Public ways and facilities:				
Salaries and employee benefits	5,003	5,003	3,651	(1,352)
Services and supplies	1,162	1,162	837	(325)
Other charges	484	483	110	(373)
Capital assets	141	227	120	(107)
Intrafund transfers	(2)	(2)	(1)	1
Total public ways and facilities	6,788	6,873	4,717	(2,156)
Recreation and culture:				
Salaries and employee benefits	95	79	76	(3)
Services and supplies	112	175	170	(5)
Other charges	80	14	-	(14)
Intrafund transfers		(40)	(40)	-
Total recreation and culture	287	228	206	(22)
Debt service:				
Principal	53,047	15,805	10,705	(5,100)
Interest	14,820	14,820	15,427	607
Total debt service	67,867	30,625	26,132	(4,493)
Capital outlay	-	8,670	8,670	-
Total expenditures	2,545,846	2,512,476	2,291,218	(221,258)
Excess (deficiency) of revenues over (under) expenditures	(22,768)	(16,833)	61,203	78,036
OTHER FINANCING SOURCES (USES):				
Transfers in	-	104,892	104,892	-
Transfers out	-	(266,961)	(266,961)	-
Capital leases	-	-	8,670	8,670
Total other financing sources (uses)	-	(162,069)	(153,399)	8,670
NET CHANGE IN FUND BALANCE	(22,768)	(178,902)	(92,196)	86,706
Fund balance, beginning of year	570,964	570,964	570,964	-
FUND BALANCE, END OF YEAR	$ 548,196	$ 392,062	$ 478,768	$ 86,706

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

COUNTY OF RIVERSIDE

Statement of Net Assets
Proprietary Funds
June 30, 2008
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
ASSETS:					
Current assets:					
Cash and investments (Note 5)	$ 80,516	$ 43,800	$ 15,611	$ 139,927	$ 244,166
Accounts receivable - net (Notes 1 and 7)	44,269	4,747	3,094	52,110	3,122
Interest receivable (Note 7)	517	894	59	1,470	1,655
Taxes receivable (Note 7)	-	-	9	9	-
Due from other governments (Note 7)	22,352	187	762	23,301	356
Advances to other funds (Note 8)	-	-	-	-	150
Inventories	6,912	421	-	7,333	2,523
Pension asset, net (Note 18)	-	2,818	-	2,818	-
Due from other funds (Note 8)	-	-	-	-	26
Restricted cash and investments (Notes 5 and 6)	24,874	82,829	4,609	112,312	500
Prepaid items and deposits	1,659	-	131	1,790	11
Total current assets	181,099	135,696	24,275	341,070	252,509
Noncurrent assets:					
Capital assets (Note 9):					
Depreciable assets	142,221	61,515	12,834	216,570	55,936
Nondepreciable assets	23,058	10,957	5,689	39,704	1,248
Bond issuance costs	1,509	-	-	1,509	-
Total noncurrent assets	166,788	72,472	18,523	257,783	57,184
Total assets	347,887	208,168	42,798	598,853	309,693
LIABILITIES:					
Current liabilities:					
Accounts payable	11,804	3,192	3,254	18,250	19,251
Salaries and benefits payable	13,867	1,316	89	15,272	5,414
Due to other funds (Note 8)	695	-	-	695	136
Due to other governments	11,808	26	-	11,834	314
Interest payable	715	-	9	724	-
Deposits payable	-	60	46	106	2,876
Other liabilities	-	425	3,604	4,029	-
Accrued closure and post-closure costs (Notes 10 and 13)	-	4,262	-	4,262	-
Accrued remediation costs (Note 21)	-	1,218	-	1,218	-
Compensated absences (Notes 1 and 13)	9,965	813	53	10,831	3,040
Capital lease obligations (Note 13)	4,194	-	-	4,194	13,626
Bonds payable (Note 13)	11,410	-	105	11,515	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	38,235
Total current liabilities	64,458	11,312	7,160	82,930	82,892
Noncurrent liabilities:					
Compensated absences (Note 13)	5,133	1,728	965	7,826	2,702
Advances from other funds (Note 8)	-	-	-	-	150
Accrued closure and post closure care costs (Note 10)	-	43,912	-	43,912	-
Accrued remediation costs (Note 21)	-	19,064	-	19,064	-
Capital lease obligations (Notes 1 and 13)	11,930	-	-	11,930	22,939
Bonds payable (Note 13)	158,473	-	826	159,299	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	97,086
OPEB obligation, net (Note 20)	-	23	-	23	-
Other long-term liabilities (Note 13)	38,849	-	6,795	45,644	1,500
Total noncurrent liabilities	214,385	64,727	8,586	287,698	124,377
Total liabilities	278,843	76,039	15,746	370,628	207,269
NET ASSETS:					
Invested in capital assets, net of related debt	(20,728)	72,472	17,697	69,441	19,119
Restricted for debt service	24,681	-	-	24,681	-
Restricted for health and sanitation	-	10,959	-	10,959	-
Restricted other	193	-	241	434	-
Unrestricted	64,898	48,698	9,114	122,710	83,305
Total net assets	$ 69,044	$ 132,129	$ 27,052	228,225	$ 102,424
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(21,027)	
Net assets of business-type activities				$ 207,198	

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

COUNTY OF RIVERSIDE

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
OPERATING REVENUES:					
Net patient revenue (Notes 1 and 16)	$ 272,252	$ -	$ -	$ 272,252	$ -
Charges for services	4,181	61,340	7,130	72,651	169,268
Other revenue	56,981	2,185	75,410	134,576	31,490
Total operating revenues	333,414	63,525	82,540	479,479	200,758
OPERATING EXPENSES:					
Cost of material used	-	-	-	-	2,209
Personnel services	187,830	19,080	9,462	216,372	79,969
Communications	1,908	404	-	2,312	2,968
Insurance	4,222	423	2	4,647	7,555
Maintenance of building and equipment	7,046	1,931	1,938	10,915	13,314
Insurance claims	-	-	-	-	64,592
Supplies	43,822	3,549	11	47,382	36,141
Purchased services	70,848	25,337	2,304	98,489	13,238
Depreciation and amortization	8,115	4,674	1,893	14,682	16,767
Rents and leases of equipment	3,644	103	29	3,776	3,255
Public assistance	-	-	61,682	61,682	-
Utilities	3,559	306	572	4,437	398
Closure and post-closure care costs	-	8,237	-	8,237	-
Remediation costs (recovery)	-	(592)	-	(592)	-
Other	6,374	617	1,320	8,311	3,542
Total operating expenses	337,368	64,069	79,213	480,650	243,948
Operating income (loss)	(3,954)	(544)	3,327	(1,171)	(43,190)
NONOPERATING REVENUES (EXPENSES):					
Investment income	3,952	5,685	752	10,389	9,766
Interest expense	(13,426)	-	(185)	(13,611)	(2,088)
Gain (loss) on disposal of capital assets	1	462	657	1,120	(797)
Total nonoperating revenues (expenses)	(9,473)	6,147	1,224	(2,102)	6,881
Income (loss) before capital contributions and transfers	(13,427)	5,603	4,551	(3,273)	(36,309)
Capital contributions	306	-	-	306	50,346
Transfers in	14,400	-	-	14,400	4,312
Transfers out	(3,635)	(285)	(158)	(4,078)	(5,427)
CHANGE IN NET ASSETS	(2,356)	5,318	4,393	7,355	12,922
Net assets, beginning of the year	71,400	126,811	22,659		89,502
NET ASSETS, END OF YEAR	$ 69,044	$ 132,129	$ 27,052		$ 102,424
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(4,674)	
Change in net assets of business-type activities				$ 2,681	

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, 2008
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Cash flows from operating activities					
Cash receipts from customers / other funds	$ 336,890	$ 63,858	$ 84,853	$ 485,601	$ 200,030
Cash paid to suppliers for goods and services	(132,155)	(41,136)	(66,856)	(240,147)	(136,272)
Cash paid to employees for services	(183,541)	(18,442)	(9,511)	(211,494)	(79,079)
Net cash provided by (used in) operating activities	21,194	4,280	8,486	33,960	(15,321)
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	-	(50)
Advances to other funds	-	-	-	-	50
Transfers received	14,400	-	-	14,400	4,312
Transfers paid	(3,635)	(285)	(158)	(4,078)	(5,427)
Net cash provided by (used in) noncapital financing activities	10,765	(285)	(158)	10,322	(1,115)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	1	462	657	1,120	605
Acquisition and construction of capital assets	(4,605)	(5,904)	(955)	(11,464)	(7,952)
Principal paid on capital leases	(4,117)	-	-	(4,117)	(11,053)
Capital Contributions	306	-	-	306	50,346
Principal paid on bonds payable	(10,419)	-	(30)	(10,449)	-
Interest paid on long-term debt	(13,479)	-	(186)	(13,665)	(2,088)
Net cash provided by (used in) capital and related financing activities	(32,313)	(5,442)	(514)	(38,269)	29,858
Cash flows from investing activities					
Interest received on investments	3,912	6,153	781	10,846	10,225
Net cash provided by investing activities	3,912	6,153	781	10,846	10,225
Net increase (decrease) in cash and cash equivalents	3,558	4,706	8,595	16,859	23,647
Cash and cash equivalents, beginning of year	101,832	121,923	11,625	235,380	221,019
Cash and cash equivalents, end of year	$ 105,390	$ 126,629	$ 20,220	$ 252,239	$ 244,666

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, 2008
(Dollars in Thousands)

	Business-type Activities - Enterprise Funds				Governmental Activities
	Regional Medical Center	Waste Management	Other	Total	Internal Service Funds
Reconciliation of operating income to net cash					
Operating income (loss)	$ (3,954)	$ (544)	$ 3,327	$ (1,171)	$ (43,190)
Adjustments to reconcile operating income to net					
Depreciation and amortization	8,115	4,674	1,893	14,682	16,767
Decrease (Increase) accounts receivable	12,952	264	(509)	12,707	(652)
Decrease (Increase) bond issuance cost	312	-	-	312	-
Decrease (Increase) due from other funds	-	-	-	-	158
Decrease (Increase) due from other governments	(9,788)	69	2,822	(6,897)	(234)
Decrease (Increase) inventories	(160)	(59)	-	(219)	220
Decrease (Increase) prepaid items and deposits	(499)	-	(99)	(598)	-
Increase (Decrease) accounts payable	2,638	237	379	3,254	9,306
Increase (Decrease) due to other funds	130	-	-	130	82
Increase (Decrease) due to other governments	2,632	22	-	2,654	222
Increase (Decrease) deposits payable	-	60	1	61	-
Increase (Decrease) accrued closure costs	-	(1,726)	-	(1,726)	-
Increase (Decrease) accrued remediation costs	-	533	-	533	-
Increase (Decrease) other liabilities	4,527	112	721	5,360	1,017
Increase (Decrease) estimated claims liability	-	-	-	-	93
Increase (Decrease) salaries and benefits payable	2,467	181	(21)	2,627	493
Increase (Decrease) compensated absences	1,822	-	(28)	1,794	397
Decrease (Increase) pension assets, net	-	457	-	457	-
Net cash provided by (used in) operating activities	$ 21,194	$ 4,280	$ 8,486	$ 33,960	$ (15,321)

Noncash investing, capital, and financing activities:					
Capital lease obligations	$ 2,397			$ 2,397	$ 23,116

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

COUNTY OF RIVERSIDE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ -	$ -	$ 15,739	$ 350,857
Federal agency	9,829	2,019,010	-	-
Cash and equivalent & mmf	883	293,744	-	-
Commercial paper	2,346	290,792	-	-
Negotiable cds	2,455	115,726	-	-
Medium term notes	997	171,228	-	-
Municipal bonds	65	57,863	-	-
Certificates of deposit	70	-	-	-
Local agency obligation	20	3,838	-	-
Accounts receivable	226	3,790	4	-
Interest receivable	102	22,437	66	219
Taxes receivable	-	1	-	165,174
Due from other governments	-	-	-	191
Total assets	16,993	2,978,429	15,809	516,441
LIABILITIES:				
Accounts payable		-	6,706	219,918
Salaries and benefits payable	-	-	-	8
Due to other governments	-	-	-	296,515
Total liabilities	-	-	6,706	$ 516,441
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 16,993	$ 2,978,429	$ 9,103	

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

COUNTY OF RIVERSIDE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 1,993	$ -	$ -
Employee contributions	1,449	-	-
Contributions to pooled investments	-	19,520,885	-
Contributions to private-purpose trust	-	-	5,451
Investment income	843	129,619	413
Total additions	4,285	19,650,504	5,864
DEDUCTIONS:			
Distribution from pension trust	805	-	-
Distributions from pooled investments	-	19,470,363	-
Distributions from private-purpose trust	-	-	5,606
Administrative and other expenses	243	-	-
Total deductions	1,048	19,470,363	5,606
Change in net assets	3,237	180,141	258
Net assets held in trust, beginning of the year	13,756	2,798,288	8,845
Net assets held in trust, end of the year	$ 16,993	$ 2,978,429	$ 9,103

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

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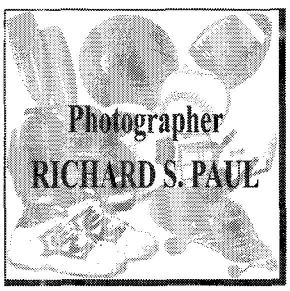
BASIC FINANCIAL STATEMENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS



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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. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (the primary government) and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations and so data from these units are combined with data of the primary government. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. Each blended and discretely presented component unit has a June 30 year-end.

Blended Component Units

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

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

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

Riverside County Public Financing Authority (Public Financing Authority) The governing body of the Public Financing Authority is the County's governing body. The Public Financing Authority was formed for the purpose of assisting in financing public improvements of the County, the RDA and other local agencies. The Public Financing Authority is reported as a governmental fund type. As of June 30, 2008, this fund had no activity.

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

County of Riverside Bankruptcy Court Corporation (Bankruptcy Court) The governing body of the Bankruptcy Court is the County's governing body. 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)

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

Inland Empire Tobacco Securitization Authority (the Authority) 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. A three-member board of directors, made up of two members appointed by the Riverside County Board of Supervisors and one member appointed from San Bernardino County Board of Supervisors, governs the Authority. The Authority was created for the purpose of empowering the Authority to finance 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 Unit

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, which also directly benefits the County Department of Health and the County Department of Mental Health.

A governing Board of nine members, that administers the Commission, is appointed by the County Board of Supervisors. The Commission Board 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 impose its will by removing 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. Additional detailed financial information for each of these entities can be obtained from the Auditor-Controller's Office at the Robert T. Anderson Administrative Center, 4080 Lemon Street - 11th Floor, (P.O. Box 1326), Riverside, CA 92502-1326.

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, and the related fiduciary responsibility of the County for disbursement of these 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-four cities and numerous self-governed special districts provide services to the residents of the County. The operations of these entities have been excluded from the basic financial statements since each entity conducts its own day-to-day operations and is controlled by its own governing board.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Current Governmental Accounting Standards Board Statements – Implemented Pronouncements

Governmental Accounting Standards Board Statement No. 45

In August of 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* This Statement is effective for periods beginning after December 15, 2006. The Statement generally requires that state and local governmental employers account for and report the annual cost of other nonpension benefits (OPEB) and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. The Statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. See Note 20, Postemployment Benefits Other Than Pensions, for additional information.

Governmental Accounting Standards Board Statement No. 48

In September of 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Equity Transfers of Assets and Future Revenues.* This Statement is effective for periods beginning after December 15, 2006. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability; that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. This Statement includes a provision stipulating that governments should not revalue assets that are transferred between components of the same financial reporting entity, and provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This Statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions.

Governmental Accounting Standards Board Statement No. 50

In May of 2007, GASB issued Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27.* This Statement is effective for periods beginning after June 15, 2007. This Statement amends statement 25 to require defined benefit pension plans and defined contribution plans to disclose in the notes to financial statements the methods and assumptions used to determine the fair value of investments, if the fair value is based on other than quoted market prices. This Statement amends Statement 27 to require cost-sharing employers to include, in the note disclosure of the required contribution rates of the employer(s) in dollars and the percentage of that amount contributed for the current year and each of the two preceding years, how the contractually required contribution rate is determined (for example, by statue or by contract, or on an actuarially determined basis) or that the cost-sharing plan is financed on a pay-as-you-go basis. This Statement also amends Statement 27 to require that, if a cost-sharing plan does not issue a publicly available stand-alone plan financial report prepared in accordance with the requirements of Statement 25, as amended, and the plan is not included in the financial report of another entity, each employer in that plan should present as RSI the schedules of funding progress and employer contributions for the plan (and notes to these schedules).

Future Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 49

In November of 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement is effective for periods beginning after December 15, 2007. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. For recognized pollution remediation liabilities and recoveries, this Statement requires governments to disclose the nature and source of pollution remediation obligations, the amount of the estimated liability (if not apparent from the financial

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

statements), the methods and assumptions used for the estimate, the potential for changes in estimates, and estimated recoveries that reduce the measurement of the liability. The County has elected not to early implement GASB No. 49 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 51

In June of 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement is effective for financial statements for periods beginning after June 15, 2009. Governments possess many different types of assets that may be considered intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to enhance the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Additionally, this Statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. This Statement also establishes guidance specific to intangible assets related to amortization. The County has elected not to early implement GASB No. 51 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 52

In November of 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. This Statement more appropriately reports the resources available in endowments and more closely aligns financial reporting with the objectives of endowments. It results in property held for similar purposes by comparable entities being reported in the same manner. Reporting land and other real estate held as investments at fair value enhances users' ability to meaningfully evaluate an entity's investment decisions and performance. The County has elected not to early implement GASB No. 52 and has not determined its effect on the County's financial statements.

Governmental Accounting Standards Board Statement No. 53

In June of 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments used by governments include interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts, and futures contracts. Governments enter into derivative instruments as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions (that is, hedgeable items); or to lower the costs for borrowings. Governments often enter into derivative instruments with the intention of effectively fixing cash flows or synthetically fixing prices. Governments also enter into derivative instruments to offset the changes in fair value of hedgeable items. A key provision in this Statement is that derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGICs) that are fully benefit-responsive, are reported at fair value. The objectives, terms, and risks of hedging derivative instruments are required disclosures. Disclosures also include a summary of derivative instrument activity that provides an indication of the location of fair value amounts reported on the financial statements. The disclosures for investment derivative instruments are similar to the disclosures of other investments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The County has elected not to early implement GASB No. 53 and has not determined its effect on the County's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, excluding fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the County and between the County and its discretely presented component unit. 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, 29%, or $16.7 million, of the County's $57.2 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:

The *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.

The *Teeter Debt Service Fund* accounts for revenue from collection of delinquent taxes, which is then used to pay principal and interest in association with taxable and tax-exempt commercial paper of the Teeter Plan.

The *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 *Redevelopment Agency Capital Project Fund* accounts for tax increment revenue used to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency issued to finance construction of infrastructure and public facilities for various project areas.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following major enterprise funds:

The *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.

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

The County reports the following additional fund types:

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

Pension Trust Fund accounts for resources held in trust for the members and beneficiaries of a defined benefit pension plan for County employees not eligible for social security or 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.

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

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

The government-wide, proprietary, pension trust, investment trust, and private-purpose trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

donations. On an accrual basis, 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 Transaction*, are considered available and accrued if expected to be received within twelve months after fiscal year-end. All other revenue streams are considered available and accrued if they are expected to be received within ninety days after the fiscal year-end. Since revenue from these sources are not available to meet current period liabilities, these sources are financed through proceeds received from Tax and Revenue Anticipation Notes (TRANs) which are outstanding for a twelve month period. General capital assets acquisitions are reported as expenditures in governmental fund statements. Proceeds of general long-term debt and capital leases are reported as other financing sources.

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

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

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.

Investments, including U.S. Treasury and Agency securities, are carried at fair value 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, 2008, which are carried at cost. Bond anticipation notes are carried at fair value. Commercial paper is carried at amortized cost. Investments in bankers' acceptances and nonparticipating guaranteed investment contracts are carried at cost.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Cash and Investments (Continued)

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. The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2008 to support the valuation.

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 83.9% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined districts and agencies constituting approximately 16.1% of the total funds on deposit in the County Treasury represented discretionary deposits.

In December 1994, the Board of Supervisors created an Investment Oversight Committee to work with the County Treasurer to oversee County investment policies. The Committee reviews the County's investment strategy and the status of the County's investments and reports its findings to the Board. The Investment Oversight Committee has also reviewed investment policies for funds held outside the County Treasury. The pool is not registered with the Securities and Exchange Commission.

Receivables

The Regional Medical Center 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 $370.4 million and $698.7 million, respectively. The Regional Medical Center has contracted with a Medi-Cal managed care plan to provide services to patients enrolled with Medicare and Medi-Cal programs. The Regional Medical Center receives a fixed monthly premium payment for each patient enrolled. Revenue under this agreement is recognized in the period in which the Regional Medical Center is required to provide services.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and the Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions. The total fiscal year 2007-08 gross assessed valuation of the County was $239.5 billion.

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

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Property Taxes (Continued)

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 preceding 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.

Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payments and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on January 1, and become delinquent, if unpaid, on August 31.

During the 1993-94 fiscal year, the County authorized an alternative property tax distribution method referred to as the "Teeter Plan." This method allows for a 100% distribution of the current secured property tax levy to entities electing the alternative method, as compared to the previous method where only the current levy less any delinquent taxes were distributed. This results in the General Fund receiving distributions of approximately 50-55% in December, 40-45% in April and the remaining 5% in July of each year. The Teeter Plan also provides that all of the payments of redemption penalties and interest on delinquent secured property taxes of participating agencies flow to a tax loss reserve fund (TLRF). Any amounts on deposit in the TLRF greater than one percent (1%) of the tax levy for participating entities may flow to the County General Fund. For fiscal year 2007-08, $32.8 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 $5,000; buildings, land and land improvements is $1; and infrastructure is $150,000. Betterments result in a more productive, efficient or long-lived assets. Significant betterments are considered capital assets when they result in an improvement of $2,500 or more.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Capital Assets (continued)

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

The estimated useful lives are as follows:

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

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

Interest is capitalized on construction in progress in the proprietary funds in accordance with Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. Accordingly, 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 Riverside County Regional Medical Center capitalizes net interest expense as a cost of property constructed. The Medical Center capitalized $316.6 thousand for the year ended June 30, 2008.

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 outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and bond redemption purposes. Waste Management has restricted assets to meet requirements of State and Federal laws and regulations to finance closure and post-closure maintenance activities at landfill sites. The General Fund has restricted assets for program money where use is legally or contractually restricted.

Land Held for Resale

These assets, held by the County's Redevelopment Agency, are invested in various programs and are intended primarily for development and subsequent resale. These assets had a fair value of $66.1 million at June 30, 2008.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Employee Compensated Absences

County policy permits employees in some bargaining units to accumulate earned but unused vacation, holiday, and sick pay benefits. Vacation and holiday pay are accrued when incurred. For other bargaining units, annual leave is earned and accrued, but not vacation or sick leave. Proprietary funds report accrued vacation and holiday pay as a liability of the individual fund while governmental funds record amounts that are due and payable at year-end as a liability of the fund and amounts due in the future as a liability in the government-wide financial statements. At June 30, 2008, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was $156.4 million.

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

Deferred Revenue / Unearned Revenue

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

Long-term Debt

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

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

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

Bond Issuance Costs

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

Landfill Closure and Post-Closure Care Costs

Waste Management provides for closure and post-closure care costs over the life of the operating landfills as the permitted airspace of the landfill is used. Accordingly, the entire closure and post-closure care cost is recognized as

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Landfill Closure and Post-Closure Care Costs (Continued)

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" (i.e., the current portion of interfund loans) or "advances to/advances from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are neither available for appropriation nor available as financial resources.

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

Net Assets

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

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

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

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

Fund Equity

In the fund financial statements, fund equity may be categorized as reserved and/or designated. Governmental funds report reservations of fund balance for amounts that are not appropriable or that are legally restricted for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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.

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 Section 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 non-major funds (all special revenue funds, certain debt service funds, and certain capital project funds). Annual budgets are not adopted for the following debt service funds: CORAL, District Court Financing Corporation, Bankruptcy Court, Inland Empire Tobacco Securitization Authority or the following capital project funds: CORAL and District Court Financing Corporation.

As adopted by the Board, expenditures are controlled by the County at the budgetary unit, which is the organization level, for each appropriation (object) class. The appropriation classes are salaries and benefits, services and supplies, other charges, 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 the "Final 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 project 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.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net assets are different from those reported for governmental funds in the balance sheet. The following provides a reconciliation of those differences (in thousands):

	Total Governmental Funds (Page 31)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 25)
Assets:					
Cash and investments	$ 1,618,439	$ -	$ 244,166	$ -	$ 1,862,605
Receivables:					
Accounts receivable	69,678	-	3,122	-	72,800
Interest	23,615	-	1,655	-	25,270
Taxes	146,983	-	-	-	146,983
Due from other governments	277,292	(30,583)	356	-	247,065
Notes receivable	28,670	-	-	-	28,670
Inventories	3,149	-	2,523	-	5,672
Due from other funds	30,874	-	26	(30,900)	-
Prepaid Items	19,007	-	11	-	19,018
Internal balances	-	-	-	21,722	21,722
Pension asset, net	-	406,950	-	-	406,950
OPEB Pension asset, net	-	10,812	-	-	10,812
Restricted cash and investments	533,222	-	500	-	533,722
Other noncurrent receivables	-	30,583	-	-	30,583
Advances to other funds	750	-	150	(900)	-
Land held for resale	66,066	-	-	-	66,066
Capital assets:					
Nondepreciable	-	651,228	55,936	-	707,164
Depreciable, net	-	1,764,143	1,248	-	1,765,391
Bond issuance costs	-	21,268	-	-	21,268
Total assets	$ 2,817,745	$ 2,854,401	$ 309,693	$ (10,078)	$ 5,971,761

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

	Total Governmental Funds (Page 31)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 25)
Liabilities:					
Accounts payable	$ 149,343	$ -	$ 19,251	$ -	$ 168,594
Salaries and benefits payable	91,316	-	5,414	-	96,730
Due to other funds	30,069	-	136	(30,205)	-
Due to other governments	43,284	-	314	-	43,598
Other Liabilities	-		2,876	-	2,876
Deposits payable	189	-		-	189
Deferred revenue / Unearned revenue	194,062	(62,964)	-	-	131,098
Notes payable	168,436	-	-	-	168,436
Interest payable	-	16,016	-	-	16,016
Long-term liabilities due within one year:					
Bonds payable	-	18,990	-	-	18,990
Capital lease obligations	-	8,887	13,626	-	22,513
Certificates of participation	-	15,810	-	-	15,810
Loans payable	-	4,747	-	-	4,747
Compensated absences	-	76,077	3,040	-	79,117
Estimated claims liability	-	-	38,235	-	38,235
Advance from other funds	750		150	(900)	-
Long-term liabilities due in more than one year:					
Bonds payable	-	1,067,407	-	-	1,067,407
Capital lease obligations	-	59,865	22,939	-	82,804
Certificates of participation	-	392,214	-	-	392,214
Loans payable	-	300,062	-	-	300,062
Notes payable	-	6,000	-	-	6,000
Accreted interest payable	-	14,587	-	-	14,587
Compensated absences	-	55,951	2,702	-	58,653
Estimated claims liability	-	-	97,086	-	97,086
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	677,449	1,973,649	207,269	(31,105)	2,827,262
Fund balances/net assets:					
Total fund balances/net assets	2,140,296	880,752	102,424	21,027	3,144,499
Total liabilities and fund balances/net assets	$ 2,817,745	$ 2,854,401	$ 309,693	$ (10,078)	$ 5,971,761

NOTE 4 – RESTATEMENTS OF BEGINNING FUND BALANCES / NET ASSETS

The County's beginning fund balances/net assets have been restated to reflect the cumulative effect of prior year adjustments and reclassifications. A summary of the restatements as of June 30, 2008 is as follows (in thousands):

Government-wide:

	Primary Government	Component Unit
	Governmental Activities	Children and Families Commission
Government-wide net assets, as of June 30, 2007, as previously reported	$ 2,842,903	$ 55,809
Land held for resale (sold)/acquired in prior years	(2,698)	
Loan receivable not recognized in prior years	884	
Adjustment to prior year revenues/expenditures		(562)
Capital leases acquired in prior years	(15,065)	
Capital assets acquired with capital leases	7,208	
Bond premiums not deferred in prior years	(8,291)	
Net assets as of June 30, 2007, as restated	$ 2,824,941	$ 55,247

Governmental Funds:

	Major Fund	Nonmajor Fund
Description	RDA Capital Projects Fund	RDA Special Revenue Fund
Fund balances as of June 30, 2007, as previously reported	$ 387,449	$ 99,480
Land held for resale (sold)/acquired in prior years	(11,068)	8,370
Loan receivable not recognized in prior years		884
Fund balances, as of June 30, 2007, as restated	$ 376,381	$ 108,734

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2008, Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Governmental Activities	Business-Type Activities	Component Unit	Fiduciary Funds	Total
Cash and investments	$ 1,862,605	$ 139,927	$ 60,128	$ 3,335,462	$ 5,398,122
Restricted cash and investments	533,722	112,312	-	-	646,034
Total cash and investments	$ 2,396,327	$ 252,239	$ 60,128	$ 3,335,462	$ 6,044,156

As of June 30, 2008, cash and investments consist of the following (in thousands):

Deposits	$ 716,152
Investments	5,328,004
Total Cash and Investments	$ 6,044,156

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, where 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
California Agency Bonds	3 Years	15%	2.50%
U.S. Treasury	5 Years	100%	None
Local Agency Obligations	3 Years	2.5%	1.25%
Federal Agencies	5 Years	None	None
Bills of Exchange	180 Days	30%	None
Commercial Paper	270 Days	40%	4% *
Certificate & Time Deposits	1 Year	25%	4% *
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements	60 Days	10%	10%
Medium Term Notes	2 Years	20%	4% *
CalTrust Short Term Fund	Daily Liquidity	1%	1.00%
Mutual Funds	Daily Liquidity	20%	None
Secured Bank Deposits	1 Year	2%	None
Local Agency Investment Funds	3 Years	0.0%	1.25%

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

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.

NOTE 5 – CASH AND INVESTMENTS (Continued)

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 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.

As of June 30, 2008, the County had the following investments (in thousands):

Investment	Maturity	Fair Market Value	Weighted Average Maturity (Years)
Treasury Investments			
Commercial Paper	07/08 - 12/08	$ 525,791	0.21
Federal Farm Credit Bank	10/09 - 04/13	279,352	2.38
Federal Home Loan Bank	10/08 - 04/13	806,807	1.83
Federal Home Loan Mortgage	07/08 - 01/13	1,174,683	2.10
Federal National Mortgage Association	07/09 - 03/13	1,398,249	2.30
Local Agency Obligations	11/09	6,000	1.37
Local Agency Obligations *	06/20	760	11.97
Medium Term Notes	08/08 - 05/10	309,640	1.13
Municipal Bonds	08/08 - 04/11	116,891	1.31
Negotiable CDs	07/08 - 01/09	209,000	0.29
Total Treasury Investments		4,827,174	
Investments Outside the Treasury			
Money Market	N/A	34,192	0.00
Guaranteed Investment Contract	06/20	19,600	7.30
Investment Agreements	06/36	16,093	27.94
Investment Agreements	10/08 - 11/37	110,174	6.43
Investment Agreements	09/08 - 10/37	309,098	2.47
Local Agency Investment Funds	N/A	11,673	0.53
Total Investments Outside the Treasury		500,830	
Total Investments		$5,328,004	

* Board of Supervisors approved to invest greater than 3 years

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.

NOTE 5 – CASH AND INVESTMENTS (Continued)

Custodial Credit Risk *(Continued)*

GASB Statement No. 40 Requires that 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 of California in the amount $685.4 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 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. However, money market and mutual funds are excluded from this disclosure requirement. Instruments in any one issuer that represent 5% or more of County investments are as follows (in thousands):

Issuer	Investment Type	Amount
Federal Farm Credit Bank	Federal Agency	$ 279,352
Federal Home Loan Bank	Federal Agency	806,807
Federal home Loan Mortgage	Federal Agency	1,174,683
Federal National Mortgage Association	Federal Agency	1,398,249

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.

As of June 30, 2008, the County had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2008	Fair Market Value
Treasury Investments				
Commercial Paper	07/08 - 12/08	A1/P1	A1//P1(1)	$ 525,791
Federal Farm Credit Bank	10/09 - 04/13	N/A	AAA	279,352
Federal Home Loan Bank	10/08 - 04/13	N/A	AAA	806,807
Federal Home Loan Mortgage	07/08 - 01/13	N/A	AAA	1,174,683
Federal National Mortgage Association	07/09 - 03/13	N/A	AAA	1,398,249
Local Agency Obligations	11/09	NA	NA	6,000
Local Agency Obligations	06/20	NA	NA	760
Medium Term Notes (3)	08/08 - 05/10	A	AA(2)	309,640
Municipal Bonds	08/08 - 04/11	A	AA(2)	116,891
Negotiable CDs	07/08 - 01/09	A1/P1	A1/P1(1)	209,000
Total Treasury Investments				4,827,174
Investments Outside the Treasury				
Money Market	N/A	AAA	AAA	34,192
Guaranteed Investment Contracts	06/20	N/A	N/R	19,600
Investment Agreements	06/36	N/A	N/R	16,093
Investment Agreements	10/08 - 11/37	N/A	N/R	110,174
Investment Agreements	09/08 - 10/37	N/A	N/R	309,098
Local Agency Investment Funds	N/A	N/A	N/R	11,673
Total Investments Outside the Treasury				500,830
Total Investments				$ 5,328,004

(1) Majority of Commercial Paper and Negotiable CD are A1+/P1
(2) All Medium Term Notes with a maturity greater than a year are AAA
(3) Board of Supervisors approved to invest greater than 3 years

NOTE 6 – RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2008 is as follows (in thousands):

	Amount
General Fund	
Restricted Program Money	$ 263,566
Teeter Debt	
Teeter Commercial Paper Notes	98,670
Non Major Governmental Funds	
1985 Certificates	24,204
1990 Monterey Avenue	137
1997 Historic Court House	277
1998 Larson Justice Center	22
2000 Southwest Justice Center	514
2001 CAC Annex	2,557
2003 A Historic Courthouse	1,345
2003 B Capital Facilities	1,053
2005 A Capital Improvement Family Law	5,995
2005 B Historic Refunding	2,363
2006 A Capital Improvements	5,467
2007 A&B Public communication and Refunding	91,738
Restricted Program Money - Flood	10,161
Riverside Court Fin Corp	6,356
District Court	859
Inland Empire Tobacco	17,938
Total Non Major Governmental Funds	170,986
Regional Medical Center	
1993 Hospital Bonds	24,874
Waste Management Department	
Restricted Program Money	82,829
Non Major Enterprise Funds	
Housing Authority Bond	1,681
Restriction Program Money - Flood	2,928
Total Non Major Enterprise Funds	4,609
Internal Service Funds	
Flood Control Equipment	500
Total Restricted Assets	$ 646,034

NOTE 7 – 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:**	General Fund	Teeter Debt Service	Public Facilities Improvements	Redevelopment Capital Projects	Major Governmental Funds
Accounts	$ 48,196	$ -	$ -	$ -	$ 48,196
Interest	9,384	432	3,552	6,337	19,705
Taxes	58,256	75,992	-	-	134,248
Due from other governments	239,844	-	225	-	240,069
Notes	-	-	-	6,564	6,564
Total receivables	$ 355,680	$ 76,424	$ 3,777	$ 6,337	$ 448,782

Receivables **Governmental Activities:**	Major Governmental Funds	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 48,196	$ 21,482	$ 3,122	$ 72,800
Interest	19,705	3,910	1,655	25,270
Taxes	134,248	12,735	-	146,983
Due from other governments	240,069	37,223	356	277,648
Notes	6,564	22,106	-	28,670
Total receivables	$ 448,782	$ 97,456	$ 5,133	$ 551,371

Receivables **Business-type Activities:**	Regional Medical Center	Waste Management	Nonmajor Funds	Total Business-type Activities
Accounts	$ 1,113,338	$ 4,751	$ 3,094	$ 1,121,183
Interest	517	894	59	1,470
Taxes	-	-	9	9
Due from other governments	22,352	187	762	23,301
Gross receivables	1,136,207	5,832	3,924	1,145,963
Less: Allowance for contractuals	(698,682)	-	-	(698,682)
Allowance for uncollectibles	(370,387)	(4)	-	(370,391)
Total receivables	$ 67,138	$ 5,828	$ 3,924	$ 76,890

Of the total governmental receivable of $551.4 million, $30.6 million is SB-90 long-term receivable, which has been deferred as of June 30, 2008. Governmental funds defer revenue when receivables are not available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue when resources received, but not yet earned. At June 30, 2008, the components of deferred/unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other governments, current portion	$ 66,448	
Resources received that do not yet meet the criteria for revenue recognition		$ 101,834
Public Facilities Improvement Capital Projects:		
Resources received that do not yet meet the criteria for revenue recognition		235
Nonmajor funds:		
Due from other governments	4,530	
Resources received that do not yet meet the criteria for revenue recognition		21,015
Total governmental	$ 70,978	123,084
Government-wide activities:		
Redevelopment Agency		
Resources received that do not yet meet the criteria for revenue recognition		8,014
		$ 131,098

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2008 is as follows (in thousands):

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Teeter Debt Service Fund	$ 6,658	Delinquent Property Taxes
	Public Facilities Improvements	343	Capital Project
	Regional Medical Center	695	Medical Service
	Internal Service Funds	136	Interfund Activities
	Nonmajor Governmental Funds	16,884	Fire Service
		24,716	
Public Facility Improvement Fund	Nonmajor Governmental Funds	727	Capital Project
Internal Service Funds	General Fund	26	Interfund Activities
Nonmajor Governmental Funds	General Fund	257	Capital Projects
	Public Facilities Improvements	801	Transportation
	Redevelopment Capital Projects	1,616	Transportation
	Nonmajor Government Funds	2,757	Interfund Activities
		5,431	
	Total	$ 30,900	

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:

Receivable Fund	Payable Fund	Amount	
Nonmajor Governmental Funds	Nonmajor Governmental Funds	$ 750	(1)
Internal Service Funds	Internal Service Funds	150	(2)
	Total	$ 900	

1) The Regional Park and Open-Space District Special Revenue Fund advanced $750 thousand to the Regional Park and Open-Space District Capital Project Fund for the purpose of capital improvement construction projects funded by the State of California. The projects are scheduled to be completed in 2010, upon reimbursement from the State, the funds will be reimbursed to the Special Revenue Fund.

2) Fleet Services Internal Service Fund advanced Central Mail Internal Service fund $500 thousand in Fiscal Year 2005 for the construction of a facility. As of June 30, 2008, $150 thousand remains outstanding. Repayment is expected in Fiscal Year 2011.

Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and reallocations of special revenue. The following schedule briefly summarizes the County's transfer activity (in thousands):

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Regional Medical Center	$ 14,400	Operating Contribution
Regional Medical Center	Nonmajor Governmental Funds	3,635	Pension Obligation
Waste Management	Nonmajor Governmental Funds	285	Pension Obligation
Nonmajor Enterprise	Nonmajor Governmental Funds	158	Pension Obligation
	Total	$ 18,478	

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Nonmajor Governmental Funds	$ 5,955	Overhead reimbursement
	Nonmajor Governmental Funds	22,770	Reimbursement
	Nonmajor Governmental Funds	23,578	Pension Obligation
	Nonmajor Governmental Funds	32,680	Leases
	Nonmajor Governmental Funds	71	Professional services
	Nonmajor Governmental Funds	10,569	Capital projects
	Nonmajor Governmental Funds	52	Miscellaneous
	Teeter	3,750	Debt service
	Redevelopment Capital	32	Leases
	Public Facilities Capital Project	152,642	Capital projects
	Internal Service Funds	462	Reimbursement
		252,561	
Teeter	General Fund	1,781	Debt Service
Public Facilities Improvement	Nonmajor Governmental Funds	1,394	Reimbursement
	Nonmajor Governmental Funds	11,248	Capital projects
	General Fund	1,472	Capital projects
	General Fund	1	Leases
	General Fund	3,278	Debt service
	General Fund	4,270	Reimbursement
	General Fund	37	Miscellaneous
	Redevelopment Capital	82	Capital projects
	Internal Service Funds	689	Capital projects
		22,471	
Redevelopment Capital Project	General Fund	157	Professional services
	General Fund	85	Reimbursement
	General Fund	9	Miscellaneous
	Public Facilities Capital Project	258	Capital projects
	Nonmajor Governmental Funds	4,695	Capital projects
	Nonmajor Governmental Funds	8,112	Reimbursement
	Nonmajor Governmental Funds	12,881	Debt service
		$ 26,197	

NOTE 8 – INTERFUND TRANSACTIONS (Continued)

Transfers-Continued

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
Nonmajor Governmental Funds	General Fund	$ 434	Overhead reimbursement
	General Fund	70,137	Fire Services
	General Fund	1,230	Administrative support
	General Fund	277	CDGB
	General Fund	2,432	Debt Service
	General Fund	3,759	Leases
	General Fund	706	Law Enforcement
	General Fund	162	Pension Obligation
	General Fund	4,450	Professional services
	General Fund	8,791	Reimbursement
	General Fund	104	Miscellaneous
	Public Facilities Capital Project	496	Reimbursement
	Public Facilities Capital Project	272,353	Capital Projects
	Redevelopment Capital	27,000	Capital Projects
	Nonmajor Governmental Funds	81,888	Debt Service
	Nonmajor Governmental Funds	1,807	Pension Obligation
	Nonmajor Governmental Funds	1,585	CDGB
	Nonmajor Governmental Funds	342	Leases
	Nonmajor Governmental Funds	436	Miscellaneous
	Nonmajor Governmental Funds	578	Administrative support
	Nonmajor Governmental Funds	4,413	Overhead reimbursement
	Nonmajor Governmental Funds	1,113	Professional services
	Nonmajor Governmental Funds	12,215	Reimbursement
	Internal Service Funds	489	Reimbursement
		497,197	
Internal Service Funds	General Fund	1,320	Business services
	Public Facilities Capital Project	73	Capital projects
	Internal Service Funds	2,672	Reimbursement
	Nonmajor Governmental Funds	1,362	Pension Obligation
		5,427	
	Total	$ 805,634	

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

NOTE 9 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land & easements	$ 333,097	$ 9,939	$ (762)	$ -	$ 342,274
Construction in progress	327,981	95,857	(17,251)	(41,697)	364,890
Total capital assets, not being depreciated	661,078	105,796	(18,013)	(41,697)	707,164
Capital assets, being depreciated:					
Infrastructure					
Flood channels	220,686	1,845	-	1	222,532
Flood storm drains	248,165	14,128	-	4,417	266,710
Flood dams and basins	30,611	-	-	-	30,611
Roads	1,271,463	118,557	-	(19,978)	1,370,042
Traffic signals	18,307	-	-	58	18,365
Bridges	78,460	4,781	-	22,139	105,380
Runways	10,937	1,339	-	406	12,682
Parks trails and improvements	2,684	5,923	(856)	-	7,751
Land improvements	110	-	-	-	110
Structures and improvements	640,844	99,794	(494)	42,543	782,687
Equipment	337,176	48,730	(20,869)	(47)	364,990
Total capital assets, being depreciated	2,859,443	295,097	(22,219)	49,539	3,181,860
Less accumulated depreciation for:					
Infrastructure	(837,658)	(55,959)	24	2,016	(891,577)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(237,645)	(32,701)	468	(503)	(270,381)
Equipment	(244,029)	(28,890)	19,388	(969)	(254,500)
Total accumulated depreciation	(1,319,343)	(117,550)	19,880	544	(1,416,469)
Total capital assets, being depreciated, net	1,540,100	177,547	(2,339)	50,083	1,765,391
Governmental activities capital assets, net	$ 2,201,178	$ 283,343	$ (20,352)	$ 8,386	$ 2,472,555

NOTE 9 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2008 was as follows (in thousands):

	Balance July 1, 2007	Additions	Retirements	Transfers	Balance June 30, 2008
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 21,419	$ -	$ (272)	$ -	$ 21,147
Construction in progress	28,150	7,482	(1,311)	(15,764)	18,557
Total capital assets, not being depreciated	49,569	7,482	(1,583)	(15,764)	39,704
Capital assets, being depreciated:					
Land improvements	11,662	-	-	-	11,662
Infrastructure-landfill liners	34,914	-	-	17,914	52,828
Infrastructure-other	9,836	868	-	123	10,827
Structures and improvements	212,623	786	(402)	(275)	212,732
Equipment	108,896	4,383	(1,624)	(116)	111,539
Total capital assets, being depreciated	377,931	6,037	(2,026)	17,646	399,588
Less accumulated depreciation for:					
Land improvements	(5,091)	(581)	-	-	(5,672)
Infrastructure-landfill liners	(11,141)	(1,895)	-	145	(12,891)
Infrastructure-other	(2,421)	(514)	-	31	(2,904)
Structures and improvements	(62,155)	(6,324)	337	26	(68,116)
Equipment	(89,597)	(5,368)	1,623	(93)	(93,435)
Total accumulated depreciation	(170,405)	(14,682)	1,960	109	(183,018)
Total capital assets, being depreciated, net	207,526	(8,645)	(66)	17,755	216,570
Business-type activities capital assets, net	$ 257,095	$ (1,163)	$ (1,649)	$ 1,991	$ 256,274

Depreciation

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

General government	$ 32,209
Public protection	14,392
Health and sanitation	733
Public assistance	1,214
Public ways and facilities	51,363
Recreation and culture	872
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	16,767
Total depreciation expense – governmental functions	$ 117,550

NOTE 9 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	$ 8,115
Waste Management	4,674
Housing Authority	1,866
County Service Areas	6
Flood Control	21
Total depreciation expense – business-type functions	$ 14,682

Capital Leases

	Governmental	Business Type
Structures and improvements	$ 21,706	$ -
Equipment	194,560	13,285
Less: Accumulated amortization	(137,248)	(7,561)
Total leased property, net	$ 79,018	$ 5,724

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2008 was as follows (in thousands):

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008
Capital assets, being depreciated:				
Equipment	$ 321	$ 19	$ (1)	$ 339
Total capital assets, being depreciated	321	19	(1)	339
Less accumulated depreciation for:				
Equipment	(223)	(39)	1	(261)
Total accumulated depreciation	(223)	(39)	1	(261)
Total capital assets, net	$ 98	$ (20)	$ -	$ 78

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management (Waste) has recorded $86.3 million as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfill ranging from 30% to 100%). State and Federal laws and regulations require Waste to place a final cover on all active landfills when closed and to perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. Waste will recognize the remaining estimated cost of $34.9 million as the remaining estimated capacity of 19.0 million tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2039. The total estimate of $121.2 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, 2008 %	Estimated Years Remaining
Anza (Anza)	$ 2,794	100.0	-
Badlands (Moreno Valley)	14,435	49.0	8
Blythe (Blythe)	2,344	31.2	31
Coachella (Coachella)	8,702	100.0	-
Desert Center (Desert Center)	741	69.1	3
Double Butte (Winchester)	9,999	100.0	-
Edom Hill (Cathedral City)	19,096	100.0	-
Highgrove (Riverside)	6,620	100.0	-
Lamb Canyon (Beaumont)	7,629	36.3	11
Mead Valley (Perris)	8,631	100.0	-
Mecca II (Mecca)	2,873	99.4	29
Oasis (Oasis)	2,422	70.6	13
	$ 86,286		

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

In accordance with sections 18283 and 18290 of the CCR, the County has implemented Pledge of Revenue agreements between the County and the California Integrated Waste Management Board (CIWMB) for six active landfills and six closed landfills to demonstrate financial responsibility for post-closure maintenance costs. Waste 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 and the CIWMB. Waste is in compliance with these requirements and investments of $61.5 million are held for these purposes at June 30, 2008 and are classified as Restricted Assets in the Statement of Net Assets. Waste expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure requirements are determined (due to changes in technology or applicable laws or regulations) these costs may need to be covered by charges to future landfill users.

NOTE 11 – OPERATING LEASES

The following is a year by year schedule of future minimum rental payments primarily for facilities leases. The schedule includes an average 4.5% per annum rental increase, principally for the General Fund, required under operating leases entered into by the County that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2008 (in thousands):

Year Ending June 30, 2008		
2009	$	38,413
2010		31,536
2011		24,433
2012		19,994
2013		14,005
2014-2018		39,987
2019-2023		1,859
Total Minimum Payments	$	170,226

Rental expense was $41.09 million principally in the General Fund for the year ended June 30, 2008.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2007, the County issued $320 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid June 30, 2008. The Notes yielded an interest rate of 3.62%. This was to provide needed cash to cover the projected 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, an alternative method for the distribution of secured property taxes and other assessments. In order to fulfill the requirements of the plan, the County obtained cash for the "buyout" of delinquent secured property taxes and the annual advance of current unpaid taxes to all entities that elected to participate in the Teeter Plan. The current financing takes place through the sale of Tax-Exempt Commercial Paper Notes (Teeter Notes). During FY 2007-08, the County retired $53.7 million of the $86.2 million principal amount outstanding at June 30, 2007. The County then issued tax-exempt Series B of $136 million in commercial paper notes, leaving an outstanding balance of $168.4 million at June 30, 2008. The Bank of Nova Scotia provides Letter of Credit (LOC) for the Series B Teeter Notes.

Short-term debt activity for the year ended June 30, 2008, was as follows (in thousands):

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
FY 2007-08 TRANs	$ -	$ 320,000	$ (320,000)	$ -
Teeter Notes	86,222	136,002	(53,788)	168,436
Total	$ 86,222	$ 456,002	$ (373,788)	$ 168,436

NOTE 13 – 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 $2.9 billion.

Capital Leases

Capital leases for governmental funds are recorded both as capital expenditures and as other financing source at inception in the fund financial statements, with the liability and the asset recorded in the government-wide statement of net assets. Capital leases are secured by a pledge of the leased equipment.

See Note 9 (Capital Assets) for Assets under Capital Leases for 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, 2008 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2009	$ 26,913	$ 4,779
2010	24,389	4,477
2011	18,310	3,929
2012	11,167	2,779
2013	8,198	1,603
2014-2018	20,275	-
2019-2023	8,251	-
2024-2028	6,914	-
2029-2033	5,093	-
Total minimum payments	129,510	17,567
Less amount representing interest	(24,193)	(1,443)
Present value of net minimum lease payments	$ 105,317	$ 16,124

The statement of net assets includes the Palm Desert Financing Authority capital lease of $20.3 million for the construction of the Blythe County Administrative Center, an animal shelter facility 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, 2008 (in thousands):

Governmental Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Certificates of Participation:					
CORAL					
1985 Certificate	12/01/06 – 12/01/15	Variable	$ 5,400 - $ 15,000	$ 169,400	$ 82,900
Serial Certificates				169,400	82,900

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Certificates of Participation (Continued):					
CORAL					
2005 A - Capital Improvement & Family Law Court Refunding:					
Serial Certificates	11/01/06 – 11/01/25	3.0% - 5.00%	$325 - $1,740	$ 28,495	$ 27,055
Term Certificates	11/01/26 – 11/01/33	5.00%	$2,255 - $1,955	9,905	9,905
Term Certificates	11/01/34 – 11/01/36	5.00%	$2,040 - $2,490	13,265	13,265
2005-A Family Law				51,665	50,225
CORAL					
2005 B - Historic Courthouse Refunding project:					
Serial Certificates	11/01/06 – 11/01/25	3.0% - 5.00%	$325 - $1,740	18,835	17,695
Term Certificates	11/01/26 – 11/01/27	5.00%	$1,860 - $1,915	3,775	3,775
2005-B Historic Courthouse				22,610	21,470
CORAL					
1998 Larson Justice Center:					
Serial Certificate	12/01/06 – 12/01/12	4.30% - 4.75%	$1,195 - $1,550	18,185	7,085
Term Certificate	12/01/13 – 12/01/18	5.00%	$1,625 - $2,075	11,055	11,055
Term Certificate	12/01/19 – 12/01/21	5.00%	$2,175 - $2,400	6,860	6,860
1998 Larson Justice Center				36,100	25,000
CORAL					
2001 CAC Annex:					
Serial Certificate	11/01/06 – 11/01/26	5.00% - 5.13%	$705 - $1,880	27,120	23,755
Term Certificate	11/01/27 – 11/01/30	5.13%	$1,980 - $2,295	8,540	8,540
Term Certificate	11/1/31	5.75%	$2,415	2,415	2,415
2001 CAC Annex				38,075	34,710
CORAL					
2006 Series A - Cap Imp Project:					
Serial Certificate	11/01/08 – 11/01/26	3.75% - 5.13%	$585 - $1,235	16,425	16,425
Term Certificate	11/01/27 – 11/01/31	4.75%	$1,295 - $1,560	7,130	7,130
Term Certificate	11/01/32 – 11/01/35	5.00%	$1,635 - $1,895	7,050	7,050
Term Certificate	11/01/36 – 11/01/37	4.63%	$1,990 - $2,080	4,070	4,070
2006 A- Cap Improv Proj				34,675	34,675
CORAL					
2003 A -Historic Court Project:					
Serial Certificate	11/01/06 – 11/01/18	3.00% - 5.00%	$260 - $400	4,125	3,605
Term Certificate	11/01/19 – 11/01/23	5.00%	$420 - $510	2,320	2,320
Term Certificate	11/01/24 – 11/01/28	5.00%	$535 - $650	2,955	2,955
Term Certificate	11/01/29 – 11/01/33	5.13%	$720 - $835	3,790	3,790
2003A-Historic Court Project				$ 13,190	$ 12,670

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Certificates of Participation (Continued):					
<u>CORAL</u>					
2003 B –Capital Facilities Refunding					
Serial Certificate	11/01/06 – 11/01/11	2.00% - 4.20%	$300 - $900	$ 8,685	$ 5,405
2003B- Capital Facilities				8,685	5,405
<u>CORAL</u>					
1990 Monterey Ave (Desert)					
Serial Certificate	11/01/06 – 11/01/20	Variable	$200 - $800	8,800	6,500
Monterey Ave (Desert Fac)				8,800	6,500
<u>CORAL</u>					
2007 A & B Public Safety Communication and Refunding					
Series A	11/01/07 - 11/01/17	3.85 - 5%	$ 1,560-10,850	73,775	71,990
Series B	11/01/18 - 11/01/21	Auction Rate	$ 1,825 - 12,300	37,350	37,350
				111,125	109,340
<u>Court Financing Corporation</u>					
Bankruptcy Courthouse					
Acquisition Project	11/01/05 – 11/01/27	7.50%	$230 - $ 1,420	16,120	12,680
Term Certificate				16,120	12,680
<u>District Court Financing Corporation</u>					
U.S. District Court Project (Net of					
capital appreciation of $5,035):	12/15/15 – 06/15/20	7.59%	$640 - $844	2,165	2,165
Term /Series 1999	6/15/15	1.93%	Variable	17,635	9,584
Term /Series 2002	6/15/20	3.00%	Variable	925	700
Term certificate				20,725	12,449
Total Certificates of Participation				**$ 531,170**	**$ 408,024**
Bonds Payable:					
<u>CORAL</u>					
2000 Southwest Justice Center:					
Term Certificate	11/01/06 – 11/01/13	4.88% - 5.40%	$ 1,585 - $2,240	17,945	11,820
Term Certificate	11/01/14 – 11/01/32	5.20%	$2,400 - $6,200	76,300	76,300
Southwest Justice Center				94,245	88,120
<u>CORAL (Sheriff Department)</u>					
1997 B & C (Hospital)					
Term Bonds (Series C)	6/1/19	5.81%	$ 1,733	1,733	1,733
Bonds Payable				1,733	1,733
<u>RDA</u>					
2006 Tax Alloc/Lease Revenue	10/01/06 – 10/01/37	4.50% - 5.00%	$ 1,995 - $6,490	144,075	139,610
Bonds Payable				$ 144,075	$ 139,610

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Bonds Payable (Continued):					
RDA					
2004 A Tax Alloc Housing Bonds	10/01/05 – 10/01/37	4.75% - 5.00%	$4,700 - $16,015	$ 38,225	$ 38,225
Bonds Payable				38,225	38,225
RDA					
2004 A-T Tax Alloc Housing Bonds	10/01/05 – 10/01/28	2.90% - 4.87%	$1,800 - $7,955	37,000	33,280
Bonds Payable				37,000	33,280
RDA					
2005 Tax Allocation Housing/ Refunding	10/01/05 – 10/01/33	3.00% - 4.50%	$365 - $4,120	18,245	17,145
Bonds Payable				18,245	17,145
RDA					
2007 Tax Allocation Refunding Bond (Series A)	10/01/06 – 09/1/34	3.00% - 4.50%	$1,725 - $6,450	89,990	89,990
Bonds Payable				89,990	89,990
Taxable Pension Obligation Bond					
Series 2005 A	8/15/05 – 8/15/35	4.91%	$3,155 - $5,530	400,000	387,995
Bonds Payable				400,000	387,995
Inland Empire Tobacco Securitization Authority					
Series 2007 A	06/01/08-06/01/17	5.10%	$1,385 - $13,590	87,650	83,865
Series 2007 B	06/01/17-06/01/26	5.75%	$9,835 - $21,825	53,758	53,758
Series 2007 C-1	06/01/36	6.63%	$53,542	53,542	53,542
Series 2007 C-2	06/01/45	6.75%	$29,653	29,653	29,653
Series 2007 D	06/01/57	7.00%	$23,457	23,457	23,457
Series 2007 E	06/01/57	7.63%	$18,948	18,948	18,948
Series 2007 F	06/01/57	8.00%	$27,076	27,076	27,076
Bonds Payable				294,084	290,299
Total Bonds Payable				**$1,117,597**	**$ 1,086,397**
Loans Payable:					
RDA					
2000 Loans Payable	01/01/05 – 01/01/15	3.50% - 7.00%	$56 - $956	1,329	1,578
2004 Loans Payable (TAB)	10/01/05 – 01/01/37	2.50% - 5.00%	$2,705 - $40,300	102,785	97,855
2007 Loans- Series A (Tab)	10/01/07 – 01/01/37	3.50% - 4.37%	$3,380 - $8,925	169,720	166,340
2007 Loans- Series B (Tab)	10/01/07 – 01/01/37	4.00% - 4.75%	$645 - $1,955	33,820	33,175
CORAL					
2007 Monroe Prk Bldg.	12/5/2015	6.50%	$122 - $4,621	5,973	5,861
Total Loans Payable				**$ 313,627**	**$ 304,809**
CORAL					
2006 Capital Anticipation Notes	12/1/06 - 11/12/09	Pool Rate	$6,000	6,000	6,000
Total Notes Payable				**6,000**	**6,000**
Total Governmental Activities				**$1,968,394**	**$ 1,805,230**

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Business-Type Activities

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2008
Bonds Payable:					
Regional Medical Center					
1993 A & B (Hospital):					
Term Bonds (Series A)	06/01/07 – 06/01/12	5.90% - 6.50%	$ 6,420 - $ 13,870	$ 134,535	$ 39,125
Term Bonds (Series B)	06/01/13 – 06/01/14	5.41%	$ 7,050 - $ 7,475	14,525	14,525
Loss on Defeasance (net)				-	(1,666)
1993 A & B – bonds				149,060	51,984
Regional Medical Center					
1997 A (Hospital) Serial Capital Cap Apprec. Bonds (net of future cap apprec $104,487)	06/01/13 – 06/01/26	5.70% - 6.01%	$ 1,081 - $ 4,981	41,170	41,170
1997A RCRMC bonds				41,170	41,170
Regional Med Center 1997					
Serial Bonds (Series B)	06/01/04 – 06/01/19	4.10% - 5.50%	$ 315 - $ 455	4,785	2,435
Term Bonds (Series B)	06/01/04 – 06/01/19	5.00% - 5.70%	$ 475 - $ 11,475	63,935	63,575
Term Bonds (Series C)	6/1/2019	5.81%	$ 3,265	3,265	3,265
Less: Sheriff's Part (Series C)				(1,733)	(1,733)
Bond Discount				-	(16)
Loss on Defeasance (net)				-	(1,986)
1997 B & C (Hospital)				70,252	65,540
Regional Medical Center					
2003 A & B (Hospital):					
Term Bonds (Series A)	06/01/04 – 06/01/09	2.50% - 5.00%	$ 6,150 - $ 11,030	56,140	11,030
Term Bonds (Series B)	06/01/04 – 06/01/07	3.35%	$ 4,040	4,040	-
Bond Premium				-	159
2003 A & B – bonds				60,180	11,189
Housing Authority					
1998 Series A:					
Term Bonds	12/01/05-12/01/07	6.25%	$ 60 - $ 90	780	80
Term Bonds	12/01/08-12/01/18	6.85%	$ 100 - $ 200	1,625	1,545
Deferred Charges				-	(694)
Term Bonds				2,405	931
Total Bonds Payable				**$ 323,067**	**$ 170,814**
Total Business-Type Activities				**$ 323,067**	**$ 170,814**

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2008, 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
2009	$ 4,747	$ 14,106	$ 15,810	$ 25,010
2010	4,950	13,910	17,127	23,722
2011	5,144	13,728	18,464	22,306
2012	11,243	13,530	26,242	20,400
2013	4,122	8,566	28,216	18,368
2014-2018	37,314	62,860	135,710	60,093
2019-2023	40,299	54,851	80,410	29,220
2024-2028	50,310	44,495	37,095	17,156
2029-2033	67,525	32,101	29,360	8,454
2034-2038	79,155	16,020	19,590	2,147
Total	$ 304,809	$ 274,165	$ 408,024	$ 226,876

Governmental	Bonds Payable		Other Long-term Liabilities	
Year ending June 30	Principal	Interest	Principal	Interest
2009	$ 18,990	$ 41,568	$ -	$ -
2010	20,830	40,777	-	-
2011	78,358	50,175	-	-
2012	42,550	36,966	-	-
2013	29,090	29,024	-	-
2014-2018	182,010	165,497	1,500	-
2019-2023	203,228	122,828	-	-
2024-2028	153,625	72,855	-	-
2029-2033	129,175	40,835	-	-
2034-2038	129,407	12,806	-	-
2039-2043	-	-	-	-
2044-2048	29,652	1,945		
2049-2053	-	-		
2054-2057	69,482	4,671		
Total	$ 1,086,397	$ 619,945	$ 1,500	$ -

Governmental	Notes Payable	
Year ending June 30	Principal	Interest
2009	$ -	$ 200
2010	6,000	74
Total	$ 6,000	$ 274

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2008, 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
2009	$ 11,515	$ 12,222	$ -	$ -
2010	12,735	11,982	-	-
2011	13,555	11,469	-	-
2012	14,430	10,921	-	-
2013	10,674	10,301	-	-
2014-2018	68,698	43,602	6,795	-
2019-2023	32,434	28,287	-	-
2024-2028	10,977	6,226	-	-
Total Requirements	175,017	135,009	$ 6,795	$ -
Bond Premium, net	159	-		
Bond Discount	(16)	-		
Deferred Charges (Housing)	(694)	-		
Loss on Defeasance (net)	(3,652)	-		
Total	$ 170,814	$ 135,009		

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2008 (in thousands):

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
Governmental Activities:				
Certificates of Participation:				
Court Financing (US District Court Project)	$ 1,780	$ 307	$ -	$ 2,087
Bonds:				
Inland Empire Tobacco Securitization Authority		12,500		12,500
Total governmental-type activities	$ 1,780	$ 12,807	$ -	$ 14,587
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 34,322	$ 4,527	$ -	$ 38,849
Total business-type activities	$ 34,322	$ 4,527	$ -	$ 38,849

The accreted interest payable balances at June 30, 2008 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, $12.5 million for the 2007 Inland Empire Tobacco Securitization Authority Bonds, and $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds.

The increases of $12.8 million and $4.5 million represent current year's accretion for governmental activities and business activities respectively. Accumulated accretion is $38.8 million at June 30, 2008.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Accreted Interest Payable (Continued)

The U.S. District Court Financing and the Inland Empire Tobacco Securitization Authority account for the remainder of $14.5 million. The un-accreted balances at June 30, 2008 are $91.5 million for the 1997-A Hospital (RCRMC) project, $5.0 million for the U.S. District Court, and $3.4 billion for the Tobacco Securitization Authority Capital Appreciation Bonds.

Bonds, Certificates of Participation/ Refunding

During fiscal year ended June 30, 2008, CORAL authorized the issuance of $111.1 million in Certificate of Participation Bonds comprising of 2007 Series A – *Fixed Rate Certificates* ($73.7 million), and 2007 Series B – *Auction Rate Certificates* (37.3 million). Proceeds will be used to finance the acquisition, construction and installation of an enhancement of the public safety communications system for the County of Riverside, to refund prior certificates (1997 Lease Refunding Project), to fund a reserve fund, to pay the premium for a debt service reserve surety bond to provide the balance of the reserve requirement for the certificates, and to pay for cost associated with executing and delivering the certificates.

The interest rates on the 2007 Series A certificates range from 3.9% to 5.0% and have a maturity date of November 1, 2017. The interest rates on the 2007 Series B certificates will be determined by the auction agent during each auction period given that the 2007 Series B are being issued as auction rate certificates. The 2007 Series B certificates mature on November 1, 2021.

The advance refunding of the 1997 Lease Refunding certificates resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately $206.0 thousand. CORAL completed the advance refunding to reduce its total debt service payments by approximately $2.1 million and obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $1.2 million.

On August 16, 2007 the Inland Empire Tobacco Securitization Authority (Authority) issued $294.1 million of Tobacco Settlement Asset-Backed Bonds to provide resources to purchase, through the Corporation, the County of Riverside's Sold County Tobacco Assets (rights). The Authority issued $219.7 million for the Series 2007A Turbo Current Interest Rate Bonds. The Series A Current Interest Rate Bonds are for $87.7 million with an interest rate of 5.1%, final early (Turbo) redemption date of June 1, 2017, with a due date of June 1, 2021.

The Authority issued $53.8 million for the Series 2007B Turbo Convertible Capital Appreciation Bonds with an interest rate of 5.8%, final Turbo redemption date of June 1, 2020, with a due date of June 1, 2026. The 2007B Bonds will convert to current interest bonds on December 1, 2011, after which the owners shall be entitled to current payments of interest on each interest payment date after the conversion date. The Series 2007A Bonds are subject to optional redemption, in whole or in part, on any date on and after June 1, 2021, at a redemption price of 100% of the principal, together with interest accrued thereon to the redemption date, without premium.

The Authority issued $53.5 million for the Series 2007C-1 First Subordinate Capital Appreciation Bonds with an interest rate of 6.6%, final Turbo redemption date of June 1, 2026, with a due date of June 1, 2036.

The Authority issued $29.7 million for the Series 2007C-2 First Subordinate Capital Appreciation Bonds with an interest rate of 6.8%, final Turbo redemption date of June 1, 2033, with a due date of June 1, 2045.

The Authority issued $23.5 million for the Series 2007D First Subordinate Capital Appreciation Bonds with an interest rate of 7.0%, final Turbo redemption date of June 1, 2032, with a due date of June 1, 2057.

Defeasance of Debt

In April 2007, the Redevelopment Agency (RDA) issued $89.9 million in Tax Allocation Refunding Bonds to provide proceeds that were placed in an irrevocable trust with an escrow agent to provide for all future debt service

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

payments on the 2001 Tax Allocation Bond for $87.9 million. As a result, the refunding portion of the 2001 Tax Allocation Bond is considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Assets. At June 30, 2008, $86.4 million in 2001 Tax Allocation Bonds held in trust were considered to be defeased and outstanding.

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, 2008, was $2.6 million.

In August 2007, CORAL issued $111.1 million of Certificates of Participation Bonds, 2007 Series A- *Fixed Rate Certificates* ($73.7 million), and 2007 Series B – *Auction Rate Certificates* ($37.5 million). A portion of the proceeds from the sale of the certificates were used to refund $24.2 million of the 1997 Lease Refunding Certificates of Participation. The advance refunding resulted in a loss on refunding of $206.5 thousand. 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, 2008 was $22.8 million.

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 $57.3 million of Mortgage Revenue Bonds has been issued and $53.7 million is outstanding as of June 30, 2008. 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 $160.1 million at June 30, 2008, to provide financing or improvements benefiting certain property owners. Special assessment bonds consist of Community Facilities District Bonds and Assessment District Bonds. The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Certain debt service transactions relating to certain special assessment bonds are accounted for in the Agency Funds.

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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Special Assessment Bonds (Continued)

The Riverside County Flood Control and Water Conservation District (Flood Control) has issued special assessment bonds, totaling $4.1 million as of June 30, 2008, 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 and Terms: As a means to lower financing costs and to reduce the risks associated with the fluctuation in market interest rates, the County entered into an interest rate swap in connection with the Southwest Justice Center Series 2000 B Leasehold Revenue Bonds (Bonds) in the 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%. The Bonds and the related swap agreement mature on November 1, 2032, and the swap's notional amount of $76.3 million matches the $76.3 million variable-rate bonds. The swap was effective at the same time the bonds were issued on May 24, 2000.

Starting in fiscal year 2014-15, the notional value of the swap and the principal amount of the associated debt will decline. Under the swap agreement, the County paid Citigroup Financial Products, Inc., (Citigroup) a fixed payment rate of 5.2%. As of December 2003, the "Alternative Floating Rate Option" was used to calculate interest paid to the County. The "Alternate Floating Rate Option" means a per annum rate, 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 effect for each Alternative Floating Rate Reset Date in the relevant calculation period. Conversely, the Bond variable-rate coupons have historically been similar to the Bond Market Association Municipal Swap Index (BMA).

Fair Value: The swap had a negative fair value of $13.0 million as of June 30, 2008. The fair value is the market price quoted by Citigroup on June, 30 2008.

Credit Risks: The swap counterparty was rated Aa1 by Moody's and AA- by Standard & Poor's as of June 30, 2008. The swap agreement specifies that if the long-term senior unsecured debt rating of Citigroup is withdrawn, suspended or falls below A- (Standard & Poor) or A3 (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: As of June 30, 2008, the County's rate was 64.0% of LIBOR, or 1. 6%, whereas Municipal Swap Index was 1. 5%. The synthetic rate on the bonds at June 30, 2008 was 3.6%.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Swap Payment and Associated Debt: Using rates as of June 30, 2008, debt service requirements of the variable-rate debt and net swap payments, *assuming current interest rate remain the same* for their term, were as follows, (in thousands):

Fiscal Year	Variable Rate Bonds		Net Swap	Total
Ending June 30	Principal	Interest	Payments	Interest
2009	$ -	$ 2,253	$ 1,714	$ 3,967
2010	-	2,253	1,714	3,967
2011	-	2,253	1,714	3,967
2012	-	2,253	1,714	3,967
2013	-	2,254	1,715	3,969
2014-2018	10,300	10,870	7,663	18,533
2019-2023	16,500	9,705	4,985	14,690
2024-2028	21,500	8,082	1,554	9,636
2029 - 2033	28,000	3,053	122	3,175
	$ 76,300	$ 42,976	$ 22,895	$ 65,871

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

Termination Risks: The County retains the right to terminate the swaps. If the swaps are terminated, the variable rate Bonds would no longer carry synthetic fixed-interest rates. Also, if at the time of termination the swaps had negative fair values, the County would be liable to Citigroup for a payment equal to the swaps' fair values.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Changes in long-term liabilities

The following is a summary of long-term liabilities transactions for the year ended June 30, 2008 (in thousands):

	Balance July 1, 2007	New Additions	Payments / Reclass	Balance June 30, 2008	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 806,398	$ 294,084	$ (14,085)	$ 1,086,397	$ 18,990
Capital lease obligations	87,337	27,687	(9,707)	105,317	22,513
Certificates of participation	335,866	111,125	(38,967)	408,024	15,810
Loans payable	310,139	-	(5,330)	304,809	4,747
Notes payable	-	6,000	-	6,000	-
Total debt long-term liabilities	1,539,740	438,896	(68,089)	1,910,547	62,060
Other long-term liabilities:					
Accreted interest payable	1,780	12,807	-	14,587	-
Compensated absences*	124,908	13,284	(422)	137,770	79,117
Estimated claims liabilities	135,228	65,650	(65,557)	135,321	38,235
Other long-term liabilities (a)	1,500	-	-	1,500	-
Total other long-term liabilities	263,416	91,741	(65,979)	289,178	117,352
Total governmental activities – long-term liabilities	$ 1,803,156	$ 530,637	$ (134,068)	$ 2,199,725	$ 179,412

Business-type activities:	Balance July 1, 2007	Additions	Payments / Reclass	Balance June 30, 2008	Amounts Due Within One Year
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses**	$ 181,263	$ -	$ (10,449)	$ 170,814	$ 11,515
Capital lease (RCRMC)	17,844	2,397	(4,117)	16,124	4,194
Total debt long-term liabilities	199,107	2,397	(14,566)	186,938	15,709
Other long-term liabilities:					
Accreted interest payable	34,322	4,527	-	38,849	-
Accrued closure and post-closure	49,900	3,576	(5,302)	48,174	4,262
Compensated absences*	16,863	1,849	(55)	18,657	10,831
Accrued remediation costs	19,749	533	-	20,282	1,218
Other long-term liabilities (b)	6,795	-	-	6,795	-
Total other long-term liabilities	127,629	10,485	(5,357)	132,757	16,311
Total business-type activities – long-term liabilities	$ 326,736	$ 12,882	$ (19,923)	$ 319,695	$ 32,020

* Obligations for compensated absences have been paid from the fund associated with the obligation.

** The reduction in bonds payable amount of $10.5 million includes a bond premium of $159.0 thousand, a bond discount amortization of $16.0 thousand, deferred charges of $694.0 thousand, and losses on bond defeasance of $3.7 million during fiscal year 2007-08.

(a) Fleet & Purchasing (ISF) has $1.5 million in "Other Long-term liabilities" (Governmental) for a Note Payable authorized by the Board.

(b) The Housing Authority (Business-type activity) has two notes payable, totaling $6.8 million, under "Other long-term liabilities."

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

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 primarily secured by pledging a portion of County Tobacco Assets*** made payable to the County pursuant to agreements with the State and other parties. The portion of revenues that will be used to pay the debt service are (i) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County after the first $10.0 million has been paid to the County in each year beginning on January 1, 2008 and ending on December 31, 2020, (ii) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County after the first $11.5 million has been paid to the County in each year beginning on January 1, 2021 and ending on December 31, 2026, (iii) the County Tobacco Assets to the extent consisting of or relating to amounts due to the County from and after January 1, 2027, and (iv) the County Tobacco Assets to the extent consisting of or relating to the applicable percentage of a lump sum payment of 22.9% to the County and 77.1% to the Tobacco Securitization Authority for Calendar year 2008. During the fiscal year ended June 30, 2008, $17.1 million was received by the Tobacco Authority; $10.0 million, or 58.4% was distributed to the County per the above agreement, leaving $7.1 million, or 41.6% of the specific tobacco settlement revenues were pledged.

Redevelopment Agency has pledged a portion of future tax increment revenues and a portion of investment earnings to repay the Agency's long-term debt. The Agency's long-term debt is payable solely from the tax increment and a portion of investment earnings in the Agency's project areas. Total principal and interest remaining on the bonds is $1.2 billion, payable through fiscal year 2038. During the fiscal year ended June 30, 2008, $96.7 million was received from tax increment and investment earnings combined. Of this amount, principal and interest paid were $10.1 million and $28.2 million respectively, or 39.7% of the specific revenues pledged.

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 2008 were $100.0 thousand (principal) and $114.0 thousand (interest).

The Housing Authority reports the $218.0 thousand received each year as revenue. In fiscal year 2008, the $218.0 thousand represented about .3% of the total revenues of the Housing Authority. MBIA Insurance Corporation has issued a surety bond in lieu of a cash funded reserve. The outstanding balance as of June 30, 2008, before applying the deferred charge, was $1.6 million.

**** 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 1988 in settlement of certain cigarette smoking-related litigation.*

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COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2008

NOTE 14 – FUND BALANCES

Fund balances that are not available for appropriation or are not considered "expendable available financial resources" are reserved. Unreserved fund balances that have been earmarked by the Board for a specified purpose are considered designated. Such reserved and designated fund balances at June 30, 2008 are as follows (in thousands):

	Major Funds			
Reserved:	**General Fund**	**Public Facilties Improvements**	**Redevelopment Capital Projects**	**Total Major Governmental Funds**
Encumbrances	$ 5,905	$ 4,132	$ 72,765	$ 82,802
Imprest cash	384	1	-	385
Inventories	2,105	-	-	2,105
Receivables	-	-	-	-
Advances	-	-	-	-
Program operations	72,169	11,473	-	83,642
Construction	-	575,309	-	575,309
Notes receivable	-	-	6,564	6,564
General	350	-	-	350
Debt service	177	-	-	177
Land held for resale	-	-	42,707	42,707
Prepaids	3,376	-	-	3,376
Capital outlay	-	-	-	-
Total reserved fund balances	84,466	590,915	122,036	797,417
Unreserved:				
Unreserved, designated:				
Strategic planning	110,320	-	-	110,320
Probation	5,758	-	-	5,758
Public safety	12,431	-	-	12,431
Program operations	127,540	-	234,582	362,122
Capital projects and programs	79,581	-	-	79,581
Total unreserved, designated fund balances	335,630	-	234,582	570,212
Total unreserved, undesignated fund balances	58,672	-	-	58,672
Total fund balances	$ 478,768	$ 590,915	$ 356,618	$ 1,426,301

NOTE 14 – FUND BALANCES (Continued)

Nonmajor Funds: Special Revenue Funds	Nonmajor Funds: Debt Service Funds	Nonmajor Funds: Capital Projects Funds	Total Nonmajor Governmental	Total Governmental Funds	
					Reserved:
$ 32,799	$ -	$ 961	$ 33,760	$ 116,562	Encumbrances
151	-	-	151	536	Imprest cash
1,044	-	-	1,044	3,149	Inventories
957	4,224	-	5,181	5,181	Receivables
750	-	-	750	750	Advances
19,357	-	-	19,357	102,999	Program operations
1,851	-	91,981	93,832	669,141	Construction
22,106	-	-	22,106	28,670	Notes receivable
51	19,871	4,883	24,805	25,155	General
-	95,502	-	95,502	95,679	Debt service
23,359	-	-	23,359	66,066	Land held for resale
-	-	169	169	169	Capital outlay
4,637	-	10,994	15,631	19,007	Prepaids
107,062	119,597	108,988	335,647	1,133,064	Total reserved fund balances
					Unreserved:
					Unreserved, designated:
-	-	-	-	110,320	Strategic planning
-	-	-	-	5,758	Probation
-	-	-	-	12,431	Public safety
38,876	-	-	38,876	400,998	Program operations
-	-	6,935	6,935	86,516	Capital projects and programs
38,876	-	6,935	45,811	616,023	Total unreserved, designated fund balances
332,537	-	-	332,537	391,209	Total unreserved, undesignated fund balances
$ 478,475	$ 119,597	$ 115,923	$ 713,995	$ 2,140,296	Total fund balances

Net Assets. The government-wide statement of net assets reports $769.4 million of restricted net assets for governmental activities, of which $256.8 million is restricted by enabling legislation.

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

NOTE 15 – 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 occurred but are unreported (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 $15.0 million, subject to a self-insured retention (SIR) of $1.0 million for each occurrence. A self insured retention is a form of a deductible. The County also purchases an additional $10.0 million per occurrence excess of the $15.0 million for a total of $25.0 million in limits. Medical malpractice utilizes an excess policy providing coverage on claims made basis. Limits under the malpractice policy are $10.0 million subject to a self-insured retention of $1.1 million. The general liability policy provides an additional $10.0 million in excess limits above the medical malpractice policy for a total of $20.0 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 deductible; Flood coverage is subject to a 2.0% deductible within a 100-year flood zone and $25.0 thousand outside a 100-year flood zone. 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 $80.0 million with an additional $285.0 million excess rooftop limit available to any one Tower. In addition, for earthquake, the program includes a $250.0 million excess rooftop limit that may be triggered during the policy year if an earthquake event somewhere in the state has depleted the initial limits. Earthquake is subject to a deductible equal to 5.0% of replacement cost value subject to a $100.0 thousand minimum. 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. Accordingly, estimated liabilities for claims, including loss adjustment expenses, filed or to be filed, for incidents that have occurred through June 30, 2008 are reported in these funds. Where certain 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 is granted. 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, 2008 plus revenues to be collected during fiscal year 2008-09 are expected to be sufficient to cover all fiscal year 2008-09 payments. The carrying amount of unpaid claim liabilities is $135.3 million. The liabilities are discounted at 4.0%.

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

	June 30, 2007	June 30, 2008
Unpaid claims, beginning of year	$ 130,164	$ 135,228
Increase (decrease) in provision for insured events of prior years	(5,000)	692
Incurred claims for current year	64,293	64,958
Claim payments	(54,229)	(65,557)
Unpaid claims, end of year	$ 135,228	$ 135,321

NOTE 16 – MEDI-CAL AND MEDICARE PROGRAMS

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

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a per diem rate based upon estimated certified public expenditures (CPEs) and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Care Services. Inpatient acute care services rendered to Medicare program beneficiaries are reimbursed based upon pre-established rates for diagnostic-related groups. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology. 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 June 30, 2002 and June 30, 2006 for Medi-Cal. Reports on the results of desk reviews have been received through June 30, 2005 for Medicare which are subject to revision within a three year period.

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 certified public expenditures (CPEs) up to 50 percent of costs and IGTs of 75 percent of costs. The Regional Medical Center has recorded net patient revenue of $79.4 million for SB-1100 for the year ended June 30, 2008.

All certified public expenditures (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 17 – 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, 2008 follows:

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

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, 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 was formed in December 1995 with those member cities located in the Coachella Valley area of the County. The purpose of the Authority is to encourage and promote all aspects of the hospitality, convention, and tourism industry in the Coachella Valley.

Western Riverside County Regional Conservation Authority / Multi-Species Habitat Conservation Plan was 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 Quinta, Palm Desert, Palm Springs, Rancho Mirage, Riverside, and the Coachella Valley Water District as well as

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 for the significant new MAP (million air passengers) that would have to be absorbed at other airports if LAX's future MAP is reduced.

NOTE 18 – RETIREMENT PLAN

Plan Descriptions

The County, Flood Control and Water Conservation District (Flood Control), the Regional Park and Open-Space District (Park District) and Waste Management contribute to the California Public Employees Retirement System (CalPERS). Under GASB 27, County Miscellaneous and Safety, and Flood Control are considered single employer defined benefit pension plans, while Park District and Waste Management are considered multiple employer defined benefit pension plans because of its pooling configuration. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. State statutes within the Public Employees' Retirement Law have established a menu of benefit provisions as well as other requirements. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Separate financial reports for the various County plans within CalPERS are not available. The County does receive annually a valuation report which summarizes assets, liabilities, and rates. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office - 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members in CalPERS are required to contribute 8% (9% for safety employees) of their annual covered salary. The County contributes 1% of the total 8% contribution required of Miscellaneous member County employees hired prior to July 11, 2002, on their behalf and for their account. The County makes the full contribution required of County employees hired prior to January 9, 1992, on their behalf and for their account. Miscellaneous member (non-prosecution unit) employees hired after the above dates make their own contributions for the first five years. Prior to October 25, 2005, Miscellaneous prosecution unit member employees hired on or after September 3, 1992, made their own contributions for the first year. Effective October 25, 2005, the County makes the full contribution required of all Miscellaneous prosecution unit member employees. With some exceptions, safety member employees hired after June 25, 1992, make their own contributions for the first three years. For certain bargaining units, the County makes the contribution required of the employees on their behalf, regardless of hire date. The County, Flood Control, Park District and Waste Management are required to contribute the actuarially determined remaining amounts necessary to fund the benefit for its members. State statute establishes the contribution requirements of the plan member. The employer contribution rate is established and may be amended by CalPERS. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2007-08, the contribution rates were:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Contribtution rates:					
County	12.004%	18.581%	13.189%	14.051%	14.177%
Plan Members	8.000%	9.000%	8.000%	8.000%	8.000%

NOTE 18 – RETIREMENT PLAN (Continued)

Annual Pension Cost

For fiscal year 2007-08, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (in thousands):

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Annual required contribution	$ 85,413	$ 37,950	$ 1,752	$ 596	$ 606
Interest on net pension obligation (asset)	(24,036)	(6,621)	-	-	-
Adjustment to annual required contribution	17,943	4,942	139	-	434
Annual pension cost	79,320	36,271	1,891	596	1,040
Contributions made	(85,413)	(37,950)	(1,752)	(596)	(606)
Increase(decrease) in net pension obligation (asset)	(6,093)	(1,679)	139	-	434
Net pension obligation (asset) beginning of year	(310,138)	(85,430)	(2,501)	-	(3,252)
Net pension obligation (asset) end of year	$ (316,231)	$ (87,109)	$ (2,362)	$ -	$ (2,818)

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, 2006	$ 75,534	90.73 %	$ (304,161)
	June 30, 2007	73,628	108.12	(310,138)
	June 30, 2008	79,320	107.68	(316,231)
County - Safety	June 30, 2006	29,176	93.39	(83,784)
	June 30, 2007	32,986	104.99	(85,430)
	June 30, 2008	36,271	104.63	(87,109)
Flood Control	June 30, 2006	1,577	91.90	(2,640)
	June 30, 2007	1,746	92.04	(2,501)
	June 30, 2008	1,891	92.65	(2,362)
Parks District	June 30, 2006	757	100.00	-
	June 30, 2007	524	100.00	-
	June 30, 2008	596	100.00	-
Waste Management	June 30, 2006	656	60.24	(3,686)
	June 30, 2007	1,119	61.22	(3,252)
	June 30, 2008	1,040	58.27	(2,818)

NOTE 18 – RETIREMENT PLAN (Continued)

Actuarial methods and assumptions

The following information as of the most recent actuarial valuation:

	County Miscellaneous	County Safety	Flood Control	Park District	Waste Management
Acturial Valuation	6/30/2007	6/30/2007	6/30/2007	6/30/2007	6/30/2007
Acturial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
Remaining amoritzation period	30	30	30	16	16
Asset Valuation method	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market	15 Years Smoothed Market
Acturial assumptions:					
Investment rate of return	7.75%	7.75%	7.75%	7.75%	7.75%
Projected salary increases	3.25 %- 14.45%*	3.25 %- 13.15%*	3.25 %- 14.45%*	3.25 %- 14.45%*	3.25 %- 14.45%*
Inflation	3.00%	3.00%	3.00%	3.00%	3.00%
Payroll Growth	3.25%	3.25%	3.25%	3.25%	3.25%

* Projected salary increases vary depending on Age, Service, and type of employment.

Funded Status and the Funding Progress

The following is funded status information for each plan as of June 30, 2007, the most recent actuarial valuation date, (Dollars 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	$ 2,894,148	$ 3,029,360	$ 135,212	95.54 %	$ 754,118	17.93 %
County - Safety	1,291,421	1,369,534	78,113	94.30	214,634	36.39
Flood Control	82,383	90,833	8,450	90.70	13,818	61.15
Parks District**	576,070	699,664	123,594	82.34	139,335	88.70
Waste Management**	576,070	699,664	123,594	82.34	139,335	88.70

** The amounts disclosed are for the entire Risk Pool fund in which Parks District and Waste Management participate and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 19 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Contribution Information

Plan Description. The County provides an IRS Section 401(a) single-employer defined benefit pension plan for part-time and temporary employees who are not eligible for social security or CalPERS retirement benefits through the County. This plan is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately.

Contributions. Participants in the plan are required to contribute 3.75% of their compensation to the plan. The County's current required contribution rate is 1.8%. The County elected to contribute 5.78%, the prior year required contribution rate, in order to increase the plan's funded ratio. The County's rate is impacted by the rate of return earned by Plan assets. The Plan actuary periodically calculates the minimum recommended employee and employer contribution rates through preparation of an actuarial valuation report. 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, 2007, the date of the latest actuarial valuation:

Number of Participants:	
Active plan members	2,630
Terminated and Inactive Members	6,578
Retirees	68
Total	9,276

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. Investments of the pension trust are fully invested in the County pool and reported at fair value as described in Note 1.

Annual Pension Cost and Net Pension Obligation
(in thousands)

Annual required contribution	$	745
Interest on net pension obligation (asset)		-
Adjustment to annual required contribution		-
Annual pension cost		745
Contributions made		(1,993)
Increase(decrease) in net pension obligation (asset)		(1,248)
Net pension obligation (asset) beginning of year		-
Net pension obligation (asset) end of year	$	(1,248)

NOTE 19 – DEFINED BENEFIT PENSION PLAN (Continued)

Schedule of Funding Progress

The funded status of the plan as of July 1, 2007, the most recent actuarial valuation date is as follows (in thousands):

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)
$ 13,778	$ 20,468	$ 6,690	67.31 %	$ 41,333	16.19 %

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statement, present multiyear 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 as of the date of the most recent actuarial valuation:

Valuation Date	7/1/2007
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar Projected Payroll
Remaining amortization period	20 years , Open
Actuarial assumptions:	
Investment rate of return	5.0%
Projected salary increases	3.0%
Inflation Rate	3.0%

NOTE 20 – POSTEMPLOYEMENT BENEFITS OTHER THAN PENSIONS

Plan Descriptions

The County, and the following special districts: the Flood Control and Water Conservation District (Flood Control), the Regional Park and Open-Space District (Park District) and Waste Management, offer benefits to eligible retirees.

The benefits are provided in the form of:
- Monthly contributions towards the retiree's medical plan premium, for those eligible retirees enrolled in County sponsored medical plans,
- Allow non-Medicare eligible retirees to receive medical plan coverage at the active employee premium rates instead of normally higher retiree rates. Only those employees who retire prior to January 1, 2009 are eligible for this benefit and the benefit will cease effective January 1, 2011, at which time all retirees will be required to pay "retiree only" (i.e. unblended) premium rates, and
- Monthly contributions to the Riverside Sheriff's Association (RSA) Trust for RSA law enforcement retirees.

Benefit provisions are established and amended through negotiations between the County and the respective unions. The County administers each plan's medical benefits. A qualified Internal Revenue Code Section 115 trust has been established for each plan (except Waste Management) with the California Employers' Retiree Trust (CERBT). CERBT administers each plan's assets. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained from CalPERS Employer Services Division, PO Box 942709, Sacramento, CA 94229-2709.

Funding Policy and Annual OPEB Cost

It is the policy of the County, Park District and Flood Control to fully contribute an amount at least equal to the Annual Required Contribution (ARC) other than the amount attributable to the implicit subsidy as determined by the Post Retirement Benefits Actuarial Valuation Study for each trust. In order to facilitate funding the ARC the County will develop a rate structure. It is the policy of Waste Management to fund on as pay-as-you-go basis.

Contribution requirements of the plan members and the County are established and may be amended through negotiations between the County and the respective Unions. The County's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the *ARC of the employer*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over 30 years (15 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	Actuarially determined	Actuarially determined	Bargaining Unit Determined
	$25-$256	$25-$256	$25-$256	$25-$256
Plan members	$305-$712	$305-$712	$305-$712	$305-$712
Annual required contribution	$ 4,390	$ 29	$ 21	$ 61
Interest on net OPEB obligation	-	-	-	-
Adjustment to annual required Contribution	-	-	-	-
Annual OPEB cost	4,390	29	21	61
Contributions made	(14,930)	(100)	(222)	(38)
Increase in net OPEB obligation	(10,540)	(71)	(201)	23
Net OPEB obligation (asset) beginning of year	-	-	-	-
Net OPEB obligation (asset) end of year	$ (10,540)	$ (71)	$ (201)	$ 23

NOTE 20 – Postemployment Benefits Other Than Pensions (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008, first year of implementation, 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	06/30/06	*	*	*
	06/30/07	*	*	*
	06/30/08	$ 4,390	340.1%	$ (10,540)
Flood Control	06/30/06	*	*	*
	06/30/07	*	*	*
	06/30/08	$ 29	345%	$ (71)
Park District	06/30/06	*	*	*
	06/30/07	*	*	*
	06/30/08	$ 21	1057%	$ (201)
Waste Management	06/30/06	*	*	*
	06/30/07	*	*	*
	06/30/08	$ 61	62.3%	$ 23

*First Year of Implementation, data not available.

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows (dollar amounts in thousands):

	County	Flood Control	Park District	Waste Management
Actuarial accrued liability (a)	$ 46,681	$ 303	$ 190	$ 654
Actuarial value of plan assets (b)	10,411			
Unfunded actuarial accrued liability (funding excess) (a) - (b)	$ 36,270	$ 303	$ 190	$ 654
Funded ratio (b) / (a)	22.3%	0.00%	0.00%	0%
Covered payroll (c)	$ 979,090	$ 14,656	$ 7,204	$ 4,405
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) - (b)] / (c))	3.7%	2.1%	2.6%	14.8%

Actuarial valuations involve 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 of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

NOTE 20 – Postemployment Benefits Other Than Pensions (Continued)

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the plan members to that point. 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. Significant methods and assumptions were as follows:

	County	Flood Control	Park District	Waste Management
Actuarial valuation date	1/1/2008	1/1/2007	1/1/2007	1/1/2007
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, closed
Remaining amortization period	30 years	30 years	30 years	15 years
Actuarial assumptions:				
Investment rate of return	7.24%-7.75%	7.75%	7.75%	4.5%
Projected salary increases	3.25%	3.25%	3.25%	3.25%
Healthcare inflation rate	11% initial	11% initial	11% initial	11% initial

NOTE 21 – 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.

Federal Grant Revenue

Compliance examinations for the fiscal year ended June 30, 2007, 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 2007-08 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 30, 2009.

Commitments

At June 30, 2008, 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. $159.9 will be payable upon future performance under the contracts.

NOTE 21 – COMMITMENTS AND CONTINGENCIES (Continued)

Landfill Construction and Consulting Contracts

The Waste Management Department (Waste) 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 expects to complete the installation of several landfill liners over the next five years and estimates additional future costs to be $20.3 million. These additional costs will be capitalized as the costs are incurred.

Remediation Contingencies

Waste is presently aware of groundwater contamination at nine of its landfills, six of which are closed. Waste is also aware of air/gas contamination at 17 landfills, 11 of which are closed. Based on engineering studies, Waste estimates the present value of the total costs of corrective action for foreseeable contaminate releases at $20.3 million. At June 30, 2008, Waste has accrued $20.3 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2008 results from current estimates and current actual expenses.

Waste 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 require to be performed. Investments of $20.3 million and $19.7 million are held for these purposes at June 30, 2008 and 2007, respectively, and are classified as restricted cash and investments in the accompanying statements of net assets.

NOTE 22 – SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS) and CalPERS Pre-payment Note

On July 1, 2008, the County as a participant in the California Statewide Communities Development Authority Pool issued $315 million of Tax and Revenue Anticipation Notes in the form of Series A-3 Bonds due June 30, 2009. The stated interest rate for the A-3 Bonds is set at 3.0% per annum with a yield of 1.6%.

The issuance is divided into two entities: $234.0 million for the Tax and Revenue Anticipation Notes and the other $81.0 million to pre-pay a portion of the County's CalPERS contribution for 2008-09. Between the prepayment discount of 3.9%, and earnings on cash flow the County expects to net $2.8 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 2008-09 and legally available for payment thereof. Proceeds for the Bonds will be used for fiscal year 2008-09 General Fund expenditures, including current expenditures, capital expenditures, and the discharge of other obligations or indebtedness of the County.

Educational Revenue Augmentation Fund (ERAF)

To meet its obligations to fund education at specified levels under Proposition 98, the state enacted legislation that shifted partial financial responsibility for funding education to local government (cities, counties, and special districts). The state did this by instructing county auditors to shift the allocation of local property tax revenues from local government to "educational revenue augmentation funds" (ERAFs), directing that specified amounts of city, county and other local agency property taxes be deposited into these funds to support schools. For 2008-2009, the State has directed the following ERAF tax shifts: First, a transfer of $352.9 million to the Vehicle License Fee Property Tax Compensation Fund for distribution of 50.0% in January and 50.0% in May. Secondly, the State has directed a transfer of $64.9 million to the Sales and Use Tax Compensation Fund for distribution of 50.0% in January and 50.0% in May. The total ERAF transfer for 2008-2009 is $417.8 million.

NOTE 22 – SUBSEQUENT EVENTS (Continued)

Trial Court Facilities Act of 2002 (SB 1732)

The bill provides for the transfer of the responsibility of a county to provide necessary and suitable court facilities by authorizing the transfer of that responsibility from the County to the Judicial Council pursuant to an agreement to be negotiated between the County and the Judicial Council, as specified, between July 1, 2003, and June 30, 2007. Per AB 1491, this deadline was extended to September 30, 2008.

Transfer of responsibility may occur no earlier than July 1, 2004, and no later than September 30, 2008. The bill further imposes a state-mandated local program by expanding various duties of a county with respect to court facilities. A Court Facilities Trust Fund will be financed by court facility payments made by each county. These payments are intended to maintain the court operations at their current cost levels in perpetuity. Increased costs and improvements will be the responsibility of the Judicial Council.

SB1732 provides an exception to such transfers for historic facilities. In November 2006, the Board approved a memorandum of understanding between the County and the Judicial Council of California, stating that the County will retain title, responsibility for funding, and operation of the Historic Courthouse, and no payments are required to be paid to the state for this facility as long as it remains a working court facility.

Responsibility for the Larson Justice Center, Moreno Valley Court, Banning Court, and Hall of Justice was transferred to the State in October 2004, October 2005, April 2007, and May 2007 respectively. Twenty buildings are subject to the Trial Court Facilities Act of 2002. No courts were transferred during fiscal year ended June 30, 2008. Blythe Courthouse was transferred during August 2008, and Hemet Court was transferred during October 2008.

A list of courts, their respective transfer dates, and continued costs to the County is as follows:

Facility	Date Transferred to State	Court Facility Payment
Larson Justice Center	October, 2004	$ 559,761
Moreno Valley Court	October, 2005	251,250
Banning Court	April, 2007	112,373
Hall of Justice	May, 2007	684,765
Blythe Courthouse	August, 2008	62,607
Hemet Court	October, 2008	132,929
Annual Court Facilities Payments		$ 1,803,685

A joint declaration was filed timely in September 2008 to allow a 90 day extension that will help complete the transfer of the remaining 14 courts.

The Effects of the Economy on CalPERS

Based on past performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2008-09 will be 12.1% and 19.0%, respectively. Fiscal year 2009-10 contribution rates for Miscellaneous and Safety are estimated at 11.9% and 18.6%, respectively. They will be accounted for in fiscal year 2008-09 and future budget years.

NOTE 22 – SUBSEQUENT EVENTS (Continued)

CORAL – Investment Contracts

As of June 30, 2008, Moody's Investor Services and Standard & Poor's downgraded MBIA, Inc. senior debt rating to A2 and A-, respectively. Under the terms of the bond indenture for the 2007 Series A/B Certificates of Participation, 2006 Series A Certificates of Participation and 2003 Series A/B Certificates of Participation, when a triggering event occurs, such as the credit downgrading of MBIA, the investment agreements can be terminated by MBIA or CORAL, or, alternatively, MBIA can collateralize the investment contracts. As of October 15, 2008, MBIA has chosen to terminate the investment agreements related to the 2003 Series A Certificates of Participation, totaling $879.9 thousand. Proceeds from the terminated investment contracts will be invested in government agency money market funds. MBIA has exercised its option to collateralize the investment contracts related to the 2007 Series A/B Certificates of Participation, 2006 Series A Certificates of Participation and 2003 Series B Certificates of Participation, whereby MBIA purchased government securities totaling 104.0% of the investment contract principle in the name of CORAL.

As of June 30, 2008, Moody's Investor Services and Standard & Poor's downgraded AIG's senior debt rating to A2 and A-, respectively. Under the terms of the bond indenture for the 1993 A & B Hospital Lease Revenue Bonds, and the 2001 CAC Annex Certificates of Participation, when a triggering event occurs, such as the credit downgrading of IAG, the investment agreements can be terminated by AIG, or alternatively, AIG can collateralize the investment contracts. As of October 15, 2008, AIG has chosen to terminate all investment agreement related to the 1993 A & B Hospital Lease Revenue Bonds and the 2001 CAC Annex Certificates of Participation, totaling $22.2 million. Proceeds from the terminated investment contracts will be invested in government agency money market funds.

Regency Towers Building Purchase

On October 21, 2008, the board approved the purchase of the Regency Towers building in downtown Riverside. The building purchase price was authorized to be no more than $126.5 million with an expectation that an additional $10 to $13.0 million in ad valorem tax reimbursements combined with costs related to furniture and equipment may be required. The building will be financed through a bond issued by the County of Riverside Asset Leasing Corporation and leased to the County until the bonds are paid in full, at which point the asset will transfer to full ownership of the County.

Annexation of Cities

Incorporated on July 1, 2008 as Riverside County's 25th city, the City of Wildomar represents an estimated population of 29,237 citizens with 10,234 housing units.

Incorporated on October 1, 2008 as Riverside County's 26th city, the City of Menifee includes the communities of Menifee, Sun City, Quail Valley and portions of Romoland. The City of Menifee spans nearly 50 square miles with a population of approximately 60,000. The incorporation of Menifee results in the concurrent detachment from the Riverside Waste Resources Management District, and detachment from County Service Areas 33, 43, 80, 84, 86, 138, 145, and 146.

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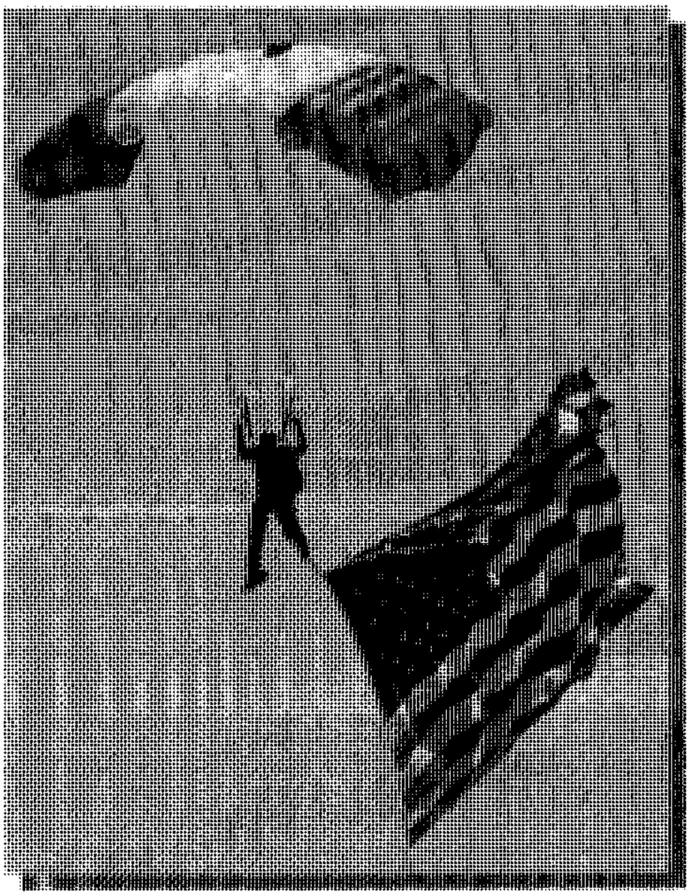
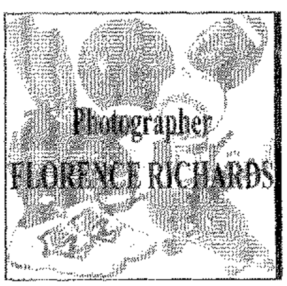
REQUIRED SUPPLEMENTARY INFORMATION





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COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2008

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS

The tables below show a three year analysis of the Actuarial Value of Assets as a ratio of the Actuarial Accrued Liability (AAL) and the Asset Value in Excess (Deficit) of AAL as a percentage of Annual Covered Payroll (dollars in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 2,364,565	$ 2,471,523	$ 106,958	95.67 %	$ 592,531	18.05 %
June 30, 2006	2,599,592	2,741,753	142,161	94.81	659,274	21.56
June 30, 2007	2,894,148	3,029,360	135,212	95.54	754,118	17.93

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 1,069,038	$ 1,127,240	$ 58,202	94.84 %	$ 168,806	34.48 %
June 30, 2006	1,170,093	1,231,954	61,861	94.98	189,606	32.63
June 30, 2007	1,291,421	1,369,534	78,113	94.30	214,634	36.39

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 69,637	$ 77,958	$ 8,321	89.33 %	$ 12,072	68.93 %
June 30, 2006	75,422	84,198	8,776	89.58	13,041	67.30
June 30, 2007	82,383	90,833	8,450	90.70	13,818	61.15

Regional Park and Open-Space District*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 405,481	$ 499,323	$ 93,842	81.21 %	$ 108,618	86.40 %
June 30, 2006	501,707	620,492	118,785	80.86	126,050	94.24
June 30, 2007	576,070	699,664	123,594	82.34	139,335	88.70

*The amounts disclosed are for the entire Risk Pool fund in which Parks and Waste Management Department participate and not solely of their specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

RETIREMENT PLANS - SCHEDULES OF FUNDING PROGRESS (Continued)

(Dollars in thousands)

Waste Management Department*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2005	$ 405,481	$ 499,323	$ 93,842	81.21 %	$ 108,618	86.40 %
June 30, 2006	501,707	620,492	118,785	80.86	126,050	94.24
June 30, 2007	576,070	699,664	123,594	82.34	139,335	88.70

*The amounts disclosed are for the entire Risk Pool fund in which Parks and Waste Management Department participate 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, 2002	$ 4,330	$ 7,103	$ 2,773	60.96 %	$ 18,956	14.63 %
June 30, 2003	5,945	8,454	2,509	70.32	31,360	8.00
June 30, 2004	7,352	9,338	1,986	78.73	29,670	6.69
June 30, 2005	8,534	11,020	2,486	77.44	27,388	9.08
June 30, 2006	10,520	13,673	3,153	76.94	29,124	10.83
June 30, 2007	13,778	20,468	6,690	67.31	41,333	16.19

† = All amounts calculated based on Entry Age Normal Cost method from June 30, 2002 through June 30, 2006. The Projected Unit Credit Cost method is used for 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
2003	$ 921	100 %	$ -
2004	813	100	-
2005	616	100	-
2006	633	100	-
2007	1,914	100	-
2008	745	267	(1,248)

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2008

OPEB - SCHEDULES OF FUNDING PROGRESS

(Dollars in thousands)

Riverside County

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
n/a	**	**	**	**	**	**
January 1, 2007	$ -	$ 48,582	$ 48,582	0.00 %	$ 913,272	5.32 %
January 1, 2008	10,411	46,681	36,270	22.30	979,090	3.70

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
n/a	**	**	**	**	**	**
n/a	**	**	**	**	**	**
January 1, 2007	$ -	$ 303	$ 303	0.00 %	$ 14,656	2.07 %

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
n/a	**	**	**	**	**	**
n/a	**	**	**	**	**	**
January 1, 2007	$ -	$ 190	$ 190	0.00 %	$ 7,204	2.64 %

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)
n/a	**	**	**	**	**	**
n/a	**	**	**	**	**	**
January 1, 2007	$ -	$ 654	$ 654	0.00 %	$ 4,405	14.85 %

**Data not available.

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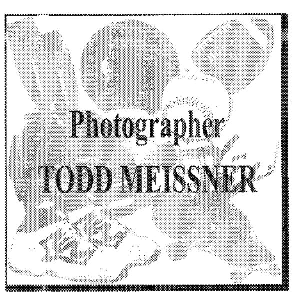
COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES



COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

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COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 250	$ 1,773	$ 1,523
Total revenues	250	250	1,773	1,523
EXPENDITURES:				
Current:				
General government	998	998	740	(258)
Debt service:				
Interest	3,002	3,002	3,002	-
Total expenditures	4,000	4,000	3,742	(258)
Excess (deficiency) of revenues over (under) expenditures	(3,750)	(3,750)	(1,969)	1,781
OTHER FINANCING SOURCES (USES):				
Transfers in	3,750	3,750	3,750	-
Transfers out	-	-	(1,781)	(1,781)
Total other financing sources and (uses)	3,750	3,750	1,969	(1,781)
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, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
License, permits, and franchise fees	$ 200	$ 200	$ -	$ (200)
Use of money and property:				
Interest	4,580	4,709	22,884	18,175
Charges for services	142,390	41,250	18,824	(22,426)
Other revenue	119,350	62,544	27,646	(34,898)
Total revenues	266,520	108,703	69,354	(39,349)
EXPENDITURES:				
Current:				
General government	265,439	398,988	133,410	(265,578)
Public ways and facilities	17,467	20,499	4,718	(15,781)
Total expenditures	282,906	419,487	138,128	(281,359)
Excess (deficiency) of revenues over (under) expenditures	(16,386)	(310,784)	(68,774)	242,010
OTHER FINANCING SOURCES (USES):				
Transfers in	-	305,914	425,822	119,908
Transfers out	-	(22,471)	(22,471)	-
Total other financing sources and (uses)	-	283,443	403,351	119,908
NET CHANGE IN FUND BALANCE	(16,386)	(27,341)	334,577	361,918
Fund balance, beginning of year	256,338	256,338	256,338	-
FUND BALANCE, END OF YEAR	$ 239,952	$ 228,997	$ 590,915	$ 361,918

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Capital Projects Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 4,238	$ 4,238	$ 15,360	$ 11,122
Charges for current services	32	32	-	(32)
Other revenue	54,082	71,093	1,738	(69,355)
Total revenues	58,352	75,363	17,098	(58,265)
EXPENDITURES:				
Current:				
General government	58,352	76,280	38,937	(37,343)
Total expenditures	58,352	76,280	38,937	(37,343)
Excess (deficiency) of revenues over (under) expenditures	-	(917)	(21,839)	(20,922)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	27,114	27,114	-
Transfers out	-	(26,197)	(26,197)	-
Proceeds from sale of capital assets	-	-	1,159	1,159
Total other financing sources and (uses)	-	917	2,076	1,159
NET CHANGE IN FUND BALANCE	-	-	(19,763)	(19,763)
Fund balance, beginning of year, as previously reported	387,449	387,449	387,449	-
Adjustments to beginning fund balance	-	-	(11,068)	(11,068)
Fund balance, beginning of year, as restated	387,449	387,449	376,381	(11,068)
FUND BALANCE, END OF YEAR	$ 387,449	$ 387,449	$ 356,618	$ (30,831)

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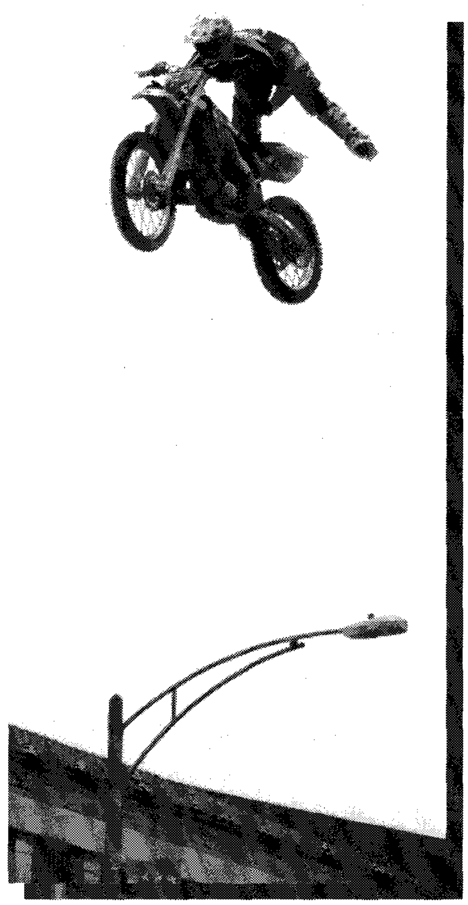
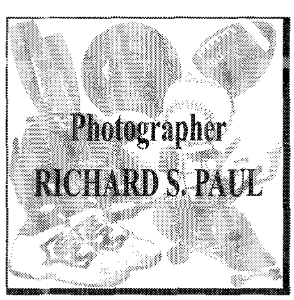
NONMAJOR GOVERNMENTAL FUNDS





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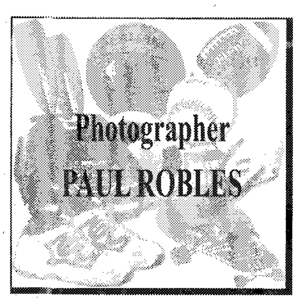
COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	$ 437,798	$ 49,561	$ 12,080	$ 499,439
Accounts receivable	15,156	6,326	-	21,482
Interest receivable	2,998	829	83	3,910
Taxes receivable	12,735	-	-	12,735
Due from other governments	29,225	4,442	3,556	37,223
Inventories	1,044	-	-	1,044
Due from other funds	5,431	-	-	5,431
Prepaid items	4,637	-	10,994	15,631
Restricted cash and investments	10,161	67,256	93,569	170,986
Advances to other funds	750	-	-	750
Notes receivable	22,106	-	-	22,106
Land held for resale	23,359	-	-	23,359
Total assets	565,400	128,414	120,282	814,096
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	36,891	4,375	2,248	43,514
Salaries and benefits payable	7,221	-	342	7,563
Due to other governments	2,293	-	-	2,293
Due to other funds	19,349	-	1,019	20,368
Deposits payable	68	-	-	68
Advance from other funds	-	-	750	750
Deferred revenue	21,103	4,442	-	25,545
Total liabilities	86,925	8,817	4,359	100,101
Fund balances:				
Reserved	107,062	119,597	108,988	335,647
Unreserved, designated, reported in:				
Special revenue funds	38,876	-	-	38,876
Capital projects funds	-	-	6,935	6,935
Unreserved, undesignated, reported in:				
Special revenue funds	332,537	-	-	332,537
Total fund balances	478,475	119,597	115,923	713,995
Total liabilities and fund balances	$ 565,400	$ 128,414	$ 120,282	$ 814,096

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	$ 164,058	$ 79,805	$ -	$ 243,863
Licenses, permits and franchise fees	127	-	-	127
Fines, forfeitures and penalties	1,241	-	-	1,241
Use of money and property:				
Interest	16,127	6,606	3,934	26,667
Rents and concessions	7,856	5,052	-	12,908
Aid from other governmental agencies:				
Federal	70,856	-	-	70,856
State	60,410	-	4,891	65,301
Other	8,050	-	-	8,050
Charges for services	67,854	2,389	55	70,298
Other revenue	36,229	7,084	127	43,440
Total revenues	432,808	100,936	9,007	542,751
EXPENDITURES:				
Current:				
General government	54,574	29,473	6,912	90,959
Public protection	51,137	-	-	51,137
Public ways and facilities	143,168	-	-	143,168
Health and sanitation	6,506	-	-	6,506
Public assistance	43,172	-	-	43,172
Education	17,443	-	-	17,443
Recreation and culture	11,310	-	131	11,441
Debt service:				
Principal	1,988	33,790	-	35,778
Interest	183	72,514	-	72,697
Cost of issuance	-	3,868	-	3,868
Capital outlay	343	16	27,662	28,021
Total expenditures	329,824	139,661	34,705	504,190
Excess (deficiency) of revenues Over (under) expenditures	102,984	(38,725)	(25,698)	38,561
OTHER FINANCING SOURCES (USES):				
Transfers in	75,104	156,163	12,555	243,822
Transfers out	(119,308)	(372,442)	(5,447)	(497,197)
Issuance of debt	-	294,084	-	294,084
Issuance of refunding bonds	-	31,125	80,000	111,125
Discount on long-term debt	-	(2,898)	-	(2,898)
Premium on long-term debt	-	3,272	-	3,272
Payment to refunded bond escrow agent	-	(24,290)	-	(24,290)
Total other financing sources (uses)	(44,204)	85,014	87,108	127,918
NET CHANGE IN FUND BALANCES	58,780	46,289	61,410	166,479
Fund balances, beginning of year, as previously reported	410,441	73,308	54,513	538,262
Adjustments to beginning fund balances	9,254	-	-	9,254
Fund balances, beginning of year, as restated	419,695	73,308	54,513	547,516
FUND BALANCES, END OF YEAR	$ 478,475	$ 119,597	$ 115,923	$ 713,995

SPECIAL REVENUE FUNDS



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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 expenditure for the specified purposes.

TRANSPORTATION

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

FLOOD CONTROL

The Flood Control 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.

COMMUNITY SERVICES

This fund provides financing for public services. Public services provided by this fund group are: HUD Community Services Grant, EDA Administration, Community Action Partnership, Job Training Partnership, Office on Aging, USEDA Grant, County Free Library, Structural Fire Protection, Homeless Housing Relief, Home Program, EDA US Department of Agriculture Rural Development, Workforce Development, Healthy Kids, and Bio-terrorism Preparedness. The primary source of revenue for this fund is from State/Federal Grants.

REDEVELOPMENT 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 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 of the District.

AIR QUALITY IMPROVEMENT

This fund accounts for Riverside County's portion of State of California motor vehicle fees restricted for the use of reducing air pollution.

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

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.

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 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, 2008
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
ASSETS:					
Cash and investments	$ 97,725	$ 197,346	$ 37,387	$ 55,139	$ 16,774
Accounts receivable	13,494	931	628	-	-
Interest receivable	569	1,416	42	637	111
Taxes receivable	287	3,232	7,343	-	1,055
Due from other governments	18,482	266	9,221	-	-
Inventories	1,044	-	-	-	-
Due from other funds	5,121	-	-	-	-
Prepaid Items	-	4,499	138	-	-
Restricted cash and investment	-	10,161	-	-	-
Advances to other funds	-	-	-	-	-
Notes receivable	-	-	-	22,106	-
Land held for resale	-	-	-	23,359	-
Total assets	136,722	217,851	54,759	101,241	17,940
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	15,706	16,628	2,896	770	131
Salaries and benefits payable	2,997	1,239	2,044	-	96
Due to other governments	1,525	444	308	-	-
Due to other funds	2,268	-	16,409	-	377
Deposits payable	-	-	-	-	68
Deferred revenue	18,639	115	1,578	-	-
Total liabilities	41,135	18,426	23,235	770	672
Fund balances (Note 14):					
Reserved:	19,495	4,500	4,692	75,335	2
Unreserved:					
Designated	37	1,755	526	25,136	5
Undesignated	76,055	193,170	26,306	-	17,261
Total fund balances	95,587	199,425	31,524	100,471	17,268
Total liabilities and fund balances	$ 136,722	$ 217,851	$ 54,759	$ 101,241	$ 17,940

	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total
ASSETS:					
Cash and investments	$ 11,915	$ 1,307	$ 849	$ 19,356	$ 437,798
Accounts receivable	29	-	-	74	15,156
Interest receivable	91	9	-	123	2,998
Taxes receivable	746	-	-	72	12,735
Due from other governments	151	166	607	332	29,225
Inventories	-	-	-	-	1,044
Due from other funds	310	-	-	-	5,431
Prepaid Items	-	-	-	-	4,637
Restricted cash and investment	-	-	-	-	10,161
Advances to other funds	750	-	-	-	750
Notes receivable	-	-	-	-	22,106
Land held for resale	-	-	-	-	23,359
Total assets	13,992	1,482	1,456	19,957	565,400
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	388	64	2	306	36,891
Salaries and benefits payable	450	-	105	290	7,221
Due to other governments	4	-	-	12	2,293
Due to other funds	10	8	-	277	19,349
Deposits payable	-	-	-	-	68
Deferred revenue	12	-	-	759	21,103
Total liabilities	864	72	107	1,644	86,925
Fund balances (Note 14):					
Reserved:	1,712	-	5	1,321	107,062
Unreserved:					
Designated	11,416	-	-	1	38,876
Undesignated	-	1,410	1,344	16,991	332,537
Total fund balances	13,128	1,410	1,349	18,313	478,475
Total liabilities and fund balances	$ 13,992	$ 1,482	$ 1,456	$ 19,957	$ 565,400

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
REVENUES:					
Taxes	$ 13,525	$ 53,629	$ 69,027	$ 19,951	$ 1,742
Licenses, permits, and franchise fees	112	-	-	-	-
Fines, forfeitures, and penalties	7	-	504	-	-
Use of money and property:					
Interest	3,524	8,114	289	2,281	652
Rents and concessions	10	148	815	-	1
Aid from other governmental agencies:					
Federal	15,385	463	51,600	-	-
State	50,823	652	5,671	-	19
Other	8,050	-	-	-	-
Charges for services	35,947	8,542	926	-	9,999
Other revenue	7,594	5,141	21,803	325	165
Total revenues	134,977	76,689	150,635	22,557	12,578
EXPENDITURES:					
Current:					
General government	-	-	28,818	21,226	-
Public protection	2,742	43,895	-	-	197
Public ways and facilities	130,505	-	-	-	5,743
Health and sanitation	-	-	2,233	-	798
Public assistance	-	-	43,172	-	-
Education	-	-	17,443	-	-
Recreation and culture	-	-	-	-	669
Debt service:	-	-	-	-	-
Principal	1,533	-	455	-	-
Interest	183	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	134,963	43,895	92,121	21,226	7,407
Excess (deficiency) of revenues over (under) expenditures	14	32,794	58,514	1,331	5,171
OTHER FINANCING SOURCES (USES):					
Transfers in	40,530	-	28,959	-	283
Transfers out	(13,920)	(489)	(84,218)	(9,594)	(3,809)
Total other financing sources (uses)	26,610	(489)	(55,259)	(9,594)	(3,526)
NET CHANGE IN FUND BALANCES	26,624	32,305	3,255	(8,263)	1,645
Fund balances, beginning of year, as previously reported	68,963	167,120	28,269	99,480	15,623
Adjustments to beginning fund balances	-	-	-	9,254	-
Fund balances, beginning of year, as restated	68,963	167,120	28,269	108,734	15,623
FUND BALANCES, END OF YEAR	$ 95,587	$ 199,425	$ 31,524	$ 100,471	$ 17,268

	Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total
REVENUES:					
Taxes	$ 5,183	$ -	$ -	$ 1,001	$ 164,058
Licenses, permits, and franchise fees	-	-	-	15	127
Fines, forfeitures, and penalties	-	-	-	730	1,241
Use of money and property:			-		
Interest	469	56	25	717	16,127
Rents and concessions	591	-	-	6,291	7,856
Aid from other governmental agencies:					
Federal	-	-	1,666	1,742	70,856
State	411	651	442	1,741	60,410
Other	-	-	-	-	8,050
Charges for services	3,629	-	-	8,811	67,854
Other revenue	335	-	-	866	36,229
Total revenues	10,618	707	2,133	21,914	432,808
EXPENDITURES:					
Current:					
General government	-	258	-	4,272	54,574
Public protection	59	-	-	4,244	51,137
Public ways and facilities	-	-	-	6,920	143,168
Health and sanitation	-	-	1,984	1,491	6,506
Public assistance	-	-	-	-	43,172
Education	-	-	-	-	17,443
Recreation and culture	10,641	-	-	-	11,310
Debt service:	-	-	-	-	
Principal	-	-	-	-	1,988
Interest	-	-	-	-	183
Capital outlay	343	-	-	-	343
Total expenditures	11,043	258	1,984	16,927	329,824
Excess (deficiency) of revenues over (under) expenditures	(425)	449	149	4,987	102,984
OTHER FINANCING SOURCES (USES):					
Transfers in	2,845	-	456	2,031	75,104
Transfers out	(1,915)	(296)	(508)	(4,559)	(119,308)
Total other financing sources (uses)	930	(296)	(52)	(2,528)	(44,204)
NET CHANGE IN FUND BALANCES	505	153	97	2,459	58,780
Fund balances, beginning of year, as previously reported	12,623	1,257	1,252	15,854	410,441
Adjustments to beginning fund balances	-	-	-	-	9,254
Fund balances, beginning of year, as restated	12,623	1,257	1,252	15,854	419,695
FUND BALANCES, END OF YEAR	$ 13,128	$ 1,410	$ 1,349	$ 18,313	$ 478,475

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 20,532	$ 20,532	$ 13,525	$ (7,007)
License, permits, and franchise fees	168	168	112	(56)
Fines, forfeitures, and penalties	-	-	7	7
Use of money and property:				
Interest	1,881	1,881	3,524	1,643
Rents and concessions	-	-	10	10
Aid from other governmental agencies:				
Federal	26,191	26,191	15,385	(10,806)
State	31,518	31,518	50,823	19,305
Other	-	21,153	8,050	(13,103)
Charges for current services	81,353	50,875	35,947	(14,928)
Other revenue	71,316	47,098	7,594	(39,504)
Total revenues	232,959	199,416	134,977	(64,439)
EXPENDITURES:				
Current:				
Public protection	2,480	2,928	2,742	(186)
Public ways and facilities	231,384	225,267	130,505	(94,762)
Debt service:				
Principal	-	1,533	1,533	-
Interest	-	183	183	-
Total expenditures	233,864	229,911	134,963	(94,948)
Excess (deficiency) of revenues over (under) expenditures	(905)	(30,495)	14	30,509
OTHER FINANCING SOURCES (USES):				
Transfers in	-	40,530	40,530	-
Transfers out	-	(13,920)	(13,920)	-
Total other financing sources and (uses)	-	26,610	26,610	-
NET CHANGE IN FUND BALANCE	(905)	(3,885)	26,624	30,509
Fund balance, beginning of year	68,963	68,963	68,963	-
FUND BALANCE, END OF YEAR	$ 68,058	$ 65,078	$ 95,587	$ 30,509

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Flood Control Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 49,223	$ 49,223	$ 53,629	$ 4,406
Use of money and property:				
Interest	5,860	5,860	8,114	2,254
Rents and concessions	129	129	148	19
Aid from other governmental agencies:				
Federal	-	-	463	463
State	671	671	652	(19)
Charges for services	13,561	13,561	8,542	(5,019)
Other revenue	19,720	19,725	5,141	(14,584)
Total revenues	89,164	89,169	76,689	(12,480)
EXPENDITURES:				
Current:				
Public protection	112,397	111,913	43,895	(68,018)
Total expenditures	112,397	111,913	43,895	(68,018)
Excess (deficiency) of revenues over (under) expenditures	(23,233)	(22,744)	32,794	55,538
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(489)	(489)	-
Total other financing sources (uses)	-	(489)	(489)	-
NET CHANGE IN FUND BALANCE	(23,233)	(23,233)	32,305	55,538
Fund balance, beginning of year	167,120	167,120	167,120	-
FUND BALANCE, END OF YEAR	$ 143,887	$ 143,887	$ 199,425	$ 55,538

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 70,685	$ 70,685	$ 69,027	$ (1,658)
Fines, forfeitures, and penalties	510	510	504	(6)
Use of money and property:				
Interest	80	80	289	209
Rents and concessions	785	785	815	30
Aid from other governmental agencies:				
Federal	73,853	74,131	51,600	(22,531)
State	5,401	5,487	5,671	184
Charges for current services	23,868	3,379	926	(2,453)
Other revenue	31,148	24,095	21,803	(2,292)
Total revenues	206,330	179,152	150,635	(28,517)
EXPENDITURES:				
Current:				
General government	41,629	39,917	28,818	(11,099)
Public protection	71,130	1,585	-	(1,585)
Health and sanitation	2,658	2,550	2,233	(317)
Public assistance	72,388	63,705	43,172	(20,533)
Education	22,876	21,922	17,443	(4,479)
Debt service:				
Principal	1,740	783	455	(328)
Total expenditures	212,421	130,462	92,121	(38,341)
Excess (deficiency) of revenues over (under) expenditures	(6,091)	48,690	58,514	9,824
OTHER FINANCING SOURCES (USES):				
Transfers in	-	28,959	28,959	-
Transfers out	-	(84,218)	(84,218)	-
Total other financing sources and (uses)	-	(55,259)	(55,259)	-
NET CHANGE IN FUND BALANCE	(6,091)	(6,569)	3,255	9,824
Fund balance, beginning of year	28,269	28,269	28,269	-
FUND BALANCE, END OF YEAR	$ 22,178	$ 21,700	$ 31,524	$ 9,824

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 14,935	$ 14,935	$ 19,951	$ 5,016
Use of money and property:				
Interest	1,695	1,695	2,281	586
Other revenue	29,793	30,543	325	(30,218)
Total revenues	46,423	47,173	22,557	(24,616)
EXPENDITURES:				
Current:				
General government	46,424	37,580	21,226	(16,354)
Total expenditures	46,424	37,580	21,226	(16,354)
Excess (deficiency) of revenues over (under) expenditures	(1)	9,593	1,331	(8,262)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(9,594)	(9,594)	-
Total other financing sources and (uses)	-	(9,594)	(9,594)	-
NET CHANGE IN FUND BALANCE	(1)	(1)	(8,263)	(8,262)
Fund balance, beginning of year, as previously reported	99,480	99,480	99,480	-
Adjustments to beginning fund balance	-	-	9,254	9,254
Fund balance, beginning of year, as restated	99,480	99,480	108,734	9,254
FUND BALANCE, END OF YEAR	$ 99,479	$ 99,479	$ 100,471	$ 992

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

County Service Areas Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 1,194	$ 1,194	$ 1,742	$ 548
Use of money and property:				
Interest	311	311	652	341
Rents and concessions	1	1	1	-
Aid from other governmental agencies:				
State	16	16	19	3
Charges for current services	8,003	8,522	9,999	1,477
Other revenue	54	2,198	165	(2,033)
Total revenues	9,579	12,242	12,578	336
EXPENDITURES:				
Current:				
Public protection	283	361	197	(164)
Public ways and facilities	9,844	9,116	5,743	(3,373)
Health and sanitation	775	920	798	(122)
Recreation and cultural services	1,233	875	669	(206)
Total expenditures	12,135	11,272	7,407	(3,865)
Excess (deficiency) of revenues over (under) expenditures	(2,556)	970	5,171	4,201
OTHER FINANCING SOURCES (USES):				
Transfers in	-	283	283	-
Transfers out	-	(3,809)	(3,809)	-
Total other financing sources and (uses)	-	(3,526)	(3,526)	-
NET CHANGE IN FUND BALANCE	(2,556)	(2,556)	1,645	4,201
Fund balance, beginning of year	15,623	15,623	15,623	-
FUND BALANCE, END OF YEAR	$ 13,067	$ 13,067	$ 17,268	$ 4,201

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 4,652	$ 4,652	$ 5,183	$ 531
Use of money and property:				
Interest	285	285	469	184
Rents and concessions	553	553	591	38
Aid from other governmental agencies:				
State	273	273	411	138
Charges for current services	5,694	3,279	3,629	350
Other revenue	1,069	1,136	335	(801)
Total revenues	12,526	10,178	10,618	440
EXPENDITURES:				
Current:				
Public protection	322	164	59	(105)
Recreation and cultural services	12,908	12,949	10,641	(2,308)
Capital outlay	-	-	343	343
Total expenditures	13,230	13,113	11,043	(2,070)
Excess (deficiency) of revenues over (under) expenditures	(704)	(2,935)	(425)	2,510
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,845	2,845	-
Transfers out	-	(1,915)	(1,915)	-
Total other financing sources and (uses)	-	930	930	-
NET CHANGE IN FUND BALANCE	(704)	(2,005)	505	2,510
Fund balance, beginning of year	12,623	12,623	12,623	-
FUND BALANCE, END OF YEAR	$ 11,919	$ 10,618	$ 13,128	$ 2,510

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Air Quality Improvement Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 20	$ 20	$ 56	$ 36
Aid from other governmental agencies:				
State	700	700	651	(49)
Total revenues	720	720	707	(13)
EXPENDITURES:				
Current:				
General government	730	434	258	(176)
Total expenditures	730	434	258	(176)
Excess (deficiency) of revenues over (under) expenditures	(10)	286	449	163
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(296)	(296)	-
Total other financing sources / (uses)	-	(296)	(296)	-
NET CHANGE IN FUND BALANCE	(10)	(10)	153	163
Fund balance, beginning of year	1,257	1,257	1,257	-
FUND BALANCE, END OF YEAR	$ 1,247	$ 1,247	$ 1,410	$ 163

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 25	$ 25
Aid from other governmental agencies:				
Federal	1,410	1,410	1,666	256
State	1,458	1,458	442	(1,016)
Other revenue	911	455	-	(455)
Total revenues	3,779	3,323	2,133	(1,190)
EXPENDITURES:				
Current:				
Health and sanitation	3,779	3,271	1,984	(1,287)
Total expenditures	3,779	3,271	1,984	(1,287)
Excess (deficiency) of revenues over (under) expenditures	-	52	149	97
OTHER FINANCING SOURCES (USES):				
Transfers in	-	456	456	-
Transfers out	-	(508)	(508)	-
Total other financing sources / (uses)	-	(52)	(52)	-
NET CHANGE IN FUND BALANCE	-	-	97	97
Fund balance, beginning of year	1,252	1,252	1,252	-
FUND BALANCE, END OF YEAR	$ 1,252	$ 1,252	$ 1,349	$ 97

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

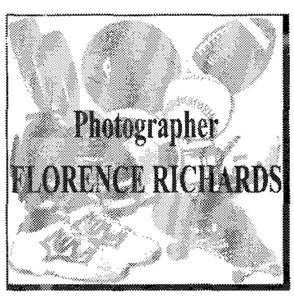
Other Special Revenue Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 827	$ 827	$ 1,001	$ 174
License, permits, and franchise fees	19	19	15	(4)
Fines, forfeitures, and penalties	-	-	730	730
Use of money and property:				
Interest	176	176	717	541
Rents and concessions	6,304	6,345	6,291	(54)
Aid from other governmental agencies:				
Federal	4,750	4,750	1,742	(3,008)
State	1,967	2,032	1,741	(291)
Charges for current services	10,263	9,556	8,811	(745)
Other revenue	1,863	1,882	866	(1,016)
Total revenues	26,169	25,587	21,914	(3,673)
EXPENDITURES:				
Current:				
General government	5,760	5,897	4,272	(1,625)
Public protection	6,295	5,721	4,244	(1,477)
Public ways and facilities	12,960	10,831	6,920	(3,911)
Health and sanitation	1,747	1,720	1,491	(229)
Total expenditures	26,762	24,169	16,927	(7,242)
Excess (deficiency) of revenues over (under) expenditures	(593)	1,418	4,987	3,569
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,031	2,031	-
Transfers out	-	(4,559)	(4,559)	-
Total other financing sources and (uses)	-	(2,528)	(2,528)	-
NET CHANGE IN FUND BALANCE	(593)	(1,110)	2,459	3,569
Fund balance, beginning of year	15,854	15,854	15,854	-
FUND BALANCE, END OF YEAR	$ 15,261	$ 14,744	$ 18,313	$ 3,569

DEBT SERVICE FUNDS



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COUNTY OF RIVERSIDE

DEBT SERVICE FUNDS

These funds are used to account for the accumulation of resources and payment of long-term debt principal and interest.

COUNTY OF RIVERSIDE ASSET LEASING CORPORATION (CORAL)

CORAL is a non-profit public benefit corporation established to assist the County of Riverside by acquiring equipment and facilities financed from the proceeds of borrowing and leasing such equipment and facilities to the County.

REDEVELOPMENT AGENCY

This fund receives tax increment revenue to pay principal and interest for Redevelopment Agency tax allocation bonds. These bonds are legal obligations of the Redevelopment Agency and were issued to finance construction of infrastructure and public facilities with various project areas.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT FINANCING CORPORATION)

District Court Project 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 Employee's Retirement System (CalPERS).

INLAND EMPIRE TOBACCO SECURITIZATION AUTHORITY

The Inland Empire Tobacco Securitization Authority was established to assist the County of Riverside in the construction of certain capital projects, financed from the proceeds of the tobacco settlement revenues.

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2008
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court
ASSETS:				
Cash and investments	$ -	$ 42,150	$ -	$ -
Accounts receivable	-	4,224	-	-
Interest receivable	197	359	1	8
Due from other governments	-	-	-	-
Restricted cash and investments	42,103	-	859	6,356
Total assets	42,300	46,733	860	6,364
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	64	3,531	-	-
Deferred revenue	-	-	-	-
Total liabilities	64	3,531	-	-
Fund balances (Note 14):				
Reserved	42,236	43,202	860	6,364
Total fund balances	42,236	43,202	860	6,364
Total liabilities and fund balances	$ 42,300	$ 46,733	$ 860	$ 6,364

Pension Obligation	Inland Empire Tobacco Securitization Authority	Total	
			ASSETS:
$ 7,411	$ -	$ 49,561	Cash and investments
2,102	-	6,326	Accounts receivable
199	65	829	Interest receivable
-	4,442	4,442	Due from other governments
-	17,938	67,256	Restricted cash and investments
9,712	22,445	128,414	Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
780	-	4,375	Accounts payable
-	4,442	4,442	Deferred revenue
780	4,442	8,817	Total liabilities
			Fund balances (Note 14):
8,932	18,003	119,597	Reserved
8,932	18,003	119,597	Total fund balances
$ 9,712	$ 22,445	$ 128,414	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court
REVENUES:				
Taxes	$ -	$ 79,805	$ -	$ -
Use of money and property:				
Interest	2,634	1,510	250	189
Rents and concessions	636	-	2,161	2,255
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total revenues	3,270	81,315	2,411	2,444
EXPENDITURES:				
Current:				
General Government	359	21,306	607	418
Debt service:				
Principal	14,197	9,064	1,078	771
Interest	20,662	28,314	728	684
Cost of issuance	1,416	4	-	-
Capital outlay	16	-	-	-
Total expenditures	36,650	58,688	2,413	1,873
Excess (deficiency) of revenues over (under) expenditures	(33,380)	22,627	(2)	571
OTHER FINANCING SOURCES (USES):				
Transfers in	34,537	18,608	186	-
Transfers out	(988)	(27,982)	(21)	-
Issuance of debt	-	-	-	-
Issuance of refunding bonds	31,125	-	-	-
Discount on long-term debt	-	-	-	-
Premium on long-term debt	3,272	-	-	-
Payment to refunded bond escrow agent	(24,290)	-	-	-
Total other financing sources (uses)	43,656	(9,374)	165	-
NET CHANGE IN FUND BALANCES	10,276	13,253	163	571
Fund balances, beginning of year	31,960	29,949	697	5,793
FUND BALANCES, END OF YEAR	$ 42,236	$ 43,202	$ 860	$ 6,364

Pension Obligation	Inland Empire Tobacco Securitization Authority	Total	
			REVENUES:
$ -	$ -	$ 79,805	Taxes
			Use of money and property:
1,309	714	6,606	Interest
-	-	5,052	Rents and concessions
2,389	-	2,389	Charges for services
-	7,084	7,084	Other revenue
3,698	7,798	100,936	Total revenues
			EXPENDITURES:
			Current:
6,783	-	29,473	General government
			Debt service:
4,895	3,785	33,790	Principal
18,820	3,306	72,514	Interest
-	2,448	3,868	Cost of issuance
-	-	16	Capital outlay
30,498	9,539	139,661	Total expenditures
			Excess (deficiency) of revenues
(26,800)	(1,741)	(38,725)	over (under) expenditures
			OTHER FINANCING SOURCES (USES):
30,823	72,009	156,163	Transfers in
-	(343,451)	(372,442)	Transfers out
-	294,084	294,084	Issuance of debt
-	-	31,125	Issuance of refunding bonds
-	(2,898)	(2,898)	Discount on long-term debt
-	-	3,272	Premium on long-term debt
-	-	(24,290)	Payment to refunded bond escrow agent
30,823	19,744	85,014	Total other financing sources (uses)
4,023	18,003	46,289	NET CHANGE IN FUND BALANCES
4,909	-	73,308	Fund balances, beginning of year
$ 8,932	$ 18,003	$ 119,597	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Redevelopment Agency Debt Service Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 58,800	$ 88,800	$ 79,805	$ (8,995)
Use of money and property:				
Interest	770	770	1,510	740
Other revenue	5,730	1,622	-	(1,622)
Total revenues	65,300	91,192	81,315	(9,877)
EXPENDITURES:				
Current:				
General government	65,300	44,436	21,306	(23,130)
Debt service:				
Principal	-	9,064	9,064	-
Interest	-	28,314	28,314	-
Cost of issuance	-	4	4	-
Total expenditures	65,300	81,818	58,688	(23,130)
Excess (deficiency) of revenues over (under) expenditures	-	9,374	22,627	13,253
OTHER FINANCING SOURCES (USES):				
Transfers in	-	18,608	18,608	-
Transfers out	-	(27,982)	(27,982)	-
Total other financing sources and (uses)	-	(9,374)	(9,374)	-
NET CHANGE IN FUND BALANCE	-	-	13,253	13,253
Fund balance, beginning of year	29,949	29,949	29,949	-
FUND BALANCE, END OF YEAR	$ 29,949	$ 29,949	$ 43,202	$ 13,253

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 250	$ 1,309	$ 1,059
Charges for current services	-	-	2,389	2,389
Total revenues	250	250	3,698	3,448
EXPENDITURES:				
Current:				
General government	30,965	7,250	6,783	(467)
Debt service:				
Principal	-	4,895	4,895	-
Interest	-	18,820	18,820	-
Total expenditures	30,965	30,965	30,498	(467)
Excess (deficiency) of revenues over (under) expenditures	(30,715)	(30,715)	(26,800)	3,915
OTHER FINANCING SOURCES (USES):				
Transfers in	30,715	30,715	30,823	108
Total other financing sources and (uses)	30,715	30,715	30,823	108
NET CHANGE IN FUND BALANCE	-	-	4,023	4,023
Fund balance, beginning of year	4,909	4,909	4,909	-
FUND BALANCE, END OF YEAR	$ 4,909	$ 4,909	$ 8,932	$ 4,023

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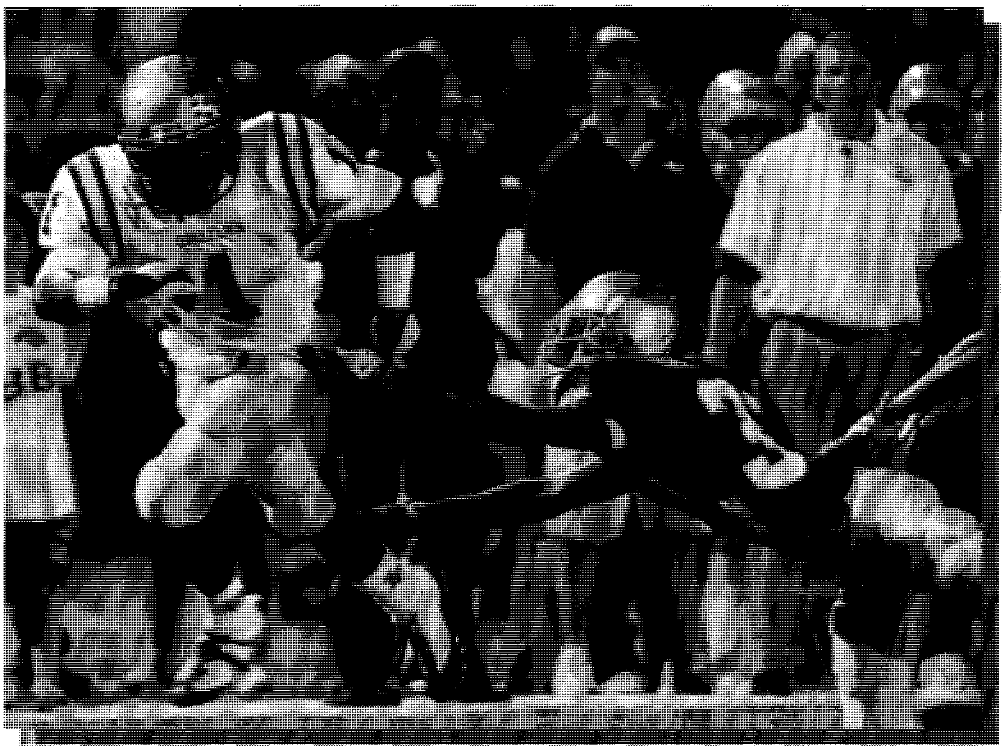
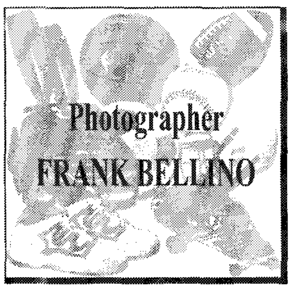
CAPITAL PROJECTS FUNDS





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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.

COUNTY OF RIVERSIDE DISTRICT COURT FINANCING CORPORATION (DISTRICT COURT FINANCING CORPORATION)

District Court Project 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.

REGIONAL PARK AND OPEN-SPACE

The Regional Park and Open-Space District is a special district established to provide legal authority and expanded opportunity for open space acquisition and management. The District's creation allowed for the transfer of regional park responsibility from the County to the District.

COUNTY OF RIVERSIDE ENTERPRISE SOLUTIONS FOR PROPERTY TAXATION (CREST)

The Assessor, Auditor, 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, 2008
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	District Court Financing Corporation
ASSETS:				
Cash and investments	$ 1,327	$ -	$ 36	$ -
Interest receivable	-	17	1	-
Due from other governments	-	-	-	-
Prepaid items	10,444	-	-	-
Restricted cash and investments	-	93,569	-	-
Total assets	11,771	93,586	37	-
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	196	1,677	14	-
Salaries and benefits payable	236	-	-	-
Due to other funds	-	719	-	-
Advances from other funds	-	-	-	-
Total liabilities	432	2,396	14	-
Fund balances (Note 14):				
Reserved	11,339	91,190	23	-
Unreserved:				
Designated	-	-	-	-
Total fund balances	11,339	91,190	23	-
Total liabilities and fund balances	$ 11,771	$ 93,586	$ 37	$ -

Regional Park and Open-Space	CREST	Total	
			ASSETS:
$ 8,198	$ 2,519	$ 12,080	Cash and investments
63	2	83	Interest receivable
3,556	-	3,556	Due from other governments
550	-	10,994	Prepaid items
-	-	93,569	Restricted cash and investments
12,367	2,521	120,282	Total assets
			LIABILITIES AND FUND BALANCES:
			Liabilities:
230	131	2,248	Accounts payable
-	106	342	Salaries and benefits payable
300	-	1,019	Due to other funds
750	-	750	Advances from other funds
1,280	237	4,359	Total liabilities
			Fund balances (Note 14):
4,152	2,284	108,988	Reserved
			Unreserved:
6,935	-	6,935	Designated
11,087	2,284	115,923	Total fund balances
$ 12,367	$ 2,521	$ 120,282	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Projects Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	District Court Financing Corporation
REVENUES:				
Use of money and property:				
Interest	$ 2	$ 3,550	$ 4	$ 5
Aid from other governmental agencies:				
State	-	-	-	-
Charges for services	-	-	-	-
Other revenue	-	-	-	-
Total revenues	2	3,550	4	5
EXPENDITURES:				
Current:				
General government	4,415	20	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	22,895	85	-
Total expenditures	4,415	22,915	85	-
Excess (deficiency) of revenues over (under) expenditures	(4,413)	(19,365)	(81)	5
OTHER FINANCING SOURCES (USES):				
Transfers in	5,750	988	-	21
Transfers out	(1,270)	(2,728)	-	(187)
Issuance of refunding bonds	-	80,000	-	-
Total other financing sources (uses)	4,480	78,260	-	(166)
NET CHANGE IN FUND BALANCES	67	58,895	(81)	(161)
Fund balances, beginning of year	11,272	32,295	104	161
FUND BALANCES, END OF YEAR	$ 11,339	$ 91,190	$ 23	$ -

Regional Park and Open-Space	CREST	Total	
			REVENUES:
			Use of money and property:
$ 370	$ 3	$ 3,934	Interest
			Aid from other governmental agencies:
4,891	-	4,891	State
-	55	55	Charges for services
124	3	127	Other revenue
5,385	61	9,007	Total revenues
			EXPENDITURES:
			Current:
-	2,477	6,912	General government
131	-	131	Recreation and culture
4,682	-	27,662	Capital outlay
4,813	2,477	34,705	Total expenditures
572	(2,416)	(25,698)	Excess (deficiency) of revenues over (under) expenditures
			OTHER FINANCING SOURCES (USES):
1,250	4,546	12,555	Transfers in
(956)	(306)	(5,447)	Transfers out
-	-	80,000	Issuance of refunding bonds
294	4,240	87,108	Total other financing sources (uses)
866	1,824	61,410	NET CHANGE IN FUND BALANCES
10,221	460	54,513	Fund balances, beginning of year
$ 11,087	$ 2,284	$ 115,923	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 2	$ 2
Other revenue	13,820	8,070	-	(8,070)
Total revenues	13,820	8,070	2	(8,068)
EXPENDITURES:				
Current:				
General government	13,820	13,115	4,415	(8,700)
Total expenditures	13,820	13,115	4,415	(8,700)
Excess (deficiency) of revenues over(under) expenditures	-	(5,045)	(4,413)	632
OTHER FINANCING SOURCES (USES):				
Transfers in	-	5,750	5,750	-
Transfers out	-	(1,270)	(1,270)	-
Total other financing sources and (uses)	-	4,480	4,480	-
NET CHANGE IN FUND BALANCE	-	(565)	67	632
Fund balance, beginning of year	11,272	11,272	11,272	-
FUND BALANCE, END OF YEAR	$ 11,272	$ 10,707	$ 11,339	$ 632

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Flood Control Capital Projects Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 8	$ 8	$ 4	$ (4)
Other revenue	4,200	4,200	-	(4,200)
Total revenues	4,208	4,208	4	(4,204)
EXPENDITURES:				
Capital outlay	4,200	4,200	85	(4,115)
Total expenditures	4,200	4,200	85	(4,115)
Excess (deficiency) of revenues over(under) expenditures	8	8	(81)	(89)
Fund balance, beginning of year	104	104	104	-
FUND BALANCE, END OF YEAR	$ 112	$ 112	$ 23	$ (89)

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule

Regional Park and Open-Space District Capital Projects Fund

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 267	$ 267	$ 370	$ 103
Aid from other governmental agencies:				
State	11,018	10,907	4,891	(6,016)
Other revenue	17,226	26,215	124	(26,091)
Total revenues	28,511	37,389	5,385	(32,004)
EXPENDITURES:				
Current:				
Recreation and cultural services	29,019	34,453	131	(34,322)
Capital outlay	-	4,849	4,682	(167)
Total expenditures	29,019	39,302	4,813	(34,489)
Excess (deficiency) of revenues over (under) expenditures	(508)	(1,913)	572	2,485
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,250	1,250	-
Transfers out	-	(956)	(956)	-
Total other financing sources and (uses)	-	294	294	-
NET CHANGE IN FUND BALANCE	(508)	(1,619)	866	2,485
Fund balance, beginning of year	10,221	10,221	10,221	-
FUND BALANCE, END OF YEAR	$ 9,713	$ 8,602	$ 11,087	$ 2,485

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 3	$ 3
Charges for current services	-	-	55	55
Other revenue	-	-	3	3
Total revenues	-	-	61	61
EXPENDITURES:				
Current:				
General government	4,240	4,240	2,477	(1,763)
Total expenditures	4,240	4,240	2,477	(1,763)
Excess (deficiency) of revenues over(under) expenditures	(4,240)	(4,240)	(2,416)	1,824
OTHER FINANCING SOURCES (USES):				
Transfers in	4,546	4,546	4,546	-
Transfers out	(306)	(306)	(306)	-
Total other financing sources and (uses)	4,240	4,240	4,240	-
NET CHANGE IN FUND BALANCE	-	-	1,824	1,824
Fund balance, beginning of year	460	460	460	-
FUND BALANCE, END OF YEAR	$ 460	$ 460	$ 2,284	$ 1,824

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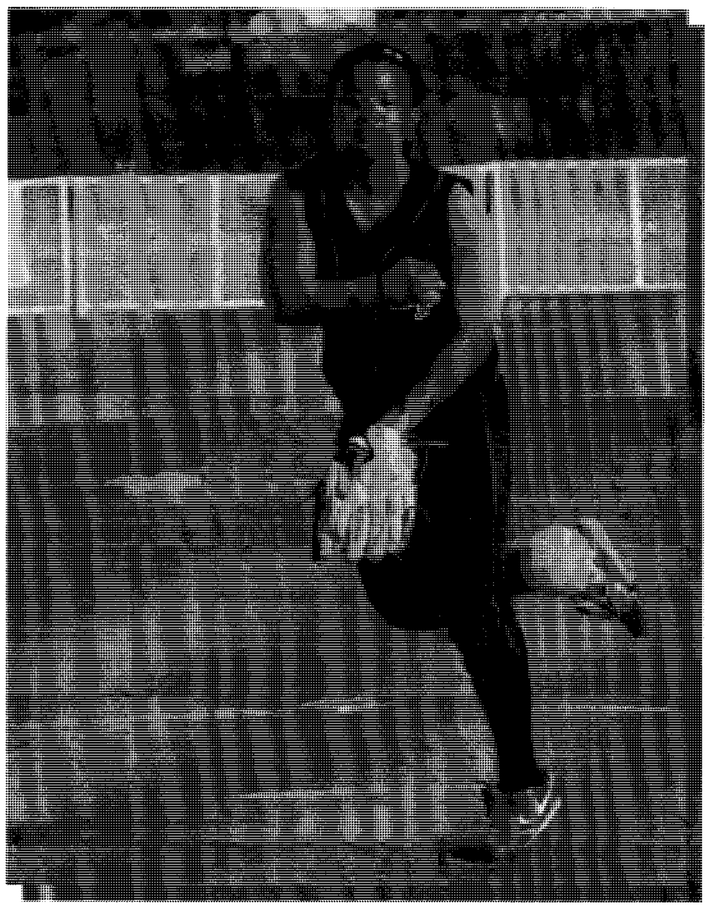
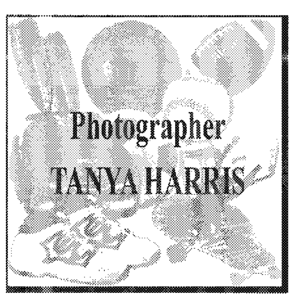
NONMAJOR ENTERPRISE FUNDS





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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 and 122.

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

FLOOD CONTROL
These three funds were established to account for transactions resulting from topographical map sales, subdivision operations, and issuance of encroachment permits.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Nonmajor Enterprise Funds
June 30, 2008
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 381	$ 13,184	$ 2,046	$ 15,611
Accounts receivable-net	-	162	2,932	3,094
Interest receivable	3	-	56	59
Taxes receivable	9	-	-	9
Due from other governments	-	757	5	762
Restricted cash and investments	-	1,681	2,928	4,609
Prepaid items and deposits	-	131	-	131
Total current assets	393	15,915	7,967	24,275
Noncurrent Assets:				
Capital assets:				
Depreciable assets	38	12,757	39	12,834
Nondepreciable assets	-	5,689	-	5,689
Total noncurrent assets	38	18,446	39	18,523
Total assets	431	34,361	8,006	42,798
LIABILITIES:				
Current liabilities:				
Accounts payable	5	1	3,248	3,254
Salaries and benefits payable	-	-	89	89
Interest payable	-	9	-	9
Deposits payable	46	-	-	46
Other liabilities	-	2,243	1,361	3,604
Compensated absences	-	-	53	53
Bonds payable	-	105	-	105
Total current liabilities	51	2,358	4,751	7,160
Noncurrent portion of long-term liabilities:				
Noncurrent Liabilities:				
Compensated absences	-	766	199	965
Bonds payable	-	826	-	826
Other long-term liabilities	-	6,795	-	6,795
Total noncurrent liabilities	-	8,387	199	8,586
Total liabilities	51	10,745	4,950	15,746
NET ASSETS:				
Invested in capital assets, net of related debt	38	17,620	39	17,697
Restricted	62	179	-	241
Unrestricted	280	5,817	3,017	9,114
Total net assets	$ 380	$ 23,616	$ 3,056	$ 27,052

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 344	$ 2,243	$ 4,543	$ 7,130
Other	28	75,264	118	75,410
Total operating revenues	372	77,507	4,661	82,540
OPERATING EXPENSES:				
Personnel services	188	7,498	1,776	9,462
Insurance	2	-	-	2
Maintenance of building and equipment	41	1,890	7	1,938
Supplies	5	-	6	11
Purchased services	11	-	2,293	2,304
Depreciation and amortization	6	1,866	21	1,893
Rents and leases of equipment	8	-	21	29
Public assistance	-	61,682	-	61,682
Utilities	69	503	-	572
Other	11	1,287	22	1,320
Total operating expenses	341	74,726	4,146	79,213
Operating income (loss)	31	2,781	515	3,327
NONOPERATING REVENUES (EXPENSES):				
Investment income	17	403	332	752
Interest expense	(2)	(183)	-	(185)
Gain (loss) on disposal of capital assets	-	657	-	657
Total nonoperating revenues (expenses)	15	877	332	1,224
Income (loss) before transfers	46	3,658	847	4,551
Transfers out	(1)	(157)	-	(158)
CHANGE IN NET ASSETS	45	3,501	847	4,393
Net assets, beginning of year	335	20,115	2,209	22,659
NET ASSETS, END OF YEAR	$ 380	$ 23,616	$ 3,056	$ 27,052

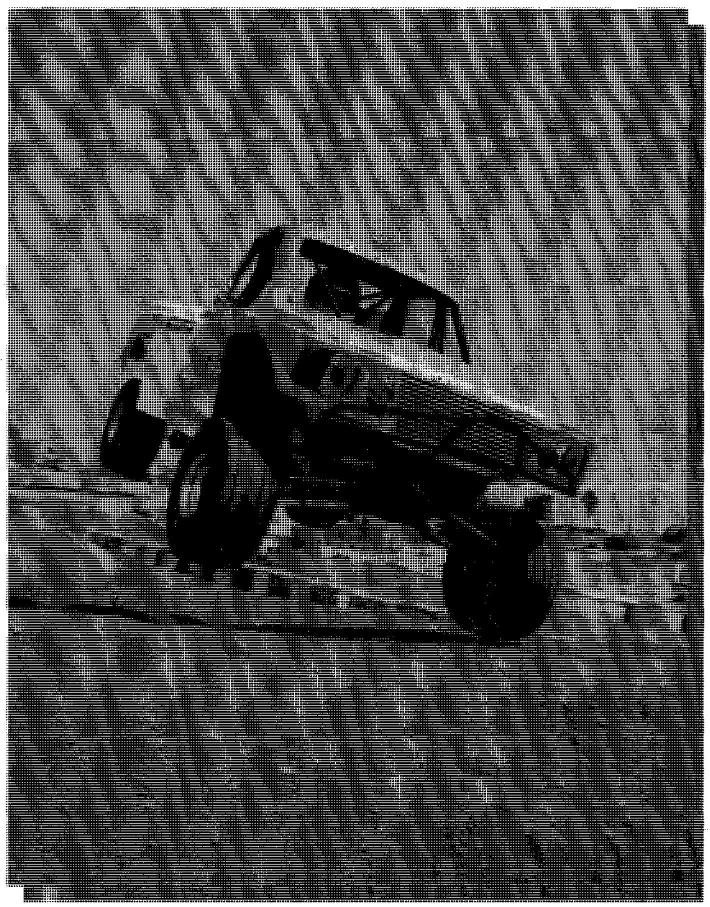
COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2008
(Dollars in Thousands)

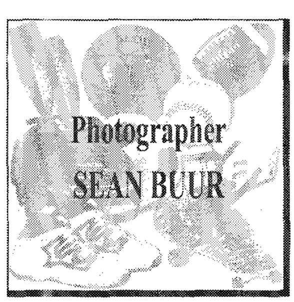
	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 372	$ 80,313	$ 4,168	$ 84,853
Cash paid to suppliers for goods and services	(145)	(65,648)	(1,063)	(66,856)
Cash paid to employees for services	(207)	(7,476)	(1,828)	(9,511)
Net cash provided by (used in) operating activities	20	7,189	1,277	8,486
Cash flows from noncapital financing activities				
Transfers paid	(1)	(157)	-	(158)
Net cash provided by (used in) noncapital financing activities	(1)	(157)	-	(158)
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	-	657	-	657
Acquisition and construction of capital assets	-	(949)	(6)	(955)
Principal paid on bonds payable	-	(30)	-	(30)
Interest paid on long-term debt	(2)	(184)	-	(186)
Net cash used in capital and related financing activities	(2)	(506)	(6)	(514)
Cash flows from investing activities				
Interest received on investments	18	403	360	781
Net cash provided by investing activities	18	403	360	781
Net increase (decrease) in cash and cash equivalents	35	6,929	1,631	8,595
Cash and cash equivalents, beginning of year	346	7,936	3,343	11,625
Cash and cash equivalents, end of year	$ 381	$ 14,865	$ 4,974	$ 20,220

Reconciliation of operating income to net cash provided (used) by operating activities

	County Service Areas	Housing Authority	Flood Control	Total
Operating income (loss)	$ 31	$ 2,781	$ 515	$ 3,327
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	6	1,866	21	1,893
Decrease (Increase) accounts receivable	-	4	(513)	(509)
Decrease (Increase) due from other governments	-	2,802	20	2,822
Decrease (Increase) prepaid items and deposits	-	(99)	-	(99)
Increase (Decrease) accounts payable	2	1	376	379
Increase (Decrease) other liabilities	-	(188)	910	722
Increase (Decrease) salaries and benefits payable	(7)	-	(14)	(21)
Increase (Decrease) compensated absences	(12)	22	(38)	(28)
Net cash provided by (used in) operating activities	$ 20	$ 7,189	$ 1,277	$ 8,486

INTERNAL SERVICE FUNDS





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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 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.

FLOOD CONTROL EQUIPMENT

These funds were established to account for the financing of flood control equipment provided to other departments on a cost-reimbursement basis.

COUNTY OF RIVERSIDE
Combining Statement of Net Assets
Internal Service Funds
June 30, 2008
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
ASSETS:					
Current assets:					
Cash and investments	$ 1,030	$ 9,132	$ 17,010	$ 2,362	$ 4,265
Accounts receivable-net	24	57	-	181	-
Interest receivable	6	32	83	10	16
Due from other government	-	126	-	225	5
Advance to other funds	-	150	-	-	-
Inventories	-	644	823	248	477
Due from other funds	-	14	-	6	6
Restricted cash and investments	-	-	-	-	-
Prepaid items and deposits	-	-	-	11	-
Total current assets	1,060	10,155	17,916	3,043	4,769
Noncurrent assets:					
Capital assets:					
Depreciable assets	88	39,772	7,526	1,337	295
Non depreciable assets	-	1,248	-	-	-
Total noncurrent assets	88	41,020	7,526	1,337	295
Total assets	1,148	51,175	25,442	4,380	5,064
LIABILITIES:					
Current liabilities:					
Accounts payable	7	5,581	3,831	22	1,199
Salaries and benefits payable	113	286	1,368	140	49
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	5
Other liabilities	-	2,875	-	-	-
Compensated absences	102	233	1,171	91	26
Capital lease obligation	-	11,769	886	244	-
Estimated claims liability	-	-	-	-	-
Total current liabilities	222	20,744	7,256	497	1,279
Noncurrent liabilities:					
Compensated absences	57	207	1,081	15	15
Advance from other funds	-	-	-	150	-
Capital lease obligation	-	17,062	2,059	706	-
Estimated claims liabilities	-	-	-	-	-
Other long-term liabilities	-	1,500	-	-	-
Total noncurrent liabilities	57	18,769	3,140	871	15
Total liabilities	279	39,513	10,396	1,368	1,294
NET ASSETS:					
Invested in capital assets, net of related debt	88	10,689	4,581	387	295
Unrestricted	781	973	10,465	2,625	3,475
Total net assets	$ 869	$ 11,662	$ 15,046	$ 3,012	$ 3,770

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
					ASSETS:
					Current assets:
$ 8,796	$ 192,009	$ 3,617	$ 5,945	$ 244,166	Cash and investments
-	2,845	-	15	3,122	Accounts receivable-net
136	1,331	-	41	1,655	Interest receivable
-	-	-	-	356	Due from other government
-	-	-	-	150	Advance to other funds
-	-	-	331	2,523	Inventories
-	-	-	-	26	Due from other funds
-	-	-	500	500	Restricted cash and investments
-	-	-	-	11	Prepaid items and deposits
8,932	196,185	3,617	6,832	252,509	Total current assets
					Noncurrent assets:
					Capital assets:
4,111	192	9	2,606	55,936	Depreciable assets
-	-	-	-	1,248	Non depreciable assets
4,111	192	9	2,606	57,184	Total noncurrent assets
13,043	196,377	3,626	9,438	309,693	Total assets
					LIABILITIES:
					Current liabilities:
236	8,156	46	173	19,251	Accounts payable
531	1,322	1,513	92	5,414	Salaries and benefits payable
-	136	-	-	136	Due to other funds
-	227	-	82	314	Due to other governments
-	1	-	-	2,876	Other liabilities
344	968	44	61	3,040	Compensated absences
727	-	-	-	13,626	Capital lease obligation
-	38,235	-	-	38,235	Estimated claims liability
1,838	49,045	1,603	408	82,892	Total current liabilities
					Noncurrent liabilities:
474	593	31	229	2,702	Compensated absences
-	-	-	-	150	Advance from other funds
3,112	-	-	-	22,939	Capital lease obligation
-	97,086	-	-	97,086	Estimated claims liabilities
-	-	-	-	1,500	Other long-term liabilities
3,586	97,679	31	229	124,377	Total noncurrent liabilities
5,424	146,724	1,634	637	207,269	Total liabilities
					NET ASSETS:
					Invested in capital assets,
272	192	9	2,606	19,119	net of related debt
7,347	49,461	1,983	6,195	83,305	Unrestricted
$ 7,619	$ 49,653	$ 1,992	$ 8,801	$ 102,424	Total net assets

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 2,608	$ 31,755	$ 37,899	$ 4,337	$ 10,760
Other revenue	-	619	-	3,582	11,678
Total operating revenues	2,608	32,374	37,899	7,919	22,438
OPERATING EXPENSES:					
Cost of materials used	-	2,171	-	-	-
Personnel services	1,669	3,718	18,612	1,894	718
Communications	21	130	1,997	114	43
Insurance	33	54	112	12	18
Maintenance of building and equipment	168	3,915	5,269	486	193
Insurance claims	-	-	-	-	-
Supplies	145	8,489	518	3,738	20,573
Purchased services	122	760	3,192	1,111	424
Depreciation and amortization	11	11,710	2,732	263	36
Rents and leases of equipment	299	33	1,132	4	-
Utilities	38	84	172	1	-
Other	35	216	1,025	69	222
Total operating expenses	2,541	31,280	34,761	7,692	22,227
Operating income (loss)	67	1,094	3,138	227	211
NONOPERATING REVENUES (EXPENSES):					
Investment income	43	137	573	33	30
Interest expense	-	(1,929)	(152)	(7)	-
Gain (loss) on disposal of capital assets	1	(352)	(470)	(20)	-
Total nonoperating revenues (expenses)	44	(2,144)	(49)	6	30
Income (loss) before capital contributions and transfers	111	(1,050)	3,089	233	241
Capital contributions	-	-	-	-	-
Transfers in	-	-	689	-	-
Transfers out	(37)	(85)	(512)	(43)	(16)
CHANGE IN NET ASSETS	74	(1,135)	3,266	190	225
Net assets, beginning of year	795	12,797	11,780	2,822	3,545
NET ASSETS, END OF YEAR	$ 869	$ 11,662	$ 15,046	$ 3,012	$ 3,770

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
					OPERATING REVENUES:
$ 13,269	$ 38,097	$ 29,067	$ 1,476	$ 169,268	Charges for services
-	10,595	7	5,009	31,490	Other revenue
13,269	48,692	29,074	6,485	200,758	Total operating revenues
					OPERATING EXPENSES:
-	-	-	38	2,209	Cost of materials used
7,300	20,373	23,586	2,099	79,969	Personnel services
307	252	71	33	2,968	Communications
19	7,294	13	-	7,555	Insurance
2,598	127	6	552	13,314	Maintenance of building and equipment
-	64,592	-	-	64,592	Insurance claims
179	1,221	181	1,097	36,141	Supplies
1,166	3,639	1,960	864	13,238	Purchased services
1,040	105	22	848	16,767	Depreciation and amortization
632	955	198	2	3,255	Rents and leases of equipment
54	34	15	-	398	Utilities
166	1,010	242	557	3,542	Other
13,461	99,602	26,294	6,090	243,948	Total operating expenses
(192)	(50,910)	2,780	395	(43,190)	Operating income (loss)
					NONOPERATING REVENUES (EXPENSES):
422	8,271	4	253	9,766	Investment income
-	-	-	-	(2,088)	Interest expense
-	-	-	44	(797)	Gain (loss) on disposal of capital assets
422	8,271	4	297	6,881	Total nonoperating revenues (expenses)
230	(42,639)	2,784	692	(36,309)	Income (loss) before capital contributions and transfers
-	50,346	-	-	50,346	Capital contributions
-	3,134	-	489	4,312	Transfers in
(174)	(3,048)	(1,512)	-	(5,427)	Transfers out
56	7,793	1,272	1,181	12,922	CHANGE IN NET ASSETS
7,563	41,860	720	7,620	89,502	Net assets, beginning of year
$ 7,619	$ 49,653	$ 1,992	$ 8,801	$ 102,424	NET ASSETS, END OF YEAR

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(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	$ 2,604	$ 32,283	$ 37,899	$ 7,709	$ 22,429
Cash paid to suppliers for goods and services	(854)	(13,033)	(9,731)	(5,569)	(20,566)
Cash paid to employees for services	(1,583)	(3,629)	(18,348)	(1,872)	(707)
Net cash provided by (used in) operating activities	167	15,621	9,820	268	1,156
Cash flows from noncapital financing activities					
Advances from other funds	-	-	-	(50)	-
Advances to other funds	-	50	-	-	-
Transfers received	-	-	689	-	-
Transfers paid	(37)	(85)	(512)	(43)	(16)
Net cash provided by (used in) noncapital financing activities	(37)	(35)	177	(93)	(16)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	2	-	-	7	3
Acquisition and construction of capital assets	(36)	(1,582)	(4,975)	-	-
Principal paid on capital leases	-	(9,428)	(1,483)	(142)	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	-	(1,929)	(152)	(7)	-
Net cash used in capital and related financing activities	(34)	(12,939)	(6,610)	(142)	3
Cash flows from investing activities					
Interest received on investments	46	105	594	23	14
Net cash provided by investing activities	46	105	594	23	14
Net increase (decrease) in cash and cash equivalents	142	2,752	3,981	56	1,157
Cash and cash equivalents, beginning of year	888	6,380	13,029	2,306	3,108
Cash and cash equivalents, end of year	$ 1,030	$ 9,132	$ 17,010	$ 2,362	$ 4,265
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 67	$ 1,094	$ 3,138	$ 227	$ 211
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	11	11,710	2,732	263	36
Decrease (Increase) accounts receivable	(4)	22	-	(74)	2
Decrease (Increase) due from other funds	-	(14)	-	(6)	(6)
Decrease (Increase) due from other governments	-	(99)	-	(130)	(5)
Decrease (Increase) inventories	-	(118)	389	36	(84)
Increase (Decrease) accounts payable	7	1,920	3,297	(70)	988
Increase (Decrease) due to other funds	-	-	-	-	-
Increase (Decrease) due to other governments	-	-	-	-	3
Increase (Decrease) other liabilities	-	1,017	-	-	-
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	33	56	186	23	5
Increase (Decrease) compensated absences	53	33	78	(1)	6
Net cash provided by operating activities	$ 167	$ 15,621	$ 9,820	$ 268	$ 1,156
Noncash investing, capital, and financing activities:					
Capital lease obligations		$ 21,103	$ 2,013		

OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total	
					Cash flows from operating activities
$ 13,269	$ 48,278	$ 29,074	$ 6,485	$ 200,030	Cash receipts from internal services provided
(5,037)	(75,604)	(2,782)	(3,096)	(136,272)	Cash paid to suppliers for goods and services
(7,232)	(19,889)	(23,752)	(2,067)	(79,079)	Cash paid to employees for services
1,000	(47,215)	2,540	1,322	(15,321)	Net cash provided by (used in) operating activiti
					Cash flows from noncapital financing activities
-	-	-	-	(50)	Advances from other funds
-	-	-	-	50	Advances to other funds
-	3,134	-	489	4,312	Transfers received
(174)	(3,048)	(1,512)	-	(5,427)	Transfers paid
(174)	86	(1,512)	489	(1,115)	Net cash provided by (used in) noncapital financing activities
					Cash flows from capital and related financing activ
544	5	-	44	605	Proceeds from sale of capital assets
-	(185)	-	(1,174)	(7,952)	Acquisition and construction of capital assets
-	-	-	-	(11,053)	Principal paid on capital leases
-	50,346	-	-	50,346	Capital contributions
-	-	-	-	(2,088)	Interest paid on long-term debt
544	50,166	-	(1,130)	29,858	Net cash used in capital and related financing activities
					Cash flows from investing activities
364	8,813	4	262	10,225	Interest received on investments
364	8,813	4	262	10,225	Net cash provided by investing activities
1,734	11,850	1,032	943	23,647	Net increase (decrease) in cash and cash equivalent
7,062	180,159	2,585	5,502	221,019	Cash and cash equivalents, beginning of year
$ 8,796	$ 192,009	$ 3,617	$ 6,445	$ 244,666	Cash and cash equivalents, end of year
					Reconciliation of operating income to net cash provided (used) by operating activities
$ (192)	$ (50,910)	$ 2,780	$ 395	$ (43,190)	Operating income (loss)
					Adjustments to reconcile operating income to net cash provided (used) by operating activities
1,040	105	22	848	16,767	Depreciation and amortization
-	(598)	-	-	(652)	Decrease (Increase) accounts receivable
-	184	-	-	158	Decrease (Increase) due from other funds
-	-	-	-	(234)	Decrease (Increase) due from other governments
-	-	-	(3)	220	Decrease (Increase) inventories
84	3,072	(42)	50	9,306	Increase (Decrease) accounts payable
-	136	(54)	-	82	Increase (Decrease) due to other funds
-	219	-	-	222	Increase (Decrease) due to other governments
-	-	-	-	1,017	Increase (Decrease) other liabilities
-	93	-	-	93	Increase (Decrease) estimated claims liability
80	216	(112)	6	493	Increase (Decrease) salaries and benefits payable
(12)	268	(54)	26	397	Increase (Decrease) compensated absences
$ 1,000	$ (47,215)	$ 2,540	$ 1,322	$ (15,321)	Net cash provided by operating activities
					Noncash investing, capital, and financing activities:
				$ 23,116	Capital lease obligations

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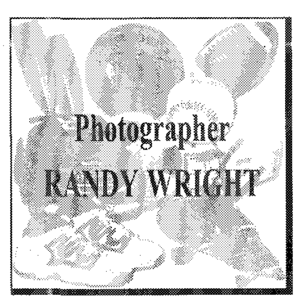
FIDUCIARY FUNDS



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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, 2008
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 197,855	$ 647	$ 62,971	$ 89,384	$ 350,857
Interest receivable	191	25	-	3	219
Taxes receivable	163	-	165,011	-	165,174
Due from other governments	191	-	-	-	191
Total assets	198,400	672	227,982	89,387	516,441
LIABILITIES:					
Accounts payable	127,980	672	1,879	89,387	219,918
Salaries and benefits payable	8	-	-	-	8
Due to other governments	70,412	-	226,103	-	296,515
Total liabilities	$ 198,400	$ 672	$ 227,982	$ 89,387	$ 516,441

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

Agency Funds

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Other				
Assets				
Cash and investments	$ 84,944	$ 4,584,882	$ 4,471,971	$ 197,855
Interest receivable	300	191	300	191
Taxes receivable	125	163	125	163
Due from other governments	164	194	167	191
Total assets	85,533	4,585,430	4,472,563	198,400
Liabilities				
Accounts payable	85,522	460,951	418,493	127,980
Salaries and benefits payable	10	8	10	8
Due to other governments	1	4,125,800	4,055,389	70,412
Total liabilities	$ 85,533	$ 4,586,759	$ 4,473,892	$ 198,400
Payroll Deductions				
Assets				
Cash and investments	$ 771	$ 1,650,946	$ 1,651,070	$ 647
Interest receivable	37	25	37	25
Taxes receivable	16	25	41	-
Total assets	824	1,650,996	1,651,148	672
Liabilities				
Accounts payable	824	997,348	997,500	672
Total liabilities	$ 824	$ 997,348	$ 997,500	$ 672
Property Tax Assessments				
Assets				
Cash and investments	$ 168,382	$ 3,669,893	$ 3,775,304	$ 62,971
Accounts receivable	1	-	1	-
Taxes receivable	113,874	165,011	113,874	165,011
Total assets	282,257	3,834,904	3,889,179	227,982
Liabilities				
Accounts payable	1,394	265,311	264,826	1,879
Due to other governments	280,863	3,376,787	3,431,547	226,103
Total liabilities	$ 282,257	$ 3,642,098	$ 3,696,373	$ 227,982

COUNTY OF RIVERSIDE

Combining Statement of Changes in Fiduciary Assets and Liabilities

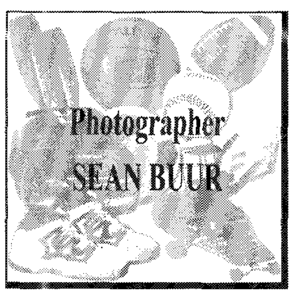
Agency Funds

For the Fiscal Year Ended June 30, 2008

(Dollars in Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Warrants				
Assets				
Cash and investments	$ 96,148	$ 10,364,126	$ 10,370,890	$ 89,384
Interest receivable	5	3	5	3
Taxes receivable	4	-	4	-
Total assets	96,157	10,364,129	10,370,899	89,387
Liabilities				
Accounts payable	96,157	5,847,759	5,854,529	89,387
Total liabilities	$ 96,157	$ 5,847,759	$ 5,854,529	$ 89,387
Total Agency Funds				
Assets				
Cash and investments	$ 350,245	$ 20,269,847	$ 20,269,235	$ 350,857
Accounts receivable	1	-	1	-
Interest receivable	342	219	342	219
Taxes receivable	114,019	165,199	114,044	165,174
Due from other government	164	194	167	191
Total assets	464,771	20,435,459	20,383,789	516,441
Liabilities				
Accounts payable	183,897	7,571,369	7,535,348	219,918
Salaries and benefits payable	10	8	10	8
Due to other government	280,864	7,502,587	7,486,936	296,515
Total liabilities	$ 464,771	$ 15,073,964	$ 15,022,294	$ 516,441

STATISTICAL SECTION



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Statistical Section

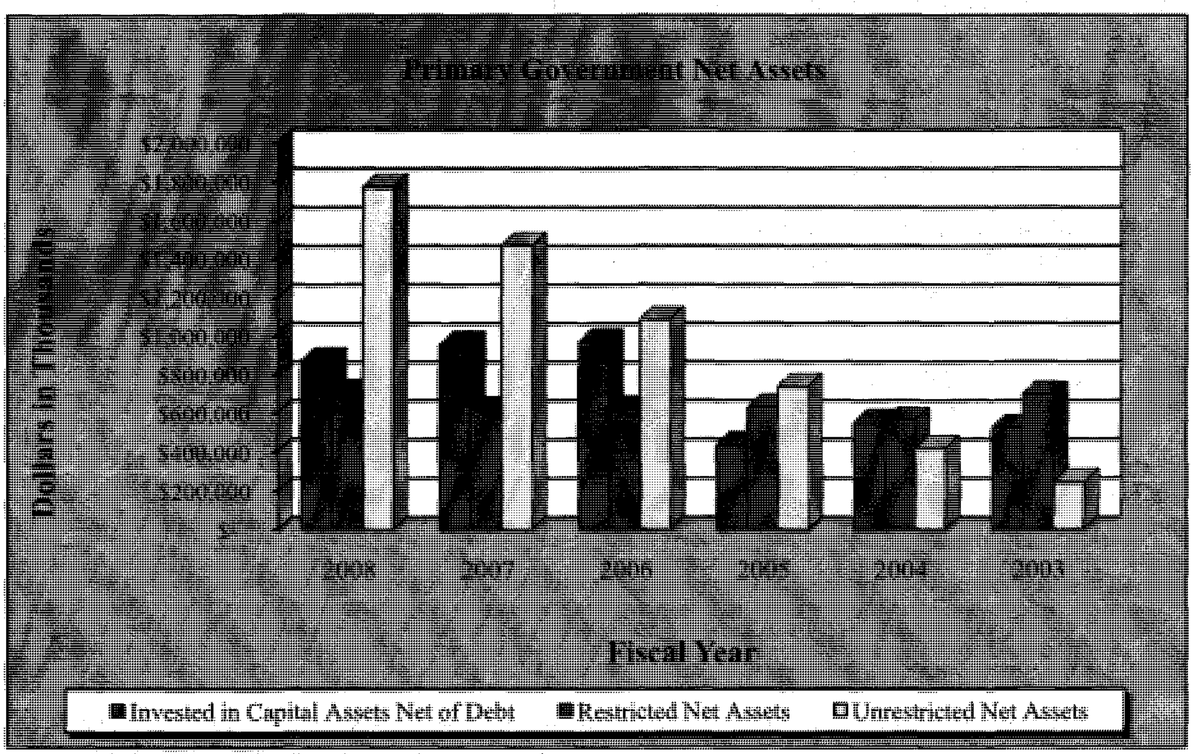
This section of the Riverside County Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

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 34 in FY 2001-2002. Statistical Tables present information for the last six years beginning with the first year after GASB Statement 34 implementation.

Table 1

COUNTY OF RIVERSIDE
Net Assets by Component
Last Six Fiscal Years
(Accrual basis of accounting)
(Dollars in thousands)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
Governmental Activities				
Invested in capital assets, net of related debt	$ 802,981	$ 903,076	$ 930,800	$ 407,762
Restricted	673,866	569,477	582,037	584,441
Unrestricted	1,667,652	1,370,350	999,992	671,917
Governmental activities, total net assets	3,144,499	2,842,903	2,512,829	1,664,120
Business-type Activities				
Invested in capital assets, net of related debt	69,441	53,321	40,986	29,583
Restricted	36,074	50,629	41,287	45,362
Unrestricted	101,683	100,567	85,971	67,502
Business-type activities, total net assets	207,198	204,517	168,244	142,447
Primary Government				
Invested in capital assets, net of related debt	872,422	956,397	971,786	437,345
Restricted	709,940	620,106	623,324	629,803
Unrestricted	1,769,335	1,470,917	1,085,963	739,419
Primary government, total net assets	$ 3,351,697	$ 3,047,420	$ 2,681,073	$ 1,806,567



Source: Auditor-Controller, County of Riverside

Table 1

2004	2003	
		Governmental Activities
$ 524,624	$ 503,294	Invested in capital assets, net of related debt
521,143	662,446	Restricted
387,007	205,952	Unrestricted
1,432,774	1,371,692	Governmental activities, total net assets
		Business-type Activities
25,102	19,972	Invested in capital assets, net of related debt
43,232	33,740	Restricted
31,602	40,096	Unrestricted
99,936	93,808	Business-type activities, total net assets
		Primary Government
549,726	523,266	Invested in capital assets, net of related debt
564,375	696,186	Restricted
418,609	246,048	Unrestricted
$ 1,532,710	$ 1,465,500	Primary government, total net assets

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Six Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
Program Revenues				
Governmental Activities:				
Charges for services	$ 611,605	$ 609,195	$ 575,071	$ 458,992
Operating grants and contributions	1,315,716	1,210,941	1,100,674	983,290
Capital grants and contributions	25,333	48,186	31,001	64,252
Governmental activities program revenues	1,952,654	1,868,322	1,706,746	1,506,534
Business-type Activities:				
Charges for services	479,479	475,611	465,391	480,455
Capital grants and contributions	306	261	227	-
Business-type activities program revenues	479,785	475,872	465,618	480,455
Primary government program revenues	2,432,439	2,344,194	2,172,364	1,986,989
Expenses				
Governmental Activities:				
General government	331,741	296,917	259,993	187,911
Public protection	1,122,370	935,550	801,044	792,287
Public ways and facilities	209,019	57,578	61,443	79,649
Health and sanitation	330,206	350,082	350,451	290,001
Public assistance	564,318	688,213	634,522	552,298
Education	17,977	14,847	11,168	10,112
Recreation and cultural	12,457	11,941	7,188	8,617
Interest on long-term debt	96,173	81,197	75,721	48,717
Governmental activities expenses	2,684,261	2,436,325	2,201,530	1,969,592
Business-type Activities:				
Regional Medical Center	353,481	329,128	290,962	356,255
Waste Management Department	64,538	60,772	66,453	55,563
Housing Authority	74,252	70,218	62,909	62,206
Flood Control	5,201	6,242	5,705	4,928
County Service Areas	343	329	285	320
Business-type activities expense	497,815	466,689	426,314	479,272
Primary government expenses	3,182,076	2,903,014	2,627,844	2,448,864
Net (expense)/revenue				
Governmental activities	(731,607)	(568,003)	(494,784)	(463,058)
Business-type activities	(18,030)	9,183	39,304	1,183
Primary government, net (expense) / revenue	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)

2004	2003	
		Program Revenues
		Governmental Activities:
$ 436,029	$ 393,482	Charges for services
1,086,456	1,050,230	Operating grants and contributions
33,041	32,537	Capital grants and contributions
1,555,526	1,476,249	Governmental activities program revenues
		Business-type Activities:
385,028	299,419	Charges for services
125	9,712	Capital grants and contributions
385,153	309,131	Business-type activities program revenues
1,940,679	1,785,380	Primary government program revenues
		Expenses
		Governmental Activities:
232,322	183,132	General government
710,053	620,663	Public protection
93,529	87,092	Public ways and facilities
376,338	330,830	Health and sanitation
590,719	588,502	Public assistance
10,280	8,609	Education
9,666	8,842	Recreation and cultural
29,890	33,666	Interest on long-term debt
2,052,797	1,861,336	Governmental activities expenses
		Business-type Activities:
296,227	228,339	Regional Medical Center
40,056	36,579	Waste Management Department
61,599	57,977	Housing Authority
4,318	2,054	Flood Control
329	294	County Service Areas
402,529	325,243	Business-type activities expense
2,455,326	2,186,579	Primary government expenses
		Net (expense)/revenue
(497,271)	(385,087)	Governmental activities
(17,376)	(16,112)	Business-type activities
$ (514,647)	$ (401,199)	Primary government, net (expense) / revenue

Continued

Table 2

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Six Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
Continued:				
Primary government, net (expense) / revenue	$ (749,637)	$ (558,820)	$ (455,480)	$ (461,875)
General Revenues and				
Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Property taxes	506,327	462,817	396,167	314,666
Sales tax and use tax	40,985	51,093	44,286	33,091
Other taxes	15,898	16,865	15,603	13,885
Intergovernmental revenue -				
not restricted to programs:				
Motor vehicle in-lieu taxes	274,282	245,723	220,190	172,265
Fines, forfeitures, and penalties	-	-	-	70,578
Investment earnings	138,071	122,517	78,288	39,907
Proceeds on sale of capital assets	-	-	-	-
Other	85,924	13,191	96,265	99,330
Transfers	(10,322)	(16,892)	19,888	(31,000)
Governmental activities	1,051,165	895,314	870,687	712,722
Business-type Activities:				
Investment earnings	10,389	10,198	6,381	4,234
Gain on sale of capital assets	-	-	-	346
Transfers	10,322	16,892	(19,888)	31,000
Business-type activities	20,711	27,090	(13,507)	35,580
Total primary government	1,071,876	922,404	857,180	748,302
Change in net assets				
Governmental activities	319,558	327,311	375,903	249,664
Business-type activities	2,681	36,273	25,797	36,763
Primary government change in net assets	$ 322,239	$ 363,584	$ 401,700	$ 286,427

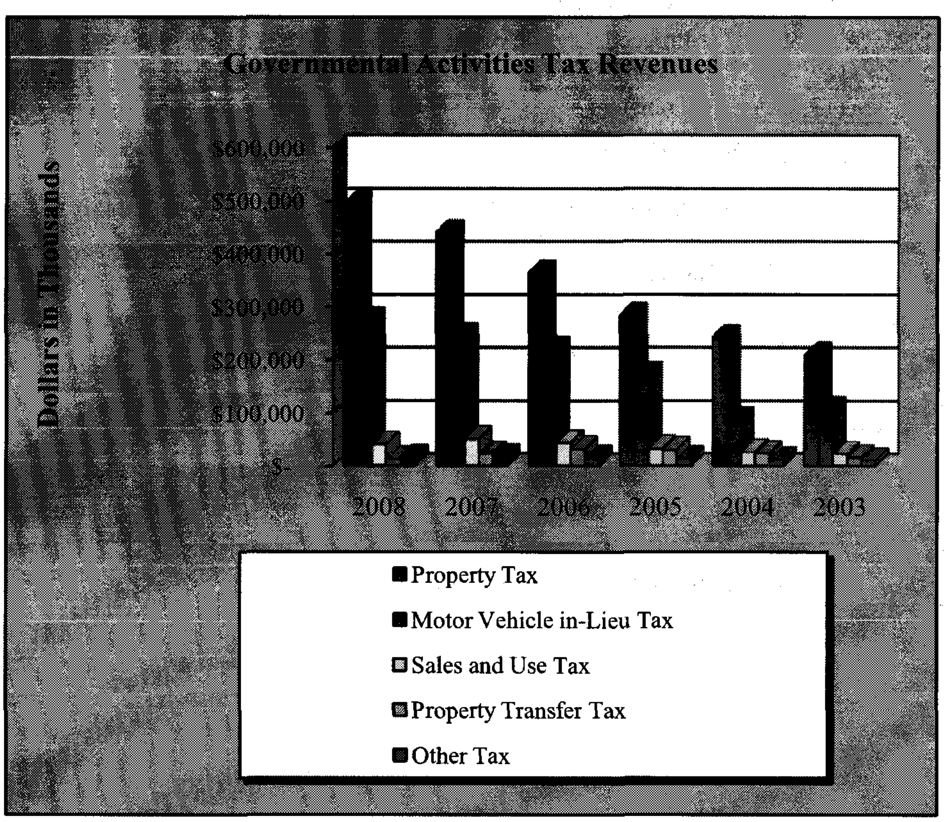
Source: Auditor-Controller, County of Riverside

2004	2003	
		Continued:
$ (514,647)	$ (401,199)	Primary government, net (expense) / revenue
		General Revenues and Other Changes in Net Assets
		Governmental Activities:
		Taxes:
266,391	225,775	Property taxes
26,633	22,444	Sales tax and use tax
12,108	10,377	Other taxes
		Intergovernmental revenue - not restricted to programs:
87,435	106,466	Motor vehicle in-lieu taxes
43,344	37,914	Fines, forfeitures, and penalties
16,835	24,909	Investment earnings
1,491	504	Proceeds on sale of capital assets
146,392	117,706	Other
(16,791)	(13,287)	Transfers
583,838	532,808	Governmental activities
		Business-type Activities:
2,505	3,235	Investment earnings
4,208	754	Gain on sale of capital assets
16,791	13,287	Transfers
23,504	17,276	Business-type activities
607,342	550,084	Total primary government
		Change in net assets
86,567	147,721	Governmental activities
6,128	1,164	Business-type activities
$ 92,695	$ 148,885	Primary government change in net assets

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Six Fiscal Years
(Accrual basis of accounting)
(Dollars in Thousands)

Fiscal Year	Property Tax	Property Transfer Tax	Sales and Use Tax	Motor Vehicle In-Lieu Tax	Other Tax	Total
2008	$ 492,849	$ 13,478	$ 40,985	$ 274,282	$ 15,898	$ 837,492
2007	439,981	22,836	51,093	245,723	16,865	776,498
2006	363,407	32,760	44,286	220,190	15,603	676,246
2005	283,660	31,006	33,091	172,265	13,885	533,907
2004	242,647	23,744	26,633	87,435	12,108	392,567
2003	209,979	15,796	22,444	106,466	10,377	365,062



Source: Auditor-Controller, County of Riverside

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Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Six Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year			
	2008	2007	2006	2005
General Fund				
Reserved	$ 84,466	$ 88,233	$ 100,436	$ 121,249
Unreserved, designated	335,630	339,773	277,833	185,014
Unreserved, undesignated	58,672	142,958	68,649	46,191
Total general fund	478,768	570,964	446,918	352,454
Public Facilities Improvements				
Reserved	590,915	256,338	222,983	175,699
Unreserved, undesignated	-	-	-	-
Total public facilities improvements	590,915	256,338	222,983	175,699
Redevelopment Capital Projects				
Reserved	122,036	269,263	88,391	61,460
Unreserved, designated	234,582	118,186	120,313	75,702
Total redevelopment capital projects	356,618	387,449	208,704	137,162
Nonmajor Governmental Funds				
Reserved	335,647	192,566	197,878	149,222
Unreserved, designated reported in:				
Special revenue funds	38,876	187,664	212,407	86,593
Capital projects funds	6,935	9,671	2,056	1,805
Unreserved, undesignated reported in:				
Special revenue funds	332,537	148,361	109,608	197,438
Capital projects funds	-	-	-	-
Total nonmajor governmental funds	713,995	538,262	521,949	435,058
Total all governmental funds	$ 2,140,296	$ 1,753,013	$ 1,400,554	$ 1,100,373

Source: Auditor-Controller, County of Riverside

Table 4

2004	2003	
		General Fund
$ 100,940	$ 103,489	Reserved
70,361	89,011	Unreserved, designated
77,752	26,078	Unreserved, undesignated
249,053	218,578	Total general fund
		Public Facilities Improvements
152,842	146,588	Reserved
184	-	Unreserved, undesignated
153,026	146,588	Total public facilities improvements
		Redevelopment Capital Projects
-	-	Reserved
-	-	Unreserved, designated
-	-	Total redevelopment capital projects
		Nonmajor Governmental Funds
159,413	159,357	Reserved
		Unreserved, designated reported in:
13,041	11,929	Special revenue funds
20,353	5,128	Capital projects funds
		Unreserved, undesignated reported in:
189,570	186,964	Special revenue funds
(8,241)	981	Capital projects funds
374,136	364,359	Total nonmajor governmental funds
$ 776,215	$ 729,525	Total all governmental funds

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Six Fiscal Years
(Modified accrual basis of accounting)
(Dollars in Thousands)

	Fiscal Year			
	2008	**2007**	**2006**	**2005**
Revenues				
Taxes	$ 553,158	$ 523,028	$ 457,117	$ 346,248
Licenses, permits, and franchise fees	24,652	25,981	21,733	22,343
Fines, forfeitures, and penalties	92,029	82,946	62,984	70,578
Use of money and property:				
Interest	128,307	113,789	73,838	37,624
Rents and concessions	15,486	43,171	41,798	39,831
Aid from other governmental agencies:				
Federal	544,587	496,685	451,036	446,628
State	971,299	937,630	830,634	705,289
Other	103,858	89,111	69,042	55,661
Charges for services	447,889	431,676	439,594	383,497
Other revenue	102,132	115,863	110,870	146,800
Total revenues	2,983,397	2,859,880	2,558,646	2,254,499
Expenditures				
General government	409,336	320,254	270,340	250,568
Public protection	1,083,719	972,006	855,133	1,039,822
Public ways and facilities	152,603	157,055	141,017	111,088
Health and sanitation	375,259	348,921	346,738	339,444
Public assistance	747,576	686,295	629,553	652,069
Education	17,907	14,830	11,108	9,889
Recreation and culture	11,647	11,707	12,727	20,058
Debt service:				
Principal	46,483	44,222	45,516	34,452
Interest	91,126	78,204	73,707	46,439
Cost of issuance	3,868	5,565	4,925	9,283
Capital outlay	36,691	58,525	25,639	9,680
Total expenditures	2,976,215	2,697,584	2,416,403	2,522,792
Revenues over (under) expenditures	7,182	162,296	142,243	(268,293)
Other financing sources (uses)				
Transfers in	805,400	313,044	294,835	203,411
Transfers out	(814,607)	(328,624)	(277,680)	(229,835)
Issuance of debt	294,084	34,173	178,750	596,330
Issuance of refunding bonds	111,125	259,600	-	74,200
Discount on long-term debt	(2,898)	-	-	-
Premium on long-term debt	3,272	2,876	857	4,827
Payment to escrow agent	(24,290)	(103,396)	(35,684)	(53,338)
Proceeds from the sale of capital assets	1,159	916	2,064	35
Capital leases	8,670	8,811	7,929	6,616
Total other financing sources (uses)	381,915	187,400	171,071	602,246
Net change in fund balances	$ 389,097	$ 349,696	$ 313,314	$ 333,953
Debt service as a % of non-capital expenditures	5.43%	5.30%	5.70%	3.74%

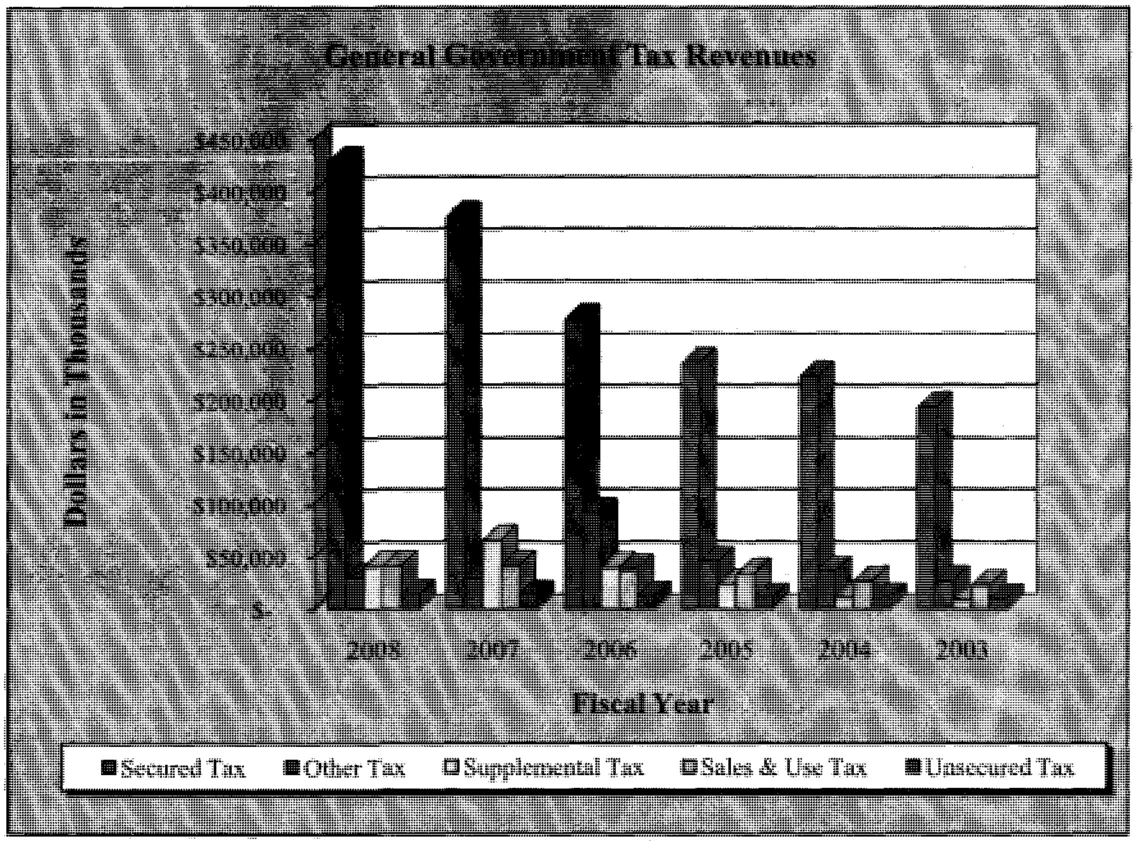
Source: Auditor-Controller, County of Riverside

2004	2003	
		Revenues
$ 305,132	$ 258,596	Taxes
26,418	25,677	Licenses, permits, and franchise fees
43,297	37,241	Fines, forfeitures, and penalties
		Use of money and property:
16,145	23,331	Interest
31,952	39,833	Rents and concessions
		Aid from other governmental agencies:
430,970	428,433	Federal
713,146	696,466	State
46,750	46,099	Other
368,497	327,918	Charges for services
100,404	132,900	Other revenue
2,082,711	2,016,494	Total revenues
		Expenditures
217,416	204,861	General government
677,798	613,781	Public protection
133,973	120,490	Public ways and facilities
365,727	339,123	Health and sanitation
576,267	570,458	Public assistance
10,241	9,261	Education
9,242	10,722	Recreation and culture
		Debt service:
32,118	37,643	Principal
24,523	31,220	Interest
504	-	Cost of issuance
1,604	22,489	Capital outlay
2,049,413	1,960,048	Total expenditures
33,298	56,446	Revenues over (under) expenditures
		Other financing sources (uses)
163,383	58,661	Transfers in
(179,701)	(71,879)	Transfers out
21,645	-	Issuance of debt
		Issuance of refunding bonds
-	-	Discount on long-term debt
-	-	Premium on long-term debt
-	-	Payment to escrow agent
494	-	Proceeds from the sale of capital assets
1,008	8,435	Capital leases
6,829	(4,783)	Total other financing sources (uses)
$ 40,127	$ 51,663	Net change in fund balances
2.89%	3.68%	Debt service as a % of non-capital expenditures

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Six Fiscal Years
(Modified Accrual Basis of Accounting)
(Dollars in Thousands)

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
2008	$ 428,790	$ 13,193	$ 40,815	$ 40,985	$ 29,375	$ 553,158
2007	375,924	12,301	65,537	40,607	28,659	523,028
2006	277,266	11,405	39,661	37,532	91,253	457,117
2005	235,636	9,501	23,129	33,091	44,891	346,248
2004	222,635	9,600	10,411	26,633	35,853	305,132
2003	192,684	9,112	8,182	22,444	26,174	258,596



Source: Auditor-Controller, County of Riverside

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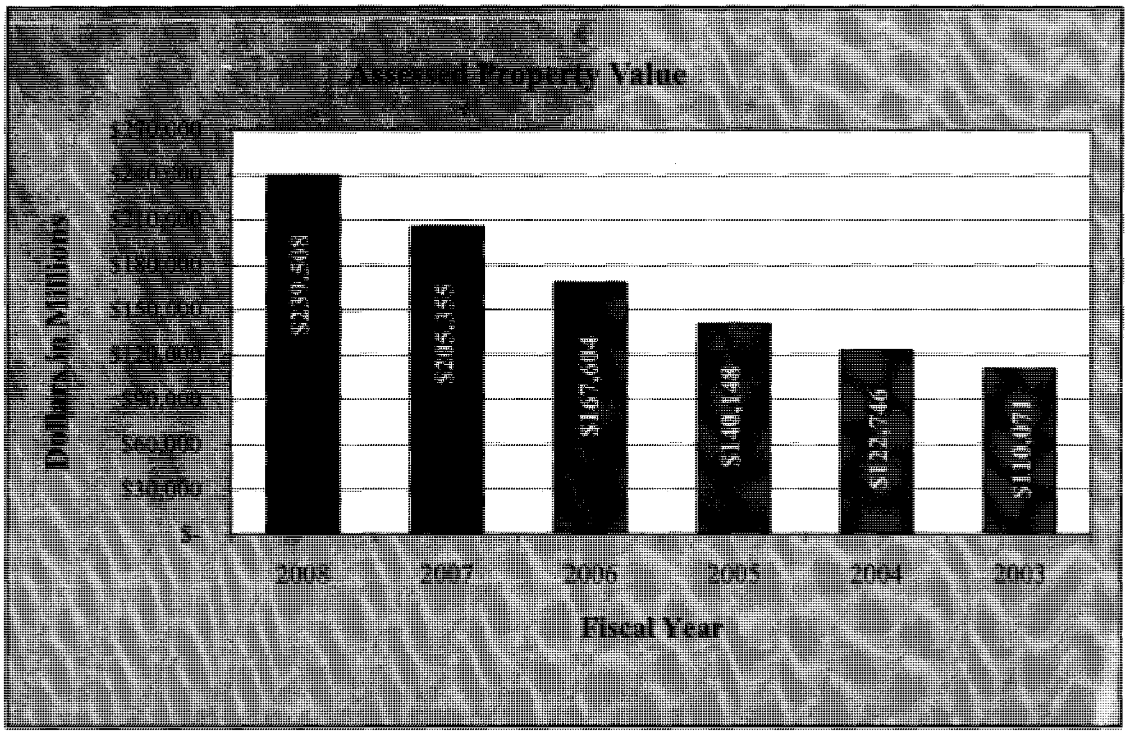
Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Six Fiscal Years
(Dollars in Thousands)

	Fiscal Year			
	2008	2007	2006	2005
Real Property				
Secured property	$ 231,996,185	$ 198,619,682	$ 161,287,719	$ 134,299,740
Unsecured property	7,512,014	6,735,421	6,316,569	5,848,602
Total Gross Assessed Value	239,508,199	205,355,103	167,604,288	140,148,342
Less:				
Tax-exempt real property	5,529,546	5,109,756	4,993,449	4,657,680
Total Taxable Assessed Value	$ 233,978,653	$ 200,245,347	$ 162,610,839	$ 135,490,662
Total Direct Tax Rate	1.0919	1.0772	1.0805	1.0866
Estimated Actual Taxable Value	$ 311,971,537	$ 266,993,796	$ 216,814,452	$ 180,654,216
Assessed Value as a % of Actual Value	76.77%	76.91%	77.30%	77.58%



Source: Assessor-Clerk-Recorder, County of Riverside

2004	2003	
		Real Property
$ 117,379,593	$ 105,080,028	Secured property
5,365,993	4,990,478	Unsecured property
122,745,586	110,070,506	**Total Gross Assessed Value**
		Less:
4,264,442	3,878,514	Tax-exempt real property
$ 118,481,144	$ 106,191,992	**Total Taxable Assessed Value**
1.0771	1.0787	**Total Direct Tax Rate**
$ 157,974,859	$ 141,589,323	**Estimated Actual Taxable Value**
77.70%	77.74%	**Assessed Value as a % of Actual Value**

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Six Fiscal Years

	County of Riverside	Range of Overlapping Rates			
Fiscal Year	Total County Rate	Total City Rate	Total School District Rate	Total Special District Rate	Total Direct & Overlapping Rates
2008	1.00000%	.00178% to .00627%	.00549% to .08521%	0% to .50000%	1% to 1.50000%
2007	1.00000%	.00249% to .00821%	.00578% to .10282%	0% to .54324%	1% to 1.54324%
2006	1.00000%	.00426% to .00861%	.01435% to .10210%	0% to .50997%	1% to 1.50997%
2005	1.00000%	.00529% to .01092%	.01192% to .09581%	0% to .50000%	1% to 1.50000%
2004	1.00000%	0% to .00608%	0% to .09819%	0% to .72543%	1% to 1.72543%
2003	1.00000%	0% to .00792%	0% to .72543%	0% to .71888%	1% to 1.71888%

Note: 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

Tax Payer	Fiscal Year 2008 Taxable Assessed Value	Fiscal Year 2008 Percentage of Total County Taxable Assessed Value	Fiscal Year 1999 Taxable Assessed Value	Fiscal Year 1999 Percentage of Total County Taxable Assessed Value
Centex Homes	$ 13,896	0.46%	$ -	0.00%
So. California Edison Co.	12,524	0.42%	7,411	0.75%
Verizon California Inc.	8,944	0.30%	-	0.00%
KB Home Coastal Inc.	7,972	0.27%	-	0.00%
Lennar Homes of California Inc.	6,106	0.20%	-	0.00%
Pulte Home Corp	4,705	0.16%	-	0.00%
Standard Pacific Corp.	4,683	0.16%	-	0.00%
So. California Gas Co.	4,446	0.15%	3,418	0.35%
KSL Desert Resorts, Inc.	4,442	0.15%	2,618	0.26%
Western Pacific Housing Inc.	3,605	0.12%	-	0.00%
General Telephone Co. of California	-	0.00%	8,535	0.86%
Pacific Bell	-	0.00%	2,962	0.30%
McKenzie Vista	-	0.00%	2,640	0.27%
Secretary of Housing & Urban Development	-	0.00%	2,510	0.25%
Sunrise Desert Partnership	-	0.00%	2,180	0.22%
OTR	-	0.00%	2,069	0.21%
Desert Springs Marriott Ltd Partnership	-	0.00%	1,873	0.19%
Total	$ 71,323	2.39%	$ 36,216	3.65%

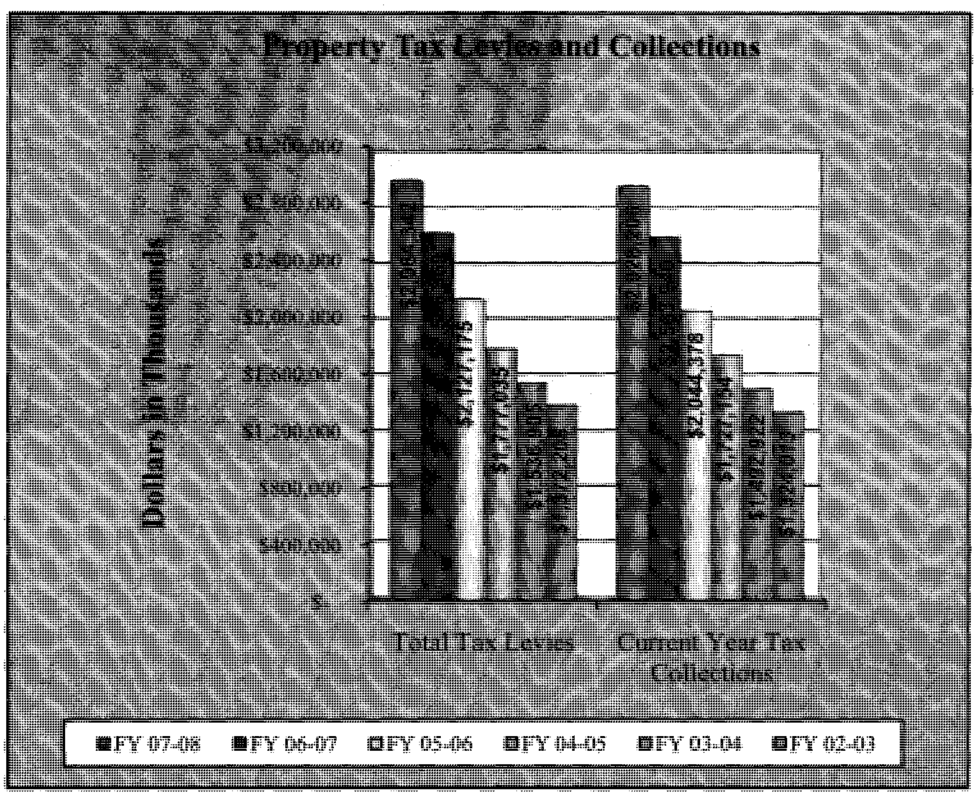
Source: Treasurer-Tax Collector, County of Riverside

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Six Fiscal Years
(Dollars in Thousands)

		Collected within the Fiscal Year of the Levy			Total Collections as of 6/30	
Fiscal Year	**Total Secured Tax Levy for Fiscal Year**	**Amount**	**Percentage of Levy**	**Delinquent* Tax Collections**	**Amount**	**Percentage of Levy**
2008	$ 2,964,342	$ 2,928,206	98.78%	$ 159,726	$ 3,087,932	104.17%
2007	2,596,969	2,563,940	98.73%	86,437	2,650,377	102.06%
2006	2,127,175	2,044,378	96.11%	66,977	2,111,356	99.26%
2005	1,777,035	1,727,154	97.19%	61,220	1,788,374	100.64%
2004	1,536,905	1,492,922	97.14%	67,284	1,560,206	101.52%
2003	1,372,208	1,324,013	96.49%	53,120	1,377,133	100.36%

*Delinquent taxes reported by year of collection; data by levy year unavailable.



Source: Auditor-Controller, County of Riverside

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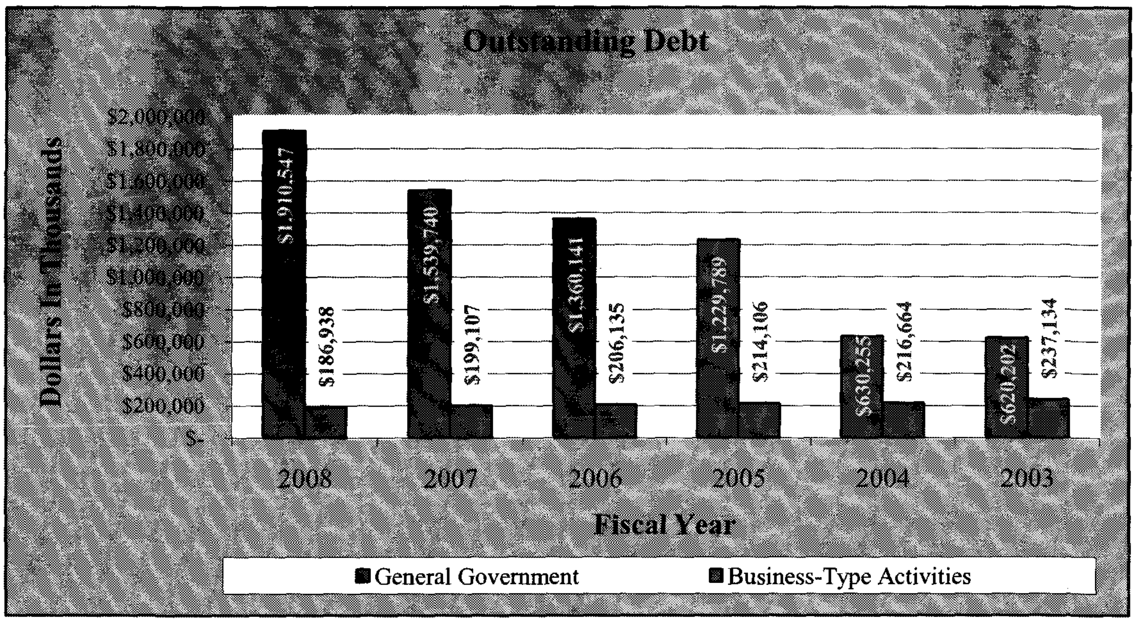
Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Six Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal year			
	2008	2007	2006	2005
General Government				
Bonds	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028
Certificates of participation	408,024	335,866	348,486	325,572
Note and loans	310,809	310,139	113,383	150,344
Capital leases	105,317	87,337	83,829	75,845
Business-Type Activities				
Bonds	170,814	181,263	191,142	200,555
Certificates of participation	-	-	-	1,040
Capital leases	16,124	17,844	14,993	12,511
Total Primary Government	$ 2,097,485	$ 1,738,847	$ 1,566,276	$ 1,443,895
Percentage of Personal Income	3.34%	2.91%	2.81%	2.92%
Per Capita	$ 1,004	$ 856	$ 807	$ 769



Note: Per Capita is an estimate for 2006 and 2007

Source: California State Department of Finance and Auditor-Controller, County of Riverside

2004	2003	
		General Government
$ 91,758	$ 91,758	Bonds
387,869	357,855	Certificates of participation
67,010	68,060	Note and loans
83,618	102,529	Capital leases
		Business-Type Activities
210,558	228,392	Bonds
2,040	3,000	Certificates of participation
4,066	5,742	Capital leases
$ 846,919	$ 857,336	**Total Primary Government**
1.88%	2.01%	**Percentage of Personal Income**
$ 477	$ 499	**Per Capita**

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Six Fiscal Years
(Dollars in Thousands, Except Per Capita Amount)

	Fiscal Year			
	2008	2007	2006	2005
Bonds	$ 1,086,397	$ 806,398	$ 814,443	$ 678,028
Less:				
Amounts available in debt service fund	119,597	73,308	79,935	61,941
Total Net Obligation Bonds Outstanding	$ 966,800	$ 733,090	$ 734,508	$ 616,087
Percentage of Estimated Actual Taxable Value of Property	0.31%	0.27%	0.34%	0.32%
Per Capita	$ 463	$ 361	$ 379	$ 328

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

2004	2003	
$ 91,758	$ 91,758	**Bonds**
		Less:
72,798	133,049	Amounts available in debt service fund
$ 18,960	$ (41,291)	**Total Net Obligation Bonds Outstanding**
0.46%	0.44%	**Percentage of Estimated Actual Taxable Value of Property**
$ 11	$ (24)	**Per Capita**

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008
(Dollars in Thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 8,061,296	86.52%	$ 6,974,899
Subtotal, overlapping debt			6,974,899
County of Riverside direct debt			1,086,397
Total direct and overlapping debt			$ 8,061,296

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 born by the residents and businesses of the County of Riverside. This process resognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden born 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.

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Six Fiscal Years
(Dollars in Thousands)

	Fiscal Year					
	2008	2007	2006	2005	2004	2003
Debt limit	$ 2,966,464	$ 2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307	$ 1,353,391
Total net debt applicable to limit	(966,800)	(733,090)	(603,194)	(616,087)	(635,290)	(620,202)
Legal debt margin	$ 1,999,664	$ 1,865,279	$ 1,522,638	$ 1,119,438	$ 876,017	$ 733,189
Total net debt applicable to the limit as a percentage of debt limit	26.0%	28.2%	28.4%	35.5%	42.0%	45.8%

Legal Debt Margin Calculated for Fiscal Year 2008

Assessed value	$ 239,495,914
Less: Homeowners exemptions	2,178,808
Total assessed value	237,317,106
Debt limit (1.25% of total assessed value)	2,966,464
Debt applicable to limit:	
General obligation bonds	1,086,397
Less: Amount set aside for repayment of general obligation debt	119,597
Total net debt applicable to limit	966,800
Legal debt margin	$ 1,999,664

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

Source: Auditor-Controller, County of Riverside

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Six Fiscal Years
(Dollars in Thousands)

	Lease Revenue Bonds					
Fiscal Year	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2008	$ 60,656	$ 43,790	$ 16,866	$ 12,545	$ 17,116	0.5686
2007	31,046	5,939	25,107	12,115	16,976	0.8631
2006	25,371	785	24,586	11,600	17,355	0.8491
2005	21,601	676	20,925	11,175	17,551	0.7284
2004	20,715	5,586	15,129	9,490	9,418	0.8001
2003	17,008	1,273	15,735	8,300	11,474	0.7957

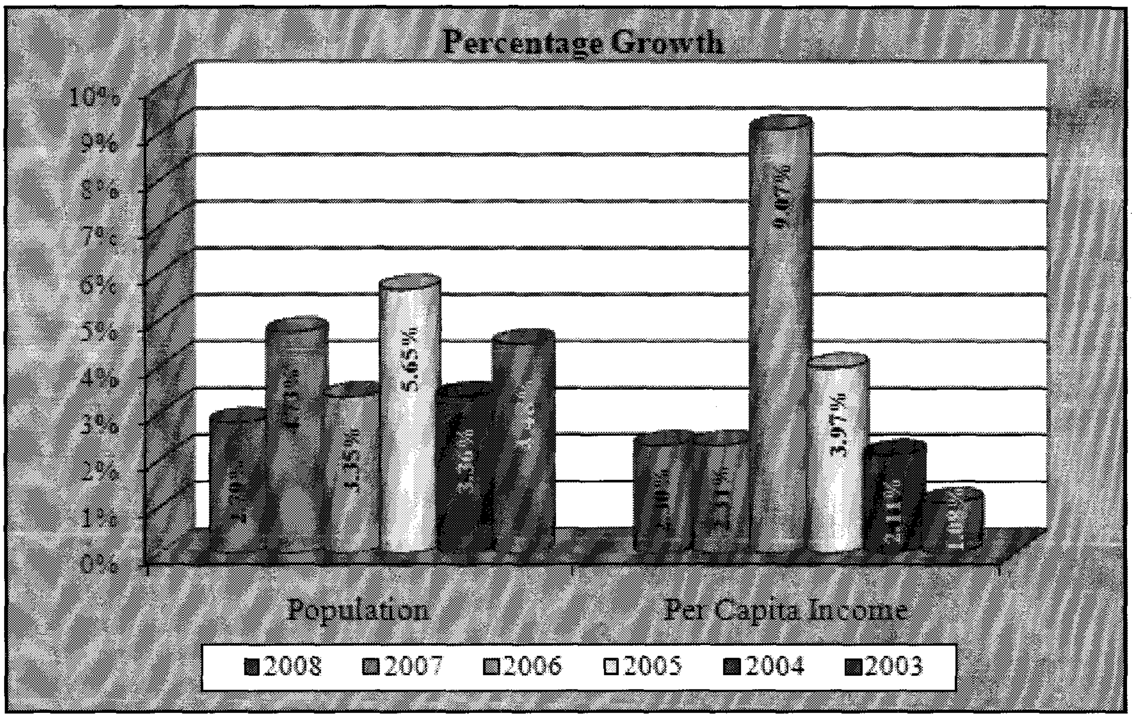
Note: Details regarding the county's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Six Fiscal Years

Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2008	2,088,322	$ 62,304,000 [1]	$ 30,070 [1]	33 [2]	12.2 [2]	420,450	8.40%
2007	2,031,625	59,941,000 [1]	29,393 [1]	33 [2]	12.2 [2]	404,331	5.70%
2006	1,939,814	53,246,505	28,730	33 [2]	12.2 [2]	394,687	5.10%
2005	1,877,000	49,443,185	26,342	33 [2]	12.2 [2]	380,267	5.20%
2004	1,776,700	45,016,790	25,337	33 [2]	12.2 [2]	364,857	5.80%
2003	1,719,000	42,655,266	24,814	33 [2]	12.2 [2]	349,607	6.20%



Notes: [1] Projection based on 11 year running average
[2] Median age and education level based on census 2000

Sources: U.S. Department of Commerce
California State Department of Finance
Riverside County Superintendent of Schools
State of California, Employment Development Department
State Department of Commerce and Labor
Riverside County Progressive Report

Table 17

COUNTY OF RIVERSIDE
Principal Employers
Current Year and Nine Years Ago

	Fiscal Year			
	2008		1999	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	19,595	2.31%	12,808	1.97%
March Air Reserve Base	8,400	0.99%	-	
U. C. Riverside	6,657	0.79%	-	
Stater Brothers Market	6,425	0.76%	4,600	0.71%
Pechanga Resort & Casino	4,800	0.57%	-	
Abbott Vascular	4,500	0.53%	-	
Riverside Unified School District	4,041	0.48%	-	
Riverside Community College District	3,753	0.44%	-	
Kaiser Permanente	3,200	0.38%	2,300	0.35%
Temecula Valley Unified School District	2,952	0.35%	-	
Ralph Grocery Co.	-		2,720	0.42%
Wal-mart Stores, Inc.	-		2,650	0.41%
Fleetwood Enterprises, Inc.	-		2,200	0.34%
Valley Health System	-		2,200	0.34%
Eisenhower Medical Center	-		1,990	0.31%
Marriott Desert springs Resort	-		1,700	0.26%
Guidant corp.	-		1,500	0.23%
Total	64,323	7.59%	34,668	5.33%

Note: Only the top ten employers that provided data to the Business Press are listed for each year.

Source: The Business Press, Riverside, California

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Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Six Fiscal Years

	Full-time Equivalent Employees			
	2008	2007	2006	2005
Function/Program				
General government				
Legislative and administrative	96	92	93	87
Finance	522	477	445	424
Counsel	69	69	58	52
Personnel	216	191	179	160
Elections	40	39	31	34
Communication	10	-	-	-
Property management	468	387	323	305
Promotion	177	168	142	126
Other general	39	-	-	1
Public protection				
Judicial	1,506	1,371	1,204	1,150
Police protection	2,474	2,354	2,113	1,926
Detention and correction	2,174	1,972	1,811	1,748
Fire protection	199	165	145	126
Protection/inspection	114	274	254	233
Other protection	778	541	523	441
Administration	60	50	39	36
Public ways and facilities				
Public ways	532	517	497	488
Health and sanitation				
Health	2,214	2,023	1,939	1,862
Hospital care	30	31	28	30
California children's services	168	159	152	143
Public assistance				
Aid programs	3,297	2,948	2,841	2,796
Veterans' services	13	12	11	10
Other assistance	305	302	283	309
Education, recreation and culture				
Library services	1	1	1	1
Agricultural extension	6	5	5	4
Cultural services	2	2	2	2
County business-type functions				
Hospital care	2,097	1,889	1,680	1,589
Sanitation	206	170	158	149
Internal service	2,202	2,934	2,538	2,147
Special districts/Component units	534	526	540	528
Total	20,549	19,669	18,035	16,907

Source: County of Riverside

2004	2003	Function/Program
		General government
92	93	Legislative and administrative
445	449	Finance
50	50	Counsel
153	144	Personnel
36	39	Elections
11	10	Communication
312	306	Property management
121	110	Promotion
1	1	Other general
		Public protection
1,213	1,260	Judicial
1,914	1,902	Police protection
1,803	1,832	Detention and correction
135	122	Fire protection
216	206	Protection/inspection
446	419	Other protection
37	35	Administration
		Public ways and facilities
491	476	Public ways
		Health and sanitation
1,901	1,929	Health
32	31	Hospital care
127	119	California children's services
		Public assistance
2,744	2,720	Aid programs
10	11	Veterans' services
338	452	Other assistance
		Education, recreation and culture
1	1	Library services
4	5	Agricultural extension
2	-	Cultural services
		County business-type functions
1,526	1,538	Hospital care
130	94	Sanitation
2,305	2,058	**Internal service**
528	514	**Special districts/Component units**
17,124	16,926	**Total**

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Six Fiscal Years

Function/Program			Fiscal year 2008	2007	2006	2005
Sheriff						
	Number of bookings		64,782	61,697	56,926	55,375
	Coroner case load		9,488	9,212	8,943	8,558
	Calls for services	c	300,000	279,415	250,000	240,182
Fire						
	Medical assistance		89,404	89,329	86,129	80,484
	Fires extinguished		5,659	6,372	5,060	14,696
	Other services		19,472	16,310	19,035	10,870
	Communities served		78	78	78	78
Probation						
	Adults on probation	a	17,022	15,974	16,051	13,937
	Juveniles in secure detention	b	293	343	322	310
	Juveniles in treatment facilities	b	113	126	113	98
	Juveniles in detention facilities	a	12,463	14,283	13,218	12,405
Waste Management						
	Landfill tonnage		1,220,124	1,325,284	1,423,469	1,328,935
	Recycling tonnage		3,385	3,048	3,758	2,619
County Library						
	Total circulation - books		3,280,929	2,352,624	2,051,276	2,324,539
	Reference questions answered		426,533	383,428	454,590	430,226
	Patron door count		2,744,576	2,352,403	2,433,646	2,226,360
	Programs offered		5,570	4,546	2,353	2,274
	Program attendance		103,393	80,100	84,994	45,605
Assessor-Clerk-Recorder						
	Assessments		938,462	920,555	896,998	859,413
	Official records recorded		773,308	957,123	1,082,688	1,039,166
	Vital records copies issued		97,427	88,640	82,015	73,379
	Official records copies issued		34,711	35,319	35,691	36,480
County Regional Medical Center						
	Emergency room treatments		82,584	76,666	73,448	68,105
	Emergency room services - MH		7,867	7,624	7,536	8,076
	Clinic visits		124,318	123,479	106,943	109,568
	Admissions		23,433	24,393	22,262	21,723
	Patient days		115,811	112,138	105,203	96,820
	Discharges		23,440	24,430	22,244	21,741
Community Health Agency						
	Facilities inspections		33,009	31,760	32,000	40,642
	Patient visits		149,223	139,885	123,843	135,539
	Patient services		601,889	438,639	369,041	339,095
	Animal impounds		30,305	27,362	29,206	20,467
	Spays and neuters		7,208	5,645	5,806	2,401

Note:
a = Average monthly
b = Average daily
c = Unincorporated areas

Table 19

2004	2003	Function/Program	
		Sheriff	
52,497	49,617		Number of bookings
7,826	7,772		Coroner case load
219,145	206,122		Calls for services
		Fire	
76,601	70,851		Medical assistance
14,816	14,714		Fires extinguished
10,786	10,689		Other services
78	78		Communities served
		Probation	
13,282	11,618		Adults on probation
367	355		Juveniles in secure detention
107	98		Juveniles in treatment facilities
14,435	13,708		Juveniles in detention facilities
		Waste Management	
1,231,767	1,148,312		Landfill tonnage
2,850	2,066		Recycling tonnage
		County Library	
2,222,575	2,293,424		Total circulation - books
423,925	461,598		Reference questions answered
1,447,505	1,621,147		Patrons
3,759	3,588		Programs offered
68,437	61,921		Program attendance
		Assessor-Clerk-Recorder	
831,610	791,348		Assessments
1,019,271	794,257		Official records recorded
68,892	70,071		Vital records copies issued
36,231	33,506		Official records copies issued
		County Regional Medical Center	
66,411	66,136		Emergency room treatments
8,276	8,126		Emergency room services - MH
113,171	118,477		Clinic visits
20,587	19,690		Admissions
92,643	91,114		Patient days
20,554	19,705		Discharges
		Community Health Agency	
38,105	36,546		Facilities inspections
125,936	123,230		Patient visits
376,534	336,909		Patient services
21,307	21,661		Animal impounds
3,080	2,372		Spays and neuters

Table 19

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Six Fiscal Years

Function/Program	Fiscal year 2008	2007	2006	2005
Public Social Services				
CalWORKs clients	22,310	20,336	19,880	20,846
Food stamp clients	36,339	30,781	28,749	27,992
Medi-Cal clients	101,542	105,578	108,887	110,994
In-home support services	14,845	13,934	12,590	12,171
Foster care placements	5,057	4,306	5,175	5,088
Child welfare services	11,912	12,333	11,639	11,153
Community Action Partnership				
Utility assistance (households)	9,902	13,337	10,944	11,783
Weatherization (households)	853	465	801	795
Energy education attendees	19,396	14,590	10,389	11,508
Disaster relief (residents)	16,366	13,551	8,605	1,514
Income tax returns prepared	1,828	1,384	2,651	-
After school programs (students)	10,905	10,905	537	51
Homeless program (bed nights)	12,822	13,198	31,328	40,245
Homeless program (meals)	25,644	26,396	142,578	372,048
Leadership program enrollment	209	-	113	11
Registrar of Voters				
Voting precincts	1,403	1,368	976	2,012
Polling places	721	610	486	1,090
Voters	837,389	818,584	934,940	1,481,719
Poll workers	4,331	2,696	1,908	4,675
Agricultural Commissioner				
Export phytosanitary certificates	29,288	22,266	21,746	20,037
Pesticide use inspections	903	840	1,199	1,105
Weights and measures regulated	119,496	117,039	110,837	106,149
Agriculture quality inspections	643	1,061	541	1,067
Plant pest inspections	25,987	14,532	4,975	5,933
Nursery acreage inspected	7,851	9,226	7,382	7,431
TLMA - Building & Safety				
Building permits issued	1,800	5,786	10,232	9,980
Building plans checked	1,507	5,151	8,759	8,251
Building structures inspected	3,158	8,580	9,593	8,182
Veterans' Services				
Phone inquiries answered	29,553	23,287	21,917	25,276
Client interviews	10,571	8,199	7,467	7,559
Claims filed	5,194	3,786	3,372	3,503
Auditor-Controller				
Invoices Paid	505,122	449,368	-	-
Vendor Warrants (Checks) Issued	255,767	237,645	-	-
Active Vendors	59,975	56,514	-	-
Payroll Warrants (Checks) Issued	522,215	496,386	-	-
Average Payroll Warrants (Checks) Per Pay Period	20,085	19,092	-	-

Notes:
a - Number of pamphlets mailed
b - Program not yet started / not tracked
c - For 12-month period ending June 30, 2008

2004	2003		Function/Program
			Public Social Services
20,296	19,908		CalWORKs clients
24,796	23,026		Food stamp clients
105,598	99,332		Medi-Cal clients
11,314	10,201		In-home support services
4,418	4,215		Foster care placements
9,411	10,467		Child welfare services
			Community Action Partnership
12,846	14,706		Utility assistance (households)
711	857		Weatherization (households)
1,953	37,445	a	Energy education attendees
-	-	b	Disaster relief (residents)
-	-	b	Income tax returns prepared
271	51		After school programs (students)
30,316	63,703		Homeless program (bed nights)
170,937	453,238		Homeless program (meals)
-	-	b	Leadership program enrollment
			Registrar of Voters
1,574	2,087		Voting precincts
815	1,136		Polling places
1,302,252	1,335,785		Voters
3,306	4,668		Poll workers
			Agricultural Commissioner
14,692	15,623		Export phytosanitary certificates
1,366	1,257		Pesticide use inspections
102,780	95,334		Weights and measures regulated
1,251	1,202		Agriculture quality inspections
6,296	5,421		Plant pest inspections
5,355	6,501		Nursery acreage inspected
			TLMA - Building & Safety
10,452	10,106		Building permits issued
9,128	8,776		Building plans checked
8,887	8,533		Building structures inspected
			Veterans' Services
-	-	b	Phone inquiries answered
-	-	b	Client interviews
-	-	b	Claims filed
			Auditor-Controller
-	-		Invoices Paid
-	-		Vendor Warrants (Checks) Issued
-	-		Active Vendors
-	-	c	Payroll Warrants (Checks) Issued
-	-	c	Average Payroll Warrants (Checks) Per Pay Period

Phytosanitary = Plant pest cleanliness
Pesticide Use Inspections = Environmental monitoring

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Six Fiscal Years

	Fiscal year			
	2008	2007	2006	2005
Function/Program				
Sheriff				
Patrol stations	10	10	10	10
Patrol vehicles	974	702	598	583
Fire				
Stations	49	49	48	48
Trucks	143	141	135	125
Waste Management				
Landfills	6	6	7	7
Capacity in tons	51,609,663	51,609,663	52,392,284	50,948,302
Parks and Recreation				
Regional parks	13	13	13	13
Historic sites	6	6	6	6
Nature centers	5	5	5	5
Archaeological sites	7	7	7	7
Wildlife reserves	16	16	16	16
County Libraries				
Branch libraries	33	29	29	29
Book mobiles	2	2	2	2
Books in collection	1,552,108	1,784,149	1,221,744	1,477,670
County Regional Medical Center				
Major clinics	4	4	4	4
Routine and specialty clinics	30	30	30	30
Beds licensed	439	439	439	439

Source: Various County Departments

2004	2003	Function/Program
		Sheriff
10	10	Patrol stations
576	550	Patrol vehicles
		Fire
48	48	Stations
126	117	Trucks
		Waste Management
8	8	Landfills
50,872,281	42,712,387	Capacity in tons
		Parks and Recreation
13	13	Regional parks
6	6	Historic sites
5	5	Nature centers
7	7	Archaeological sites
16	16	Wildlife reserves
		County Libraries
28	27	Branch libraries
2	2	Book mobiles
1,098,082	1,029,424	Books in collection
		County Regional Medical Center
4	4	Major clinics
30	30	Routine and specialty clinics
439	439	Beds licensed

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Special Acknowledgements

The theme of this year's Comprehensive Annual Financial Report is "Action." The County of Riverside provides a variety of recreational activities through which its residents can participate to help achieve a balanced life. The photographs in this publication illustrate some of the opportunities available in our County.

A special thanks to the following people for their contributions to this year's Comprehensive Annual Financial Report:

The entire staff of the General Accounting Division of the
Auditor-Controller's Office (ACO) for its dedication,
and the following ACO divisions for their contributions:
Internal Audits and Specialized Accounting Division
Payroll Division
Property Tax Division

All Riverside County Departments particularly the following:
Treasurer-Tax Collector's Office
Executive Office
Printing Services
Human Resources

Photography and artistic design
M. Bernard Edmonds, I
Artistic Editor

The Photo Artist Network:

Susan Ahn
Otis Alexander
Alice Anderson
Ron Anderson
Carole Baker
Lyle Ballance
Cindy Barber
Jewel Barber
Helen Christmon
Jill Coleman
Ken Cox
Alexander Cruz
Sharyn Dana
Melissa Eiselein
Paul Fick
Eileen Fontes
Bob Forsythe
Robin Gray
Donald Haggart
Larry Huddleston
Charles Knowles
Leslie Knowles
Daniel Kokosenski
Rheiana Lenox
Margaret Laney
Vern Locke
Melissa McCluskey
Larry Montecino
Bob Moon
William Nicoletti
Frantz Nicoll
Steve Oberholtzer
Lynne O'Connell
Ron Parks
Richard S. Paul
Kathy Peters
Constance Reid
Shirley Reynolds
Florence Richards
Elaine Roorda
Larry Sammons
Yolanda Sentner
Geoffrey Shaw
Joe Shaw
Carol Smith
Constance St. Jean
Bill Thomas
Robert Upton
Helen Waller
Harold Wolff
Randy Wright

Additional photography by:
Frank Bellino, Sean Buur, Tanya Harris,
Balinda McNett, Todd Meissner, Paul Robles

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning DTC and its book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix C. 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.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Certificates. The Certificates will be executed and delivered 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 security certificate will be executed and delivered for each maturity of the Certificates, 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (respectively, "NSCC," "GSCC," "MBSCC," and "EMCC," also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Certificates 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 Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as prepayments, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Certificates may wish to ascertain that the nominee holding the Certificates 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.

Prepayment notices shall be sent to DTC. The conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC 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. Any failure of DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify a Beneficial Owner, of any such notice and its content or effect will not affect the validity of the prepayment of the Certificates called for prepayment or of any other action premised on such notice. Prepayment of portions of the Certificates by the County will reduce the outstanding principal amount of Certificates held by DTC. In such event, DTC will implement, through its book-entry system, a prepayment by lot of interests in the Certificates held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants will implement a prepayment of the Certificates for the Beneficial Owners.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by the Certificates 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 County 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 (nor its nominee), the Trustee, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE COUNTY, THE CORPORATION, THE TRUSTEE OR THE UDNERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF CERTIFICATES FOR PREPAYMENT.

None of the County, the Corporation, the Trustee or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Corporation, the Trustee or the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

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

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and none of the County or the Trustee take any responsibility for the accuracy thereof.

None of the County, the Corporation, the Trustee or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Certificates paid to DTC or its nominee as the registered owner, or will distribute any prepayment notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the County, the Corporation, the Trustee or the Underwriters are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Certificates or an error or delay relating thereto.

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APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions contained in the Trust Agreement, the Sublease, the Site Lease and the Assignment Agreement that are not summarized elsewhere in this Official Statement. For a summary description of the 2009 Certificates, see "THE CERTIFICATES." These summaries do not purport to be comprehensive, and reference should be made to said documents, copies of which may be obtained from the County or the Trustee, for the complete text thereof.

TRUST AGREEMENT

APPOINTMENT OF TRUSTEE

The Trustee is appointed, and the Trustee accepts the appointment, to, among other things, receive, deposit and disburse the money paid to it, to execute and deliver the Certificates, to make the draws under the Letter of Credit as and when required, and apply and disburse payments received pursuant to the Sublease to Owners of the Certificates.

DEFINITIONS

The following terms have the indicated definitions in the Trust Agreement:

Definitions

"**Additional Certificates**" means any additional certificates of participation executed and delivered pursuant to the Trust Agreement.

"**Additional Rental**" means all amounts payable by the County as Additional Rental pursuant to the Sublease.

"**Adjustable Rate Certificates**" mean the 2009 Certificates in any Mode other than the Fixed Rate Mode.

"**Adjustable Rate Mode**" means the Daily Rate Mode and the Weekly Rate Mode.

"**Adjusted Interest Rate**" means, with respect to the interest rate applicable to the interest evidenced by a Certificate during any Adjustment Period, the interest rate per annum determined on the applicable Rate Determination Date in accordance with the Trust Agreement.

"**Adjustment Period**" means the period of time that any Adjusted Interest Rate remains in effect, which period:

(a) with respect to an Adjustable Rate Certificate in the Daily Rate Mode, shall be the period consisting of one day;

(b) with respect to an Adjustable Rate Certificate in a Weekly Rate Mode, initially shall be the period from and including the first day that such Adjustable Rate Certificate becomes subject to the Weekly Rate Mode to and including the first following Wednesday and thereafter commencing on each Thursday to Wednesday of the following week; and

(c) with respect to a Certificate in the Fixed Rate Mode, shall be the period from and including the Conversion Date for such Certificate to the day preceding the maturity date of such Adjustable Rate Certificate.

No Adjustment Period for an Adjustable Rate Certificate shall extend beyond the day preceding the Principal Payment Date of such Adjustable Rate Certificate.

"**Alternate Letter of Credit**" means a letter of credit or other security or liquidity device issued in accordance with the Trust Agreement which shall have a term of not less than 364 days and shall have the same material terms as the Letter of Credit.

"**Alternate Rate**" means, unless otherwise set forth in a Supplemental Trust Agreement and as long as a Letter of Credit is in place, the following:

Short Term Rating		Long Term Rating	% of SIFMA Municipal Swap Index (Tax-Exempt)
A1 or P-1 or F-1	and	AAA	150%
A1 or P-1 or F-1	and	AA	250%
A1 or P-1 or F-1	and	A	350%
A2 or P-2 or F-2	and	BBB	450%
A3 or P-3 or F-3	and	<BBB-	Maximum Rate

If a Letter of Credit is not in place or is not performing, the Alternate Rate shall be the Maximum Rate.

"**Assignment Agreement**" means the Assignment Agreement, dated as of the date of the Trust Agreement, by and between the Corporation and the Trustee.

"**Authorized County Representative**" means the County Executive Officer, the County Finance Director, the County Deputy Executive Officer, any other authorized officers of the County acting on behalf of the County Executive Officer and any other person authorized by the Board of Supervisors of the County to act on behalf of the County under or with respect to the Trust Agreement.

"**Authorized Denominations**" means (a) with respect to Fixed Rate Certificates, $5,000 and any integral multiple thereof, and (b) with respect to Adjustable Rate Certificates, $100,000 and any integral multiple of $5,000 in excess thereof

"**Bank**" means (a) Bank of America, N.A. or (b) the issuer of an Alternate Letter of Credit.

"**Bank Certificates**" means any Adjustable Rate Certificates registered in the name of the Bank or its nominee pursuant to the Trust Agreement.

"**Bank Rate**" means the rate of interest applicable to the interest evidenced by Bank Certificates determined pursuant to the Reimbursement Agreement.

"**Base Rental**" means all amounts payable to the Corporation by the County as Base Rental pursuant to the Sublease.

"**Base Rental Account**" means the account by that name established within the Certificate Fund in accordance with the Trust Agreement.

"**Beneficial Owners**" means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Certificates.

"**Book-Entry Certificates**" means the Certificates registered in the name of the nominee of DTC, or any successor securities depository for the Certificates, as the registered owner thereof pursuant to the terms and provisions of the Trust Agreement.

"**Business Day**" means a day which is not (a) a Saturday, Sunday or legal holiday in the State of California, (b) a day on which banking institutions in the State of California, or in any state in which the Office of the Trustee is located is required or authorized by law (including executive order) to close, (c) day on which banking institutions in the state in which the office of the Bank at which drafts are required to be presented under the Letter of Credit is located is required or authorized by law (including executive order) to close or a day on which the principal office of the Remarketing Agent in New York, New York is closed, provided that the provisions of this clause (c) shall apply only if Adjustable Rate Certificates are Outstanding, or (d) a day on which the New York Stock Exchange is closed. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Trust Agreement or the Sublease, shall not be a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in the Trust Agreement or the Sublease and, unless otherwise specifically provided in the Trust Agreement or the Sublease, no interest shall accrue for the period from and after such nominal date (provided, however, that such extended time shall be included in the computation of interest evidenced by Bank Certificates).

"**Capitalized Interest Account**" means the account by that name established within the Certificate Fund in accordance with the Trust Agreement.

"**Cede & Co.**" means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Certificates.

"**Certificate Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**Certificate of the County**" means an instrument in writing signed by an Authorized County Representative. If and to the extent required by the provisions of the Trust Agreement, each Certificate of the County shall include the statements provided for in the Trust Agreement.

"**Certificate Purchase Contract**" means the Certificate Purchase Contract, expected to be dated December 9, 2009, by and among the Purchaser, the Corporation and the County relating to the 2009 Certificates.

"**Certificates**" means the 2009 Certificates and all Additional Certificates executed and delivered by the Trustee pursuant to the Trust Agreement, including any Adjustable Rate Certificates that constitute Bank Certificates under the Trust Agreement.

"**Change in Mode**" means any change pursuant to the Trust Agreement from one Mode to another Mode.

"**Closing Date**" means the Delivery Date.

"**Conversion Date**" means, with respect to a Certificate, the date on which such Certificate begins to evidence interest at a Fixed Interest Rate.

"**Corporation**" means the County of Riverside Asset Leasing Corporation, a nonprofit public benefit corporation organized and existing under and by virtue of the laws of the State of California.

"**Costs of Issuance**" means all the costs of executing and delivering the Certificates, including, but not limited to, printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Bank and its counsel, expenses and charges of the Trustee and its counsel (including the Trustee's first annual administrative fee), the first annual fee of the Remarketing Agent, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Certificates and any other cost, charge or fee in connection with the original execution and delivery of the Certificates.

"**Costs of Issuance Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**County**" means the County of Riverside, a county and political subdivision of the State of California organized and existing under and by virtue of the laws of the State of California.

"**Daily Rate Mode**" means the Adjustable Rate Mode in which the duration of each Adjustment Period is determined in accordance with clause (a) of the definition of Adjustment Period.

"**Default Rate**" has the meaning set forth in the Reimbursement Agreement.

"**Defeasance Securities**" means (a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), or (b) obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier prepayment of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"**Delivery Date**" means (a) with respect to the 2009 Certificates, on or about December 10, 2009; and (b) with respect to Additional Certificates, the date that such Additional Certificates are executed and delivered.

"**Depository**" means the securities depository acting as Depository pursuant to the Trust Agreement.

"**DTC**" means The Depository Trust Company, New York, New York and its successors.

"**Earnings Fund**" means the fund by that name established in accordance with the Trust Agreement.

"**Excess Earnings Account**" means the account by that name established within the Earnings Fund in accordance with the Trust Agreement.

"**Expiration Date**" means the stated expiration date of the Letter of Credit, as it may be extended from time to time as provided in the Reimbursement Agreement.

"**Favorable Opinion of Special Counsel**" means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Special Counsel to the effect that such action is permitted under the Trust Agreement and, if applicable, will not adversely affect the exclusion of interest on the Certificates from gross income for purposes of federal income taxation or the exemption of interest on the Certificates from personal income taxation under the laws of the State of California (subject to the inclusion of exceptions substantially to the effect of those contained in the opinion delivered upon original issuance of the Certificates).

"**Fixed Interest Rate**" means, with respect to a Certificate, the rate of interest applicable to the interest evidenced by such Certificate on and after the Conversion Date therefor, which rate shall be determined in accordance with the Trust Agreement.

"**Fixed Rate Certificate**" means a Certificate that bears interest at a Fixed Interest Rate.

"**Fixed Rate Mode**" means the Mode in which the duration of the Adjustment Period is determined in accordance with clause (c) of the definition of Adjustment Period.

"**Index**" means with respect to Adjustable Rate Certificates in the Daily Rate Mode or the Weekly Rate Mode, 100% of the SIFMA Index.

"**Interest Account**" means the account by that name established within the Certificate Fund in accordance with the Trust Agreement.

"**Interest Payment Date**" means (a) with respect to each Adjustable Rate Certificate, the first Business Day of each calendar month, (b) with respect to each Fixed Rate Certificate, each May 1 and November 1, commencing on the May 1 or November 1 immediately following the date on which such Adjustable Rate Certificate is converted to the Fixed Rate Mode, (c) with respect to each Bank Certificate, the first Business Day of each calendar month, the dates of any remarketing of such Bank Certificate to a new purchaser thereof, the date such Bank Certificates are redeemed, the Substitution Date, the Conversion Date therefor and the Expiration Date, and (d) each Mandatory Purchase Date.

"**Investment Earnings Account**" means the account by that name established within the Earnings Fund in accordance with the Trust Agreement.

"**Letter of Credit**" means the irrevocable, direct pay letter of credit issued by the Bank contemporaneously with the original delivery of the 2009 Certificates, except that upon the issuance of an Alternate Letter of Credit in accordance with Section 5.04 hereof, such term shall mean such Alternate Letter of Credit.

"**Letter of Credit Fund**" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"**Letter of Credit Interest Amount**" means the amount of the Letter of Credit which may be drawn upon to pay interest on the Adjustable Rate Certificates applicable to such Letter of Credit, which during the Daily Rate Mode and the Weekly Rate Mode shall be an amount equal to the interest to accrue on the Outstanding Adjustable Rate Certificates in such respective Adjustable Rate Modes over a 34 day period calculated at the Maximum Rate on the basis of a 365-day year for the actual number of days elapsed.

"**Letter of Credit Purchase Account**" means the account by that name within the Purchase Fund established and held by the Trustee pursuant to the Trust Agreement.

"**Letter of Representations**" means the letter of the County delivered to and accepted by the Depository on or prior to the delivery of the Certificates as Book-Entry Certificates setting forth the basis on which the Depository serves as depository for such Book-Entry Certificates, as originally executed or as it maybe supplemented or revised or replaced by a letter to a substitute Depository.

"**Mandatory Purchase Date**" means (a) the date of any Change in Mode, (b) any Substitution Date, (c) the fifth Business Day prior to the Expiration Date, and (d) the fifth Business Day following the Trustee's receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Certificates in accordance with Section 5.02 hereof, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest only on the Adjustable Rate Certificates, and the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn.

"**Mandatory Sinking Account Payment**" means the principal evidenced by Certificates required to be paid on each Mandatory Sinking Account Payment Date pursuant to the Trust Agreement.

"**Mandatory Sinking Account Payment Date**" means (a) for the 2009 Certificates, on each November 1, from and after November 1, 2010 and through and including November 1, 2039, and (b) with respect to Bank Certificates, the dates determined pursuant to the Reimbursement Agreement.

"**Maximum Rate**" means 12% per annum.

"**Modes**" means the Daily Rate Mode, the Weekly Rate Mode and the Fixed Rate Mode.

"**Moody's**" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"**Nominee**" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

"**Nonarbitrage Certificate**" means, with respect to the Certificates, the Tax and Nonarbitrage Certificate executed by the County on the date of execution and delivery of the Certificates, as such Nonarbitrage Certificate may be amended from time to time pursuant to the Trust Agreement.

"**Note**" means the Amended and Restated County of Riverside Asset Leasing Corporation Certificates of Participation Anticipation Note, Series 2006 issued by the Corporation in an amount not to exceed $6.5 million.

"**Notice Parties**" means the County, the Trustee, the Remarketing Agent and the Bank.

"**Notice of Change in Mode**" means the notice required to be delivered by the County to the other Notice Parties prior to any Change in Mode pursuant to the Trust Agreement.

"**Opinion of Counsel**" means a written opinion of Special Counsel, appointed and paid by the County and satisfactory to and approved by the Trustee.

"**Outstanding**" when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except:

(a) Certificates previously canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates paid or deemed to have been paid within the meaning of the defeasance provisions of the Trust Agreement; and

(c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement;

provided, however, that, notwithstanding the foregoing, Bank Certificates shall remain Outstanding until the Bank is paid all amounts due on such Certificates.

"**Owner**" means any person who shall be the registered owner of any Outstanding Certificate as indicated in the Registration Books of the Trustee required to be maintained pursuant to the Trust Agreement.

"**Participants**" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Certificates as securities depository.

"**Permitted Investments**" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

A. The following obligations for all purposes:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations

- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

B. The following obligations for all purposes other than defeasance investments in refunding escrow accounts:

(1) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(2) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Mortgage-backed securities and senior debt obligations issued by the Federal National Mortgage Association (FNMA or Fannie Mae)
- Senior debt obligations or participation certificates issued by the Federal Home
- Loan Mortgage Corporation (FHLMC or Freddie Mac)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies approved by the Bank

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P including funds for which the Trustee and its affiliates provide investment advisory or other management services;

(6) The investment pool maintained by the County;

(7) Pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of

any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and prepayment premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and prepayment premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified prepayment date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and prepayment premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(8) Municipal obligations rated at the time of purchase in the single highest long-term classification, "Aaa" by Moody's or "AAA" by S&P, or rated at the time of purchase in the single highest short-term classification, "P-1" by Moody's or "A-1+" by S&P, or general obligations of States with a long-term rating at the time of purchase of "A2" or higher by Moody's or "A" or higher by S&P, or State general obligations rated at the time of purchase in the single highest short-term classification, "P-1" by Moody's or "A-1+" by S&P;

(9) Investment Agreements approved in writing by the Bank (supported by appropriate opinions of counsel);

(10) Deposits with the Local Agency Investment Fund (LAIF) of the State, as may otherwise be permitted by law; and

(11) Other forms of investments (including repurchase agreements) approved in writing by the Bank.

The value of the above investments shall be determined as follows:

a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch or Citigroup Global Markets Inc.

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus accrued interest thereon; and

c) As to any investment not specified above: the value thereof established by prior agreement among the County, the Trustee, and the Bank.

"**Person**" means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"**Prepayment Account**" means the account by that name established within the Certificate Fund in accordance with the Trust Agreement.

"**Principal Account**" means the account by that name established within the Certificate Fund in accordance with the Trust Agreement.

"**Principal Office**" means the Trustee's principal corporate trust office in Los Angeles, California.

"**Principal Payment Date**" means a date on which the principal evidenced by the Certificates becomes due and payable.

"**Project**" has the meaning as set forth in the recitals of the Trust Agreement.

"**Prior Trust Agreement**" means the Trust Agreement (Public Safety Communication and Refunding Projects 2007 Series A and Series B), dated as of August 1, 2007, by and among Wells Fargo Bank, National Association, the County and the Corporation, pursuant to which the 2007 Certificates were executed and delivered, as amended and supplemented.

"**Prior Trustee**" means Wells Fargo Bank, National Association.

"**Purchase Date**" means (a) with respect to any Adjustable Rate Certificate in the Daily Rate Mode, any Business Day, and (b) with respect to any Adjustable Rate Certificate in the Weekly Rate Mode, the first day of the next succeeding Adjustment Period.

"**Purchase Fund**" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"**Purchase Price**" means (a) with respect to any Adjustable Rate Certificates in the Daily Rate Mode or the Weekly Rate Mode to be purchased on any Purchase Date, an amount equal to 100% of the principal amount thereof, plus, accrued interest, if any, to such Purchase Date; provided, however, that if such Purchase Date is after a Record Date and on or prior to the next succeeding Interest Payment Date, such accrued interest shall include only the interest accrued from such Record Date to such Purchase Date, and (b) with respect to any Adjustable Rate Certificates purchased on a Mandatory Purchase Date, an amount equal to 100% of the principal amount of such Adjustable Rate Certificates, plus, in the case of any Adjustable Rate Certificates purchased on a Mandatory Purchase Date described in clause (b), (c) or (d) of the definition thereof, accrued interest, if any, to such Mandatory Purchase Date.

"**Purchaser**" means, collectively, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc., as underwriters and purchasers of the 2009 Certificates pursuant to the Certificate Purchase Contract.

"**Rate Determination Date**" means, with respect to any Adjusted Interest Rate for any Adjustment Period, the date on which such Adjusted Interest Rate shall be determined, which (a) in the case of the Daily Rate Mode shall be each Business Day, (b) in the case of the Weekly Rate Mode, shall be each Thursday by 10:00 A.M. New York, New York time or, if Thursday is not a Business Day, the next succeeding day, or if such day is not a Business Day, then the Business Day next preceding such Thursday, and (c) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day but no more than ten Business Days prior to the first day of such Adjustment Period.

"**Rating Agencies**" or "**Rating Agency**" means one or all of Moody's or S&P or, in the event that Moody's or S&P no longer maintains a rating on the Certificates, any other nationally recognized bond rating agency acceptable to the Bank, but, in each instance, only so long as Moody's or S&P or such other nationally recognized rating agency then maintains a rating on the Certificates.

"**Rebatable Arbitrage**" shall have the meaning given such term in the Nonarbitrage Certificate.

"**Record Date**" means (a) with respect to Adjustable Rate Certificates in the Daily Rate Mode or the Weekly Rate Mode, the last day of the calendar month preceding each Interest Payment Date, (b) with respect to Fixed Rate Certificates, the 15th day of the calendar month preceding each Interest Payment Date, whether or not such day is a Business Day, and (c) any date established by the Trustee pursuant to the Trust Agreement as a Record Date for the payment of defaulted interest on the Certificates, if any.

"**Registration Books**" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Certificates pursuant to the Trust Agreement.

"**Reimbursement Agreement**" means the Reimbursement Agreement, dated as of December 1, 2009, by and among the County, the Corporation and the Bank as originally executed and as it may from time to time be amended in accordance with the provisions thereof, or, if an Alternate Letter of Credit has been issued, the reimbursement agreement, letter of credit agreement or other agreement, howsoever denominated, pursuant to which such Alternate Letter of Credit is issued.

"**Remarketing Agent**" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, or any other firm which may at any time be substituted in its place as provided in the Trust Agreement.

"**Remarketing Agreement**" means the Remarketing Agreement, dated as of December 1, 2009, by and between the County and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as originally executed and as it may from time to time be amended in accordance with the provisions thereof, or any similar agreement between the County and any successor Remarketing Agent.

"**Remarketing Proceeds Account**" means the account by that name within the Purchase Fund established and held by the Trustee pursuant to the Trust Agreement.

"**Rental Payments**" means, collectively, the Base Rental and the Additional Rental.

"**Rental Period**" means the period from each November 1 to and including the following October 31, during the term of the Sublease, except for the first Lease Year which will be from the Closing Date to and including October 31, 2010.

"**S&P**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns.

"**Security Deposit**" means the deposits pursuant to the Sublease and the Trust Agreement into the 2009 Adjustable Rate Security Deposit Subaccount of the 2009 Subaccount of the Base Rental Account of the Certificate Fund made by the County on the Closing Date and each Base Rental payment date with respect to Adjustable Rate Certificates in an amount equal to the Security Deposit Requirement.

"**Security Deposit Requirement**" means an amount equal to 31 days of interest with respect to the 2009 Certificates in an Adjustable Rate Mode at the Maximum Rate, which amount on the Closing Date is $465,611.51.

"**Series**" means all of the Certificates designated, upon the execution and delivery thereof pursuant to the Trust Agreement, as being within a certain series, regardless of variations in Principal Payment Date, Mode, prepayment and other provisions.

"**SIFMA Index**" means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Securities Industry and Financial Markets Association ("SIFMA") or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Remarketing Agent and effective from such date.

"**Site Lease**" means the Site and Facilities Lease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of the date hereof, between the County and the Corporation with respect to the Leased Premises, including any amendments or supplements thereto.

"**Special Counsel**" means a firm of nationally recognized bond counsel selected by the County and acceptable to the Trustee and, so long as the Letter of Credit is in effect and the Bank is not in default on the Letter of Credit, the Bank.

"**Sublease**" means the Facilities Sublease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of the date hereof, between the Corporation and the County with respect to the Leased Premises, including any amendments or supplements thereto.

"**Substitution Date**" means the date upon which an Alternate Letter of Credit is substituted for the Letter of Credit then in effect.

"**2007 Certificates**" means, collectively, the 2007 Series A Certificates and the 2007 Series B Certificates.

"**2007 Series A Certificates**" means the County of Riverside Certificates of Participation, 2007 Series A (Public Safety Communication and Refunding Projects) originally issued in the aggregate principal amount of $73,775,000.

"**2007 Series B Certificates**" means the County of Riverside Certificates of Participation, 2007 Series B (Public Safety Communication and Refunding Projects) originally issued in the aggregate principal amount of $37,350,000.

"**2009 Account of the Administrative Expense Fund**" means the account by that name established within the Administrative Expense Fund pursuant to the Trust Agreement.

"**2009 Account of the Costs of Issuance Fund**" means the account by that name established within the Costs of Issuance Fund pursuant to the Trust Agreement.

"**2009 Adjustable Rate Security Deposit Subaccount**" means the subaccount by that name established within the 2009 Subaccount of the Base Rental Account of the Certificate Fund and established pursuant to the Trust Agreement.

"**2009 Certificates**" means the County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding) originally issued in the aggregate principal amount of $45,685,000.

"**2009 Subaccount of the Base Rental Account**" means the subaccount by that name established within the Base Rental Account of the Certificate Fund and established pursuant to the Trust Agreement.

"**2009 Subaccount of the Capitalized Interest Account**" means the subaccount by that name established within the Capitalized Interest Account of the Certificate Fund and established pursuant to the Trust Agreement.

"**2009 Subaccount of the Excess Earnings Account**" means the subaccount by that name established within the Excess Earnings Account of the Earnings Fund and established pursuant to the Trust Agreement.

"**2009 Subaccount of the Interest Account**" means the subaccount by that name established within the Interest Account of the Certificate Fund and established pursuant to the Trust Agreement.

"**2009 Subaccount of the Investment Earnings Account**" means the subaccount by that name established within the Investment Earnings Account of the Earnings Fund and established pursuant to the Trust Agreement.

"**2009 Subaccount of the Principal Account**" means the subaccount by that name established within the Principal Account of the Certificate Fund and established pursuant to the Trust Agreement.

"**Tender Deadline**" means (a) during the Daily Rate Mode, 10:30 A.M. New York, New York time on any Business Day, and (b) during the Weekly Rate Mode, 4:00 P.M. New York, New York time on the Business Day five (5) Business Days prior to the Purchase Date stated in the applicable Tender Notice.

"**Tender Notice**" means, with respect to Adjustable Rate Certificates in the Daily Rate Mode or the Weekly Rate Mode a written notice or, with respect to Adjustable Rate Certificates in the Daily Rate Mode, telephonic notice, immediately confirmed in writing that (a) states the bond number, the principal amount of such Adjustable Rate Certificate and the principal amount of such Adjustable Rate Certificate to be purchased pursuant to the Trust Agreement, (b) states the Purchase Date on which such Adjustable Rate Certificate is to be purchased, and (c) irrevocably demands such purchase.

"**Trust Agreement**" means the Trust Agreement (2009 Public Safety Communication and Woodcrest Library Projects Refunding), by and among the Trustee, the Corporation and the County, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof

"**Trustee**" means Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement.

"**Weekly Rate Mode**" means the Adjustable Rate Mode in which the duration of each Adjustment Period is determined in accordance with clause (b) of the definition of Adjustment Period.

"**Written Request of the County**" means an instrument in writing signed by an Authorized County Representative.

TERMS AND CONDITIONS OF CERTIFICATES

Terms of Certificates Generally. (a) The Certificates shall evidence interest at the rates determined as set forth in the Trust Agreement, payable on the Interest Payment Dates. Except as otherwise provided in the Letter of Representations, payments of interest evidenced by the Certificates shall be made to the Owners thereof (as determined at the close of business on the Record Date next preceding the related Interest Payment Date) by check of the Trustee mailed to the address of each such Owner as it appears on the Registration Books maintained by the Trustee pursuant to the Trust Agreement, or to such other address as may be furnished in writing to the Trustee by such Owner, except that in the case of an Owner of Certificates evidencing $1,000,000 or more in aggregate principal amount, upon the written request of such Owner to the Trustee (which request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Trustee), received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest evidenced by such Certificates shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Payment of principal and prepayment premium, if any, evidenced by the Certificates, on their stated Principal Payment Dates or on prepayment in whole or in part prior thereto, shall be made only upon presentation and surrender of the Certificates at the Principal Office of the Trustee. The Trustee shall pay interest in respect of Bank Certificates in the manner set forth in the Reimbursement Agreement.

(b) Each Certificate in the Daily Rate Mode or the Weekly Rate Mode shall evidence interest from the first day of the calendar month in which such Certificate is authenticated, unless such date of authentication is prior to the initial Record Date for such Certificate, in which event any such Certificate shall bear interest from the Delivery Date, until the entire principal evidenced by such Certificate is paid. Each Certificate in the Fixed Rate Mode shall evidence interest from the Interest Payment Date immediately preceding the date of authentication thereof, unless such date of authentication is after a Record Date and on or before the next succeeding Interest Payment Date, in which event any such Certificate shall evidence interest from and including such Interest Payment Date, or unless such date of authentication is prior to the initial Record Date, in which event any such Certificate shall evidence interest from the Delivery Date, until the entire principal evidenced by such Certificate is paid. Interest evidenced by any Certificate which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person in whose name the ownership of such Certificate is registered on the Registration Books at the close of business on a special Record Date to be established by the Trustee for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten days prior to such special Record Date.

(c) The interest evidenced by the Certificates shall be payable on each Interest Payment Date to and including their respective Principal Payment Dates or prepayment prior thereto, and shall represent the sum of the portions of the Base Rental designated as interest components coming due on such Interest Payment Date. The principal evidenced by the Certificates shall be payable on their respective Principal Payment Dates and Mandatory Sinking Account Payment Dates in each year and shall represent the sum of the portions of the Base Rental designated as principal components coming due on such Principal Payment Dates and Mandatory Sinking Account Payment Dates.

(d) Interest evidenced by Bank Certificates and Certificates in the Daily Rate Mode or the Weekly Rate Mode shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest evidenced by Certificates in the Fixed Rate Mode shall be calculated on the basis of a 360-day year composed of twelve 30-day months. For Certificates in the Daily Rate Mode or the Weekly Rate Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued from and including the first day of the preceding calendar month, through and including the last day of the preceding calendar month, except that payment shall be made on the initial Interest Payment Date for unpaid interest accrued from and including the Delivery Date. Payment of interest on Bank Certificates shall be made at the times set forth in the Reimbursement Agreement. For Certificates in the Fixed Rate Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued from and including the immediately preceding Interest Payment Date to but not including such Interest Payment Date. Notwithstanding any provision of the Trust Agreement to the contrary, at no time shall the rate of interest applicable to the interest evidenced by any Certificate (except Bank Certificates) exceed the Maximum Rate.

(e) Certificates in the Daily Rate Mode or the Weekly Rate Mode may be changed to any other Mode at the times and in the manner provided in the Trust Agreement. All Certificates of the same Series must be in the same Mode. Upon such Change in Mode, such Certificates shall cease to evidence interest at the rate then in effect and shall evidence interest at the rate as provided in the Notice of Change in Mode. Subsequent to such Change in Mode (unless such Change in Mode was to a Fixed Rate Mode), such Adjustable Rate Certificates may again be changed to a different Mode at the times and in the manner provided in the Trust Agreement. A Fixed Rate Mode shall be in effect until the Principal Payment Date of the Certificates in such Mode, or prepayment prior thereto, and Certificates in a Fixed Rate Mode may not be changed to any other Mode.

(f) The determination by the Remarketing Agent of each Adjusted Interest Rate, if in accordance with the provisions of the Trust Agreement, shall be conclusive and binding upon the County, the Remarketing Agent, the Trustee, the Bank and the Owners.

<u>Transfer and Payment of Certificates; Exchange of Certificates</u>. Each Certificate is transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Principal Office of the Trustee on the Registration Books maintained by the Trustee pursuant to the Trust Agreement, upon surrender of such Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not the principal or interest evidenced by such Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal evidenced by such Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge the liability evidenced by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates evidencing principal in the same aggregate amount and having the same stated Principal Payment Date. The Trustee shall require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Each Certificate may be exchanged at the Principal Office of the Trustee for Certificates evidencing principal in a like aggregate principal amount having the same stated Principal Payment Date in such Authorized Denominations as the Owner thereof may request. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Certificate during the period commencing on the date five days before the date of selection of Certificates for prepayment and ending on the date of mailing notice of such prepayment, nor shall the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Certificate Registration Books. The Trustee shall keep at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall be available for inspection and copying by the Corporation, the Trustee, the County and the Bank (or its designated agent) at reasonable hours and under reasonable conditions; and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Certificates on such books as provided above. The Trustee shall, upon written request, make copies of such books available to any Owner or his agent duly authorized in writing.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Owner thereof, shall execute and deliver a new Certificate evidencing a like principal amount and having the same stated Principal Payment Date, numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under these provisions of the Trust Agreement and of the expenses which may be incurred by it under these provisions of the Trust Agreement. Any Certificate executed and delivered under these provisions of the Trust Agreement in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits thereof with all other Certificates executed and delivered thereunder, and the Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered thereunder or for the purpose of determining any percentage of Certificates Outstanding thereunder, but both the original and replacement Certificate shall be treated as one and the same. In lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which evidences principal that is then payable, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the County.

Cooperation by the County. The County shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby the Certificates shall be made available for exchange, registration and transfer at the Principal Office of the Trustee.

INTEREST RATES

Determination of Adjusted Interest Rates for Certificates in the Daily Rate Mode, Weekly Rate Mode and Fixed Rate Mode. (a) The Adjusted Interest Rate for each Adjustment Period for any Certificate in the Daily Rate Mode, the Weekly Rate Mode or the Fixed Rate Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date for such Adjustment Period as the minimum rate of interest which, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of such Certificate on the applicable Rate Determination Date at a price equal to the principal evidenced thereby plus accrued interest evidenced thereby, if any. On each Rate Determination Date for Certificates in the Daily Rate Mode or the Weekly Rate Mode, the Remarketing Agent shall notify the Trustee and the County of the Adjusted Interest Rate by telephone, telecopier, telex, telegram or other telecommunications device and shall confirm such notice in writing to the Trustee and the County as soon as practicable thereafter.

(b) During the Daily Rate Mode, the Remarketing Agent shall establish the Adjusted Interest Rate by 10:00 A.M. New York, New York time on each Rate Determination Date. The Adjusted Interest Rate for any day during the Daily Rate Mode which is not a Business Day shall be the Adjusted Interest Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Adjusted Interest Rate for any Daily Rate Mode Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

(c) During the Weekly Rate Mode, the Remarketing Agent shall establish the Adjusted Interest Rate by 10:00 A.M. New York, New York time on each Rate Determination Date. The Remarketing Agent shall make the Adjusted Interest Rate for any Weekly Rate Mode Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

(d) No later than 5:00 P.M. New York, New York time on each Rate Determination Date for the Fixed Rate Mode, the Remarketing Agent shall establish an Adjusted Interest Rate for each maturity of the Certificates being converted to the Fixed Rate Mode. The Remarketing Agent shall make such Adjusted Interest Rate available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

(e) The determination of the Adjusted Interest Rates in accordance with the provisions of the Trust Agreement summarized under the caption "– Determination of Adjusted Interest Rates for Certificates in the Daily Rate Mode, Weekly Rate Mode and Fixed Rate Mode" shall be conclusive and binding upon the County, the Trustee, the Bank, the Remarketing Agent and the Owners of the Certificates.

<u>Alternate Rate for Interest Calculation</u>. In the event (a) the Remarketing Agent fails to determine the Adjusted Interest Rate evidenced by Adjustable Rate Certificates for an Adjustment Period, or (b) the method of determining the Adjusted Interest Rate for such Mode shall be held to be unenforceable by a court of law of competent jurisdiction, the Certificates subject to such Mode shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered a written opinion of Special Counsel to the effect that the method of determining such rate is enforceable, evidence interest from the last date on which interest was legally paid, at the Alternate Rate for the Mode in effect.

<u>Interest Evidenced by Bank Certificates</u>. Notwithstanding anything to the contrary contained in the Trust Agreement, each Bank Certificate shall evidence interest on the outstanding principal evidenced thereby at the Bank Rate for each day from and including the date such Certificate becomes a Bank Certificate to, but not including, the date such Certificate is paid in full or is remarketed, payable on each Interest Payment Date. Bank Certificates shall not evidence interest at the Bank Rate after such Certificates have been remarketed unless such Certificates shall again become Bank Certificates. No Certificates other than Bank Certificates shall evidence interest at the Bank Rate.

<u>Changes in Mode between Adjustable Rate Modes</u>. (a) Subject to the provisions of the Trust Agreement summarized under the caption "– Changes in Mode between Adjustable Rate Modes," the County may effect a Change in Mode (other than a Change in Mode to a Fixed Rate Mode, which Change in Mode is governed by the provisions of the Trust Agreement summarized under the caption "– Changes in Mode to the Fixed Rate Mode") with respect to all of the Adjustable Rate Certificates by delivering to the Trustee, with copies to the other Notice Parties, not less than 40 days prior to the proposed Change in Mode, a Notice of Change in Mode stating (i) the election to change the Mode to which such Certificates are then subject (for purposes of the provisions of the Trust Agreement summarized under the caption "– Changes in Mode between Adjustable Rate Modes," the "Current Mode") to a different Adjustable Rate Mode (for purposes of the provisions of the Trust Agreement summarized under the caption "– Changes in Mode between Adjustable Rate Modes," the "New Mode"), which New Mode shall be specified, (ii)

the date as of which the New Mode shall take effect which, in any case where the Current Mode is the Daily Rate Mode or the Weekly Rate Mode, shall be the first day of a calendar month, (iii) the date on which such Adjustable Rate Certificates are required to be purchased pursuant to the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," which shall be the date as of which the New Mode shall take effect, and (iv) a form of notice of mandatory purchase satisfying the requirements of the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates."

(b) Not less than 15 days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee shall give written notice, the form of which shall be prepared by the County (and provided to the Trustee at least 20 days prior to such proposed Change in Mode) and approved by the Trustee, to the Owners of the Certificates proposed to be subject to such Change in Mode and to the Bank of the Change in Mode and the mandatory purchase of all such Adjustable Rate Certificates as provided in the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates." In addition to the information required to be included therein pursuant to the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," such notice shall state (i) the New Mode to which such Certificates are to be subject, (ii) the effective date of the New Mode, (iii) the rights of the Owners to tender such Certificates for purchase prior to the effectiveness of the New Mode, and (iv) the procedures for such a tender.

(c) The New Mode shall take effect only if the interest portion of the Letter of Credit shall be in an amount at least equal to the Letter of Credit Interest Amount, determined as of the date of the proposed Change in Mode, with such New Mode in effect. If such condition is satisfied, then New Mode shall take effect on the date of the proposed Change in Mode. If such condition is not satisfied, then (i) all Certificates proposed to be subject to such Change in Mode shall be purchased on such date in accordance with the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," (ii) all Certificates proposed to be subject to such Change in Mode shall continue to be subject to the Current Mode for such Certificates, and (iii) the Trustee shall, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to such Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in this paragraph.

(d) Notwithstanding any other provision of the Trust Agreement, no Change in Mode with respect to a Certificate shall be permitted at any time if the Adjustment Period then applicable to such Certificate extends through the day preceding the maturity date thereof or the Expiration Date.

<u>Changes in Mode to the Fixed Rate Mode</u>. (a) All of the Adjustable Rate Certificates may be converted from the then current Adjustable Rate Mode to the Fixed Rate Mode at the option of the County as provided in the provisions of the Trust Agreement summarized under the caption "– Changes in Mode to the Fixed Rate Mode," In order to commence the procedures for a Change in Mode from an Adjustable Rate Mode to the Fixed Rate Mode, the County shall notify the Remarketing Agent, the Trustee and the Bank of the aggregate principal evidenced by Certificates in such Adjustable Rate Mode to be converted to Fixed Rate Certificates. The County, in consultation with the Remarketing Agent, shall thereupon select the Conversion Date, taking into account the process necessary to remarket such Certificates as Fixed Rate Certificates. The Conversion Date shall be the first Business Day of a calendar month. The Remarketing Agent shall give written notice of the Conversion Date so selected to the Trustee and the Bank at least 20 days prior to such Conversion Date.

(b) Not less than 15 days prior to such Conversion Date, and in reliance upon such written notice from the Remarketing Agent, the Trustee shall give notice of such conversion and the mandatory purchase of all such Certificates as provided in the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," the form of which notice shall be prepared by the County and approved by the Trustee, to the Owners of the Certificates proposed to be subject to such conversion and to the Bank. In addition to the information required to be included therein pursuant to the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," such notice shall state (i) the Conversion Date, (ii) the obligation of the Owners to tender such Certificates for purchase prior to the Conversion Date, and (iii) the procedures for such a tender.

(c) On the Conversion Date so selected, such Certificates shall be remarketed by the Remarketing Agent as Fixed Rate Certificates. The Remarketing Agent, in consultation with the County, shall establish the types (serial or term) and a schedule of maturities (for such serial Fixed Rate Certificates) and Mandatory Sinking Account Payments and Mandatory Sinking Account Payment Dates (for such term Fixed Rate Certificates) in each case equal in time and amount to the Mandatory Sinking Account Payments remaining unpaid at the time of conversion (or at such other times and in such other amounts as the Remarketing Agent in consultation with the County shall determine) and in an aggregate amount equal to the principal evidenced by such Fixed Rate Certificates. The Fixed Interest Rates evidenced by such Fixed Rate Certificates shall be determined in accordance with the provisions of the Trust Agreement summarized under the caption "– Determination of Adjusted Interest Rates for Certificates in the Daily Rate Mode, Weekly Rate Mode and Fixed Rate Mode," taking into account the Principal Payment Dates and the Mandatory Sinking Account Payment Dates therefor.

(d) On the Conversion Date so selected, the interest rates applicable to the interest evidenced by such Certificates to be converted to Fixed Rate Certificates shall, without any further action by the County, the Trustee or any other Person, be fixed to maturity so long as each of the following conditions is satisfied: (i) either (A) the Remarketing Agent shall have received binding commitments (other than as may be funded by draws under the Letter of Credit) on or before the Business Day preceding such Conversion Date to purchase all such Fixed Rate Certificates on such Conversion Date at a price at least equal to the purchase price required to be paid in respect of such Fixed Rate Certificates, or (B) on or before the Business Day preceding such Conversion Date, the Remarketing Agent and the County shall have entered into a written agreement for a firm commitment to purchase such Fixed Rate Certificates on such Conversion Date, (ii) the County shall have followed the procedures required to be followed by the County in connection with such Change in Mode, as described in the provisions of the Trust Agreement summarized under the caption "– Changes in Mode to the Fixed Rate Mode," (iii) provision shall have been made on or prior to the Business Day preceding such Conversion Date for the timely payment in full of all amounts due or to become due under the Reimbursement Agreement with respect to the Certificates being converted, (iv) the Trustee shall be in possession of sufficient moneys to pay the expenses of remarketing the Fixed Rate Certificates, and (vi) a Favorable Opinion of Special Counsel, dated the Conversion Date, addressed to the Trustee, the Bank and the Remarketing Agent shall have been delivered to the Trustee.

(e) The Remarketing Agent shall give written notice to the County not later than one Business Day prior to the Conversion Date of the interest rates applicable to the interest evidenced by the Fixed Rate Certificates of each maturity proposed to be remarketed on said date.

(f) Notwithstanding the delivery of notice of conversion pursuant to provisions of the Trust Agreement corresponding to paragraph (b) above, such conversion of Certificates to the Fixed Rate Mode shall not take effect if:

(a) the County withdraws such notice of conversion not later than the Business Day preceding the date on which the interest rates applicable to the interest evidenced by such Fixed Rate Certificates are to be determined;

(ii) the Remarketing Agent fails to determine the interest rates applicable to the interest evidenced by such Fixed Rate Certificates;

(iii) any notice required by the provisions of the Trust Agreement summarized under the caption "– Changes in Mode to the Fixed Rate Mode" is not given when required;

(iv) there is not delivered to the Trustee the Favorable Opinion of Special Counsel described in paragraph (d) above; or

(v) upon such conversion, any Certificates in the Fixed Rate Mode would be Bank Certificates, unless the Bank consents.

In any of such events, the Certificates which were to be converted shall automatically be converted to a Weekly Rate Mode which shall commence on the date such conversion was to be made, provided that the mandatory tender for purchase pursuant to the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates" shall nevertheless be carried out if notice of the conversion to the Fixed Rate Mode has been given to the Owners of the Certificates. Withdrawal of a conversion notice shall be given by the County to the other Notice Parties by telephone, promptly confirmed in writing. No cancellation of a conversion to the Fixed Rate Mode pursuant to this subsection (f) shall constitute an event of default under the Trust Agreement.

(g) From and after the date on which Certificates become Fixed Rate Certificates (i) the stated amount of the Letter of Credit shall be reduced in accordance with the Reimbursement Agreement and the Letter of Credit shall no longer constitute a source of payment of the principal and interest evidenced by such Fixed Rate Certificates, and (ii) such Fixed Rate Certificates shall not be convertible to any other Mode.

TENDER AND PURCHASE OF CERTIFICATES

Tender for Purchase Upon Election of Owner. (a) Any Owner of an Adjustable Rate Certificate may demand that such Adjustable Rate Certificate, or any portion thereof (so long as the principal evidenced thereby purchased, and the principal evidenced thereby not purchased, are each in an Authorized Denomination), be purchased on any Purchase Date at a price equal to the principal evidenced thereby plus accrued but unpaid interest evidenced thereby, if any, to the Purchase Date. Unless otherwise provided in a Letter of Representations, such demand for purchase shall be made as follows: (i) delivery to the Remarketing Agent at its principal office in New York, New York, to the Trustee at the Principal Office of the Trustee, no later than the applicable Tender Deadline of an applicable Tender Notice, and (ii) subject to the provisions of paragraph (c) below, delivery of such Adjustable Rate Certificate duly endorsed in blank for transfer at the Principal Office of the Trustee at or prior to 12:00 P.M. (Noon) New York, New York time (or 11:00 A.M. New York, New York time with respect to Adjustable Rate Certificates in the Daily Rate Mode) on the Purchase Date specified in the Tender Notice.

If for any reason a vacancy exists in the office of Remarketing Agent, a Tender Notice delivered to the Trustee only shall be sufficient for purposes of the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase Upon Election of Owner" and the Trustee shall give the notice required by paragraph (b) below.

(b) Immediately upon receipt by the Remarketing Agent and the Trustee of a Tender Notice delivered pursuant to paragraph (a) above or such notice of demand for purchase as is required by a Letter of Representations, the Trustee shall notify the other Notice Parties of such receipt and the contents thereof by telephone, immediately confirmed in writing. Upon delivery pursuant to the terms of paragraph (a) above of the Adjustable Rate Certificate which is the subject of such purchase, the Trustee shall hold such Adjustable Rate Certificate pending delivery in accordance with the terms of the Trust Agreement.

(c) Any Tender Notice by any Owner shall be irrevocable. If such Owner is required but fails to deliver the Adjustable Rate Certificate referred to in such notice to the Trustee, such Adjustable Rate Certificate shall nonetheless be deemed to have been tendered and, upon provision for payment of the Purchase Price therefor from the funds specified in the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates," any Owner who fails to deliver an Adjustable Rate Certificate for purchase as required above shall have no further rights with respect thereto or under the Trust Agreement except the right to receive the Purchase Price therefor upon presentation and surrender of said Adjustable Rate Certificate to the Trustee.

Mandatory Purchase on Mandatory Purchase Dates. (a) Each Adjustable Rate Certificate shall be subject to mandatory purchase on each Mandatory Purchase Date at the applicable Purchase Price. Subject to the provisions of paragraph (c) below and unless otherwise provided in a Letter of Representations, all Adjustable Rate Certificates required to be purchased in accordance with the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates" shall be tendered for purchase by delivery to the Trustee at the Principal Office of the Trustee on or prior to the Mandatory Purchase Date and shall be purchased with the funds described in the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates."

(b) Notice of each mandatory purchase required by paragraph (a) above shall be given by the Trustee by first-class mail, postage prepaid to the Owners not less than 15 days prior to the Mandatory Purchase Date or, in the case of a mandatory purchase pursuant to clause (d) of the definition of Mandatory Purchase Date, as soon as practicable (but in no event less than two days) after the Trustee's receipt of the written notice from the Bank described therein (with copies thereof to be given to the other Notice Parties). Each such notice shall state (i) the Mandatory Purchase Date, (ii) if such Adjustable Rate Certificate is required to be tendered pursuant to the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates," that each Adjustable Rate Certificate shall be tendered for purchase by delivery of such Adjustable Rate Certificate to the Trustee at the Principal Office of the Trustee on or prior to the Mandatory Purchase Date and that any Adjustable Rate Certificate not so tendered for purchase as required shall be deemed to have been so tendered and, upon provision for payment of the Purchase Price therefor from the funds specified in the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates," shall be deemed to have been purchased on the Mandatory Purchase Date after which the Owner of such Adjustable Rate Certificate shall have no further rights with respect thereto or under the Trust Agreement except the right to receive the Purchase Price therefor upon presentation and surrender of said Adjustable Rate Certificate to the Trustee, and (iii) that all Adjustable Rate Certificates subject to such mandatory purchase shall be purchased on the applicable Mandatory Purchase Date at the applicable Purchase Price.

(c) All Adjustable Rate Certificates required to be purchased on any Purchase Date or Mandatory Purchase Date shall be required to be delivered to the Trustee's Depository participant account at or before 11:00 A.M. New York, New York time. If the Owner of any Adjustable Rate Certificate that is subject to purchase pursuant to provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Certificates" fails to deliver such Adjustable Rate Certificate to the Trustee for purchase on the Purchase Date or Mandatory Purchase Date, and if the Trustee is in receipt of the Purchase Price therefor, such Adjustable Rate Certificate shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Adjustable Rate Certificate shall be transferred to the purchaser. Any Owner who fails to deliver such Adjustable Rate Certificate for purchase shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Adjustable Rate Certificate to the Trustee. The Trustee shall, as to any tendered Adjustable Rate Certificates that have not been delivered to it, promptly notify the Remarketing Agent of such nondelivery.

The requirement for physical delivery of the Adjustable Rate Certificates will be satisfied when the ownership rights on the Adjustable Rate Certificates are transferred by the tendering Owner's direct participant to the Depository and followed by a book-entry credit of the Adjustable Rate Certificates to the Trustee's participant account.

Tender and Purchase of Adjustable Rate Certificates. (a) The Remarketing Agent shall use its best efforts to remarket Adjustable Rate Certificates to be purchased pursuant to the Trust Agreement at a price of par plus accrued and unpaid interest, if any.

Adjustable Rate Certificates subject to purchase pursuant to the Trust Agreement shall be purchased from the Owners thereof at the Purchase Price which shall be payable solely from the following sources in the following order: (i) except with respect to Adjustable Rate Certificates to be purchased pursuant to the provisions of the Trust Agreement summarized under the caption "– Mandatory Purchase on Mandatory Purchase Dates" on a Mandatory Purchase Date described in clause (c) or (d) of the definition thereof, immediately available funds on deposit in the Remarketing Proceeds Account, and (ii) immediately available funds on deposit in the Letter of Credit Purchase Account.

(b) On each Purchase Date and each Mandatory Purchase Date, the Remarketing Agent (i) unless otherwise provided in a Letter of Representations, at or prior to 10:45 A.M. New York, New York time, shall deliver to the Trustee instructions for registration of the Adjustable Rate Certificates remarketed in accordance with paragraph (c) below, (ii) at or prior to 10:45 A.M. New York, New York time, will give telephonic notice, immediately confirmed in writing, to the Trustee and the Bank, specifying the aggregate principal amount of Adjustable Rate Certificates not remarketed which must be purchased by the Bank on such date, if any, and the amount of proceeds from the remarketing that will be delivered by the Remarketing Agent shall cause to be paid to the Trustee on such date, if any, and (iii) at or prior to 11:00 A.M. New York City time, will cause to be paid via the Depository to the Trustee in immediately available funds the proceeds of the remarketing, if any. If such notice from the Remarketing Agent indicates that Adjustable Rate Certificates are required to be purchased from the proceeds of a drawing under the Letter of Credit, the Trustee shall give telephonic notice to the County at or prior to 11:15 A.M. New York, New York time on such date specifying the information set forth in the preceding sentence; provided however that if the Remarking Agent fails to provide such notice, the Trustee shall determine the required draw amount from the remarketing proceeds it has received from the Remarking Agent via the Depository. The Trustee shall, at or prior to 11:30 A.M. New York, New York time on such date, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 2:30 P.M. New York, New York time on such date, an amount, in immediately available funds, equal to the Purchase Price of Adjustable Rate Certificates not remarketed which must be purchased by the Bank on such date. The aggregate amount of Adjustable Rate Certificates specified in such direction to be purchased from the proceeds of a drawing under the

Letter of Credit shall not be reduced by any subsequent direction. The proceeds of such draw shall be deposited in the Letter of Credit Purchase Account.

(c) Unless otherwise provided in a Letter of Representations, on each Purchase Date and Mandatory Purchase Date, all Adjustable Rate Certificates which (i) have been remarketed shall be registered as directed by the Remarketing Agent, or (ii) are required to be purchased by the Bank shall be immediately registered in the name of the Bank. Unless otherwise provided in a Letter of Representations, on each Conversion Date on which the conditions specified the provisions of the Trust Agreement summarized under the caption "– Changes in Mode to the Fixed Rate Mode" are satisfied, all Fixed Rate Certificates converted as of such date shall be registered as directed by the Remarketing Agent. The Trustee shall make such Adjustable Rate Certificates and Fixed Rate Certificates available at the Principal Office of the Trustee in accordance with the terms of the Reimbursement Agreement. In the absence of any instructions from the Bank, Bank Certificates shall be held by the Trustee. The Trustee shall not release remarketed Bank Certificates held by it until the Letter of Credit has been reinstated in accordance with the terms thereof as a result of such remarketing and receipt by the Trustee of written confirmation from the Bank that such reinstatement has occurred.

(d) The Trustee shall pay from the funds specified in paragraph (a) above, the Purchase Price for each Adjustable Rate Certificate at or prior to 4:00 P.M. New York, New York time on the Purchase Date or Mandatory Purchase Date, as the case may be, and, if such Adjustable Rate Certificate is not registered in the name of the Depository or its nominee, only after receipt of such Adjustable Rate Certificate, properly endorsed either in blank or to the Trustee. Payment of the Purchase Price of any Adjustable Rate Certificate tendered for purchase or otherwise purchased pursuant to a Letter of Representations shall be made in immediately available funds or in such manner as such Owner and the Trustee shall agree.

(e) Unless the Bank notifies the Remarketing Agent that an event of default has occurred and is continuing under the Reimbursement Agreement, notwithstanding any provision contained in the provisions of the Trust Agreement summarized under the caption "Tender and Purchase of Certificates," all Bank Certificates, except Adjustable Rate Certificates registered in the name of, or on behalf of, the Bank as a result of a mandatory purchase of such Adjustable Rate Certificates on a Mandatory Purchase Date described in clause (c) or (d) of the definition thereof shall be deemed tendered to the Remarketing Agent on each Business Day without the need for any Tender Notice or delivery of such Adjustable Rate Certificates. The Remarketing Agent shall use its best efforts to remarket such Bank Certificates on each Business Day in accordance with the Trust Agreement and the Remarketing Agreement; provided however that if any Adjustable Rate Certificates are remarketed to the Corporation or any affiliate thereof such remarketing proceeds shall not be used to pay Owners. The Remarketing Agent shall immediately notify the Bank by telephone when Bank Certificates have been remarketed in accordance with the Trust Agreement and the Remarketing Agreement.

Letter of Credit; Alternate Letter of Credit. (a) While any Adjustable Rate Mode is in effect, the Trustee shall, by 3:00 P.M. New York, New York time on the Business Day preceding each Interest Payment Date, each prepayment date (including Mandatory Sinking Account Payment Dates) and each Principal Payment Date of any Adjustable Rate Certificate, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof, so as to receive thereunder on said Interest Payment Date, prepayment date and Principal Payment Date, as the case may be, an amount, in immediately available funds, equal to the amount of the principal, if any, and interest evidenced by Adjustable Rate Certificates then payable, including principal evidenced thereby payable by reason of prepayment of such Adjustable Rate Certificates. The proceeds of such draw shall be deposited in the Letter of Credit Fund.

(b) Notwithstanding the foregoing, the Trustee shall not draw on the Letter of Credit with respect to any principal or interest evidenced by Bank Certificates or Certificates owned by the County or the Corporation or the Bank.

(c) If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Special Counsel, and (iii) written evidence of the provision for purchase from the Bank of all Bank Certificates, at a price equal to the principal evidenced thereby plus accrued and unpaid interest evidenced thereby, and payment of all amounts due it under the Reimbursement Agreement on or before the effective date of such Alternate Letter of Credit, together with written confirmation from the Bank that such evidence is satisfactory, then the Trustee shall accept such Alternate Letter of Credit on the Substitution Date and, immediately thereafter, shall surrender the Letter of Credit then in effect to the Bank in accordance with the terms thereof; provided, however, that no surrender of the Letter of Credit shall take place unless and until the Bank has honored the draw upon the existing Letter of Credit to mandatorily purchase the Adjustable Rate Certificates. The County shall give the Trustee, the Bank, the Remarketing Agent and the Owners written notice of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit then in effect no less than 40 days prior to the proposed Substitution Date.

(d) The Trustee shall not sell, assign or otherwise transfer the Letter of Credit, except to a successor Trustee under the Trust Agreement and in accordance with the terms of the Letter of Credit and the Trust Agreement. The Trustee shall not require any indemnification from the County or the Corporation as a precondition of submitting a drawing on the Letter of Credit.

No Sales After Certain Defaults. The Remarketing Agent shall not remarket Adjustable Rate Certificates pursuant to the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase Upon Election of Owner," "– Mandatory Purchase on Mandatory Purchase Dates, or "– Tender and Purchase of Adjustable Rate Certificates" if there shall have occurred and be continuing an event of default under the Sublease or the Trustee shall have received notice from the Bank that either an event of default under the Reimbursement Agreement has occurred or that the Bank will not reinstate the Letter of Credit.

Purchase Fund. (a) The Trustee shall establish and maintain a special fund designated the "Purchase Fund." The Trustee shall further establish a separate account within the Purchase Fund designated the "Letter of Credit Purchase Account" and a separate account within the Purchase Fund designated the "Remarketing Proceeds Account."

(b) Upon receipt of the proceeds of a remarketing of Adjustable Rate Certificates or Fixed Rate Certificates on a Purchase Date or Mandatory Purchase Date, the Trustee shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the Certificates in accordance with the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates." Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Bank Certificates, the Trustee shall immediately pay such proceeds to the Bank to the extent of any amount owing to the Bank.

(c) Upon receipt from the Trustee of the immediately available funds transferred to the Trustee pursuant to the provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Adjustable Rate Certificates," the Trustee shall deposit such money in the Letter of Credit Purchase Account for application to the Purchase Price of the Adjustable Rate Certificates to the extent that the monies on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Letter of Credit Purchase Account and not needed with respect to any Purchase Date or

Mandatory Purchase Date for the payment of the Purchase Price for any Adjustable Rate Certificates shall be immediately returned to the Bank.

(d) Amounts held in the Letter of Credit Purchase Account and the Remarketing Proceeds Account by the Trustee shall be held in separate segregated accounts, shall be held uninvested and shall not be subject to the pledge and lien under the Trust Agreement. The proceeds of any draw on the Letter of Credit issued with respect to the 2009 Certificates and deposited in the Letter of Credit Purchase Account shall be applied only to the payment of principal and interest evidenced by the 2009 Certificates.

Inadequate Funds for Tenders. If the funds available for purchases of Certificates pursuant to provisions of the Trust Agreement summarized under the caption "– Tender and Purchase of Certificates," are inadequate for the purchase of all Certificates tendered on any Purchase Date or Mandatory Purchase Date, no purchase shall be consummated and the Trustee shall, after any applicable grace period, (1) return all tendered Certificates to the Owners thereof, (2) return all moneys transferred via the Depository to the Remarketing Agent for return to the Persons providing such moneys, (3) return all moneys from any draw on the Letter of Credit to the Bank (if any) and (4) return to the County all moneys transferred from the County. At such time, the Certificates shall remain in the Weekly Rate Mode or convert to the Weekly Rate Mode and shall bear interest at the Maximum Rate.

FUNDS AND ACCOUNTS

Establishment of Costs of Issuance Fund. The Trustee will establish and maintain a separate special fund to be held by the Trustee known as the "Costs of Issuance Fund." Within the Costs of Issuance Fund, the Trustee will establish a "2009 Account." The Trustee will disburse monies from the 2009 Account of the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance related to the Certificates. Any amounts remaining in the 2009 Account of the Costs of Issuance Fund on the earlier of (i) the date on which the County has notified the Trustee in writing that all Costs of Issuance with respect to the 2009 Certificates have been paid, and (ii) the 180th day after the Closing Date, will be transferred to the 2009 Subaccount of the Interest Account of the Certificate Fund. Thereafter, the 2009 Account of the Costs of Issuance Fund will be closed.

Establishment and Application of Administrative Expense Fund. There is established in trust a special fund designated the "Administrative Expense Fund," which will be held by the Trustee. Within the Administrative Expense Fund, the Trustee will establish a "2009 Account." The Trustee will disburse money from the 2009 Account of the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) incidental to the execution and delivery of the Certificates.

Establishment and Application of Certificate Fund. There is established in trust a special fund designated the "Certificate Fund," which will be held by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Sublease, or until such earlier date as there are no Certificates Outstanding. Within the Certificate Fund, the Trustee will establish the Base Rental Account, Interest Account, Principal Account, Capitalized Interest Account and Prepayment Account. Within each such account, the Trustee will establish a 2009 Subaccount.

(a) Base Rental Account. Base Rental and proceeds of rental interruption insurance with respect to the Leased Premises received by the Trustee will be deposited in the 2009 Subaccount of the Base Rental Account. Base Rental in support of Adjustable Rate Certificates will be deposited in the 2009 Adjustable Rate Security Deposit Subaccount, which is created in the 2009 Subaccount of the Base Rental Account. On each Interest Payment Date with respect to the 2009 Certificates, monies in the 2009 Subaccount (including the 2009 Adjustable Rate Security Deposit Subaccount if necessary) of the Base

Rental Account will be transferred to the 2009 Subaccounts of the Interest Account and the Principal Account. Any amounts remaining in the 2009 Subaccount of the Base Rental Account on an Interest Payment Date with respect to Fixed Rate Certificates after such transfers will be deposited into (i) the 2009 Subaccount of the Interest Account to the extent necessary to make the total amount so deposited equal to the amount of the interest component of the next succeeding Base Rental payment; and (ii) the 2009 Subaccount of the Principal Account to the extent necessary to make the total amount so deposited equal to the amount of the principal component of the next Base Rental payment which has a principal component. Amounts not required to be so deposited will be remitted to the County. Any delinquent Base Rental payments and any proceeds of rental interruption insurance with respect to the Leased Premises deposited in the 2009 Subaccount of the Base Rental Account will be applied first to the 2009 Subaccount of the Interest Account for the immediate payment of interest payments past due and then to the 2009 Subaccount of the Principal Account for immediate payment of principal payments past due according to the tenor of any 2009 Certificate.

(b) Interest Account. The Trustee will transfer from the 2009 Subaccount of the Base Rental Account to the 2009 Subaccount of the Interest Account on each Interest Payment Date that amount of moneys representing the portion of the Base Rental designated as the interest components coming due on such Interest Payment Date. On each Interest Payment Date, the Trustee will withdraw from the Interest Account (i) if the Bank has paid a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit" to be applied to the payment of the interest evidenced by the Adjustable Rate Certificates coming due on such Interest Payment Date, for payment to the Bank to reimburse the Bank for such draw, an amount equal to such draw, (ii) if the Bank has failed to pay such a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit," for payment to the Owners of the Adjustable Rate Certificates the interest evidenced by the Adjustable Rate Certificates coming due on such Interest Payment Date, and (iii) for payment to the Owners of the Fixed Rate Certificates the interest evidenced by the Fixed Rate Certificates coming due on such Interest Payment Date. In the event that the amount in the Interest Account is not sufficient to so reimburse the Bank for any such draw on the Letter of Credit, the Trustee shall immediately notify the Bank in writing of such insufficiency.

(c) Principal Account. The Trustee will transfer from the 2009 Subaccount of the Base Rental Account to the 2009 Subaccount of the Principal Account on each Principal Payment Date that amount of moneys representing the portion of the Base Rental designated as the principal components coming due on such Principal Payment Date or Mandatory Sinking Account Payment Date. On each Principal Payment Date and each Mandatory Sinking Account Payment Date, the Trustee shall withdraw from the Principal Account (i) if the Bank has paid a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit" to be applied to the payment of principal evidenced by the Adjustable Rate Certificates due and payable on such Principal Payment Date and such Mandatory Sinking Account Payment Date, for payment to the Bank to reimburse the Bank for such draw, an amount equal to such draw, (ii) if the Bank has failed to pay such a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit," for payment to the Owners of the Adjustable Rate Certificates the principal evidenced by the Adjustable Rate Certificates due and payable on such Principal Payment Date and such Mandatory Sinking Account Payment Date, and (iii) for payment to the Owners of the Fixed Rate Certificates the principal evidenced by the Fixed Rate Certificates due and payable on such Principal Payment Date and such Mandatory Sinking Account Payment Date. In the event that the amount in the Principal Account is not sufficient to so reimburse the Bank for any such draw on the Letter of Credit, the Trustee shall immediately notify the Bank in writing of such insufficiency.

(d) Prepayment Account. The Trustee, on the prepayment date specified in the Written Request of the County filed with the Trustee at the time that any prepaid Base Rental is paid to the Trustee pursuant to the Sublease, shall deposit in the Prepayment Account that amount of moneys representing the portion of the Base Rental designated as prepaid Base Rental. Additionally, the Trustee shall deposit in the Prepayment Account any amounts required to be deposited therein pursuant to the provisions of the Trust Agreement summarized under the captions "– Application of Net Proceeds" or "– Title Insurance.". Moneys in the Prepayment Account shall be used by the Trustee for the purpose of paying the interest, premium, if any, and principal evidenced by the Certificates to be prepaid. On each date on which Adjustable Rate Certificates are to be prepaid pursuant to the extraordinary prepayment provisions of the Trust Agreement or the optional prepayment provisions of the Trust Agreement, the Trustee shall withdraw from the Prepayment Account (i) if the Bank has paid a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit" to be applied to the payment of the prepayment price of the Adjustable Rate Certificates so prepaid on said date, for payment to the Bank to reimburse the Bank for such draw, an amount equal to such draw, and (ii) if the Bank has failed to pay such a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit," for payment to the Owners of such Adjustable Rate Certificates the prepayment price of the Adjustable Rate Certificates so prepaid on said date. All moneys held by the Trustee in the Prepayment Account shall either be held uninvested or invested in Defeasance Securities, which mature in sufficient amounts and on the dates needed to make the prepayments of Certificates for which such moneys were deposited.

(e) Capitalized Interest Account. Moneys in the 2009 Capitalized Interest Subaccount of the Capitalized Interest Account shall be used to pay a portion of interest on the 2009 Certificates to the extent necessary until the earlier of (i) the date that is six months following the filing of the Certificate of County certifying completion of the Project with the Trustee, or (ii) July 1, 2012. If the date that is six months following the filing of the Certificate of County is prior to July 1, 2012, the Trustee shall transfer any remaining balance in the 2009 Capitalized Interest Subaccount of the Capitalized Interest Account not required for the payment of interest on the Certificates prior to the date that is six months following the filing of the Certificate of County to the 2009 Subaccount in the Prepayment Account of the Certificate Fund to be used to prepay 2009 Certificates as soon as practicable pursuant to the Trust Agreement.

(f) To the extent a draw on the Letter of Credit pursuant to the provisions of the Trust Agreement summarized under the caption "– Letter of Credit; Alternative Letter of Credit" is applied to the payment of any principal or interest evidenced by an Adjustable Rate Certificate pursuant to paragraphs (b), (c) or (d) above and not reimbursed, (i) the Bank shall be fully subrogated to all of the Owner's rights thereunder to the extent of the moneys so advanced under the Letter of Credit, including the Owner's right to receive payment of such interest or principal, as applicable, (ii) such interest, and the interest evidenced by such Adjustable Rate Certificates, shall accrue and be payable at the Default Rate, and (iii) such Adjustable Rate Certificate shall remain Outstanding under the Trust Agreement.

Letter of Credit Fund. There is established in trust a special fund designated the "Letter of Credit Fund," in which none of the Trustee, the County or the Corporation shall have any right, title or interest and the moneys in which shall be held exclusively for the Owners of the Adjustable Rate Certificates and paid over in accordance with the provision of the Trust Agreement. The Trustee shall deposit the proceeds of draws on the Letter of Credit made pursuant to the Trust Agreement in the Letter of Credit Fund. On each Interest Payment Date, each Principal Payment Date and each prepayment date (including each Mandatory Sinking Account Payment Date) with respect to any Adjustable Rate Certificate, the Trustee shall withdraw from the Letter of Credit Fund for payment to the Owners of the Adjustable Rate Certificates the interest and principal evidenced by the Adjustable Rate Certificates due and payable on the Adjustable Rate Certificates. The proceeds of any draw on the Letter of Credit issued with respect to the 2009 Certificates and deposited in the Letter of Credit Fund shall be applied only to the payment of principal and interest evidenced by the 2009 Certificates.

Establishment and Application of Earnings Fund. There is established in trust a special fund designated the "Earnings Fund," which will be held by the Trustee. The Earnings Fund will be maintained by the Trustee until the County directs, in writing, that it be closed. The Trustee will establish and maintain within the Earnings Fund the "Investment Earnings Account" and the "Excess Earnings Account." Within each such account, the Trustee will establish a 2009 Subaccount. The Trustee will transfer all Investment Earnings on deposit in the funds and accounts (other than the applicable accounts or subaccounts of the Excess Earnings Account, the Interest Account and the Principal Account of the Certificate Fund, and the Administrative Expense Fund) to the 2009 Subaccount of the Investment Earnings Account. All amounts deposited into the 2009 Subaccounts of the Excess Earnings Account and the Investment Earnings Account will be retained in such accounts until transferred in accordance with the direction in writing of the County in accordance with the Nonarbitrage Certificate.

Pursuant to the Nonarbitrage Certificate, the County is required to compute its Rebatable Arbitrage, as such term is defined in the Nonarbitrage Certificate, at least once each year. After any such Rebatable Arbitrage computation, the County will ascertain whether the amount on deposit in the 2009 Subaccount of the Excess Earnings Account is at least equal to the Rebatable Arbitrage it has earned. If the amount on deposit in the 2009 Subaccount of the Excess Earnings Account is less than the Rebatable Arbitrage earned, the Trustee will transfer monies from the 2009 Subaccount of the Investment Earnings Account to the 2009 Subaccount of the Excess Earnings Account in accordance with instructions from the County. Any amounts remaining in the 2009 Subaccount of the Investment Earnings Account will be transferred to the following funds and accounts in the order of priority indicated: (i) to the 2009 Account of the Administrative Expense Fund to the extent needed to pay expenses of the Corporation and the County (ii) to the 2009 Subaccount of the Interest Account to the extent necessary to make the total amount deposited therein equal to the amount of the interest component of the next succeeding Base Rental payment; and (iii) to the 2009 Subaccount of the Principal Account to the extent necessary to make the total amount deposited therein equal to the amount of the principal component of the next succeeding Base Rental payment which has a principal component.

Any monies deposited in the Excess Earnings Account will be applied to payments of Rebatable Arbitrage to the United States of America in accordance with written instructions of the County, unless the County directs the Trustee in writing that such monies are not needed for such purpose.

Application of Net Proceeds. If the Leased Premises or any portion thereof shall be damaged or destroyed, subject to the further requirements of the Trust Agreement, the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Leased Premises or the affected portion thereof in accordance with the provisions of the Trust Agreement.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Leased Premises or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account (the "Net Proceeds Account") and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Leased Premises or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may be invested by the Trustee as directed by the County in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall, within 90 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Leased Premises or the portions of the Leased Premises which were damaged or destroyed. If the County does intend to replace or repair the Leased Premises or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the Net Proceeds Account.

If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Leased Premises and an abatement in whole or in part of Rental Payments results from such damage or destruction pursuant to the Sublease, then the County shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Leased Premises or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the prepayment, as set forth in the Trust Agreement, in full of all the Outstanding Certificates or all of those Outstanding Certificates which evidence that portion of the Base Rental which are abated as a result of the damage or destruction. If the County is required to apply funds from the insurance proceeds and other legally available funds to the prepayment of Certificates in accordance with clause (b) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such prepayment to the Prepayment Account and the Trustee shall transfer such funds to the Prepayment Account. If there is first delivered to the Trustee a Certificate of the County to the effect that the annual fair rental value of the Leased Premises after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental becoming due under the Sublease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Leased Premises after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental, said amounts shall be deposited into the Prepayment Account and applied to the prepayment of Bank Certificates in accordance with the Trust Agreement, if any, and/or the payment of unpaid reimbursement amounts owing to the Bank under the Reimbursement Agreement, and then, to the extent any amounts remain after any such Bank Certificates are prepaid and reimbursements are paid, paid to the County to be used for any lawful purpose.

The proceeds of any award in eminent domain shall be deposited by the Trustee in the Prepayment Account and applied to the prepayment of Outstanding Certificates pursuant to the Trust Agreement.

Title Insurance. Proceeds of any policy of title insurance received by the Trustee in respect of the Leased Premises shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Leased Premises and will not result in an abatement of Rental Payments payable by the County under the Sublease, such proceeds shall first be applied to the prepayment of Bank Certificates, if any, and or reimbursement of unpaid reimbursement amounts owing to the Bank under the Reimbursement Agreement, and second be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Leased Premises and will result in an abatement in whole or in part of Rental Payments payable by the County under the Sublease, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall immediately deposit such proceeds in the Prepayment Account and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

Surplus. After payment or prepayment of all amounts due with respect to the Certificates (or a defeasance of the Certificates), the payment of unpaid reimbursement amounts owing under the Reimbursement Agreement, the payment of all fees and expenses owing to the Bank under the Reimbursement Agreement, the payment of all fees and expenses to the Trustee, or satisfactory provision for such payments having been made, and the transfer of any amounts required to be transferred to the 2009 Subaccount of the Excess Earnings Account in accordance with the Nonarbitrage Certificate, any amounts remaining in any of the funds or accounts established under the Trust Agreement with respect to the Certificates and not required for the purposes set forth therein will be remitted to the County and used for any lawful purpose thereof; provided, however, in the event of defeasance, amounts will not be remitted to the County until the County has delivered or caused to be delivered to the Trustee an opinion of Independent Counsel to the effect that remission of such amounts to the County will not affect the exclusion from gross income for federal income tax purposes of any Base Rental payment under the Sublease comprising interest with respect to the Certificates.

Investments Authorized. Subject to the restrictions contained in the Trust Agreement, money held by the Trustee in any fund or account will be invested by the Trustee in Permitted Investments pending application, subject to the direction of the County, will be registered in the name of the Trustee where applicable, as Trustee, and will be held by the Trustee, where applicable; provided however that moneys in the Letter of Credit Fund, the Letter of Credit Purchase Account and the Remarketing Proceeds Account will be held uninvested and not commingled with any other funds. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, authorized investments. The Trustee may act as agent in the making or disposing of any investment. The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Trust Agreement.

The Trustee will furnish the County periodic cash transaction statements which include details for all investment transactions made by the Trustee.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account hereunder, all Permitted Investments will be valued as frequently as deemed necessary by the County, but not less often than quarterly at the market value of such investments (exclusive of accrued interest). Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value will be restored no later than the succeeding valuation date. The Trustee may sell at the best price obtainable, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it will be necessary in order to provide monies to meet any required payment, transfer, withdrawal or disbursement from any fund or account hereunder, and the Trustee will not be liable or responsible for any loss resulting from such investment or sale.

Application of Investment Earnings. The Trustee will deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it under the Trust Agreement (except the Excess Earnings Account of the Earnings Fund, the Certificate Fund and the Administrative Expense Fund) into the Investment Earnings Account of the Earnings Fund. Following the computation of Rebatable Arbitrage and the transfer of Rebatable Arbitrage to the Excess Earnings Account pursuant to the Nonarbitrage Certificate and the Trust Agreement, amounts remaining in the Investment Earnings Account will be applied as set forth in the Trust Agreement. Investment Earnings on amounts on deposit in the Certificate Fund and the Administrative Expense Fund will remain in such funds and be applied in accordance with the Trust Agreement provisions governing such funds.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Sublease, such Additional Rental will be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received.

Substitution and Release of Leased Premises or Leased Component. Notwithstanding anything herein to the contrary, the Leased Premises or any Leased Component may be amended, modified, released, transferred, changed or substituted with other properties, in accordance with the Sublease and the Trust Agreement, provided, however, that so long as the Bank is not in default in its obligation to honor draws on the Letter of Credit, the Bank shall have provided its prior written consent to such amendment, modification, release, change, transfer or substitution and provided further, that it is the express intent of the County and the Corporation that all County-owned properties that comprise the Project be subject to the Sublease. Any modification of this Sublease or Exhibit A hereto entered into solely to add additional components of the Project shall be exempt from the requirements of the Sublease and the Trust Agreement.

COVENANTS

Compliance with Trust Agreement. The Trustee shall not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the Corporation and the County shall not suffer or permit any default by them to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms thereof required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Sublease. The Corporation and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Sublease required to be complied with, kept, observed and performed by them and, together with the Trustee, shall enforce the Site Lease and the Sublease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Corporation, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County shall keep the Leased Premises and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Leased Premises, and the Trustee at its option (after first giving the County ten days' written notice to comply therewith and failure of the County to so comply within such ten-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Trust Agreement, or from its obligation thereunder to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Certificates are Outstanding, none of the Trustee, the Corporation or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Trust Agreement, other than the pledge and lien thereof.

The Corporation and the Trustee shall not encumber the Leased Premises other than in accordance with the Site Lease, the Sublease, the Trust Agreement and the Assignment Agreement.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Leased Premises or any part thereof, whether now existing or developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

The County shall defend against every action, suit or other proceeding at any time brought against the Trustee upon any claim arising out of the receipt, deposit or disbursement of any of the Base Rental or involving the rights of the Trustee under the Trust Agreement; provided, however, that the Trustee at its election may appear in and defend any such action, suit or other proceeding. The County shall, to the extent permitted by law, indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person arising out of any such receipt, deposit or disbursement, and shall, to the extent permitted by law, indemnify and hold harmless the Trustee against any attorneys' fees or other expenses which any of them may incur in connection with any litigation or otherwise in connection with the foregoing to which any of them may become a party in order to enforce their rights under the Trust Agreement, provided that no indemnification shall be made to the Trustee for losses arising out of the willful misconduct or negligence of the Trustee.

Accounting Records and Statements. The Trustee shall keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base Rental, and such accounting records shall be available for inspection by the Corporation and the County at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the foregoing available to the Bank and any Owner or its agent duly authorized in writing.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Sublease, the Site Lease and the Assignment Agreement, or memoranda thereof.

Tax Covenants. The County covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the County agrees to comply with the Nonarbitrage Certificate as a source of guidance for compliance with such provisions. The Trustee hereby agrees to comply with any instructions received from the County which the County indicates must be followed in order to comply with the Nonarbitrage Certificate.

Notwithstanding any other provision of the Trust Agreement to the contrary, upon the County's failure to observe, or refusal to comply with, the foregoing covenant, no person other than the Trustee or the Owners of the Certificates shall be entitled to exercise any right or remedy provided to such Owners under this Trust Agreement on the basis of the County's failure to observe, or refusal to comply with, the covenant.

Further Assurances. Whenever and so often as requested to do so by the Trustee, the Bank or any Owner, the Corporation and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, the Bank and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Trust Agreement or by the Assignment Agreement, the Site Lease or the Sublease.

DEFAULT AND LIMITATIONS OF LIABILITY

Action on Default. If an event of default (within the meaning of the Sublease) shall happen, then such event of default shall constitute an event of default under the Trust Agreement, The Trustee may give notice, as assignee of the Corporation, of an event of default under the Sublease to the County, and shall do so if directed to do so by the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding. In each and every case during the continuance of an event of default, the Trustee (a) may, with the prior written consent of the Bank, at the direction of the Owners of not less than a majority of the aggregate principal evidenced by Certificates then Outstanding, and (b) shall, so long as the Bank is not in default in its obligation to honor a draw on the Letter of Credit, at the direction of the Bank, upon notice in writing to the County and the Corporation, exercise any of the remedies granted to the Corporation under the Sublease and, in addition, with the written consent or at the written direction of the Bank, take whatever action at law or in equity may appear necessary or desirable to enforce its rights as assignee pursuant to the Assignment Agreement or to protect and enforce any of the rights vested in the Trustee or the Owners by the Trust Agreement or by the Certificates, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Trust Agreement summarized under the caption "– Other Remedies of the Trustee."

Other Remedies of the Trustee. Subject to the provisions of the Trust Agreement, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Corporation or the County or any member, director, officer or employee thereof, and to compel the Corporation or the County or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Trust Agreement;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any event of default under the Trust Agreement to require the Corporation and the County to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often the Trustee shall deem expedient.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Bank or any Owner, then subject to any adverse determination, the Trustee, the Bank, such Owner, the Corporation and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive. Subject to the provisions of the Trust Agreement, no remedy therein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Trust Agreement, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

No Liability by the Corporation to the Owners. Except as expressly provided in the Trust Agreement, the Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental by the County, or with respect to the performance by the County of the other agreements and covenants required to be performed by it contained in the Sublease, the Site Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained therein.

No Liability by the County to the Owners. Except for the payment when due of the Base Rental and the performance of the other agreements and covenants required to be performed by it contained in the Sublease, the Site Lease or the Trust Agreement, the County shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Base Rental by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability of the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental by the County, or with respect to the performance by the Corporation or the County of the other agreements and covenants required to be performed by them, respectively, contained in the Sublease, the Site Lease or the Trust Agreement.

Application of Amounts After Default. All payments received by the Trustee with respect to the rental of the Leased Premises after a default by the County pursuant to the Sublease (including, without limitation, any proceeds received in connection with the sale, assignment or sublease of the Corporation's right, title and interest in the Site Lease), and all damages or other payments received by the Trustee for the enforcement of any rights and powers of the Trustee under the Sublease, shall be deposited into the Certificate Fund and as soon as practicable thereafter applied:

(a) to the payment of all amounts due the Trustee under the Trust Agreement;

(b) to the payment of all amounts then due for interest evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of interest evidenced by such Certificates due and payable;

(c) to the payment of all amounts then due for principal evidenced by the Certificates, in respect of which, or for the benefit of which, money has been collected (other than Certificates which have become payable prior to such event of default and money for the payment of which is held by the Trustee), ratably without preference or priority of any kind, according to the amounts of principal evidenced by such Certificates due and payable; and

(d) to the extent not included in clause (b) or clause (c) above, to the payment of all amounts then due under the Trust Agreement to the Bank on account of draws under the Letter of Credit or otherwise under the Reimbursement Agreement.

Trustee May Enforce Claims Without Possession of Certificates. All rights of action and claims under the Trust Agreement or the Certificates may be prosecuted and enforced by the Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Owners of the Certificates in respect of which such judgment has been recovered.

Limitation on Suits. No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, with respect to the Trust Agreement, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless (a) such Owner shall have previously given written notice to the Trustee of a continuing event of default, (b) so long as the Bank is not in default in its obligation to honor a draw on the Letter of Credit, such Owner shall have obtained the Bank's consent to such institution or appointment, (c) the Owners of not less than 25% of the aggregate principal evidenced by Certificates then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Trust Agreement, (d) such Owner or Owners shall have afforded to the Trustee indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, (e) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceedings, and (f) no direction inconsistent with such written request shall have been given to the Trustee during such 60 day period by the Owners of a majority of the aggregate principal evidenced by Certificates then Outstanding; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Trust Agreement to affect, disturb or prejudice the rights of any other Owner of Certificates, or to obtain or seek to obtain priority or preference over any other Owner or to enforce any right under the Trust Agreement, except in the manner provided in the Trust Agreement and for the equal and ratable benefit of all the Owners of Certificates.

Bank's Rights Regarding Remedies. Anything to the contrary contained in the Trust Agreement notwithstanding, so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit, the Trustee shall not exercise any of the remedies provided in the Trust Agreement without the prior written consent of the Bank, and shall, upon indemnification by the Bank of the Trustee to the Trustee's reasonable satisfaction, exercise such rights in accordance with and at the direction of the Bank.

THE TRUSTEE AND THE REMARKETING AGENT

Employment of the Trustee; Duties. The Corporation and the County appoint and employ the Trustee to receive, deposit and disburse the Base Rental, to prepare, execute, deliver and transfer the Certificates, to make the draws under the Letter of Credit as and when required pursuant to the Trust Agreement and thereto and to perform the other functions contained therein, all in the manner provided therein and subject to the conditions and terms thereof. By executing and delivering the Trust Agreement, the Trustee accepts the appointment and employment therein referred to and accepts the rights and obligations of the Trustee provided therein, subject to the conditions and terms thereof. Other than when an event of default has occurred and is continuing, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Trust Agreement, and no implied covenants or obligations shall be read into the Trust Agreement against the Trustee. In case an event of default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Trust Agreement, 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 such person's own affairs. The Trustee covenants and agrees that it will not encumber the Leased Premises.

The Trustee agrees to hold all Certificates delivered to it for purchase under the Trust Agreement in trust for the benefit of the respective Owners which shall have so delivered such Certificates until moneys representing the Purchase Price of such Certificates shall have been delivered to or for the account of or to the order of such Owners and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the County, the Bank and the Remarketing Agent.

Removal and Resignation of the Trustee. The Corporation and the County may by an instrument in writing, remove the Trustee initially a party to the Trust Agreement and any successor thereto unless an event of default shall have occurred and then be continuing, and shall remove the Trustee initially a party thereto and any successor thereto if at any time (a) requested to do so by the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit) or by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal component represented by the Certificates at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a commercial bank with trust powers or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least $50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of these provisions of the Trust Agreement the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Corporation and the County and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books maintained by the Trustee. Upon receiving such notice of resignation, the Corporation and the County shall, with the written consent of the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit), promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the County and the Corporation do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the County, the Corporation and the Bank and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Trust Agreement; but, nevertheless, at the written request of the County 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 Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Trust Agreement, including the Letter of Credit (which shall be transferred in accordance with the terms thereof).

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the Trust Agreement, ipso facto, shall be and become successor trustee under the Trust Agreement and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties thereto, anything in the Trust Agreement to the contrary notwithstanding.

Compensation of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Trust Agreement and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) thereunder, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations thereunder; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established thereunder (except that such compensation or reimbursement may be made from the Costs of Issuance Fund to the extent provided in the Trust Agreement). The Trustee may take whatever legal actions are lawfully available to it directly against the Corporation or the County.

Except as otherwise expressly provided in the Trust Agreement, no provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder or in the exercise of any of its rights or powers thereunder.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Trust Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Owners of the Certificates pursuant to the Trust Agreement, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Under no circumstances shall the Trustee request or be entitled to indemnification from the County for taking actions required by and in accordance with the Trust Agreement, including, but not limited to, requesting amounts under the Letter of Credit, causing payments of interest and principal evidenced by the Certificates to be made to the Owners thereof and carrying out purchases or prepayments of the Certificates in accordance with the terms thereof. The Trustee may consult with counsel, who may be counsel to the Corporation or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Certificates or the Sublease, or of the assignment made to it by the Assignment Agreement, or for statements made in the preliminary or final official statement relating to the Certificates, or of the title to the Leased Premises.

The Trustee shall not be required to take notice or be deemed to have notice of any default or event of default under the Trust Agreement, except failure of any of the payments to be made to the Trustee required to be made thereunder or under the Sublease, unless the Trustee shall be specifically notified in writing of such default, or event of default by the Bank, the County, the Corporation or by the Owners of not less than 25% of the aggregate principal evidenced by the Certificates then Outstanding.

Whenever in the administration of its rights and obligations under the Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may be deemed to be conclusively proved and established by a Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the County, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Corporation or the County as freely as if it were not the Trustee under the Trust Agreement.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Trust Agreement and perform any rights and obligations required of it thereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations thereunder, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Trust Agreement or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Corporation or the County is a party and which, in the opinion of the Trustee and its counsel, affects the Certificates or the security therefor, and shall do so if requested in writing by the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit) or the Owners of at least 5% of the aggregate principal evidenced by Certificates then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

<u>Appointment of Co-Trustee</u>. It is the purpose of the Trust Agreement that there shall be no violation of any law of any jurisdiction (including particularly the laws of the State of California) denying or restricting the right of banking corporations or associations to transact business as Trustee in such

jurisdiction. It is recognized that in the case of litigation under the Trust Agreement, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted to the Trustee or hold title to the properties, in trust, as granted in the Trust Agreement, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional institution as a separate or co-trustee. The following provisions are adopted to these ends.

In the event that the Trustee appoints an additional institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Trust Agreement to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them. Any co-trustee shall be bound by the standards of care, duties and obligations of the Trustee under the Trust Agreement as if such co-trustee were the Trustee. Any co-trustee shall be a bank or trust company doing business in the State of California and at all times shall have a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions in the Trust Agreement summarized under the caption "– Appointment of Co-Trustee," the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Should any instrument in writing from the County, the Corporation or the Bank be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the County, the Corporation or the Bank. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate trustee or co-trustee.

Qualifications of Remarketing Agent. Merrill Lynch, Pierce, Fenner & Smith Incorporated is appointed initial Remarketing Agent to remarket Adjustable Rate Certificates pursuant to the Trust Agreement, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Bank, the County and the Trustee at all reasonable times, upon reasonable notice, and to give telegraphic or telephonic notice, promptly confirmed by a written notice, to the Trustee (who shall then promptly notify the Bank), specifying (i) the principal amount of such Adjustable Rate Certificates, if any, remarketed by it as provided in the Trust Agreement, and (ii) the interest rates on the remarketed Adjustable Rate Certificates as determined pursuant to and in accordance with the Trust Agreement.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving at least thirty (30) days' notice to the Bank, the County and the Trustee; provided that in the event a successor shall not have been appointed within such thirty (30) day period, the Remarketing Agent's resignation and discharge from duties and obligations hereunder will not be effective until the earlier of (a) the appointment of a successor, or (b) thirty (30) days from the expiration of such thirty (30) day notice period. The Remarketing Agent may be removed upon fifteen (15) days' notice to the Remarketing Agent, at the direction of the County, by an instrument filed with the

Remarketing Agent, the Bank and the Trustee. Any successor Remarketing Agent shall be selected by the County and shall be either (i) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least $50,000,000, or (ii) a commercial bank having combined capital and surplus of $50,000,000 and, in either event, rated Baa/Prime-3 or better by Moody's or shall otherwise be approved in writing by the rating agencies then rating the Adjustable Rate Certificates and authorized by law to perform all the duties imposed upon it by the Trust Agreement. When a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit, the County shall obtain the Bank's written consent to the appointment of such successor Remarketing Agent, which consent shall not be unreasonably withheld. The County's delivery to the Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (i) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of the Trust Agreement, and (ii) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of the Trust Agreement.

If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent, but only if such successor meets the eligibility requirements of the preceding paragraph.

AMENDMENT OR SUPPLEMENT; ADDITIONAL CERTIFICATES

Amendment or Supplement of Trust Agreement. (a) The Trust Agreement and the rights and obligations of the Corporation, the County, the Owners and the Trustee thereunder may be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding when the prior written consents of the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit) and the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, are filed with the Trustee. No such amendment or supplement shall (i) extend the stated Principal Payment Date of any Certificate or reduce the rate of interest applicable to the interest evidenced thereby or extend the time of payment of such interest or reduce the amount of principal evidenced thereby or reduce the amount of any Mandatory Sinking Account Payment or change the prepayment terms and provisions or the provisions regarding delivery of notice of prepayment without the prior written consent of the Owner of each Certificate so affected, (ii) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust Agreement or supplement thereto without the prior written consent of the Owners of all Certificates then Outstanding, (iii) modify any of the rights or obligations of the Trustee without the prior written consent of the Trustee, (iv) modify any of the rights or obligations of the Bank without the prior written consent of the Bank, or (v) amend the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement of Trust Agreement," without the prior written consent of the Owners of all Certificates then Outstanding.

(b) The Trust Agreement and the rights and obligations of the Corporation, the County, the Owners and the Trustee thereunder may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution, with the prior written consent of the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit), but without the written consents of any Owners, but only to the extent permitted by law and after receipt of an unqualified approving Opinion of Counsel and only for any one or more of the following purposes:

(i) to add to the agreements, conditions, covenants and terms required by the Corporation or the County to be observed or performed in the Trust Agreement other agreements, conditions, covenants and terms thereafter to be observed or performed by the Corporation or the

County, or to surrender any right or power reserved therein to or conferred therein on the Corporation or the County, and which in either case shall not adversely affect the rights or interests of the Bank or the Owners;

(ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising thereunder which the Corporation or the County may deem desirable or necessary and not inconsistent with the Trust Agreement, and which shall not adversely affect the rights or interests of the Bank or the Owners;

(iii) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest evidenced by the Certificates;

(iv) to authorize the execution and delivery of Additional Certificates if conditions set forth in the Trust Agreement are met; or

(v) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Bank or the Owners.

(c) The Trust Agreement and the rights and obligations thereunder of the Corporation, the County, the Trustee and the Owners of Certificates being converted from one Mode to another Mode, but only as such rights and obligations relate solely to such Certificates, may also be amended or supplemented as of any Conversion Date by an amendment thereof or supplement thereto which shall become binding on such Conversion Date with the prior written consent of the Bank (so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit), but without the written consents of any Owners, but only to the extent permitted by law and only if the Certificates have been remarketed by the Remarketing Agent pursuant to the Trust Agreement for purchase on such Conversion Date with such amended or supplemented rights or obligations.

(d) Before executing any amendment or supplement authorized by the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates," the Trustee may consult with counsel, who may be counsel to the Corporation or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith.

Amendment or Supplement to Sublease, Site Lease or Assignment Agreement. The Sublease, the Site Lease and the Assignment Agreement may be amended in writing by agreement between the parties thereto, with the consent of the Trustee, if any, but no such amendment will become effective as to the Owners of Certificates unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding. Notwithstanding the foregoing, the Sublease, the Site Lease and the Assignment Agreement and the rights and obligations provided thereby may also be modified or amended at any time with the consent of the Trustee and the Bank but without the consent of any Owners of the Certificates upon the written agreement of the County and the Corporation, but only (1) for the purpose of amending the Leased Premises pursuant to the Sublease, (2) in regard to questions arising under the respective Sublease, the Site Lease or the Assignment Agreement that the County and the Corporation may deem necessary or desirable and not inconsistent with such Sublease, Site Lease or Assignment Agreement and that will not adversely affect the interests of the Owners of the Certificates, (3) to provide for the authorization of Additional Certificates if the conditions set forth in the Trust Agreement have been met, or (4) for any other reason, provided such modification or amendment does not adversely affect the interests of the Owners of the Certificates; and provided further that it is the express intent of the County and the Corporation that all County-owned properties that comprise the Project to be subject to the Sublease. Any modification of the Sublease or Exhibit A thereto entered into solely to add additional components of the Project shall be exempt from the requirements thereof and the requirements set forth under this caption.

Disqualified Certificates. Certificates owned or held by or for the account of the County or the Corporation (but excluding Certificates held in any pension or retirement fund of the County) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates," and shall not be entitled to consent to or take any other action provided in the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates," and the Trustee may adopt appropriate regulations to require each Owner, before its consent provided for in the Trust Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in the Trust Agreement. The Trustee may require the County and the Corporation to certify whether any Certificates are held by or for the account of the County or the Corporation, as the case may be, and the Trustee may rely on such certification for purposes of any consent or other action or any calculation of Outstanding Certificates provided in the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates."

Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as provided in the provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates," the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Certificate and presentation of such Certificate for such purpose at the Principal Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall receive an Opinion of Counsel advising that new Certificates modified to conform to such action are necessary, modified Certificates shall be prepared, and in that case upon demand of the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the Principal Office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Amendment by Mutual Consent. The provisions of the Trust Agreement summarized under the caption "– Amendment or Supplement; Additional Certificates" shall not prevent any Owner from accepting any amendment as to the particular Certificates owned by it, provided that due notation thereof is made on such Certificates.

Additional Certificates. The County may, from time to time, with the prior written consent of the Corporation, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Sublease, on parity with the Outstanding Certificates. The Trustee will execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement or amendment to the Trust Agreement authorizing such series of Additional Certificates which will, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable with respect to the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under the Trust Agreement to provide for the payment of principal of, premium, if any, and interest with respect to such Additional Certificates, and (ix) the establishment of and provisions concerning such other funds, accounts and subaccounts as the County and the Corporation will deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of an amendment to the Sublease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal of and interest with respect to the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Premises, and (ii) the insurance provisions of the Sublease will provide adequate coverage for any new Leased Premises. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence will be evidenced by a written certificate of a County Representative. If appropriate, such amendment will contain any modifications necessary to include additional real property, buildings or improvements in the Leased Premises in connection with the issuance of such Additional Certificates.

(c) Evidence that any amendments to the Sublease, Site Lease or Assignment Agreement executed in connection with such Additional Certificates have been duly recorded in the official records of the County Recorder of the County of Riverside.

(d) If such Additional Certificates are being executed and delivered to finance the construction or acquisition of new additions or improvements to the existing Leased Premises, such written certificate of a County Representative will, in addition to the requirements set forth in subsection (b) above, certify that: (i) the fair rental value of the Leased Premises, without taking into account such new buildings or improvements, is at least equal to the Base Rental payable under the Sublease, as amended, (ii) the fair rental value of the Leased Premises, including any new real property, buildings or improvements which are completed and are available for use and possession by the County and constitute a portion of the Leased Premises under the Sublease, as amended, is at least equal to the Base Rental payable under the Sublease, as amended or (iii) the fair rental value of the Leased Premises, including such new real property, buildings or improvements, when acquired or completed, will be at least equal to the Base Rental payable under the Sublease, as amended, which certificate, in the case of clause (iii), will include a further certification that the County has provided for the deposit of a sufficient amount of capitalized interest to pay interest with respect to such Additional Certificates until such scheduled completion date (which certification may be waived by the Trustee if the Trustee receives evidence satisfactory to it that the payment of such interest has been otherwise provided for).

(e) An opinion or opinions of Special Counsel substantially to the effect that (i) the supplement or amendment to the Trust Agreement and any amendment to the Sublease, the Site Lease or the Assignment Agreement executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Trust Agreement and have been duly and validly authorized, executed and delivered by each of the County and the Corporation, as appropriate, and constitute the legally valid and binding obligations of the County and the Corporation, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest with respect to the 2009 Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

(f) Written evidence from the Rating Agencies that the execution and delivery of such Additional Certificates will not, by itself, result in a downgrading of the ratings assigned to any Certificates from the ratings in effect immediately prior to such execution and delivery of such Additional Certificates.

DEFEASANCE

Discharge of Certificates and Trust Agreement. (a) If the Trustee shall pay or cause to be paid or there shall otherwise be paid (i) to the Owners of all Outstanding Certificates the interest and principal evidenced thereby at the times and in the manner stipulated in the Trust Agreement and therein, and (ii) all other amounts due under the Trust Agreement and under the Sublease and the Reimbursement Agreement, then such Owners shall cease to be entitled to the pledge of and lien on the amounts on deposit in the funds and accounts established under the Trust Agreement, as provided therein, and all agreements and covenants of the Corporation, the County, and the Trustee to such Owners thereunder shall thereupon cease, terminate and become void and shall be discharged and satisfied.

(b) Any Outstanding Certificate shall be deemed to have been paid within the meaning and with the effect expressed in the Trust Agreement when the whole amount of the principal, premium, if any, and interest evidenced by such Certificate shall have been paid or when (i) in case said Certificate or portion thereof has been selected for prepayment in accordance with the Trust Agreement prior to its stated Principal Payment Date, the County shall have given to the Trustee irrevocable instructions to give, in accordance with the provisions of the Trust Agreement, notice of prepayment of such Certificate, or portion thereof, (ii) there shall be on deposit with the Trustee, either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, which Defeasance Securities shall not contain provisions permitting the redemption thereof other than at the option of the holder, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal, premium, if any, and interest evidenced by such Certificate and due and to become due on or prior to the prepayment date or its stated Principal Payment Date, as the case may be, and (iii) in the event the stated Principal Payment Date of such Certificate will not occur, and said Certificate is not to be prepaid, within the next succeeding 60 days, the County shall have given the Trustee irrevocable instructions to give notice, as soon as practicable in the same manner as a notice of prepayment given pursuant to the Trust Agreement, to the Owner of said Certificate, or portion thereof, stating that the deposit of moneys or Defeasance Securities required by clause (ii) of this paragraph has been made with the Trustee and that said Certificate, or portion thereof, is deemed to have been paid in accordance with the Trust Agreement and stating such Principal Payment Date or prepayment date upon which moneys are to be available for the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portion thereof.

Neither the moneys nor the Defeasance Securities deposited with the Trustee pursuant to the Trust Agreement nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal, premium, if any, and interest evidenced by said Certificate, or portions thereof. If payment of less than all of the Certificates is to be provided for in the manner and with the effect expressed in the Trust Agreement, the Trustee or the County, as applicable, shall select such Certificates, or portions thereof, in the manner specified in the Trust Agreement for selection for prepayment of less than all of the Certificates, in the principal amounts designated to the Trustee by the County.

(c) The Trustee may' seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a defeasance pursuant to the Trust Agreement have been satisfied, and (ii) such other opinions, certifications and computations, as the

Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in the Trust Agreement.

(d) After the payment of all the interest, prepayment premium, if any, and principal evidenced by all Outstanding Certificates and all other amounts due under the Trust Agreement and under the Sublease and the Reimbursement Agreement as provided in the Trust Agreement, the Trustee shall execute and deliver to the Corporation and the County all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the Trust Agreement, and, subject to the Trust Agreement, the Trustee shall pay over or deliver to the County all moneys or securities held by it pursuant to the Trust Agreement which are not required for the payment of the interest, prepayment premium, if any, and principal evidenced by such Certificates and all other amounts due under the Trust Agreement, the Reimbursement Agreement and under the Sublease.

(e) Prior to any defeasance becoming effective under the Trust Agreement, (i) all amounts currently due to the Bank under the Reimbursement Agreement shall have been paid in full, and (ii) the County shall cause to be delivered (A) an executed copy of a report, addressed to the Trustee, the County and the Bank, in form and in substance acceptable to the Trustee, the County and the Bank, of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, satisfy the requirements of the Trust Agreement (a "Verification"), (B) a copy of the escrow deposit agreement entered into in connection with such defeasance, which escrow deposit agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (C) a copy of an Opinion of Counsel, dated the date of such defeasance and addressed to the Trustee, the County and the Bank, in form and in substance acceptable to the Trustee, the County and the Bank, to the effect that such Certificates have been paid within the meaning and with the effect expressed in the Trust Agreement, and all agreements and covenants of the Corporation, the County and the Trustee to the Owners of such Certificates under the Trust Agreement have ceased, terminated and become void and have been discharged and satisfied.

Prior to the defeasance of any Certificates in the Adjustable Rate Mode becoming effective under the Trust Agreement, the Trustee shall have received written confirmation from each rating agency then rating such Certificates that such defeasance would not, in and of itself, cause such rating agency to lower, withdraw or suspend its rating of such Certificates.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the interest or principal evidenced by any of the Certificates which remain unclaimed for two years after the date when such interest or principal evidenced by such Certificates have become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when the interest and principal evidenced by such Certificates have become payable, shall, subject to the terms of the Trust Agreement, at the Written Request of the County be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the County for the payment of the interest and principal evidenced by such Certificates.

MISCELLANEOUS

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Trust Agreement to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the Registration Books maintained by the Trustee pursuant to the provisions of the Trust Agreement.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the County or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Trust Agreement to the contrary, no member, officer or employee of the County shall be individually or personally liable for the payment of any moneys, including without limitation, the interest or principal represented by the Certificates, but nothing contained in the Trust Agreement shall relieve any member, officer or employee of the County from the performance of any official duty provided by any applicable provisions of law, by the Sublease or by the Trust Agreement.

Funds and Accounts. Any fund or account required to be established and maintained in the Trust Agreement by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Trust Agreement.

Third-Party Beneficiaries. The Bank is a third-party beneficiary of the Trust Agreement.

California Law. The Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

FACILITIES SUBLEASE

Agreement to Sublease; Term of Sublease. Pursuant to the Sublease the Corporation agrees to sublease the Leased Premises to the County, and the County agrees to pay Base Rental and Additional Rental for the use and occupancy of the Leased Premises. The Lease Term (the "Lease Term") will begin on the date of execution and delivery thereof and will end on November 1, 2039, or at such earlier time as the Certificates have been paid or provision for their payment has been made in accordance with the provisions of the Sublease and the Trust Agreement; provided, however, that (i) the Sublease will terminate with respect to any of the discrete properties comprising the Leased Premises, including each component thereof as described in Exhibit A of the Sublease (each a "Leased Component"), at such time and in the event that the total amount of Base Rental with respect to such Leased Component is prepaid pursuant to such Sublease, or at such time as and in the event that the Leased Component, or so much thereof as to render the remainder of the Leased Component unusable, will be taken by eminent domain and (ii) in the event the parties amend Base Rental payable in connection with the issuance of Additional Certificates pursuant to the Trust Agreement, the Lease Term may be concurrently extended by the parties (subject to subsequent adjustment pursuant to clause (i) above; provided further, and subject to clauses (i) and (ii) hereof, that with respect to the Leased Components known as the "Corona Administrative Center" and the "Project", the Sublease shall terminate on November 1, 2021; provided further however that the Sublease shall not terminate with respect to any Leased Component if any Obligations (as defined in the Reimbursement Agreement) remain owing to the Bank.

Substitution and Release of Leased Premises. Notwithstanding anything to the contrary contained in the Sublease, the Leased Premises or any Leased Component may be amended, modified, released, transferred, changed or substituted by other properties, solely in the discretion of the County; provided, however, that: (i) the Bank will have provided its prior written consent to such amendment, modification, release, transfer, change or substitution, which such consent will not be unreasonably withheld; (ii) such amendment, modification, release, transfer, change or substitution complies with the requirements set forth in the Trust Agreement; and (iii)(a) such amendment, modification, release, transfer, change or substitution does not, in the opinion of Special Counsel, adversely affect the exclusion for federal or state income tax purposes of interest with respect to any Certificates previously executed and delivered on a tax-exempt basis; (b) the County delivers to the Trustee a certificate of a County Representative confirming that (1) the fair rental value of the Leased Premises following such amendment, modification, release, transfer, change or substitution is at least equal to Base Rental payable under the Sublease and (2) the useful life of any amended, modified, transferred, changed or substituted Leased Component equals or exceeds the remaining term of the Sublease; (c) the County provides evidence that the title insurance required under the Sublease includes the amended, modified, transferred, changed or substituted Leased Component or, prior to the release of a Leased Component, the County will provide evidence that the existing title insurance required under the Sublease on the remaining Leased Components is not affected by such release; and (d) the County has been advised by each Rating Agency then providing a rating or ratings on Outstanding Certificates, that such amendment, modification, release, transfer, change or substitution will not, in and of itself, result in a reduction of any such ratings by such Rating Agency.

It is the express intent of the County and the Corporation that all County-owned properties that comprise the Project to be subject to the Sublease. Any modification of the Sublease or Exhibit A thereto entered into solely to add additional components of the Project are exempt from the requirements listed above and or in the Trust Agreement.

Transfer of Title. Upon payment of all Base Rental and Additional Rental required by the Sublease with respect to any Leased Component, or the termination of the Sublease with respect to any Leased Component, title to such Leased Component, and any improvements thereon or additions thereto, will be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County, in accordance with the provisions of the Sublease.

Rental Payments. The parties agree that, the fair rental value of each Leased Component of the Leased Premises is not less than the amount set forth in the certificate of the County delivered on the Closing Date. In satisfaction of its obligations under the Sublease, the County will pay Base Rental and Additional Rental in the amounts, at the times and in the manner set forth therein, such amounts constituting in the aggregate the rental payable under such Sublease as follows:

Base Rental. (i) The County agrees to pay from legally available funds (A) Scheduled Base Rental in the amounts set forth in Exhibit B to the Sublease, a portion of which will constitute principal and a portion of which will constitute interest as determined in accordance with the terms of such Exhibit B, and (B) Excess Base Rental as defined and determined in accordance with the Sublease. On the Closing Date the County shall transfer to the Trustee for deposit in the 2009 Adjustable Rate Security Deposit Subaccount within the 2009 Base Rental Subaccount of the Base Rental Account of the

Certificate Fund a security deposit in the amount equal to 31 days of interest with respect to the 2009 Certificates initially issued in the Weekly Rate Mode at the Maximum Rate. Base Rental payable by the County in support of Adjustable Rate Certificates shall be due on the first day of each month during the Lease Term commencing January 1, 2010, or on the preceding Business Day in the event that any such day is not a Business Day. In accordance with Exhibit B to the Sublease, monthly Scheduled Base Rental in support of the Adjustable Rate Certificates shall be in an amount equal to 31 days of interest with respect to the Adjustable Rate Certificates at the assumed per annum interest rate equal to 4.00%, plus the amount necessary to restore the Security Deposit to the Security Deposit Requirement, plus the amount of principal due with respect to the Adjustable Rate Certificates during the current calendar month. The County will credit against monthly Base Rental due in support of Adjustable Rate Certificates an amount equal to the funds available in the 2009 Adjustable Rate Security Deposit Subaccount in excess of the Security Deposit Requirement, less the amount of interest accrued but unpaid with respect to the Adjustable Rate Certificates during the immediately preceding calendar month. Upon any conversion of Adjustable Rate Certificates to Fixed Rate Certificates, Exhibit B of the Sublease will be amended to reflect the Base Rental payments for the Fixed Rate Certificates. Such amendment shall be deemed a ministerial matter and shall not, in and of itself, require adherence to the provisions of the Trust Agreement. Base Rental payable in any Fiscal Year shall be for the use and occupancy of the Leased Premises for such Fiscal Year.

(ii) The principal components of Base Rental relating to the Adjustable Rate Certificates set forth on the Exhibit B of the Sublease may be adjusted from time to time in accordance with the Reimbursement Agreement and the applicable definitions contained therein, except that the term "Term Loan Amortization End Date" will be applied without consideration of clauses (b), (d), (e), (f) and (g) of the definition thereof, if and to the extent any such Adjustable Rate Certificates become Bank Certificates; provided, however, that the aggregate amount of the principal components of Base Rental before and after any such adjustment shall be equal and no principal component shall be payable beyond the term of the Sublease as provided therein. The interest components of Base Rental shall be paid by the County as and constitute interest paid on the principal components of Base Rental. The interest components of Base Rental evidenced by Certificates in an Adjustable Rate Mode shall accrue at the Adjusted Interest Rates, calculated as provided in the Trust Agreement. The interest components of Base Rental evidenced by Certificates in the Fixed Rate Mode shall accrue at the Fixed Interest Rate, calculated as provided in the Trust Agreement. Notwithstanding the foregoing, the interest components of Base Rental evidenced by Bank Certificates shall accrue at the Bank Rate, calculated as provided in the applicable Reimbursement Agreement.

(iii) To secure the performance of its obligation to pay Base Rental in support of Fixed Rate Certificates, the County will deposit Base Rental in support of Fixed Rate Certificates with the Trustee on or before the fifteenth day of the month immediately preceding the month in which such Base Rental is due, for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit will be made on the preceding Business Day.

(iv) In no event will the amount of Base Rental payable on any date exceed the aggregate amount of principal and interest required to be paid or prepaid on such date, and, in the case of Adjustable Rate Certificates, amounts necessary to reinstate the Security Deposit to the Security Deposit Requirement plus interest accrued and unpaid to such date, and principal and interest required to be paid or prepaid within the immediately succeeding 34 days from Base Rental under the Sublease with respect to the Outstanding Certificates, according to their tenor.

Additional Rental. In addition to Base Rental the County agrees to pay as Additional Rental all of the following:

(i) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the Leased Premises, or upon any interest of the Corporation, the Trustee or the Owners therein or in the Sublease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of the Sublease;

(iii) All fees and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee in connection with the Trust Agreement;

(iv) All fees and expenses payable to the Bank or any indemnified person or participant pursuant to the Reimbursement Agreement, other than amounts payable to the Bank with respect to Bank Certificates;

(v) Amounts owed to the United States as Rebatable Arbitrage pursuant to the Trust Agreement to the extent amounts available in the appropriate subaccounts of the Excess Earnings Account and the Investment Earnings Account are insufficient therefor;

(vi) All fees of the Remarketing Agent pursuant to the Remarketing Agreement relating to Adjustable Rate Certificates; and

(vii) Any other fees, costs or expenses incurred by the Corporation in connection with the execution, performance or enforcement of the Sublease or any assignment under the Sublease or the Trust Agreement or any of the transactions contemplated under the Sublease or the Trust Agreement or related to the Leased Premises, including, without limitation, any amounts (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) which may become due.

Amounts constituting Additional Rental payable under the Sublease will be paid by the County directly to the person or persons to whom such amounts are payable. The County will pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental then due and payable and the purpose thereof.

Consideration. The payments of Base Rental and Additional Rental under the Sublease for each Fiscal Year or portion thereof during the Lease Term will constitute the total rental for such Fiscal Year or portion thereof and will be paid by the County for and in consideration of the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Premises by the County for and during such Fiscal Year or portion thereof. The parties have agreed and determined that such total rental is not in excess of the total fair rental value of the Leased Premises, and that the total rental allocable to a particular Leased Component is not in excess of the fair rental value for such Leased Component. In making such determination of fair rental value, consideration has been given to the costs of construction, acquisition, delivery and financing of the Leased Premises, the replacement cost of the Leased Premises, the uses and purposes served by the Leased Premises, and the benefits therefrom that will accrue to the parties by reason of the Sublease and to the general public by reason of the County's use of the Leased Premises.

Budget. The County covenants to take such action as may be necessary to include all Base Rental and Additional Rental in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental, subject to abatement discussed below.

The obligation of the County to make Base Rental or Additional Rental 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 Certificates nor the obligation of the County to make Base Rental or Additional Rental 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.

Payment. Notwithstanding any dispute between the County and the Corporation, the County will make all rental payments when due and will not withhold any rental payments pending the final resolution of such dispute or for any other reason whatsoever. The County's obligation to make rental payments in the amounts and on the terms and conditions specified under the Sublease will be absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions relating to abatement.

Rental Abatement. Except to the extent of (i) amounts held by the Trustee in the Certificate Fund, (ii) amounts received in respect of rental interruption insurance or title insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Certificates, Base Rental payments due under the Sublease will abated during any period in which, by reason of material damage, destruction, theft, condemnation or defects in title to such Leased Component or portion thereof, there is substantial interference with the use or right of possession by the County of such Leased Component or portion thereof. The amount of abatement will be such that the resulting Base Rental and Additional Rental exceed fair rental value for the use and possession of such Leased Component and the remaining portions of the Leased Premises as to which the County has beneficial use and occupancy and as to which such damage, destruction, theft, condemnation or title defects do not substantially interfere with the use and right of possession by the County, provided that when determining the fair rental value of the remaining portion of the Leased Premises such determination will be made based on the greater of the fair rental value of such portion of the Leased Premises at that time or the fair rental value such portion of the Leased Premises would have had on the Closing Date. Such abatement will continue for the period commencing with the date of such substantial interference due to damage, destruction, theft, condemnation or title defects and ending with the restoration of such Leased Component to tenantable condition. In the event of any such damage, destruction, theft, condemnation or title defects, the Sublease will continue in full force and effect.

Triple Net Lease. The Sublease is intended to be a triple net lease. The County agrees that the rentals provided for therein will be an absolute net return to the Corporation free and clear of any expenses, charges, counter-claim or recoupment or set-offs whatsoever.

Affirmative Covenants of the Corporation and the County. The Corporation and the County are entering into the Sublease in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The County will, at its own expense, during the term of the Sublease maintain the Leased Premises, or cause the same to be maintained, in good order, condition and repair and will replace any portion of the Leased Premises which is destroyed; provided that the County will not be required to repair or replace any such portion of the Leased Premises if there will be applied to the prepayment of Certificates insurance proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding or (ii) any portion thereof relating to the Leased Premises or such portion thereof and Base Rental allocable to the remaining portion of the Leased Premises equals the pro-rata portion of Base Rental allocable to the Certificates Outstanding after such prepayment. The County will provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Premises. It is understood and agreed that in consideration of the payment by the County of the rental provided for, the County is entitled to occupy and use the Leased Premises, and no other party will have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Premises during the Lease Term. The Corporation will not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Premises. The County expressly waives the right to make repairs or to perform maintenance of the Leased Premises 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 will keep the Leased Premises free and clear of all liens, charges and encumbrances.

Utilities. The County will pay for the furnishing of all utilities which may be used in or upon the Leased Premises during the Lease Term. Such payment will 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.

Insurance. The County will secure and maintain or cause to be secured and maintained at all times with insurers of recognized responsibility or through a program of self-insurance to the extent specifically permitted, all coverage on the Leased Premises required by the Sublease.

Such insurance will consist of:

(1) A policy or policies of property insurance against loss or damage to the Leased Premises known as "all risk" insurance, including earthquake and flood. Such insurance shall be maintained with respect to the Leased Premises at all times, and in an amount not less than the lesser of the full replacement value of the Leased Premises or the aggregate principal amount of Bonds at such time Outstanding. Such insurance may at any time include deductible clauses, on a per loss basis in any one year, not to exceed (i) $50,000, in the case of all risk insurance, (ii) $200,000 in the case of flood insurance, and (iii) 5% of the loss per unit and per occurrence subject to a $500,000 maximum for earthquake insurance. 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 Leased Premises in accordance with the provisions of the Sublease.

(2) Commercial general liability coverage against claims for damages including death, personal injury, bodily injury, or property damage arising from operations involving the Leased Premises. Such insurance will 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 under this clause may be satisfied by self-insurance;

(3) Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the Labor Code of the State, or any act hereafter enacted as an amendment or supplement thereto or in lieu thereof, such workers' compensation insurance to cover all persons employed by the County in connection with the Leased Premises and to cover full liability for compensation under any such act aforesaid; provided, however, that the County's obligations under this clause may be satisfied by self-insurance;

(4) 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 any Leased Component as a result of any of the hazards covered by the insurance required pursuant to clause (1) above in an amount sufficient at all times to pay the total rent payable under the Sublease with respect to each such Leased Component 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;

(5) A CLTA policy or policies of title insurance for each Leased Component, in an aggregate amount not less than the aggregate principal amount of the Certificates Outstanding. Each such policy of title insurance shall show title to the particular Leased Component(s) covered by such policy in the name of the Corporation or the County, subject to the Sublease and such other encumbrances as will not, in the opinion of the Corporation and the County, materially affect the use, occupancy and possession of such Leased Component(s) and will not result in the abatement of Base Rental payable by the County thereunder with respect to such Leased Component(s); and

(6) 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.

All policies or certificates of insurance provided for under the Sublease will name the County as a named insured, and the Corporation, the Bank and the Trustee as additional insureds. All insurance policy claims payments received under clauses (1), (4), (5) and (6) above, will be deposited with the Trustee for application pursuant to the Trust Agreement. All proceeds of insurance, other than self-insurance, maintained under clauses (2) and (3) will be deposited with the County.

The County will not be required to maintain or cause to be maintained more insurance than is specifically referred to above.

Liens. The County will promptly pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Premises and which may be secured by any mechanic's, materialman's or other lien against the Leased Premises or any Leased Component, or the interest of the Corporation therein, and will cause each such lien to be fully discharged and released; provided, however, that the County or the Corporation (i) may contest any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay thereafter expires, then and in any such event the County will forthwith pay and discharge such judgment or lien; or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty. The County will not, directly or indirectly, create, incur, assume or suffer to exist any pledge, lien, charge, encumbrance or claim on or with respect to the Leased Premises, other than the rights of the Corporation and the County as provided in the Sublease. Except as expressly provided in the Sublease, the County will promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim, if the same will arise at any time.

Eminent Domain. In the event of a taking by eminent domain, there will be an abatement of Base Rental in accordance with the Sublease. If less than a substantial portion of any Leased Component is taken under the power of eminent domain, and the remainder is usable for County purposes, then there will be an abatement of Base Rental only to the extent of the portion of the Leased Component which is unusable and the Sublease will continue in full force and effect and will not be terminated with respect to such Leased Component by virtue of such taking and the parties waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking will be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If the County elects pursuant to the Trust Agreement to apply such proceeds to the repair or replacement of the condemned Leased Component, then Base Rental shall again begin to accrue with respect thereto upon restoration of such

Leased Component to tenantable condition. If so much of any Leased Component is taken under the power of eminent domain as to render the remainder of such Leased Component unusable for the County's purposes under the Sublease, and the County does not elect to repair or replace said Leased Component, then upon prepayment of the Certificates relating to such Leased Component in accordance with the Trust Agreement, the Sublease will terminate with respect to such Leased Component.

Assignment and Lease. The County will not mortgage, pledge, assign or transfer any interest of the County in the Sublease by voluntary act or by operation of law, or otherwise; provided, however, that the County with the consent of the Bank may sublease all or any portion of the Leased Premises, may grant concessions to others involving the use of any portion of the Leased Premises, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Premises. The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease, notwithstanding any subletting or granting of concessions which may be made. Nothing therein contained will be construed to relieve the County from its obligation to pay Base Rental and Additional Rental as provided in the Sublease or to relieve the County from any other obligations contained therein. In no event will the County sublease or permit the use of all or any part of the Leased Premises to any person so as to cause the interest component of Base Rental to be subject to federal income tax or State personal income tax.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the County agrees to indemnify and hold harmless the Corporation and its officers and directors against any and all liabilities which might arise out of or are related to the Sublease, the Leased Premises or the Certificates, and the County further agrees to defend the Corporation and its officers and directors in any action arising out of or related to the Sublease, the Leased Premises or the Certificates.

Defaults. If the County (i) fails to pay any Base Rental when the same becomes due and payable, (ii) becomes the subject of proceedings under Title 11 of the United States Code and such proceedings are not dismissed within 90 days, or (iii) fails to keep, observe or perform any other term, covenant or condition contained in the Sublease or the Trust Agreement to be kept or performed by the County, the County will be deemed to be in default and it will be lawful for the Corporation to exercise any and all remedies available pursuant to law or granted pursuant to the Sublease. The County will in no event be in default in the observance or performance of any covenant, condition or agreement in the Sublease on its part to be observed or performed, other than as referred to in clause (i) of the preceding sentence, unless the County will have failed, for a period of 30 days or such additional time as is reasonably required, but in no event greater than 60 days without the prior written consent of the Bank, to correct any such default after notice by the Corporation, the Trustee or the Bank to the County properly specifying wherein the County has failed to perform any such covenant, condition or agreement; provided, however, that if the County fails to perform its obligation to deposit Base Rental with the Trustee as set forth in the Sublease, then the County will not be in default unless the County will have failed, for a period of 5 days, to correct such default after notice by the Trustee or the Bank to the County properly specifying such default.

Remedies. Upon any default the Corporation, in addition to all other rights and remedies it may have at law or in equity, will have the option to do any of the following:

(a) To terminate the Sublease in the manner hereinafter described on account of default by the County, notwithstanding any re-entry or re-letting of the Leased Premises as hereinafter described in subparagraph (b) hereof, and to re-enter the Leased Premises and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and place such personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County. In the event of such termination, the County agrees to surrender immediately possession of the Leased Premises, without let or hindrance, and to pay the Corporation all damages recoverable at law that the

Corporation 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 re-entry upon the Leased Premises and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions herein contained. Neither notice to pay Base Rental or to deliver up possession of the Leased Premises given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Leased Premises nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Sublease will of itself operate to terminate the Sublease, and no termination of the Sublease on account of default by the County will be or become effective by operation of law or acts of the parties, or otherwise, unless and until the Corporation will have given written notice to the County of the election on the part of the Corporation to terminate the Sublease. The County covenants and agrees that no surrender of the Leased Premises or of the remainder of the term thereof or any termination of the Sublease will be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

(b) Without terminating the Sublease, (x) to collect each installment of Base Rental as the same become due and enforce any other terms or provisions hereof to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Premises, or (y) to exercise any and all rights of entry and re-entry upon the Leased Premises. In the event the Corporation does not elect to terminate the Sublease, the County will remain liable and agrees to keep or perform all covenants and conditions and, if the Leased Premises are not re-let, to pay the full amount of Base Rental to the end of the term of the Sublease or, in the event that the Leased Premises are re-let, to pay any deficiency in Base Rental that results therefrom; and further agrees to pay said Base Rental and/or Base Rental deficiency punctually at the same time and in the same manner as provided for the payment of Base Rental. Should the Corporation elect to re-enter the County irrevocably appoints the Corporation as the agent and attorney-in-fact of the County to re-let the Leased Premises, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Premises and to place the personal property in storage in any warehouse or other suitable place, for the account of and at the expense of the County, and the County indemnifies and agrees to save harmless the Corporation from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Leased Premises and removal and storage of property by the Corporation or its duly authorized agents.

Prior to the exercise of the Corporation's right to re-let or otherwise change the use of the Leased Premises after termination of the Sublease, the Corporation will obtain an opinion of Special Counsel to the effect that such use of the Leased Premises will not adversely affect the tax exemption of interest with respect to the Certificates.

Notwithstanding anything described in the Sublease to the contrary, the Corporation will have no right upon a default under the Sublease by the County to accelerate Base Rental.

The termination of the Sublease by the Corporation or its assignees on account of a default by the County will not effect or result in a termination of the lease of the Leased Premises by the County to the Corporation pursuant to the Site Lease, and the County will have no right to terminate the Sublease as a remedy for a default by the Corporation in the performance of its obligations thereunder.

Application of Damages and Other Payments. All damages and other payments received by the Corporation or its assignee pursuant to the exercise of its rights and remedies will be applied in the manner set forth in the Trust Agreement.

No Merger. If both the Corporation's and the County's estate under the Sublease, or any other lease relating to the Leased Premises or any portion thereof will at any time for any reason become vested in one owner, the Sublease and the estate created thereby will not be destroyed or terminated by the doctrine of merger and the County will continue to have and enjoy all of its rights and privileges as to the separate estates.

Amendment. The Sublease may be amended by the parties thereto in writing, but only in accordance with and as permitted by the terms of the Trust Agreement.

Rights Of Bank. As long as the Letter of Credit is in effect and the Bank is not in default of its obligation to honor a draw on the Letter of Credit, the Bank will be deemed to be the sole and exclusive Owner of the Outstanding Certificates for purposes of all approvals, consents, waivers, institution of any action, and the direction of all remedies, including but not limited to approval of or consent to any amendment or supplement to the Sublease and the Site Lease which requires the consent or approval of the Owners of a majority of the principal evidenced by the Certificates then Outstanding; provided, however, that the Bank will not be deemed the sole and exclusive Owner of the Outstanding Certificates for such purposes, and will not have the right to direct or consent to County, Corporation, Trustee or Owner action, during any period if:

(a) The Bank shall fail to make any payment under the Letter of Credit when due and such failure shall continue for three Business Days;

(b) Any material provision of the Letter of Credit shall be held to be invalid by a final, non-appealable order of a court of competent jurisdiction, or the validity or enforceability thereof shall be contested by the Bank; or

(c) A proceeding shall have been instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the Bank and such proceeding is not terminated for a period of 90 consecutive days or such court enters an order granting the relief sought in such proceeding.

ASSIGNMENT AGREEMENT

Assignment. The Corporation unconditionally sells, assigns and transfers to the Trustee, for the benefit of the Owners of the Certificates, all of the Corporation's rights, title and interests in and to the Site Lease and the Sublease, including the Corporation's right to receive Base Rental, as well as its rights to enforce payment of such Base Rental when due or otherwise to protect its interest in the event of a default or termination by the County under the Sublease; provided, however, that the Corporation retains the right to indemnification and payment or reimbursement for any costs or expenses.

Acceptance of Assignment. The Trustee accepts the assignment of the Corporation's rights under the Site Lease and the Sublease for the purpose of securing such Base Rental and rights to the Owners, from time to time, of the Certificates.

No Additional Rights or Duties. The Assignment Agreement does not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee, the County or the Corporation beyond those expressly provided in the Site Lease, the Sublease and the Trust Agreement.

Consent of Corporation to Sale of Certificates. The Corporation authorizes, directs and consents to the execution and delivery of the Certificates by the Trustee, the receipt of payment by the Trustee for the Certificates and the transfer and deposit of such proceeds by the Trustee into the funds and accounts created pursuant to the Trust Agreement.

Further Assurances. The Corporation will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Assignment Agreement, and to further assure and confirm to the Owners of the Certificates the rights and benefits intended to be conveyed pursuant thereto.

Amendment. The Assignment Agreement may be amended by the parties thereto in writing, but only in accordance with and as permitted by the terms of the Trust Agreement.

SITE AND FACILITIES LEASE

Pursuant to the Site Lease, the County leases to the Corporation the real property, buildings and improvements described in Exhibit A thereto. The Leased Premises may be amended, modified, released, transferred, changed or substituted by other properties pursuant to Section 2.2 of the Sublease by and between the County and the Corporation.

Term. The Site Lease will commence on its date of execution and delivery and will end on the date of termination of the Sublease; provided, however, that if, in the exercise of its remedies under the Sublease, the Corporation terminates the Sublease, the related Site Lease will not terminate, and the term will end on November 1, 2039, or at such earlier time as the County's payment obligations under the Sublease, the Trust Agreement and the Reimbursement Agreement have been paid in full; provided however, that with respect to the Leased Components known as the "Corona Administrative Center" and the "Project", the Site Lease shall terminate on November 1, 2021; provided further however that the Site Lease shall not terminate with respect to any Leased Component if any Obligations (as defined in the Reimbursement Agreement) remain owing to the Bank.

Rent. The Corporation will pay to the County an advance rent of $1.00 and other valuable consideration, as full consideration for the Site Lease over its term.

Purpose. The Corporation will utilize the Leased Premises for the purposes described in the Sublease and for such other purposes as may be incidental thereto.

Assignment and Sublease. The Corporation will not assign, mortgage, hypothecate or otherwise encumber any Site Lease or any rights thereunder or the leasehold created thereby by trust agreement, indenture or deed of trust or otherwise or sublet the Leased Premises without the written consent of the County, except that the County expressly approves and consents to (i) the Sublease and (ii) the assignment and transfer of the Corporation's rights, title and interests in the Site Lease to the Trustee pursuant to the Assignment Agreement. In the event of default by the County under the Sublease, the County expressly approves the assignment of the Site Lease.

Expiration. The Corporation agrees, upon the expiration of the Site Lease, to relinquish its rights in and to quit and surrender the Leased Premises; it being the understanding of the parties thereto that upon termination of the Site Lease any title to the buildings and improvements on the Leased Premises will vest in the County free and clear of any interest of the Corporation.

Eminent Domain. If the whole or any part of the Leased Premises are taken under the power of eminent domain, the interest of the Corporation will be recognized by the County, and any proceeds will be paid to the Trustee, as assignee of the interest of the Corporation, in accordance with the terms of the Sublease and the Trust Agreement.

Default. In the event that the Corporation or its assignee is in default in the performance of any obligation on its part to be performed under the terms of the Site Lease, the County may exercise any and all remedies granted by law, except that no merger of the Site Lease and the Sublease will be deemed to occur as a result thereof; provided, however, that the County will have no power to terminate the Site Lease by reason of any default on the part of the Corporation or its assignee.

Amendment. The Site Lease may be amended by the parties thereto in writing, but only in accordance with the terms of the Trust Agreement.

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APPENDIX E

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL

County of Riverside
Riverside, California

APPROVING OPINION: $45,685,000 County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding)

Ladies and Gentlemen:

We have acted as special counsel in connection with the sale, execution and delivery of $45,685,000 aggregate principal amount of County of Riverside Certificates of Participation (2009 Public Safety Communication and Woodcrest Library Projects Refunding) (the "Certificates"), representing proportionate interests of the owners thereof in the Facilities Sublease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Facilities Sublease"), by and between the County of Riverside, California (the "County") and the County of Riverside Asset Leasing Corporation (the "Corporation"), including the right to receive payments of Base Rental (as that term is defined in the Facilities Sublease) to be made by the County to the Corporation pursuant to the Facilities Sublease. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2009 (the "Trust Agreement"), by and among Wells Fargo Bank, National Association, as trustee (the "Trustee"), the Corporation and the County. Capitalized terms used herein that are not defined will have the meanings given in the Trust Agreement.

The County has leased real property, buildings, and improvements (the "Leased Premises") to the Corporation pursuant to the Site and Facilities Lease (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Site Lease"). The Corporation has leased the Leased Premises together with all buildings and improvements to be constructed thereon to the County pursuant to the Facilities Sublease. The Facilities Sublease has been entered into by the County for the purpose of refunding the County's Certificates of Participation, 2007 Series B (Public Safety Communication and Refunding Projects) and to refund the Corporation's Certificates of Participation Anticipation Note, Series 2006.

The County is obligated under the Facilities Sublease to pay the Base Rental payments from any source of legally available funds, subject to provisions in the Facilities Sublease providing for abatement of Base Rental payments in certain circumstances. A portion of each of the Base Rental payments is designated as interest.

Pursuant to the Assignment Agreement (2009 Public Safety Communication and Woodcrest Library Projects Refunding), dated as of December 1, 2009 (the "Assignment Agreement"), the Corporation has assigned to the Trustee, on behalf of the Owners of the Certificates, all of the Corporation's right to receive Base Rental payments and certain other rights and interests under the Facilities Sublease.

Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Trust Agreement.

In our capacity as Special Counsel, we have examined the record of proceedings submitted to us relative to the execution and delivery of the Certificates, the Trust Agreement, the Site Lease, the Facilities Sublease, the Assignment Agreement, the Tax and Nonarbitrage Certificate (the "Tax Certificate"), other certifications of the County and the Corporation, and such other documents and matters deemed necessary by us to render the opinions sets 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.

The opinions expressed herein are based upon 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 neither undertaken to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Site Lease, the Facilities Sublease and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations contained in applicable law regarding legal remedies against the County or the Corporation. We express no opinion as to any provision in the Trust Agreement, the Facilities Sublease, the Site Lease, the Assignment Agreement or the Certificates with respect to the priority of any pledge or security interest, indemnification, or governing law. We advise you that we have not made or undertaken to make any investigation of the state of title to any of the real property or ownership of any personal property described in the Facilities Sublease or the Site Lease, or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Certificates and express no opinion with respect thereto in this letter.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Facilities Sublease and the Site Lease have been duly authorized, executed and delivered by the County and the Corporation and constitute the legally valid and binding obligations of the County and the Corporation, enforceable in accordance with their respective terms.

2. The Trust Agreement has been duly authorized, executed and delivered by the County and the Corporation and constitutes the legally valid and binding obligation of the County and the Corporation, respectively, enforceable in accordance with its terms, and the Certificates are entitled to the benefits of the Trust Agreement.

3. The Assignment Agreement has been duly authorized, executed and delivered by the Corporation and creates a valid assignment to the Trustee of certain rights of the Corporation in the Facilities Sublease, including the right to receive the Base Rental payments from the County to the extent and as more particularly described therein.

4. The Internal Revenue Code of 1986, as amended (the "Code"), sets forth certain requirements which must be met subsequent to the execution and delivery of the Certificates for interest with respect thereto to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest with respect to the Certificates to be included in gross income for Federal income tax purposes retroactive to the date of execution and delivery of the Certificates. Pursuant to the Trust Agreement and the Tax Certificate, the County has covenanted

to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest with respect to the Certificates from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the County has made certain representations and certifications in the Trust Agreement, the Facilities Sublease and the Tax Certificate, as applicable. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein, and the accuracy of the aforementioned representations and certifications, interest with respect to the Certificates is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest with respect to the Certificates is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations.

5. Interest with respect to the Certificates is exempt from California personal income taxes.

Except as stated in opinions 4 and 5 above, we express no opinion as to any other Federal, state or local tax consequences of the ownership or disposition of the Certificates. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Certificates, or the interest with respect thereto, if any action is taken with respect to the Certificates or the proceeds thereof upon the advice or approval of other counsel.

Respectfully submitted,

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COUNTY OF RIVERSIDE

MAY 9, 1893

Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
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