08-1082

NEW ISSUE-BOOK-ENTRY ONLY

RATINGS: (See "RATINGS" herein)

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, based on existing law and assuming compliance with certain covenants set forth in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference for purposes of the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds may be subject to certain federal taxes imposed on corporations, including the corporate alternative minimum tax on a portion of that interest. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS."

$72,445,000
RIVERSIDE COUNTY PALM DESERT FINANCING AUTHORITY
LEASE REVENUE BONDS
(COUNTY FACILITIES PROJECTS)
2008 SERIES A

Dated: Date of Delivery **Due: May 1, as shown on the inside cover**

The Riverside County Palm Desert Financing Authority (the "Authority") is issuing $72,445,000 principal amount of Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects), 2008 Series A (the "2008 Series A Bonds") to: (i) finance the construction, installation, acquisition, development and rehabilitation of certain public capital improvements within the County, including the Palm Desert Sheriff's Station Facilities (as described herein), community centers, a multi-service center, park improvements and other various infrastructure improvements; (ii) fund capitalized interest on the 2008 Series A Bonds related to the Palm Desert Sheriff Station Facilities through August 31, 2010 and with respect to the Multi-Service Center Facilities (as described herein) through December 31, 2009; (iii) fund a deposit into the Reserve Account as additional security for the 2008 Series A Bonds; and (iv) pay certain costs associated with the issuance and delivery of the 2008 Series A Bonds. See "THE PROJECTS."

The 2008 Series A Bonds are being issued pursuant to an Indenture dated as of November 1, 2008 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). The 2008 Series A Bonds will be issued as fully registered bonds, without coupons, in book-entry only form, registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"). Ownership interests in the 2008 Series A Bonds will be available to the purchasers thereof in denominations of $5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Purchasers of the 2008 Series A Bonds will not receive physical certificates representing their ownership interest in the 2008 Series A Bonds. Interest on the 2008 Series A Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2009 and principal on the 2008 Series A Bonds will be payable on May 1 of each year commencing May 1, 2010, as shown on the inside cover. So long as DTC or its nominee is the registered owner of the 2008 Series A Bond, payments of principal and interest on the 2008 Series A Bonds will be made directly to DTC or its nominee, which in turn will remit such payments to the beneficial owners of the 2008 Series A Bonds. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The 2008 Series A Bonds are subject to redemption by the Authority prior to maturity as described herein. See "THE 2008 SERIES A BONDS–Redemption Provisions."

The 2008 Series A Bonds and the interest thereon are payable from, and secured by a pledge of, and charge and lien upon Revenues consisting primarily of Base Rental payments to be paid by the County of Riverside (the "County") pursuant to a Sublease, dated as of November 1, 2008, by and between the Authority and the County for beneficial use and occupancy of certain real property improvements (collectively, the "Leased Properties"). So long as the County has use and occupancy of the Leased Properties, the County is legally required under the Sublease to make Base Rental payments from any source of available funds. **The obligation of the County to make Base Rental payments is subject to abatement during any period there is substantial interference with the beneficial use and occupancy by the County of the Leased Properties or any portion thereof.** See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Base Rental Payments" and "THE LEASED PROPERTIES."

The 2008 Series A Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority, the County, the City of Palm Desert (the "City"), the Palm Desert Redevelopment Agency (the "Agency") or the State of California (the "State"), is pledged for the payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or premium, if any, or interest on the 2008 Series A Bonds. The payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds does not constitute a debt, liability or obligation of the Authority, the County, the City, the Agency or the State for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

An investment in the 2008 Series A Bonds involves risk. For a discussion of factors that should be considered in evaluating an investment in the 2008 Series A Bonds, in addition to the other matters presented in this Official Statement, see "INVESTMENT CONSIDERATIONS."

MATURITY SCHEDULE
(See Inside Cover)

This cover page contains certain information for general reference only. It is ***not*** intended as a summary of this transaction. Investors are advised to read the entire Official Statement in its entirety to obtain information essential to making an informed investment decision.

The 2008 Series A Bonds are offered when, as and if issued by the Authority and received by the Underwriters, subject to the approval of validity by Richard, Watson & Gershon, A Professional Corporation, Los Angeles, California, Bond Counsel, and to certain other conditions. Certain matters will be passed upon for the Authority by Richard, Watson & Gershon, A Professional Corporation, Los Angeles, California and by Lofton & Jennings, San Francisco, Disclosure Counsel, for the County by County Counsel and for the Underwriters by Nossaman LLP, Irvine, California. It is expected that the 2008 Series A Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about November 20, 2008.

Citi

Banc of America Securities LLC **Loop Capital Markets, LLC** **Stinson Securities LLC**

Dated: November 5, 2008

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES

$43,845,000 Serial 2008 Series A Bonds

Maturity Date (May 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.† (76913G)	Maturity Date (May 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP No.† (76913G)
2010	$1,935,000	4.00%	3.85%	AZ3	2015	$5,325,000	5.00%	5.15%	BE9
2011	4,420,000	4.50	4.22	BA7	2016	5,580,000	5.25	5.33	BF6
2012	4,610,000	4.50	4.55	BB5	2017	5,880,000	5.50	100.00	BG4
2013	4,825,000	5.00	4.80	BC3	2018	6,200,000	5.50	5.70	BH2
2014	5,070,000	5.00	100.00	BD1					

$28,600,000 – 6.00% Term 2008 Series A Bond due May 1, 2022 – Yield: 6.20% – Price: 98.189% – CUSIP No.† 76913GB.

AUTHORITY MEMBERS

Jean M. Benson, *President*
Carlos L. Ortega, *Member*
Roy Wilson, *Vice President*
Bill Luna, *Member*

COUNTY OF RIVERSIDE

COUNTY BOARD OF SUPERVISORS

Roy Wilson, *Fourth District, Chairman*
Jeff Stone, *Third District, Vice Chairman*
Bob Buster, *First District*
John F, Tavaglione, *Second District*
Marion Ashley, *Fifth District*

COUNTY OFFICIALS

Bill Luna, *County Executive Officer*
Don Kent, *County Treasurer-Tax Collector*
Robert Byrd, C.P.A., *County Auditor-Controller*
Paul McDonnell, *County Finance Director*
Joe S. Rank, *County Counsel*

PALM DESERT REDEVELOPMENT AGENCY

AGENCY MEMBERS

Jean M. Benson, *Chairman*
Robert A. Spiegel, *Vice Chairman*
Cindy Finerty, *Member*
Richard S. Kelly, *Member*
Jim Ferguson, *Member*

AGENCY STAFF

Carlos L. Ortega, *Executive Director*
Paul S. Gibson, *Treasurer*
Rachelle D. Klassen, *Agency Secretary*
Justin McCarthy, *Assistant City Manager for Redevelopment*
David Yrigoyen, *Director of Redevelopment and Housing*
Arla K. Scott, *Senior Financial Analyst for Redevelopment*
Veronica Tapia, *Redevelopment Accountant*

SPECIAL SERVICES

Richards, Watson & Gershon,
A Professional Corporation
Los Angeles, California
Bond Counsel

Lofton & Jennings
San Francisco, California
Disclosure Counsel

C.M. de Crinis & Co., Inc.
Sherman Oaks, California
Financial Advisor to the County

Del Rio Advisors, LLC
Modesto, California
Financial Advisor to the Authority and the Agency

Wells Fargo Bank, National Association
Los Angeles, California
Trustee

TABLE OF CONTENTS

MAPS AND TABLES

APPENDICES

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the 2008 Series A Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the 2008 Series A Bonds. 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 2008 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Forecasts. Any statement made in this Official Statement involving any forecast or matter of estimates or opinion, whether or not expressly so stated, is intended solely as such and not as a representation of fact. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended (the "Securities Act"). Such statements are generally identifiable by the terminology used, such as "plan," "expect," "forecast," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Authority, the County and the Agency do not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based occur.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority, the County or the Agency 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 representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 Series A Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

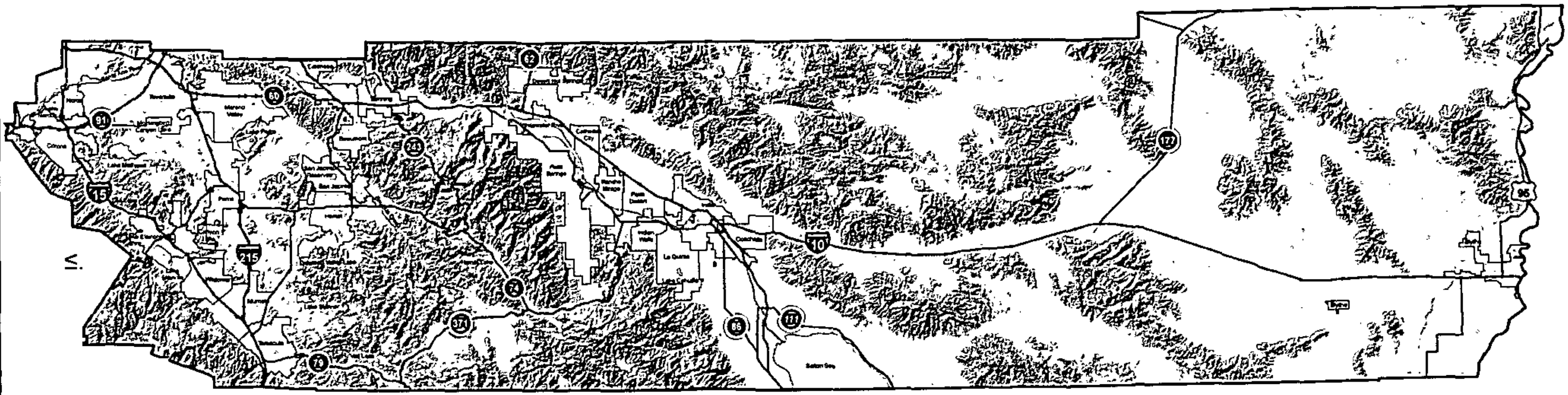
Involvement of Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the information set forth herein is not guaranteed as to accuracy or completeness by the Underwriters, and this Official Statement is not to be construed as a representation by the Underwriters.

Limited Scope of Information. The Authority, the City, the County and the Agency have obtained certain information set forth herein from sources which are believed to be reliable, but such information is neither guaranteed as to accuracy or completeness, nor to be construed as a representation of such by the Authority, the County, the City and the Agency. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County, the City and the Agency since the date hereof. All summaries of or references to the documents referred to in this Official Statement are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings given in the Indenture.

Stabilization of Prices. In connection with the offering of the 2008 Series A Bonds, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the 2008 Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the 2008 Series A Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriters.

The 2008 Series A Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exception from the registration requirements contained in such Act. The 2008 Series A Bonds have not been registered or qualified under the securities laws of any state.

COUNTY of RIVERSIDE



Legend

Bodies of Water

Cities

Highways

RIVERSIDE COUNTY
Economic Development Agency

This map was made by the Riverside County Economic Development Agency utilizing Geographic Information System (GIS) technology. The map elements were produced by the Assessor and the Transportation and Land Management Agency. The County of Riverside assumes no warranty or legal responsibilities for the information contained on this map. Data and information represented on this map is subject to update and modification. TLMA and other sources should be queried for the most current information.

OFFICIAL STATEMENT

$72,445,000
RIVERSIDE COUNTY PALM DESERT FINANCING AUTHORITY
LEASE REVENUE BONDS (COUNTY FACILITIES PROJECTS) 2008 SERIES A

INTRODUCTORY STATEMENT

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the 2008 Series A Bonds to potential investors is made only by means of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Indenture or the Lease (both as defined herein). See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

General; Authorization

The purpose of this Official Statement (which includes the cover, inside cover and appendices attached hereto) is to provide information in connection with the sale and delivery by the Riverside County Palm Desert Financing Authority (the "Authority") of $72,445,000 principal amount of Riverside County Palm Desert Financing Authority Lease Revenue Bonds (County Facilities Projects), 2008 Series A (the "2008 Series A Bonds").

The 2008 Series A Bonds will be issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6584) of the Government Code of the State (the "Act") and an Indenture, dated as of November 1, 2008 (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, Los Angeles, California, as trustee (the "Trustee").

Purpose

The proceeds from the sale of the 2008 Series A Bonds will be used to: (i) finance the construction, installation, acquisition, development and rehabilitation of certain public capital improvements within the County of Riverside (the "County"), including the Palm Desert Sheriff's Station Facilities (as described herein), community centers, a multi-service center, park improvements and other various infrastructure improvements (collectively, the "Projects"); (ii) fund capitalized interest on the 2008 Series A Bonds related to the Palm Desert Sheriff Station Facilities (as described herein) through August 1, 2010 and with respect to the Multi-Service Center Facilities (as described herein) through December 31, 2009; (iii) fund a deposit into the Reserve Account as additional security for the 2008 Series A Bonds; and (iv) pay certain costs associated with the issuance of the 2008 Series A Bonds. See "THE PROJECTS" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Sources of Payment for the Series 2008 A Bonds

Base Rental Payments. The 2008 Series A Bonds are payable from, and secured by a pledge of, and charge and lien upon, certain rental payments (the "Base Rental") received by the Authority from the County pursuant to a Sublease, dated as of November 1, 2008 (the "Sublease"), by and between the Authority and the County, and from certain interest and other income derived from certain funds and accounts held under the Indenture. The County is obligated to pay all Base Rental payments under the Sublease from the legally available funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Base Rental Payments."

The County owns certain real property improvements (each a "Leased Property," and collectively, the "Leased Properties"), that the County has leased to the Authority pursuant to a Lease, dated as of November 1, 2008 (the "Lease"), and the County has concurrently leased the Leased Properties back from the Authority pursuant to the Sublease. For a description and location of the Leased Properties, see "THE LEASED PROPERTIES."

Under the Sublease, the County will pay to the Trustee Base Rental payments in an amount equal to the scheduled debt service on the 2008 Series A Bonds, less the capitalized interest deposited in the Interest Account. Pursuant to an Assignment Agreement dated as of November 1, 2008 (the "Assignment Agreement") by and between the Authority and the Trustee, the Authority transfers in trust and assigns its right to receive the Base Rental payments to the Trustee for the benefit of the owners of the 2008 Series A Bonds. The Base Rental payments will be applied, and the rights assigned will be exercised by the Trustee as provided in the Indenture. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

Covenant to Budget and Appropriate. The County covenants in the Sublease to take such action as may be necessary to include all Base Rental payments and Additional Rental due thereunder in each of its annual budgets and to make the necessary annual appropriations for all such payments. Pursuant to the Implementation Agreement dated as of November 1, 2008 (the "Implementation Agreement") between the Palm Desert Redevelopment Agency (the "Agency") and the County, the County may take into account moneys available from the County Capital Improvement Fund (defined herein) established pursuant to the Cooperative Agreement, dated as of February 13, 1992 (the "Cooperative Agreement") by and among the County, the City and the Agency, in such annual appropriations. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS" and APPENDIX C–"THE REDEVELOPMENT PROJECT AREAS."

Pursuant to the Cooperative Agreement, the Agency is required to pay into a special trust account held by the Agency (the "County Capital Improvement Fund") a portion of the *ad valorem* property taxes resulting from the increase in assessed value in the Palm Desert Redevelopment Agency Project Area No. 1 Added Territory and the Palm Desert Redevelopment Agency Project Area No. 3.

Pursuant to the Implementation Agreement, the Agency is required to establish within the County Capital Improvement Fund two separate accounts designated as the "Original Sheriff Station Draw Account" and the "Series 2008A Draw Account." Commencing with the date the 2008 Series A Bonds are issued to and including the Fiscal Year during which the lease for the Original Sheriff Station terminates, moneys deposited in the County Capital Improvement Fund will be set aside *first* in the Original Sheriff Station Draw Account until the aggregate amount of such transfers is equal to the amount of debt service payable by the Agency in such Fiscal Year with respect to indebtedness incurred to refund bonds issued by the Agency in 1989 to finance the construction and installation of the real property and sheriff station facilities and improvements thereon located at 73-520 Fred Waring Drive in the City of Palm Desert. Subject to provisions of the Implementation Agreement, after the required transfers to the Original Sheriff Station Draw Account have been completed each Fiscal Year, moneys deposited in the

County Capital Improvement Fund will be set aside in the Series 2008A Draw Account until the aggregate amount of such transfers to the Series 2008A Draw Account is equal to the sum of the Base Rental Payments for such Fiscal Year, less the applicable County Deposits, if any. "County Deposit" means, generally, the amount of Base Rental which the County has determined to pay from sources other than the County Capital Improvement Fund with respect to a Base Rental payment date. On each April 1 and October 1, the Agency will transfer the amount specified by the Implementation Agreement (which corresponds to the Base Rental payment schedule under the Sublease), less the applicable County Deposits, to the County, for the County to apply such money toward Base Rental payments. **In any Fiscal Year, the Agency will make transfers to the Series 2008A Draw Account under the Implementation Agreement solely to the extent that moneys are available therefor in the County Capital Improvement Fund. To the extent that the amount of such transfers from the Series 2008A Draw Account to the County is less than the Base Rental then coming due, the County will use moneys from other available sources to make up the deficiency. The County, in its discretion, may use moneys from sources other than the County Capital Improvement Fund for any Base Rental payment. Neither the 2008 Series A Bonds nor the Base Rental payments are obligations of the Agency.** See also "SECURITY AND SOURCES OF PAYMENT OF THE 2008 SERIES A BONDS–Base Rental Payments."

Right of Substitution and Release. Pursuant to the Sublease, the County may substitute other real property, in whole or in part, for the Leased Properties and may release any portion of the Leased Properties upon satisfaction of certain conditions. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Abatement of Base Rental Payments. The obligation of the County to make Base Rental payments under the Sublease is subject to partial or complete abatement during any period in which, by reason of material damage, destruction, condemnation or title defect there is substantial interference with the use and occupancy by the County of any portion of the Leased Properties. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Abatement" and "INVESTMENT CONSIDERATIONS–Abatement." Abatement of Base Rental payments under the Sublease could result in Owners receiving less than the full amount of principal and interest on the 2008 Series A Bonds, except to the extent proceeds of insurance (including rental interruption insurance) or condemnation awards or moneys in the Reserve Account (defined herein) are available to make payments of principal of or interest on the 2008 Series A Bonds (or the relevant portion thereof) during periods of abatement of Base Rental payments.

The County may elect to use insurance proceeds for repair, replacement or reconstruction of the Leased Properties or may apply such proceeds to the prepayment of the 2008 Series A Bonds. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

The 2008 Series A Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority, the County, the City, the Agency or the State of California (the "State"), is pledged for the payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or premium, if any, or interest on the 2008 Series A Bonds. The payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds does not constitute a debt, liability or obligation of the Authority, the County, the City, the Agency or the State for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Reserve Account. The Indenture establishes a reserve account (the "Reserve Account") as additional security for the payment of the 2008 Series A Bonds. Upon issuance of the 2008 Series A Bonds, proceeds in the amount of $7,244,500, which is equal to the Reserve Requirement for the 2008 Series A Bonds will be deposited into the Reserve Account. The Reserve Requirement is defined in the Indenture as the least of: (i) 10% of the original principal amount of the 2008 Series A Bonds, (ii) 125% of Average Annual Debt Service or (iii) Maximum Annual Debt Service. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Reserve Account" and APPENDIX I–"SPECIMEN DEBT SERVICE RESERVE INSURANCE POLICY."

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State and composed of the County and the Agency. The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated January 1, 2002 by and between the County and the Agency to assist in the financing of public capital improvements. See "THE AUTHORITY."

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 in the State. For additional information concerning the County, see "COUNTY FINANCIAL INFORMATION" and APPENDIX A–"GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF RIVERSIDE."

The Agency

The Agency was activated by the City of Palm Desert (the "City") in 1974 and is authorized to exercise the powers granted by the Community Redevelopment Law of the State of California (constituting Part 1 of Division 24 of the Health and Safety Code of the State of California, commencing with Section 33000) (the "Redevelopment Law") and, by an ordinance, the City Council of the City declared itself to be the Agency. Although the Agency is an entity distinct from the City, certain City personnel provide staff support for the Agency. See "THE AGENCY."

Risks to Bondowners

An investment in the 2008 Series A Bonds involves risk. Investors are advised to read the entire Official Statement to obtain information essential to making an informed decision to invest in the 2008 Series A Bonds. For a discussion of certain investment considerations and risk factors that should be considered by prospective purchasers of the 2008 Series A Bonds, in addition to the other matters presented in this Official Statement, see "INVESTMENT CONSIDERATIONS."

Continuing Disclosure

The County has covenanted to provide, or cause to be provided, in accordance with Securities Exchange Commission Rule 15c2-12(b)(5), certain annual financial information and operating data and, in a timely manner, notice of certain material events. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See "CONTINUING DISCLOSURE."

The County has never failed to comply in all material respects with any previous undertaking pursuant to said Rule.

References to Documents

Brief descriptions of the 2008 Series A Bonds, the Indenture, the Lease, the Sublease, the Cooperative Agreement, the Implementation Agreement, the Authority, the County, the Project Areas and other information are included in this Official Statement. Such descriptions and information do not purport to be complete, comprehensive or definitive and each description and summary is qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the 2008 Series A Bonds, such resolutions, indentures and other documents. All such descriptions are further qualified in their entirety by reference to laws and to principles of equity relating to or affecting generally the enforcement of creditors' rights. For definitions of certain capitalized terms used herein and not otherwise defined, and a description of certain terms relating to the 2008 Series A Bonds, see APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS."

THE 2008 SERIES A BONDS

Description of the 2008 Series A Bonds

The 2008 Series A Bonds will be issued as one fully registered 2008 Series A Bond for each maturity of each Series, in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), as registered owner of all 2008 Series A Bonds. See APPENDIX G–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The 2008 Series A Bonds will be dated from the date of original delivery, bear interest at the rates per annum set forth on the inside cover, payable semiannually on May 1 and November 1 (each, an "Interest Payment Date"), commencing May 1, 2009, and mature on May 1 in the years and in the principal amounts set forth on the inside cover.

Redemption Provisions

Optional Redemption. The 2008 Series A Bonds maturing on or after May 1, 2019 are subject to redemption prior to their respective maturity dates as a whole or in part, from prepayments of Base Rental made at the option of the County pursuant to the Sublease on any date on or after May 1, 2018. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Optional Prepayment." The 2008 Series A Bonds called for redemption will be redeemed at a redemption price equal to 100% of the principal amount of 2008 Series A Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Extraordinary Redemption. The 2008 Series A Bonds are subject to redemption prior to their respective maturity dates, as a whole or in part on any date, from Net Proceeds received by the County from a condemnation award or insurance recovery and not applied to repair or replace the Leased Properties or any portion thereof, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

Sinking Account Redemption. The 2008 Series A Bonds maturing on May 1, 2022 (the "2008 Series A Term Bonds") are subject to redemption in part by lot from sinking account payments made by the Authority, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium, as set forth in the following table; *provided, however*, that if some but not all of the 2008 Series A Term Bonds of a maturity have been subject to extraordinary or optional redemption, each future sinking account payment with respect to such 2008 Series A Term Bonds will be reduced on a *pro rata* basis (as nearly as practicable) in integral multiples of $5,000, so that the total amount of sinking account payments with respect to such 2008 Series A Term Bonds to be made subsequent to an extraordinary or optional redemption will be reduced by an amount equal to the principal amount of the 2008 Series A Term Bonds so redeemed, as designated in a written notice filed by the Authority with the Trustee:

2008 Series A Term Bonds Maturing May 1, 2022

Redemption Date (May 1)	Principal Amount to be Redeemed	Redemption Date (May 1)	Principal Amount to be Redeemed
2019	$6,540,000	2021	$7,340,000
2020	6,930,000	2022†	7,790,000

† Maturity.

Redemption Procedures

Selection of 2008 Series A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2008 Series A Bonds, the Trustee shall select the 2008 Series A Bonds to be redeemed from all 2008 Series A Bonds not previously called for redemption, by such maturities as the Authority shall designate (and by lot within any maturity). For purposes of such selection; all 2008 Series A Bonds shall be deemed to be comprised of separate $5,000 portions and such portions shall be treated as separate 2008 Series A Bonds, which may be separately redeemed.

Partial Redemption of 2008 Series A Bonds. In the event only a portion of any 2008 Series A Bond is called for redemption, then upon surrender of such 2008 Series A Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2008 Series A Bond or 2008 Series A Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2008 Series A Bond being redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2008 Series A Bonds so called for redemption shall have been duly provided, such 2008 Series A Bonds so called shall cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date.

All 2008 Series A Bonds redeemed shall be canceled by the Trustee. All moneys held by or on behalf of the Trustee for the payment of principal of or interest or premium on 2008 Series A Bonds, whether at redemption or maturity, shall be held in trust for the account of the Owners thereof and the Trustee shall not be required to pay the Owners any interest on, or be liable to the Owners for any interest earned on, moneys so held.

Notice of Redemption. The Trustee, on behalf and at the expense of the Authority is required to send notice of redemption to the respective Owners of such 2008 Series A Bonds designated for redemption by first-class mail (or with respect to notices to DTC or its nominee, any Information Services or Securities Depository, by such means as is acceptable to such entity) not less than 30 nor more than 60 days before such redemption date, to each Registered Owner of such 2008 Series A Bond, to the Securities Depositories designated in the Indenture and to one or more Information Services designated in the Indenture. The notice of redemption is required to specify (i) the date of the notice; (ii) the redemption date; (iii) the redemption place; (iv) the redemption price; (v) the CUSIP numbers; (vi) the numbers and dates of maturity or maturities (in the event of redemption of all of the 2008 Series A Bonds of such maturity or maturities in whole) of the 2008 Series A Bonds to be redeemed and shall require that such 2008 Series A Bonds then be surrendered at the Trust Office of the Trustee for redemption at the redemption price. The notice shall also state that further interest on such 2008 Series A Bonds will not accrue from and after the redemption date.

Neither the failure to receive any such notice of redemption or any defect therein will affect the validity of the proceedings for the redemption of such 2008 Series A Bonds or the cessation of interest on the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in CUSIP numbers which appears on any 2008 Series A Bond or in any redemption notice with respect thereto. The Authority has reserved the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for such redemption.

Purchase in Lieu of Redemption of 2008 Series A Term Bonds. In lieu of a redemption of the 2008 Series A Term Bonds, the Trustee may apply amounts on deposit in the Principal Account to purchase 2008 Series Term A Bonds at public or private sale, as and when and at such prices as may be directed by the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to such 2008 Series A Term Bonds, as set forth in writing by the Authority; *provided, however*, that no 2008 Series A Term Bonds will be purchased by the Trustee with a settlement date more than 60 days prior to the date on which the Authority would otherwise redeem such 2008 Series A Term Bonds pursuant to the Indenture.

(Remainder of this Page Intentionally Left Blank)

Debt Service Schedule

The following table presents the semi-annual and Fiscal Year debt service schedule for the 2008 Series A Bonds.

Table 1
Debt Service Schedule

Date	Principal	Interest	Total	Fiscal Year
May 1, 2009	–	$1,752,261.39	$1,752,261.39	–
June 30, 2009	–	–	–	$1,752,261.39
November 1, 2009	–	1,959,050.00	1,959,050.00	–
May 1, 2010	$1,935,000	1,959,050.00	3,894,050.00	–
June 30, 2010	–	–	–	5,853,100.00
November 1, 2010	–	1,920,350.00	1,920,350.00	–
May 1, 2011	4,420,000	1,920,350.00	6,340,350.00	–
June 30, 2011	–	–	–	8,260,700.00
November 1, 2011	–	1,820,900.00	1,820,900.00	–
May 1, 2012	4,610,000	1,820,900.00	6,430,900.00	–
June 30, 2012	–	–	–	8,251,800.00
November 1, 2012	–	1,717,175.00	1,717,175.00	–
May 1, 2013	4,825,000	1,717,175.00	6,542,175.00	–
June 30, 2013	–	–	–	8,259,350.00
November 1, 2013	–	1,596,550.00	1,596,550.00	–
May 1, 2014	5,070,000	1,596,550.00	6,666,550.00	–
June 30, 2014	–	–	–	8,263,100.00
November 1, 2014	–	1,469,800.00	1,469,800.00	–
May 1, 2015	5,325,000	1,469,800.00	6,794,800.00	–
June 30, 2015	–	–	–	8,264,600.00
November 1, 2015	–	1,336,675.00	1,336,675.00	–
May 1, 2016	5,580,000	1,336,675.00	6,916,675.00	–
June 30, 2016	–	–	–	8,253,350.00
November 1, 2016	–	1,190,200.00	1,190,200.00	–
May 1, 2017	5,880,000	1,190,200.00	7,070,200.00	–
June 30, 2017	–	–	–	8,260,400.00
November 1, 2017	–	1,028,500.00	1,028,500.00	–
May 1, 2018	6,200,000	1,028,500.00	7,228,500.00	–
June 30, 2018	–	–	–	8,257,000.00
November 1, 2018	–	858,000.00	858,000.00	–
May 1, 2019	6,540,000	858,000.00	7,398,000.00	–
June 30, 2019	–	–	–	8,256,000.00
November 1, 2019	–	661,800.00	661,800.00	–
May 1, 2020	6,930,000	661,800.00	7,591,800.00	–
June 30, 2020	–	–	–	8,253,600.00
November 1, 2020	–	453,900.00	453,900.00	–
May 1, 2021	7,340,000	453,900.00	7,793,900.00	–
June 30, 2021	–	–	–	8,247,800.00
November 1, 2021	–	233,700.00	233,700.00	–
May 1, 2022	7,790,000	233,700.00	8,023,700.00	–
June 30, 2022	–	–	–	8,257,400.00
TOTAL	$72,445,000	$34,245,461.39	$106,690,461.39	$106,690,461.39

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of the proceeds of the 2008 Series A Bonds, excluding accrued interest, are summarized as follows:

Table 2
Estimated Sources and Uses of Funds

Sources:	
Principal Amount of 2008 Series A Bonds	$72,445,000.00
Less: Net Original Issue Discount	(615,717.50)
TOTAL SOURCES	$71,829,282.50
Uses:	
Deposit to Project Fund(1)	$59,436,400.00
Deposit to Sheriff Station Capitalized Interest Subaccount(2)	3,713,682.47
Deposit to Multi-Service Center Capitalized Interest Account(3)	510,662.36
Costs of Issuance(4)	924,037.67
Deposit to Reserve Account	7,244,500.00
TOTAL USES	$71,829,282.50

(1) See the "THE PROJECTS."
(2) Represents capitalized interest on the 2008 Series A Bonds through August 31, 2010 with respect to the Palm Desert Sheriff Station Facilities. See "THE PROJECTS."
(3) Represents capitalized interest on 2008 Series A Bonds through December 31, 2009 with respect to the Multi-Service Center. See "THE PROJECTS."
(4) Includes legal and professional fees, the Underwriters' discount, printing costs and other miscellaneous costs related to the issuance of the 2008 Series A Bonds. For details regarding the Underwriters' discount, see "UNDERWRITING."

THE PROJECTS

Description

The County will apply a portion of the net proceeds of the 2008 Series A Bonds to finance the design, acquisition, construction and installation of the Projects. Brief descriptions of the Projects expected to be funded with proceeds of the 2008 Series A Bonds are set forth below:

Palm Desert Cove Community Sheriff Station. This Project consists of the construction of an approximately 80,000 square foot, one-story sheriff station on an approximately 10.87 acre site in the City of Palm Desert, and the acquisition and installation of related equipment (collectively, the "Palm Desert Sheriff Station Facilities"). This Project will serve the cities of Rancho Mirage, Indian Wells and Palm Desert and unincorporated areas within the County. The construction bidding process for this Project is expected to be completed and awarded in November 2008, with construction expected to commence in November 2008 and completion expected in spring 2010.

Bermuda Dunes Regional Park - Site Acquisition. This Project consists of the acquisition of an approximately 12.37 acre school site located at 40700 Yucca Lane in the unincorporated area of the county known as Bermuda Dunes, near the City of Palm Desert. The site includes six permanent buildings housing 19 classrooms and offices, one student store and a rest room, one large permanent structure housing the gymnasium, locker rooms, a weight room, a storage room, rest rooms and four classrooms, one small permanent building housing one classroom and a maintenance area, two mobile units housing a total of five classrooms and three mobile units. Acquisition of this site was completed in September 2008.

Bermuda Dunes Infrastructure. This Project consists of the construction, and installation of curbs, gutters, sidewalks and flood control facilities and completion of street resurfacing within the unincorporated area of Bermuda Dunes. This Project commenced in October 2007 and is expected to be completed in 2011.

Indio Hills Community Center. This Project consists of the acquisition of a temporary modular building, furniture and equipment, and construction of a 42-space surface parking lot, sidewalks, curbs and gutters and desert landscaping, a permanent foundation and an approximately 3,400 square foot, split-block building to be used as a community center to be located at Dillon Road in the unincorporated community of Indio Hills. The community center will include a kitchen, a large meeting room and two offices. Construction of the community center commenced in August 2008 and is expected to be completed by April 2009.

Mesa Verde Community Center. This Project consists of the construction of an approximately 5,000 square foot, single story, wood frame, stucco structure to be located on an approximately 0.6 acre site in the unincorporated community of Mesa Verde, near the City of Blythe. This building will house a community and child care center and includes a 35-space parking lot, sidewalks, curbs and gutters and landscaping. The community center will include two offices, a meeting room, a kitchen, equipment and furnishings. The child care center will include a large room for children's activities, a kitchen, a laundry room, two offices and an outdoor playground with equipment. Design commenced in August 2008 and is expected to be completed in January 2009. Construction is expected to commence in March 2009 and be completed in February 2010.

Mesa Verde Road Improvements. This Project consists of the construction and installation of various road improvements, in the unincorporated community of Mesa Verde, near the City of Blythe. The road improvements include repaving or resurfacing of 24 existing streets that are between 26 and 35 feet wide and approximately 19.8 miles in total length, installation of one new 26 foot wide paved road totaling 750 feet in length; and installation of a new 26 foot wide secondary access gravel road totaling 3.5 miles in length. This Project is expected to commence in April 2009 and be completed in September 2009.

Multi-Service Center. This Project consists of the acquisition of an approximately 47,880 square foot building located on an approximately 3.53 acre site at 19531 McLane Street in North Palm Springs, near Indian Avenue and U.S. Interstate 10 for the development of a multi-service homeless shelter facility. Acquisition of the building was completed in September 2008 and completion of necessary improvements for this facility is expected to commence in February 2009 and be completed in June 2009.

North Shore Community Center and Daycare Center. This Project consists of renovation of the former North Shore Yacht Club into an approximately 7,000 square foot community center located on an approximately 10.91 acre site in the unincorporated community of North Shore. This Project is expected to commence in February 2009 and be completed in August 2009.

Environmental Matters and Land Use Approvals

Projects undertaken by the County, including the Projects, are generally subject to the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code) ("CEQA"). Under CEQA, a project which may have a significant effect on the environment and which is to be approved by a public agency must comply with a comprehensive environmental review process, including the preparation of an Environmental Impact Report ("EIR"). The County Planning Department adopted findings determining that the Projects, with the exception of the Palm Desert Cove Community Sheriff Station consist of: (i) repair, maintenance or minor alteration of existing public structures involving no expansion of use beyond that previously existing, or (ii) minor alterations in the condition of land, water and/or vegetation and are therefore exempt from review under CEQA guidelines. All other land use approvals necessary to proceed with the Projects have been obtained or are expected to be received in due course.

SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS

Pledge of Revenues

The Indenture provides that the 2008 Series A Bonds and the interest thereon are payable solely from, and are secured by a pledge of and charge and lien upon, (i) all Base Rental payments payable by the County pursuant to the Sublease (including prepayments); (ii) any proceeds of the 2008 Series A Bonds originally deposited with the Trustee and held in the Lease Revenue Fund and the accounts therein; (iii) investment income with respect to any moneys held by the Trustee in the Lease Revenue Fund and the accounts therein (other than amounts payable to the United States of America pursuant to the Indenture); and (iv) any insurance proceeds or condemnation awards received or payable with respect to the Leased Properties, including rental interruption insurance (collectively, the "Revenues"), all under the terms and conditions set forth in the Indenture. To the extent set forth in the Indenture, all the Revenues are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the 2008 Series A Bonds.

The 2008 Series A Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues. Neither the full faith and credit of the Authority, the County, the City, the Agency or the State, is pledged for the payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds, and no tax or other source of funds, other than the Revenues, is pledged to pay the principal of or premium, if any, or interest on the 2008 Series A Bonds. The payment of the principal of or premium, if any, or interest on the 2008 Series A Bonds does not constitute a debt, liability or obligation of the Authority, the County, the City, the Agency or the State for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Base Rental Payments

General. Base Rental payments are payable in semiannual installments 15 days before each May 1 and November 1 pursuant to the Sublease. The Base Rental payments are established in amounts which will be sufficient to pay debt service on the 2008 Series A Bonds.

The County is obligated to pay all Base Rental payments under the Sublease for beneficial use and occupancy of the Leased Properties from lawfully available funds of the County, including moneys transferred to the County from the Series 2008A Draw Account of the Capital Improvement Fund pursuant to the Implementation Agreement. The Indenture requires that the Base Rental payments be deposited in the Lease Revenue Fund maintained by the Trustee. Pursuant to the Indenture, on May 1 and November 1 of each year, the Trustee will apply such amounts in the Lease Revenue Fund as are necessary to make principal and interest payments with respect to the 2008 Series A Bonds as the same shall become due and payable. See also "INVESTMENT CONSIDERATIONS–Abatement."

Implementation Agreement. Pursuant to the Cooperative Agreement entered into by and among the County, the Agency and the City of Palm Desert in 1992, the Agency deposits a portion of the tax increment generated by the Agency's Project Area No. 3 and the Added Territory of Project Area No. 1 into a "County Capital Improvement Fund." Under the Cooperative Agreement, the Agency maintains the County Capital Improvement Fund, but the County may direct the disbursements of the moneys deposited in the County Capital Improvement Fund in accordance with the Cooperative Agreement.

Moneys in the County Capital Improvement Fund have been used, among other purposes, to pay a portion of the debt service on bonds (the "Original Sheriff Station Portion") previously issued to refinance Agency obligations that were incurred to fund the construction of a sheriff station that is located at 73-520 Fred Waring Drive in the City of Palm Desert (the "Original Sheriff Station"). It is expected that the Palm Desert Sheriff Station Facilities, upon completion, will replace the Original Sheriff Station. See "THE PROJECTS–Description–*Palm Desert Cove Community Sheriff Station.*"

Concurrently with the issuance of the 2008 Series A Bonds, the County and the Agency will enter into the Implementation Agreement. Pursuant to the Implementation Agreement, the Agency will establish within the County Capital Improvement Fund two separate accounts designated the "Original Sheriff Station Draw Account" and the "Series 2008A Draw Account." Generally, after the issuance of the 2008 Series A Bonds until the lease for the Original Sheriff Station terminates (*i.e.*, approximately at the time of the completion of the Palm Desert Sheriff Station Facilities), moneys deposited in the County Capital Improvement Fund each Fiscal Year will be set aside, *first*, in the Original Sheriff Station Draw Account until the aggregate amount of such transfers is equal to the Original Sheriff Station Portion payable by the Agency that Fiscal Year. The Agency is permitted to make withdrawals from the Original Sheriff Station Draw Account at any time to pay (or reimburse the Agency for the payment of) the Original Sheriff Station Portion. Subject to provisions of the Implementation Agreement, after the required transfers to the Original Sheriff Station Draw Account have been completed each Fiscal Year, moneys deposited in the County Capital Improvement Fund will be set aside in the Series 2008A Draw Account until the aggregate amount of such transfers to the Series 2008A Draw Account is equal to the sum of the Base Rental Payments for such Fiscal Year, less the applicable County Deposits, if any. "County Deposit" means, generally, the amount of Base Rental which the County has determined to pay from sources other than the County Capital Improvement Fund with respect to a Base Rental payment date. On each April 1 and October 1, the Agency will transfer the amount specified in the Implementation Agreement (which amount corresponds to the Base Rental payment schedule under the Sublease), less the applicable County Deposits, to the County, for the County to apply such moneys toward Base Rental Payments.

Moneys deposited in the Original Sheriff Station Draw Account and the Series 2008A Draw Account will be applied solely as permitted by the Implementation Agreement. After the transfers to the Original Sheriff Station Draw Account and the Series 2008A Draw Account required by the Implementation Agreement have been completed each Fiscal Year, the County may consent to or direct any additional withdrawal from the County Capital Improvement Fund during the remainder of such Fiscal Year to the extent permitted by the Cooperative Agreement.

The Implementation Agreement provides that the obligation of the Agency to make transfers and withdrawals from the County Capital Improvement Fund (and the accounts therein) *under the Implementation Agreement on any date is limited to the actual balance then on deposit in* the County Capital Improvement Fund. The Agency will make transfers to and from the Series 2008A Draw Account under the Implementation Agreement solely to the extent that moneys are available therefor in the County Capital Improvement Fund. To the extent that the amount of transfers from the Series 2008A Draw Account to the County is less than the Base Rental Payment then coming due, the County will use moneys from other available sources to make up the deficiency. Neither the 2008 Series A Bonds nor the Base Rental Payments are obligations of the Agency.

Following the date of issuance of the 2008 Series A Bonds, the Agency is not permitted to use any money in the County Capital Improvement Fund *except* for moneys on deposit in the Original Sheriff Station Draw Account to pay, or be reimbursed for the payment of, debt service on the Original Sheriff Station Bonds. All interest earned on moneys in the Original Sheriff Station Draw Account will be deposited into the County Capital improvement Fund.

Covenant to Budget and Appropriate

Pursuant to the Sublease, the County covenants 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. The County may take into account moneys available from the Series 2008A Draw Account of the County Capital Improvement Fund pursuant to the Implementation Agreement in such annual appropriations. Such covenants are deemed to be and are construed to be ministerial duties imposed by law and it is the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Lease. A court, however, in its discretion may decline to enforce such covenants. Pursuant to the Cooperative Agreement entered into by and among the County, the Agency and the City of Palm Desert in 1992, the Agency deposits a portion of the tax increment generated by the Agency's Project Area No. 3 and the Added Territory of Project Area No. 1 into a "County Capital Improvement Fund." Under the Cooperative Agreement, the Agency maintains the County Capital Improvement Fund, but the County may direct the disbursements of the moneys deposited in the County Capital Improvement Fund in accordance with the Cooperative Agreement. Moneys in the County Capital Improvement Fund have been used, among other purposes, to pay a portion of the debt service on bonds (the "Original Sheriff Station Portion") previously issued to refinance Agency obligations that were incurred to fund the construction of a sheriff station that is located at 73-520 Fred Waring Drive in the City of Palm Desert (the "Original Sheriff Station"). It is expected that the Palm Desert Sheriff Station Facilities, upon completion, will replace the Original Sheriff Station. See "THE PROJECTS."

Insurance

The Sublease requires the County to maintain or cause to be secured and maintained at all times with insurers of recognized responsibility (or through a program of self-insurance, but only to the extent specifically permitted in the Sublease) all coverage on the Leased Properties as described below:

"All Risk" Insurance. A policy or policies of property insurance against loss or damage to the Leased Properties known as "all risk," including earthquake and flood. Such insurance is required to be maintained with respect to the Leased Properties at any time in an amount not less than the full replacement value of the Leased Properties or at least equal to the aggregate principal amount of the Outstanding 2008 Series A Bonds. Such insurance may at any time include deductible clauses not to exceed (i) $50,000, in the case of "all risk" insurance, (ii) 2% of the replacement value per unit (with a "unit" being defined as each separate building, contents within each separate building, property in open (such as yards) or time element coverage (*i.e.* loss of use over time)) in respect of locations within a 100-year flood plain (as defined by the Federal Emergency Management Agency), subject to a $100,000 and a maximum of $500,000 for each and every occurrence; and (iii) 5% of the loss per unit and per occurrence subject to $500,000 minimum for earthquake insurance; *provided, however*, that in the event earthquake insurance required under the Sublease is not available from reputable insurers at a reasonable cost, the County need not obtain earthquake insurance, and the obligation of the County to maintain the insurance described in the section (i) may be satisfied by its program(s) of self-insurance.

Commercial General Liability Insurance. Commercial general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Properties. Such insurance is required to 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 obligation of the County to maintain the insurance described in the section may be satisfied by its program(s) of self-insurance.

Boiler and Machinery Insurance. Boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed in or on the Leased Properties in an amount not less than $2,000,000 per accident; *provided, however*, that the obligation of the County to maintain the insurance described in the section may be satisfied by its program(s) of self-insurance.

Workers' Compensation Insurance. Workers' compensation insurance issued by a responsible carrier authorized under the laws of the State to insure employers against liability for compensation under the California Labor Code, 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 Properties and to cover full liability for compensation under any such act aforesaid; *provided, however*, that the obligation of the County to maintain the insurance described in the section may be satisfied by its program(s) of self-insurance.

Rental Interruption Insurance. Rental interruption insurance to cover loss, total or partial, of the use of the Leased Properties as a result of any of the hazards covered by the "all risk" insurance required pursuant to the Sublease 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, but in any event not less than the maximum Base Rental due under the Sublease during any 24 month period. The obligation of the County to maintain rental interruption insurance may ***not*** be satisfied by its program(s) of self-insurance.

Title Insurance. One or more CLTA (or comparable) insurance policies for the Leased Property, in an amount at least equal to the aggregate of the principal components of all unpaid Base Rental with respect to the Lease Properties. Said policies are required to insure (i) the fee interest of the County in the Leased Properties and (ii) the Authority's leasehold interests subject only to Permitted Encumbrances. The obligation of the County to maintain title insurance may ***not*** be satisfied by its program(s) of self-insurance. So long as any 2008 Series A Bonds remain outstanding, each policy of title insurance obtained pursuant to the Sublease or required under the Sublease is required to provide that all proceeds thereunder be payable to the Trustee for the benefit of the 2008 Series A Bonds Bond Owners.

Reserve Account

The Reserve Account is established and held by the Trustee under the Indenture. Upon the issuance of the 2008 Series A Bonds, proceeds in the amount of $7,244,500 will be deposited into the Reserve Account, which is equal to the Reserve Requirement. "Reserve Requirement" means an amount equal to the least of: (i) 10% of the original principal amount of the 2008 Series A Bonds, (ii) 125% of Average Annual Debt Service or (iii) Maximum Annual Debt Service (collectively, the "Reserve Requirement").

On or before each Interest Payment Date, after making the required transfers to the Interest Account and the Principal Account, amounts in the Lease Revenue Fund will be deposited in the Reserve Account to bring the amount on deposit therein equal to the Reserve Requirement.

Moneys available in the Reserve Account are required to be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account established under the Indenture, in that order, in the event of any deficiency at any time in either of such accounts or for the purpose of paying the interest on or the principal of or redemption premiums, if any, on the 2008 Series A Bonds, or for the retirement of all Bonds then Outstanding. The Authority may satisfy the Reserve Requirement at any time by the deposit with the Trustee of an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company meeting certain ratings requirements as described in the Indenture. See also APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–INDENTURE–Funds and Accounts–Reserve Account."

Surplus Amounts

On or promptly after each Interest Payment Date, the Trustee is required to determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits to the Interest Account, the Principal Account and the Reserve Account and the transfers of investment earnings pursuant to the Indenture, and notify the County of the amount so determined. The Trustee is required to apply such amount as a credit against the next following Base Rental payment; provided that, if directed in a Request of the County, the Trustee, with respect to all or any portion of such amount is required to: (i) pay, or set an amount aside for the payment of, any rebate amount in accordance with a computation made by the County pursuant to the Code; or (ii) transfer an amount to the Project Fund.

Optional Prepayment

Pursuant to the Sublease, the County may, at its option prepay from any source of available moneys Base Rental with respect to one or more Leased Properties then unpaid, in whole or in part, to effect the redemption of the 2008 Series A Bonds in accordance with the Indenture. See "The Series 2008 A Series A Bonds–Redemption Provisions–*Optional Redemption*."

A prepayment under the Sublease is deemed to be made upon the occurrence of either of the following: (i) the County deposits with the Trustee an amount equal to the sum of (A) the principal components of Base Rental being so prepaid, plus (B) the interest components with respect thereto accrued to the related redemption date(s) of the 2008 Series A Bonds, plus (C) a premium in an amount equal to the redemption premium applicable to the 2008 Series A Bonds being so redeemed; or (ii) there is deposited with the Trustee or another fiduciary, on behalf of the Authority, Federal Securities (or a combination of cash and Federal Securities) in a sufficient amount to satisfy the requirements of the Indenture to discharge the 2008 Series A Bonds to be redeemed in connection with such prepayment.

Except in the case of a prepayment of Base Rental to redeem all of the then Outstanding 2008 Series A Bonds, a prepayment of principal components of Base Rental pursuant to the Sublease will (i) apply only to Base Rental previously unpaid and not yet due, and (ii) be applied to reduce Base Rental so that, after such prepayment (and the related redemption of 2008 Series A Bonds), (A) each annual installment of principal components of Base Rental due under the Sublease will be an integral multiple of $5,000 and (B) the principal components of Base Rental due in any year correspond with the principal amount of 2008 Series A Bonds due and payable in such year.

Before making any prepayment of Base Rental pursuant to the Sublease, the County is required to give written notice to the Authority and the Trustee specifying the date on which the prepayment will be made not less than 45 days from the date such notice is given.

Substitution or Release of Property

Notwithstanding anything contained in the Sublease to the contrary, in addition to the provisions regarding release of a portion of the Leased Properties in connection with an optional prepayment of Base Rental, or a redemption of 2008 Series A Bonds from insurance Net Proceeds, or a redemption from condemnation Net Proceeds, the County may, in its sole discretion, amend, modify, release, transfer, change or substitute other properties, in whole or in part, for the Leased Properties *provided, however* that:

(i) such amendment, modification, release, transfer, change or substitution complies with the requirements set forth in the Indenture; and

(ii) such amendment, modification, release, transfer, change or substitution does not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the 2008 Series A Bonds;

(iii) the County delivers to the Authority a certificate confirming that the fair rental value of the Leased Properties following such amendment, modification, release, transfer, change or substitution is at least equal to the Base Rental payable under the Sublease; *and* the useful life of any amended, modified, released, transferred, changed or substituted Leased Property equals or exceeds the remaining term of the Sublease;

(iv) the County provide evidence that the title insurance required under the Sublease includes such amended, modified, released, transferred, changed or substituted Leased Property or, prior to the release of a Leased Property, the County provides evidence that the existing title insurance required under the Sublease on the remaining Leased Properties is not affected by such release; and

(v) the County has been advised by each Rating Agency (which is required to receive notice of such amended, modified, released, transferred, changed or substituted Leased Property), that such amendment, modification, release, transfer, change or substitution will not, in and of itself, result in a reduction of the rating then assigned by such Rating Agency to the 2008 Series A Bonds.

Additional Bonds

The Authority may issue Additional Bonds on a parity with the 2008 Series A Bonds, pursuant to the Indenture. See APPENDIX D–"SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS–INDENTURE–Additional Bonds."

THE LEASED PROPERTIES

Description

The County will lease the Leased Properties described below to the Authority pursuant to the Lease, and the Authority will lease the Leased Properties back to the County pursuant to the Sublease. In no event will the County sublet or permit the use of all or any part of the Leased Properties to any person so as to cause the interest component of Base Rental to become subject to federal income tax or State personal income tax.

The Leased Properties consist of six separate properties located within the County, as further described below. The Leased Properties include the land and the improvements located thereon.

The County presently anticipates that the facilities described below will constitute all of the Leased Properties, although under the Lease the County may substitute real property as part of the Leased Properties from time to time upon making certain filings with the Authority and the Trustee. See also "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Substitution and Release of Property."

Bermuda Dunes Regional Park Site. This approximately 12.37 acre, school site is located at 40700 Yucca Lane in the unincorporated community of Bermuda Dunes, near the City of Palm Desert. The site includes six permanent buildings housing 19 classrooms and offices, one student store and a restroom, one large permanent structure housing the gymnasium, locker rooms, a weight room, a storage room, restrooms and four classrooms, one small permanent building housing one classroom and a maintenance area, two mobile units housing a total of five classrooms and three mobile units. The aggregate size of the buildings is approximately 36,520 square feet. All of the buildings and the portable structures at the site are Americans with Disabilities Act ("ADA") compliant.

Mecca Community Library and Sheriff's Office. This single-story, approximately 11,000 square foot, wood frame, geogrid reinforced stucco building was completed in February 2008. This building is located on an approximately 0.75 acre site at 91260 Avenue 66 in the unincorporated community of Mecca and was designed to incorporate all required elements for compliance with ADA, including designated parking, a ramped entrance, door hardware, appropriate signage, and wheelchair accessible sinks in all areas and bathrooms.

North Palm Springs Multi-Service Center. This single-story, approximately 47,880 square foot, tilt up building is located on an approximately 3.53 acre site at 19531 McLane Street in the City Palm Springs and was completed in 2008. Construction of tenant improvements is expected to commence in December 2008 and be completed by June 2009. The "Multi-Service Center Scheduled Completion Date," as defined in the Sublease, is December 31, 2009. Until the Multi-Service Center Scheduled Completion Date, no Base Rental will be payable by the County under the Sublease with respect to the North Palm Springs Multi-Service Center Facilities. A portion of the proceeds of the 2008 Series A Bonds will be deposited in a Series 2008A Multi-Service Center Capitalized Interest Subaccount, which represents capitalized interest with respect to a corresponding portion of the 2008 Series A Bonds. The County covenants in the Sublease that it will cause the construction of the North Palm Springs Multi-Service Center Facilities to be completed in accordance with the Sublease with all practical dispatch. If, for any reason, the construction of the North Palm Springs Multi-Service Center Facilities, or any part thereof, is not completed by the Multi-Service Center Scheduled Completion Date, the Sublease will not be void or voidable; but in such event, Base Rental payable with respect to the North Palm Springs Multi-Service Center Facilities will be abated proportionately in the proportion by which the construction costs of the part or parts of the North Palm Springs Multi-Service Center Facilities not yet completed bear to the construction costs of the whole of the North Palm Springs Multi-Service Center Facilities during the period between the Multi-Service Center Scheduled Completion Date and the time when the construction of the North Palm Springs Multi-Service Center Facilities is actually completed.

Palm Desert Sheriff Station Facilities. Construction of this single-story, approximately 80,000 square foot, tilt up building is expected to commence in November 2008 and be completed by spring 2010. This state-of-the-art building will be located on an approximately 10.87 acre site on Gerald Ford Drive near Monterey Avenue in the City of Palm Desert, is ADA compliant and will include a helipad, incorporate the use of solar energy, and will be Leadership in Energy and Environmental Design (LEED) Certified upon completion. The Palm Desert Sheriff Station Facilities are expected to be completed by February 2010. The "Sheriff Station Scheduled Completion Date," as defined in the Sublease, is August 31, 2010. Until that time, no Base Rental will be payable by the County under the Sublease with respect to the Palm Desert Sheriff Station Facilities. A portion of the proceeds of the 2008 Series A Bonds has been deposited in a Series 2008A Sheriff Station Capitalized Interest Subaccount, which represents capitalized interest with respect to a corresponding portion of the 2008 Series A Bonds. The County covenants in the Sublease that it will cause the construction of the Palm Desert Sheriff Station Facilities to be completed in accordance with the Sublease with all practical dispatch. If, for whatever reason, the construction of the Palm Desert Sheriff Station Facilities, or any part thereof, is not completed by the Sheriff Station Scheduled Completion Date, the Sublease will not be void or voidable; but in that event, the Base Rental payable with respect to the Palm Desert Sheriff Station Facilities will be abated proportionately in the proportion by which the construction costs of the part or parts of the Palm Desert Sheriff Station Facilities not yet completed bear to the construction costs of the whole of the Palm Desert Sheriff Station Facilities during the period between the Sheriff Station Scheduled Completion Date and the time when the construction of the Palm Desert Sheriff Station Facilities is actually completed. See also "THE PROJECTS–Description–Palm Desert Cove Community Sheriff Station."

Rubidoux Family Care Center. This single-story, approximately 24,000 square foot, wood frame, stucco building and was constructed in 2007. This building is located on an approximately 2.7 acre site at 5256 Mission Boulevard in the City of Riverside and includes a medical clinic, an x-ray room and radiology services, a pharmacy for exclusive care, a dental treatment facility, Special Supplemental Nutrition Program for Women, Infants and Children services, and exclusive care for County employees in addition to primary care, family planning, pregnancy testing and counseling, prenatal care, cancer screening, sexually transmitted diseases, adult and pediatric immunizations, tuberculosis skin testing, dental care, well child care and nutrition. This facility meets all current construction standards including ADA compliance.

Table 3
Summary of Leased Properties

Leased Property	Address	Original Year *Completion* Date	Approx. *Acreage* of Site	Approx. Building *Square* Footage	Fair Market *Value*[2] (In Million
Bermuda Dunes Regional Park Site	40700 Yucca Lane, Bermuda Dunes	2008	12.37	36,520[1]	$6,025,00
Mecca Community Library and Sheriff's Substation	91260 Avenue 66, Mecca	2008	0.75	11,000	5,045,00
North Palm Springs Multi-Service Center	19531 McLane Street, Palm Springs	2008	3.53	47,880	8,545,00
Palm Desert Sheriff Station	Gerald Ford Drive, Palm Desert	[3]	10.87	80,000	44.210,00
Rubidoux Family Care Center	5256 Mission Boulevard, Riverside	2007	2.70	24,000	8,620,00
TOTAL					$72,445,00

(1) Represents the aggregate square footage of the buildings.
(2) *Based upon the acquisition cost and construction costs.*
(3) The sheriff station facilities on this site are under construction. As described above, the County will not pay Base Rental on such facilities until August 31, 2010 (the "Sheriff Station Scheduled Completion Date"). Proceeds deposited in the Series 2008A Sheriff Station Capitalized Interest Subaccount will cover the interest on a corresponding portion of the 2008 Series A Bonds until the Sheriff Station Scheduled Completion Date. However, Base Rental payable by the County under the Sublease includes rent payments attributable to the land portion of this property commencing on the date of issuance of the 2008 Series A Bonds.

Source: County of Riverside.

Seismicity

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to the property located at or near the center of such seismic activity. Each of the Leased Properties was designed to the seismic standards existing at the later of the time of original construction or renovation. The Sublease only requires the County to maintain earthquake insurance with respect to the Leased Properties if such insurance is obtainable at reasonable costs. See also "SECURITY AND SOURCES OF PAYMENT–Insurance," "INVESTMENT CONSIDERATIONS–Abatement" and "Natural Disasters–*Seismic Factors*."

INVESTMENT CONSIDERATIONS

This section provides a general overview of certain investment considerations and risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the 2008 Series A Bonds. This section is not meant to be a comprehensive or definitive discussion of the investment considerations and risks associated with an investment in the 2008 Series A Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the 2008 Series A Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the 2008 Series A Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

No Tax Pledge

The obligation of the County to make the Base Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the 2008 Series A Bonds nor the obligation of the County to make Base Rental payments constitute a debt of the Authority, the Agency, the City, the County, the State of California, or any political subdivision thereof, within the meaning of any constitutional or statutory debt limitation or restriction. The 2008 Series A Bonds are not general obligations of the Authority, but are limited obligations payable solely from and secured by a pledge of Revenues. The Authority has no taxing power. The obligation of the County to make Base Rental payments is in consideration of the right of the County to the use and possession of the Leased Properties.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental payments from any source of legally available funds and the County has covenanted in the Sublease that, subject to the abatement provisions of the Sublease, it will make the necessary annual appropriations within its budget for the Base Rental payments. The County is currently liable and may become liable on other obligations payable from general revenues

In the event the County's revenue sources are less than its total obligations, the County could choose to fund other municipal services before making Base Rental payments and other payments due under the Sublease. The same result could occur if state constitutional expenditure limitations were to prohibit the County from appropriating and spending all of its otherwise available revenues. The County has the capacity to enter into other obligations which may constitute additional charges against its revenues, without any prior notice to the Owners of the 2008 Series A Bonds. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the 2008 Series A Bonds with respect to the payment when due of the Base Rental payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Sublease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Abatement

In the event of loss or substantial interference in the use and occupancy by the County of all or any portion of Leased Properties caused by material damage, title defect, destruction to or condemnation of the Leased Properties, Base Rental payments will be subject to abatement. In the event that such component of the Leased Properties, if damaged or destroyed by an insured casualty, could not be replaced during the period of time that proceeds of the County's rental interruption insurance will be available in lieu of Base Rental payments, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such component of the Leased Properties or prepayment of the 2008 Series A Bonds, there could be insufficient funds to make payments to Owners in full.

Risk of Uninsured Loss

The County covenants under the Sublease to cause to be maintained certain insurance policies on the Projects. These insurance policies do not cover all types of risk. The Leased Properties or any one Leased Property, could be damaged or destroyed due to a casualty against which the Projects are uninsured. Additionally, the Leased Properties could be the subject of eminent domain proceedings. Under these circumstances an abatement of Base Rental payments could occur and could continue indefinitely. There can be no assurance that the providers of the County's liability and rental interruption insurance will in all events be able or willing to make payments under the respective policies for such loss should a claim be made under such policies. Further, there can be no assurances that amounts received as proceeds from insurance or from condemnation of a Leased Property will be sufficient to prepay 2008 Series A Bonds as described in the Indenture.

Bankruptcy

The County is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County may seek voluntary protection from its creditors for purposes of adjusting its debts. In the event the County were to become a debtor under the Bankruptcy Code, the County would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a 2008 Series A Bond would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy might be (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the County or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the County; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of owners of 2008 Series A Bonds; and (iv) the possibility of the adoption of a plan for the adjustment of the County's debt (a "Plan") without the consent of all of the owners of 2008 Series A Bonds, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code might invalidate any provision of the Sublease or the 2008 Series A Bonds which makes the bankruptcy or insolvency of the County an event of default.

Construction of the Palm Desert Sheriff Station Facilities and North Palm Springs Multi-Service Center Facilities

The 2008 Series A Bonds are being issued in an aggregate principal amount which the Authority believes will be sufficient to fund the construction and installation of the Projects, including the Palm Desert Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities. However, there can be no assurance that such proceeds and other available moneys of the Authority or the County will be adequate to complete construction. The Authority may issue Additional Bonds to fund any such shortfall. See also "THE LEASED PROPERTIES–Description–*North Palm Springs Multi-Service Center*" and "–*Palm Desert Sheriff Facilities*" and "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Additional Bonds."

Outstanding and Future Additional Long-Term General Fund Obligations

As of June 30, 2008, the County had outstanding $699,551,030 in lease obligations payable from general fund revenues (excluding the 2008 Series A Bonds). The County's annual lease obligation is approximately $62,733,423 and the maximum lease payment is $74,803,967. The Sublease does not prohibit the County from incurring additional long-term obligations payable from general revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental payments may be decreased. See "COUNTY FINANCIAL INFORMATION."

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," the interest on the 2008 Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of delivery of the 2008 Series A Bonds, as a result of acts or omissions of the Authority or the County in violation of their covenants in the Indenture and the Sublease. Should such an event of taxability occur, the 2008 Series A Bonds would not be subject to a special redemption and would remain outstanding until maturity or until prepaid under the redemption provisions contained in the Indenture.

Natural Disasters

The areas in and surrounding the County, like most areas of California, may be subject to unpredictable seismic activity. An occurrence of severe seismic activity in the area of the County could result in substantial damage to and interference with the County's right to use and occupy all or a portion of the Leased Premises, which could result in Lease Payments being subject to abatement.

The obligation to pay Base Rental payments may be adversely affected if the Leased Properties are damaged or destroyed by natural disasters such as earthquake, flood or wildfire.

While the County currently maintains both earthquake insurance and flood insurance with respect to the Leased Properties, the County has no obligation to continue either form of insurance through the remainder of the lease term. Damage or destruction to the Leased Properties caused by earthquake or flood could result in abatement of Base Rental payments.

Pursuant to and under the circumstances described in the Sublease, the County is required to maintain or is permitted to self-insure for casualty, workers' compensation and standard comprehensive public entity liability. The County may not self-insure for loss of use and occupancy of any portion of the Leased Properties. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Insurance to Be Maintained by the County." However, no assurance can be given that such insurance or self-insurance at the time of any casualty or loss will be adequate to cover any claims that might arise.

Seismic Factors. Generally, seismic activity occurs on a regular basis in the State. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential damage to property located at or near the center of such seismic activity. The County lies in an area affected by two major earthquake faults: the San Andres fault and the San Jacinto fault. The occurrence of severe seismic activity in the County could result in substantial damage to the Leased Properties and to interference with the right of the County to use and occupy all or a portion of the Leased Properties and the abatement of the Base Rental payments. In addition, the occurrence of severe seismic activity could have a negative impact on assessed values of taxable values of property in the Project Areas and could result in a reduction in Capital Improvement Fund Revenues available to pay a portion of the principal of and interest on the 2008 Series A Bonds.

Wildfires. 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 wild fires. 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.

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 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 Properties and the abatement of the Base Rental payments.

State Funding of Counties

The County receives a significant portion of its funding from subventions by the State. In Fiscal Year 2007-08, approximately 38% of the General Fund Budget consisted of payments from the State. In Fiscal Year 2008-09, approximately 40% of the General Fund Budget is expected to consist of payments from the State. As a result, decreases in the revenues received by the State can affect subventions made by the State to the County and other counties in the State. The potential impact of State budget actions on the County in particular, and other counties in the State generally, in this and future fiscal years is uncertain at this time. For a discussion of the potential impact of State budget actions for Fiscal Year 2006-07 through Fiscal Year 2007-08 and Fiscal Year 2008-09 on the County in particular, and other counties in the State generally, see "COUNTY FINANCIAL INFORMATION–State Budgets."

Changes in Law

There can be no assurance that the electorate in the State will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to County to make Base Rental payments, and consequently, having an adverse effect on the security for the 2008 Series A Bonds.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Article XIII A

On June 6, 1978, California voters approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIII A to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean "the county assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value," or thereafter, the appraised value of real property newly constructed, or when a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data at a rate not to exceed 2% per year, or reduced in the event of declining property value caused by damage, destruction or other factors including a general economic downturn. The amendment further limits the amount of any ad valorem tax on real property to one percent of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition.

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

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

Article XIII B of the State Constitution

On November 6, 1979, California voters approved Proposition 4, the Gann Initiative, which added Article XIII B to the California Constitution. In June 1990, Article XIII B was amended by the voters through their approval of Proposition 111. Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to the governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to Article XIII B include generally any authorization to expend during the fiscal year the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose, appropriations required to comply with mandates of courts or the Federal government, appropriations for qualified outlay projects, and appropriations by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to any entity of government from (i) regulatory licenses, user charges, and user fees to the extent such proceeds exceed the cost of providing the service or regulation, (ii) the investment of tax revenues and (iii) certain State subventions received by local governments. As amended by Proposition 111, the appropriations limit is tested over consecutive two-year periods. Any excess of the aggregate "proceeds of taxes" received by the County over such two-year period above the combined appropriations limits for those two years is to be returned to taxpayers by reductions in tax rates or fee schedules over the subsequent two years.

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

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

The County's appropriations limit for the Fiscal Year 2007-08 was $1,846,492,463 and the amount shown in its budget for that year as the appropriations subject to limitation was $1,044,313,275. The County's appropriations limit for Fiscal Year 2008-09 is $1,977,836,053 and the amount subject to the limitation is $903,395,447.

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

The requirements imposed by Proposition 62 were upheld by the California Supreme Court in *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220; 45 Cal. Rptr. 2d 207 (1995). In this case, the Court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, required a two-thirds voter approval. Because the tax received an affirmative vote of only 54.1%, this special tax was found to be invalid.

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* ("La Habra"). In La Habra, the Court held that the 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 added Articles XIII C and XIII D to the California Constitution, which contain a number of provisions affecting the ability of cities and counties to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate before 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. The voter approval requirements of Proposition 218 reduce the flexibility of the Board of Supervisors of the County to raise revenues for the general fund, and no assurance can be given that the County will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements. In addition, Article XIII D contains new provisions relating to how local agencies may levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This definition applies to landscape and maintenance assessments for open space areas, street medians, street lights and parks.

In addition to the provisions described above, 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. No assurance can be given that the voters of the 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.

In addition, Proposition 218 added several requirements making it generally more difficult for counties and other local agencies to levy and maintain assessments for municipal services and programs.

On September 20, 2006, an action was filed against the County, (*Beutz v. County of Riverside* (RIC 457351)) challenging the validity of certain annual assessments imposed on certain residential property in the Wildomar area of the County within the Wildomar Landscape Maintenance District 2006-1. The annual assessment is being levied to pay, in part, the costs of maintenance of four County parks in the Wildomar area of the County. The plaintiff in *Beutz V. County of Riverside* 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 Articles XIII C and XIII D of the California Constitution (commonly known as Proposition 218). On March 11, 2008, the Superior Court granted summary judgment in favor of the County and against plaintiff Beutz. Judgment was entered against the plaintiff Beutz on May 6, 2008. 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 Wildomar Landscape Maintenance District 2006-1.

On June 11, 2008, an action (*Justice v. County of Riverside* (RIC 501194)) was filed against the County challenging the validity of the County's Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan Local Development Mitigation Fee. The challenged Local Development Mitigation Fee is used to finance the acquisition of lands to protect natural ecosystems and covered species and to conserve lands necessary to implement the Coachella Valley Multiple Species Habitat Conservation Plan/Natural Community Conservation Plan. With certain exceptions, the fee is imposed on each residential unit or development project or portion thereof to be constructed within the fee plan area in the eastern part of the County. The plaintiff claims that imposition of the fee is unauthorized by law and violates Prop 218 and Prop 62. Although the County denies these allegations and is actively defending the suit, the parties are engaged in settlement negotiations to resolve the litigation. No trial date has been set.

In addition, the same plaintiff has also filed an action (*Justice v. County of Riverside* (RIC 464890)) against the County challenging an increase in the County's Coachella Valley Fringe-Toed Lizard Habitat Mitigation Fee. The challenged increased mitigation fee is used to acquire and preserve and protect natural habitat necessary to implement the Coachella Valley Fringe-Toed Lizard Habitat Conservation Plan. With certain exceptions, the fee is imposed on all development, construction, and grading projects to be constructed within the fee plan area in the eastern part of the County. The plaintiff claims that the increase in the fee is unauthorized by law and violates Proposition 218 and Proposition 62. Although the County denies these allegations and is actively defending the suit, the parties are engaged in settlement negotiations to resolve the litigation. No trial date has been set.

The County is of the opinion that Proposition 218 will not have a material adverse effect on existing taxes, fees or assessments collected by the County.

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the Fiscal Year 2004-05 Budget Act, approved by the voters in November 2004 and generally effective in Fiscal Year 2006-07, 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. 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 required the State, commencing 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.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 218, Proposition 62 and Proposition 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, which may place additional limitations on the ability of the State, the County or local districts to increase revenues or to increase appropriations which may affect the County's revenues or its ability to expand its revenues.

THE AUTHORITY

The Authority is a joint powers authority whose members are the County and the Agency. The Authority is duly organized and existing under a Joint Exercise of Powers Agreement dated January 1, 2002, as amended, by and between the County and the Agency, and under the provisions of Chapter 5 of Division 7 of Title 1 of the California Government Code. The officers of the Agency serve as the officers of the Authority.

The Authority has no taxing power, and has no source of revenue other than the Revenues for paying the debt service on the 2008 Series A Bonds.

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 by area in the State and stretches 185 miles from the Arizona border to within 20 miles of the Pacific Ocean. There are currently 26 incorporated cities in the County. According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,088,322 as of January 1, 2008, reflecting an approximately 35.1% increase over January 1, 2006.

See "COUNTY FINANCIAL INFORMATION," APPENDIX A–"GENERAL, DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF RIVERSIDE" and APPENDIX B–"COUNTY OF RIVERSIDE, CALIFORNIA, COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008" for additional information with respect to County.

THE AGENCY

The Agency was established pursuant to the Redevelopment Law, and was activated in 1974. The Agency adopted the redevelopment plan for Project Area No. 1 Added Territory in November 1981 and for Project Area No. 3 in July 1991. The Agency has no taxing power.

Members of the City Council of the City serve as members of the Agency. The City Council members are elected at large for four-year overlapping terms.

The Agency is administered by a staff selected from the employees of the City and is under the overall direction of Mr. Ortega, the Executive Director of the Agency and the City Manager.

Pursuant to the Implementation Agreement, a share of the tax increment revenue generated by the Palm Desert Redevelopment Project Area No. 1 Added Territory and the Palm Desert Redevelopment Project Area No. 3 is deposited into the County Capital Improvement Fund. See also APPENDIX C–"THE REDEVELOPMENT PROJECT AREAS." As described in "SECURITY AND SOURCES OF PAYMENTS FOR THE 2008 SERIES A BONDS–Base Rental Payments–*Implementation* Agreement," in any Fiscal Year, the Agency will make transfers to and from the Series 2008A Draw Account under the Implementation Agreement solely to the extent that moneys are available therefor in the County Capital Improvement Fund. If at any time the transfers from the Series 2008A Draw Account to the County are less than the Base Rental then coming due, the County will use moneys from other available sources to make up the deficiency. Neither the 2008 Series A Bonds nor the Base Rental Payments are obligations of the Agency.

COUNTY FINANCIAL INFORMATION

General

California counties administer numerous health and social service programs as the administrative agent of the State pursuant to State law. Many of these programs are either entirely or partially funded with State resources that are subject to the annual State budget and appropriation process.

Currently, approximately 40% of the County's Fiscal Year 2008-09 General Fund Budget consists of payments from the State. In Fiscal Year 2007-08, approximately 38% of the County's General Fund Budget consisted of payments from the State. The financial condition of the State has an impact on the level of these revenues. In past years the State reduced revenues to counties to help solve the State's budget problems, although Proposition 1A provides certain protections to counties. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A." The State has also diverted other revenues such as cigarette taxes and motor vehicle in lieu taxes from counties to the State.

To the extent the State should be constrained by its Article XIII B appropriations limit, or its obligation to conform to Proposition 98, or other fiscal considerations, the absolute level, or the rate of growth, of State assistance to local governments may be reduced. Any such reductions in State aid could compound the serious fiscal constraints already experienced by many local governments, particularly counties.

State Budgets

The following information concerning the State of California'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.

Fiscal Year 2007-08. The 2007-08 Budget Act (the "State 2007 Budget Act") was adopted by the Legislature on August 21, 2007 and signed by the Governor, after using his line item veto authority to reduce State General Fund appropriations by $703 million, on August 24, 2007. The State 2007 Budget projects $102.3 billion in budget-year revenues, an increase of 6.5% from Fiscal Year 2006-07; authorizes expenditures of an equal amount (an increase of 0.6% from Fiscal Year 2006-07); and leaves the State General Fund with a year-end reserve of $4.1 billion (the same as assumed for Fiscal Year 2006-07), comprised of $2.6 billion in the State's Special Fund for Economic Uncertainties and $1.5 billion in the Budget Stabilization Account, which Account was established when voters approved Proposition 58 in March 2004.

The State 2007 Budget Act proposes a major redirection of transportation funds, reductions in social services, and a variety of other actions to eliminate a significant shortfall in Fiscal Year 2007-08, including among other things, (i) increases in funding for county Medi-Cal administration costs; (ii) a partial repayment of Proposition 42 transportation suspensions that occurred in Fiscal Years 2003-04 and 2004-05 as required by Proposition 1A; (iii) an assumption that $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency will be received; and (iv) a suspension of a California Work Opportunity and Responsibility to Kids cost-of-living adjustment (a "COLA") for one year and permanently delays the State Supplemental Security income/State Supplementary Program COLA for five months.

Based on the policies contained in the State 2007 Budget Act, according the State Legislative Analyst's Office, the nonpartisan fiscal and policy advisor to the State, the State will face operating shortfalls of more than $5 billion in both Fiscal Year 2008-09 and Fiscal Year 2009-10 because many of the solutions enacted in the State 2007 Budget Act are of a one-time nature.

Fiscal Year 2008-09. The 2008-09 Budget Act (the "2008 State Budget Act") was adopted by the Legislature on September 16, 2008 and signed by the Governor on September 23, 2008, reflecting a reduction of $850 million from the amounts proposed budget bill adopted by the Legislature due to the line item veto by the Governor of $510 million in State General Fund appropriations and $340 million in State General Fund savings due to the delay in enacting the 2008 State Budget Act and the effect of Executive Order S-09-08 (which terminated the services of temporary employees and reduced overtime).

The 2008 State Budget Act resolves the $24.3 billion budget deficit identified in the 2008 May Revision, provides a modest reserve of $1.7 million and projects a deficit of $1.0 billion in Fiscal Year 2008-09.

Budget Reform. The 2008 State Budget Act, includes budget reform measures, which, if approved by the voters of the State, will authorize the California State Lottery to adopt changes that will help to improve its financial performance, with the State General Fund ultimately benefiting from this improved performance; protect education funding by increasing the Proposition 98 minimum guarantee to offset the loss of lottery revenue to K-14 education, thereby giving schools a more stable and growing source of funds to replace the historically unreliable lottery revenues; and authorize the securitization of a portion of future lottery revenues, with the securitization proceeds deposited into a newly created Debt Retirement Fund and available for various purposes that will help offset future State General Fund expenditures. The first $5 billion of securitized revenue is expected to be available in Fiscal Year 2009-10.

Expected Revenues. State General Fund revenues are expected to be $103.027 billion in Fiscal Year 2007-08 and $101.991 billion in Fiscal Year 2008-09, representing an increase of $1.837 billion in Fiscal Year 2007-08 (due to higher than projected year-end collections) and a decrease of $996 million in Fiscal Year 2008-09, compared to the 2008 May Revision.

Tax Law Changes. The 2008 State Budget Act also includes revisions to certain tax provisions to: (i) improve compliance by corporate taxpayers with taxes by establishing a 20% penalty for understatement of corporate tax liability by $1 million, effective for tax years beginning on and after 2003 (expected to increase Fiscal Year 2007-08 revenues by $1.435 billion, Fiscal Year 2008-09 revenues by $75 million and 2009-10 revenues by $45 million); (ii) extend the period of time for which use taxes are assessed on vehicles, vessels and aircraft shipped or brought into the State from 90 days to 12 months ($16 million in Fiscal year 2008-09 and $21 million in Fiscal Year 2009-10); (iii) permit certain non-resident partners and directors to fulfill their State income tax obligation through group tax returns filed by their partnerships or corporations, with the partner's or director's income taxed at the highest income tax rate for that income (the expected increase Fiscal Year 2008-09 revenues is $2 million and $2 million in Fiscal Year 2009-10); (iv) suspend the Net Operating Loss (an "NOL") deduction for tax years 2008 and 2009 for taxpayers with income that is less than or equal to $500,000, commencing in 2008, increase the time limit on the carrying forward of NOLs from 10 years to 20 years, permit taxpayers to carry back losses for two years, with a phase in period commencing in 2011, to bring the State law in conformity with federal law (expected to increase revenues by $1.265 billion in Fiscal Year 2008-09 and $695 million in Fiscal Year 2009-10 and revenue loss is projected to be $265 million in Fiscal Year 2010-11 and $485 million in Fiscal Year 2011-12); (v) limit business incentive tax credits for corporate and individual taxpayers from tax credits to 50% of tax liability, effective for tax years 2008 and 2009 for corporate and individual taxpayers, permit corporations to share unitary credits within a unitary group if the receiving member of the group was in the group when the credit was earned (expected to increase revenues by $615 million in Fiscal Year 2008-09 and $260 million in Fiscal Year 2009-10, and reduce revenues by $385 million in 2010-11 and $480 million in 2011-12); (vi) accelerate the payment of the required fee by limited liability companies (an "LLC") to the 15th day of the sixth month of the LLC year, generally June 15 (expected to accelerate $360 million in Fiscal Year 2008-09 and $36 million in Fiscal Year 2009-10); (vi) require taxpayers to pay 30% each of the estimated payments for personal income and corporate with the first two estimated payments, and 20% each for the last two estimated payments (expected to accelerate $1.270 billion in Fiscal Year 2008-09 and $240 million in Fiscal Year 2009-10); (viii) require that taxpayers make prepayments based on their current income eliminating the "safe harbor" for personal income tax taxpayers with adjusted gross income equal to or greater than $1 million or $500,000 if filing single (expected to accelerate $1.035 billion to Fiscal Year 2008-09 and increase revenues by $135 million in Fiscal Year 2009-10); and (ix) implement accrual changes to more properly measure tax receipts from income earned in the prior year and to implement appropriate accounting principles (expected to increase revenues by $416 million in Fiscal Year 2007-08, $1.440 billion in Fiscal Year 2008-09, and $133 million in Fiscal Year 2009-10).

Expenditures. The 2008 State Budget Act includes expenditures of: (i) $41.9 billion General Fund in funding for K-12 education and community colleges to fund the minimum Proposition 98 guarantee in Fiscal Year 2008-09, resulting in total Proposition 98 funding for K-14 education programs increasing year over year by $1.5 billion, including $244.3 million for a 0.68% cost-of-living adjustment (COLA) for school apportionments, per pupil spending of $12,152 (compared to $12,042 for Fiscal Year 2007-08), $14.4 billion in school district and county office of education property tax revenues in Fiscal Year 2008-09, an increase of $1.0 billion over Fiscal Year 2007-08, $180 million in federal Title I Set-Aside funds for State and local educational agencies to implement a variety of improvements and reforms aimed at improving student achievement under the federal No Child Left Behind Act, $3.3 billion for the various child care programs administered by the State Department of Education, including funding for preschool, general child care centers, family child care homes, CalWORKs child care and before and after-school programs, deferral of $150 million in settle-up payments that have traditionally been appropriated to reduce prior years outstanding K-14 unfunded reimbursable costs for mandated programs, $402 million in settle-up funds to continue the Quality Education Investment Act of 2006 to improve the quality of academic instruction and the learning environment at the lowest performing schools; (ii) approximately $17.3 billion for the transportation programs (including full Proposition 42 funding of $1.4 billion and $1.9 billion for local streets and roads maintenance, of which $250 million is from bonds authorized by the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 ("Proposition 1B"), representing a 10% decrease of $222 million from Proposition 42 funding Fiscal Year 2007-08), a decrease of $212 million over funding available in Fiscal Year 2007-08, due to a one-time influx of local Proposition 1B funds for local road maintenance and transit projects appropriated in the 2007 State Budget Act; (iii) $1.0 billion ($15.1 million General Fund) and 622.7 positions to fund State housing assistance programs, a decrease of $425.6 million from Fiscal Year 2007-08 resulting from higher Fiscal Year 2007-08 Proposition 1C expenditures due to program accelerations and one-time allocations; (iv) $807.8 million from the Disaster preparedness and Flood Prevention Bond Act of 2006 ("Proposition 1E") and Proposition 84 bond funds and 52.1 new positions for the Flood SAFE California Program to provide subventions to help local governments protect their communities from flooding, enhance emergency preparedness and flood response, and provide grants to local governments for urgent repairs and improvements of levees in the Central Valley and the Delta, $126.5 million and 31.3 positions for levee evaluations and the repair of critical levee erosion sites, $264.7 million and 4.7 positions for 10 flood control capital projects in the Mid-Valley Area Levee Reconstruction, South Sacramento County Streams, West Sacramento Project, Merced County Streams, Sutter Bypass, Yuba River Basin, Marysville Ring, American River Common Elements, Natomas Project, Folsom Dam Modification Project, and for feasibility studies on additional projects, $2.8 million ($1.8 million General Fund and $1 million Proposition 1E) and 16.1 new positions to establish the Central Valley Flood Protection Board within the Department of Water Resources (the "DWR") which board will assume the responsibilities of the former State Reclamation Board, approve a Central Valley Flood Protection Plan by July 1, 2012, and ensure that cities and counties consider flood risks when making land use and development decisions; (v) $2.9 billion in funding for Human Services programs that provide medical, dental, mental health, and social services to many of State's most vulnerable and at-risk residents; and (vi) $20.7 billion form all sources for higher education funding.

Budget Risks and Structural Deficit. For Fiscal Year 2008-09, the State faces a number of issues and risks that may impact the State General Fund, and reduce or eliminate the budget reserves included in the 2008 State Budget Act (originally $1.7 billion).

The 2008 State Budget Act utilizes revenue projections made at the time of the 2008 May Revision was prepared in early May. However, as a result of the continuing weakness in the economy, in preparing the 2008 State Budget Act, the Administration reduced the sales tax revenue projection for Fiscal Year 2007-08 by $287 million, and for Fiscal Year 2008-09 by $250 million. Economic growth is expected to continue to slow in 2009. The August 2008-09 Proposed Compromise issued by the Governor during the negotiations on the Fiscal Year 2008-09 budget noted that: "If, in fact, the economy does not grow at the rates forecast in the 2008-09 May Revision, revenues could decline significantly in 2008-09 and 2009-10, possibly on the order of $5 billion over the two years."

Based on the Controller's September cash report, revenue receipts in the month of September were *approximately $814 million below projections for the three major tax revenues (for a total of* approximately $814 million below projections for the three major tax revenues (for a total of approximately $1.1 billion below projections for the fiscal year to date). A preliminary review of revenue receipts and other factors would indicate that State General Fund budgetary revenues could be adjusted downward by $3 billion, $1.3 billion more than the Fiscal Year 2008-09 budget reserve of $1.7 billion. An update of Fiscal Year 2008-09 revenues will be prepared in connection with the release of the Fiscal Year 2009-10 Governor's Budget. Given the potential budgetary gap which may result from these revenue declines, the Governor called a special session of the legislature on November 6, 2008 to develop solutions to bridge the projected Fiscal Year 2008-09 budget gap, which is projected to be $11.2 billion. The Governor proposes $4.5 billion in cuts and $4.7 billion in new revenues, including a temporary increase in the State sales tax, from 5% to 6.5%, which is expected to generate additional sales tax revenues for the State General Fund of $3.219 billion in Fiscal Year 2008-09 and $6.606 billion in Fiscal Year 2009-10, with the State sales tax reverting back to 5% at the end of three years; and additional revenue increases by broadening the sales and use tax to include certain services, imposing an oil severance tax upon any oil producer that extracts oil from the earth or water in the State and increasing the alcohol excise tax by five cents a drink. The Governor also announced an aggressive plan to reduce foreclosure rates by helping both borrowers and lenders modify existing home loans in ways that benefit both parties, and to prevent another mortgage crisis in the future, the Governor is prescribing changes to the way mortgages are brokered and originated to make lenders more accountable, guard against risky mortgages and prevent unsustainable bubbles.

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 the special legislative season or 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.

County Budget Process

The County operates on an annual budget cycle. Under State law, the County must adopt a proposed budget by June 30 and a final budget by October 2, which must be balanced. Subsequent to the adoption of the final budget, the County will make adjustments during the course of the Fiscal Year to reflect revenues, as realized, and any changes in expenditure requirements. For example, in recent years, many counties, including the County, 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 second and third quarter budget reports.

The ability of the County to increase its revenues is limited by State laws that prohibit the imposition of fees to raise general revenue, except to recover the costs of regulation or provisions of services. See "INVESTMENT CONSIDERATIONS–Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations."

Recent County General Fund Budgets

Presented below is a description of the County's comparative budgetary and expenditure experience for Fiscal Years 2007-08 and 2008-09. For the audited financial results of the County for Fiscal Year 2006-07, see APPENDIX B–"COUNTY OF RIVERSIDE, CALIFORNIA, COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

Fiscal Year 2007-08. The County adopted its Fiscal Year 2007-08 Final Budget (the "2007-08 Final Budget") on June 26, 2007. The 2007-08 Final Budget approved total General Fund appropriations of $2.5 billion for basic County services including public protection, health and sanitation and public assistance. These three areas comprise approximately 78% of the County's total anticipated Fiscal Year 2007-08 General Fund expenditures.

The County relies significantly upon State and federal payments for reimbursement of various costs including certain mandated programs. For Fiscal Year 2007-08, approximately 38% of the County's General Fund revenue consisted of payments from the State and 18% 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 30% 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 or moneys from the Public Safety Sales Tax (Proposition 172).

Proposition 172 was approved by the voters of the State, 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 $81.7 million in Fiscal Year 2001-02, $89.9 million in Fiscal Year 2002-03, $101.5 million in Fiscal Year 2003-04, $116.0 million in Fiscal Year 2004-05, $135.7 million in Fiscal Year 2005-06 and $146.1 in Fiscal year 2006-07. Public safety sales tax receipts for the County are budgeted at $155.0 million in Fiscal Year 2007-08, although current estimates are that about $145 million will be received.

As of June 30, 2007, fund balance for the General Fund was $423 million, or 17% of the total General Fund expenditures. This amount includes $89.4 million of reserved fund balance and $333.6 million of designated fund balance.

Fiscal Year 2008-09. The County adopted its Fiscal Year 2008-09 Final Budget (the "2008-09 Final Budget") on July 1, 2008. The 2008-09 Final Budget approved total General Fund appropriations of $2.6 billion for primary County services including public protection, health and sanitation, and public assistance. These three areas comprise approximately 88.4% of the County's total anticipated Fiscal Year 2008-09 General Fund expenditures.

The County relies significantly upon State and federal payments for reimbursement of various costs, including for certain mandated programs. For Fiscal Year 2008-09, approximately 40% of the County's General Fund revenue consists of payments from the State and 19% 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 29% 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), which permanently expected a Statewide ½ cent sales tax for Public Safety.

Sales tax receipts for the County from the Proposition 172 1/2 cent levy have increased an average of 10% per year, for the last five years, and are estimated to reach $158.7 million in Fiscal Year 2008-09. Sales tax receipts for the County are estimated at $38.0 million in Fiscal Year 2008-09.

As of June 30, 2008, fund balance for the General Fund was $382 million or 15% of the total General Fund expenditures. This amount includes $75 million of reserved fund balance and $307 million of designated fund balance.

Although the County budget for the Fiscal Year 2008-09 reflects a 4.7% reduction in discretionary revenues over the Fiscal Year 2007-08, due in part to decreased anticipated property tax revenue in Fiscal Year 2008-09, the County's General Fund budget expenses for Fiscal Year 2007-08 increased 2.2% from the prior Fiscal Year, supported by transfers from reserves and designations. The County has built up its reserves and designations balance over the past several years, to approximately $308.3 million for Fiscal Year 2008-09.

On October 28, 2008, the Board of Supervisors of the County adopted the County Executive Officer's Fiscal Year 2008-09 First Quarter Budget Report (the "Budget Report"). The Budget Report acknowledges the challenging financial climate confronting the nation, the State and the County. Specifically, the Budget Report estimates that the County will experience a net property tax reduction of approximately $2.9 million from the budget adopted by the County at the start of the current Fiscal Year. Other measures of economic activity in the County such as building permits and sales tax receipts are also declining from year earlier figures. To address future revenue reductions, the County Executive Officer has requested detailed budget projections from department heads with the objective of reducing general fund expenditures in future years. To mitigate future revenue shortfalls, the County plans to reduce general fund expenditures by 25% over a four year period, commencing with a 5% reduction in Fiscal Year 2008-09, 10% in Fiscal Year 2009-10, 6.3% in Fiscal Year 2010-11, and approximately 3.4% in Fiscal Year 2011-12. The County's projections are subject to revision in light of future economic conditions.

The Budget Report also makes various appropriation and expenditure adjustments based on changes since the adoption of the County's budget. Following such adjustments, the County's contingency fund balance is approximately $29 million, or 4% of discretionary revenue.

The table below compares the final budgets for each of the last three Fiscal Years as initially adopted by the Board of Supervisors of the County (the "Board of Supervisors"). During the course of each Fiscal Year, the final budget is amended to reflect actual receipts and expenditures.

Table 4
County of Riverside
Final General Fund Budgets[1]
($ in Millions)

	Final 2004-05 Budget	Final 2005-06 Budget	Final 2006-07 Budget	Final 2007-08 Budget	Final 2008-09 Budget
REQUIREMENTS:					
General Government	$143.9[3]	$175.5	$217.6	$279.3	$238.6
Public Protection	751.7	815.5	947.7	1,032.5	1,132.0
Public Ways and Facilities	–	4.5	6.6	6.8	2.1
Health and Sanitation	392.9	394.3	381.2	410.7	392.3
Public Assistance	575.5	640.7	663.1	721.4	791.1
Education	0.3	0.3	0.4	0.5	0.6
Recreation and Cultural	0.2	0.2	0.3	0.3	0.3
Debt Retirement-Capital Leases	61.3	34.9[5]	10.9	14.8	22.3
Contingencies	16.5	20.0	32.1	32.2	34.8
Reserves	15.2	23.8	6.2	8.9	5.0
TOTAL REQUIREMENTS	$1,957.5	$2,109.7	$2,265.9	$2,507.3	$2,619.1
AVAILABLE FUNDS:					
Beginning Unrestricted Fund Balance	$59.3[4]	$62.1[4]	$22.7	$33.4	$107.1[4]
Estimated Revenues:					
Property Taxes	118.8	165.6	214.2	262.6	287.2
Other Taxes	41.3	58.6	77.5	71.1	49.1
Licenses, Permits and Franchises	23.9	23.1	29.7	31.6	24.9
Fines, Forfeitures and Properties	46.2	46.1	48.3	52.0	60.6
Use of Money & Property	15.2	24.3	53.5	53.2	29.7
Aid From Other Government Agencies:					
State	681.3	755.1	842.8	938.5	991.8
Federal	380.2	418.9	415.3	444.7	465.4
Charges for Current Services	336.3	361.0	424.6	462.3	385.1
Other Revenues[2]	255.0	194.9[5]	137.3	158.0	217.9
TOTAL AVAILABLE FUNDS	$1,957.5	$2,109.7	$2,265.9	$2,507.3	$2,618.8[6]

(1) Excludes mid-year amendments or adjustments.
(2) Includes payments and reimbursements for programs which fund disproportionate share hospitals (DSB and SB 1255).
(3) Variances between Fiscal Years are the result of reclassification of certain subcategories.
(4) Includes reserves used.
(5) Variances between Fiscal Years are due to a reclassification of CORAL fund.
(6) The adopted 2008-2009 budget anticipates a $300,000 deficit.
Source: County Auditor-Controller.

Accounting Policies, Reports and Audits

The County's governmental funds and fiduciary funds use the modified accrual basis of accounting. This system recognizes revenues when they become available and measurable. Expenditures, with the exception of unmatured interest on general long-term debt, are recognized when the fund liability is incurred. Proprietary funds use the accrual basis of accounting, whereby revenues are recognized when they are earned and become measurable, while expenses are recognized when they are incurred.

The California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the Comprehensive Annual Financial Report for the County and is responsible for controlling expenditures within budget expenditures. This annual report covers financial operations of the County, County districts and service areas, local autonomous districts and various trust transactions of the County Treasury. Under California law, independent audits are required of all operating funds under the control of the Board of Supervisors. See APPENDIX B–"COUNTY OF RIVERSIDE, CALIFORNIA, COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County are divided into three categories: (i) governmental funds; (ii) proprietary funds; and (iii) fiduciary funds.

Periodically, the County adopts new accounting and financial standards to conform with releases by the Governmental Accounting Standards Board (GASB), including GASB Statement No. 45, Accounting and Financial Reporting by Employers of Postemployment Benefits other than Pensions (OPEB). For a discussion of GASB 45, see "–Postemployment Benefits."

Governmental Funds: 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 budgetary orientation, are prepared on the modified accrual basis of accounting, and focus primarily on the sources, uses and balances of current financial resources.

The County maintains several individual governmental funds organized according to their type (general, special revenue, debt service and capital project funds). The governmental fund statements present the financial information of each major fund (*e.g.* General Fund, Teeter Debt Service Fund, Public Utilities Improvements Capital Projects Fund and Redevelopment Capital Projects Funds) in separate columns. Financial information for the remaining governmental funds (non major funds) is combined into a single, aggregated presentation.

Proprietary Funds: used to account for services for which the County charges customers, either outside customers or internal department of the County. Proprietary funds statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The County maintains two different Proprietary funds: (i) Enterprise Funds (to report the same functions presented as business-type activities in the government-wide financial statements and account for the Riverside County Regional Medical Center, waste management, County Service Areas, Housing Authority and Flood Control) and (ii) Internal Service Funds (to report activities that provide supplies and services for certain County programs and activities, including, records and archive management, fleet services, information services, printing and mail services, supply services, accounting and human resources information management, risk management, temporary assistance pool and flood control equipment).

Fiduciary Funds: used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the programs of the County 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.

Presented in Table 5 presents the County's General Fund Balance Sheets for Fiscal Years 2004-05 through 2007-08. Presented in Table 6 is the County's Combined Statement of General Fund Revenue, Expenditures and Changes in Fund Balance for Fiscal Years ended June 30, 2003 through 2007. More detailed information from the County's audited financial report for the Fiscal Year ending June 30, 2007 appears in Appendix B to this Official Statement.

Table 5
County of Riverside
General Fund Balance Sheets
($ in 000's)

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 2007
Assets:					
Cash and investments	$44,433	$65,681	$184,723	$257,077	$283,080
Accounts receivable	4,336	4,367	37,177	43,255	60,621
Interest receivable	4,534	21,472	9,214	9,124	14,673
Taxes receivable	3,026	4,078	20,679	19,939	40,766
Due from other governments	7,766	5,646	195,064	206,270	252,411
Inventories	12,369	8,892	1,801	1,806	1,540
Due from other funds	172,459	214,319	8,435	5,895	5,417
Restricted cash and investments	865	2,979	436,555	228,897	263,390
Advance to other funds	189,143	230,390	40	20	37
TOTAL ASSETS	438,931	557,824	893,688	772,283	921,935
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	47,834	70,790	86,713	85,857	82,441
Salaries and benefits payable	35,670	46,367	52,805	63,119	70,585
Due to other governments	3,627	945	45,057	35,017	41,432
Due to other funds	15,248	19,663	4,928	1,189	288
Deposits payable	–[(1)]	–[(1)]	67	82	70
Matured bonds and interest payable	117,954	170,981	7,922	–	–
Deferred revenue	20	25	133,742	140,101	156,155
Notes payable	–[(1)]	–[(1)]	210,000	–	–
TOTAL LIABILITIES	220,353	308,771	541,234	325,365	350,971
Fund Balances:					
Reserved	103,489	100,940	121,249	100,436	88,233
Unreserved, designated reported in:					
General Fund	115,089	148,113	185,014	277,833	339,773
Unreserved, undesignated, reported in:					
General Fund	–	–	46,191	68,649	142,958
TOTAL FUND BALANCES	$218,578	$249,053	$352,454	$446,918	570,964
TOTAL LIABILITIES AND FUND BALANCES	$438,931	$557,824	$893,688	$772,283	$921,935

Source: County Auditor-Controller.

Major Expenditures

As illustrated in Table 6, the major expenditures for the County in each Fiscal Year are public protection and public assistance.

Table 6
County of Riverside
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances
($ in 000's)

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2006	Fiscal Year Ended June 30, 200
Beginning Fund Balance:	$215,561†	$220,209†	$249,053†	$339,321†	$446,918
Revenues:					
Taxes	160,220	193,329	219,420	273,493	301,575
Licenses, permits, and franchise fees	15,411	19,964	22,157	21,569	25,803
Fines, forfeitures, and penalties	36,899	42,905	70,023	62,305	81,148
Use of money and property:					
Interest	12,893	8,724	21,126	42,826	62,848
Rents and concessions	966	1,359	4,253	4,131	2,805
Aid from other governmental agencies:					
Federal	373,766	373,146	395,655	395,105	430,606
State	657,085	673,403	660,761	785,390	893,390
Other	46,099	46,750	55,661	69,042	81,703
Charges for services	237,987	236,107	293,581	326,066	319,198
Other revenue	56,504	55,260	82,334	13,936	38,856
TOTAL REVENUES	**1,597,830**	**1,677,947**	**1,824,971**	**1,993,863**	**2,237,932**
Expenditures:					
Current:					
General government	133,476	101,429	105,992	123,716	119,365
Public protection	611,014	674,389	742,550	798,035	916,524
Public ways and facilities	–	–	3,430	3,930	4,505
Health and sanitation	338,265	362,010	279,472	337,139	341,467
Public assistance	520,345	536,275	569,412	588,928	644,912
Education	343	337	332	349	394
Recreation and culture	194	181	175	203	203
Debt Service	9,527	14,454	–	–	–
Principal	–	–	16,408	18,432	17,659
Interest	–	–	19,711	15,144	12,092
Capital Outlay	8,435	1,008	6,616	7,929	8,811
TOTAL EXPENDITURES	**1,621,599**	**1,690,083**	**1,744,098**	**1,893,805**	**2,065,932**
Excess (deficiency) of Revenues Over (Under) Expenditures	(23,769)	(12,136)	80,873	100,058	172,00
Other Financing Sources (Uses):					
Transfers in	35,523	60,999	69,014	103,586	89,449
Transfers out	(18,172	(21,027)	(53,102)	(104,172)	(146,214
Gain (loss) on sale of capital assets	–	–	–	196	-
Capital leases	8,435	1,008	6,616	7,929	8,81
TOTAL OTHER FINANCING SOURCES (USES)	**25,786**	**40,980**	**22,528**	**7,539**	**(47,954**
Net Change in Fund Balances	**2,017**	**28,844**	**103,401**	**107,597**	**124,04**
Fund balances – beginning of year	215,561	220,209	249,053	352,454	446,918
Adjustments to beginning fund balances	–	–	–	(13,133)	-
Fund balances – beginning of year, as restated	–	–	249,053	339,321	446,918
FUND BALANCES – END OF YEAR	**218,578**	**249,053**	**$352,454**	**$446,918**	**$570,96**
Less:					
Reserved Fund Balance	103,489	100,940	–	–	.
Designated Fund Balance	89,011	70,361	–	–	.
Undesignated Unreserved Fund Balance	$26,078	$77,752	–	–	.

† Beginning fund balance does not equal the prior year ending fund balance due to an equity restatement.
Source: County Auditor-Controller.

Major Revenues

The County derives its revenues from a variety of sources including taxes (property and sales), licenses, permits and franchises issued by the County, fines, forfeits and penalties collected by the County, use of County property and money, aid from other governmental agencies, charges for services provided by the County and other miscellaneous revenues.

The County receives a significant portion of its funding from subventions by the State. In Fiscal Year 2008-09, approximately 40% of the General Fund Budget is expected to consist of payments from the State. The amounts, approximate percentages of the County's General Fund final budget revenues for Fiscal Years 2006-07 and 2007-08 and the budgeted amounts for Fiscal Year 2008-09 are presented in the table below.

Table 7
County of Riverside
General Fund Budget Revenue Detail
Fiscal Years 2006-07 and 2007-08 and Budgeted Fiscal Year 2008-09
($ in 000's)

	Final 2006-07		Final 2007-08		Adopted Budget 2008-09	
	Amount	Percent of Total†	Amount	Percent of Total†	Amount	Percent of Total
Taxes (Property and Sales)	$329,678	13.75%	$352,917	14.34%	$336,283	13.39%
Licenses, Permits and Franchises	29,751	1.24	24,525	1.00	24,869	0.99
Fines, Forfeits, and Penalties	53,418	2.23	57,892	2.35	60,567	2.41
Use of Money and Property	76,190	3.18	63,530	2.58	29,725	1.18
Interest	–	–	–	–	–	–
Rents and concessions	–	–	–	–	–	–
Aid from other governmental agencies						
Federal	445,222	18.56	473,405	19.23	465,424	18.53
State	919,087	38.31	905,524	36.79	991,772	39.48
Other government	506	0.02	269	0.01	–	–
Charges for Services	387,547	16.15	453,336	18.42	385,136	15.33
Other	157,876	6.58	129,984	5.28	218,202	8.69
TOTAL	$2,399,275	100.00%	$2,461,384	100.00%	$2,511,977	100.00%

† Column does not total due to rounding.
Source: County Auditor-Controller.

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. For assessment and collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property which can be secured by liens. Other property is assessed on the "unsecured roll."

The County levies a one percent 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 on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

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 $10 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

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

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

The County and its political subdivisions operate under the provisions of Sections 4701-4717 of the State Revenue and Taxation Code (the "Teeter Plan"). Pursuant to those sections, the accounts of all political subdivisions which levy taxes on the County tax rolls are credited with 100 percent of their respective tax levies regardless of actual payments and delinquencies. The County treasury's cash position (from taxes) is protected by a special fund (Tax Losses Reserve Fund) into which all countywide delinquent penalties are deposited. See "–The Teeter Plan" below. A five-year history of the County tax levies, delinquencies and the Tax Losses Reserve Fund cash balances as of June 30 is shown in the table below.

Table 8
County of Riverside
Assessed Valuation[1] History by Category and Property Type
Fiscal Years 2004-05 through 2008-09
($ in 000's)

Category	2004-05	2005-06	2006-07	2007-08	2008-09
Secured Property:					
Land	$44,284	$52,819	$66,302	$77,403	$82,908
Structures	89,242	107,234	130,830	155,847	152,908
Personal Property	810	783	803	1,476	1,510
Utilities	2,080	2,286	2,614	2,807	3,154
TOTAL SECURED	$136,416	$163,122	$200,549	$237,173	$240,480
Unsecured Property:					
Land	$ 5	$ 4	$ 3	$ 3	$ 3
Improvements	2,450	2,709	2,839	3,195	3,682
Personal Property	3,008	3,307	3,571	3,976	4,338
TOTAL UNSECURED[2]	$ 5,463	$ 6,020	$ 6,413	$ 7,174	$ 8,023
GRAND TOTAL	$141,879	$169,142	$206,962	$244,347	$248,508

(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.

(Remainder of this Page Intentionally Left Blank)

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for Fiscal Year 1998-89 through Fiscal Year 2008-09.

Table 9
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	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.

(Remainder of this Page Intentionally Left Blank)

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	94.74
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	92.33
2008-09	88,531,78	72,205,891[3]	81.56[3]

(1) The Levy and Collection data reflects the 1% levy allowed under Article XIIIA of the California Constitution and additional taxes levied for voter-approved debt and special assessments. Taxes for the County, cities, schools districts, special districts and redevelopment agencies are included in the totals.
(2) Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.
(3) Represents collections for Period 1 *only*. Period 2 and Period 3 collections are not yet available.
Source: County Auditor-Controller.

Pursuant to Article XIII A of the California Constitution (Property 13), property is valued for tax purposes at the 1975 fair market value, adjusted annually for inflation (not to exceed 2%). Generally, property is reassessed at fair market value upon change of ownership and for new construction.

(Remainder of this Page Intentionally Left Blank)

The following table describes the supplemental tax roll of the County for Fiscal Year 1998-99 through Fiscal Year 2008-09.

Table 10
County of Riverside
Summary of Supplemental Roll
Ad Valorem Property Taxation
Fiscal Years 1998-99 through 2008-09[1]

Fiscal Year	Tax Levy for Increased Assessments[1],[2]	Refunds for Decreased Assessments[1]	Net Tax Levy	Collections[1],[3]
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	61,087,244	1,812,989	59,274,255	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,057,278	199,306,725	151,778,352
2005-06	334,571,225	1,821,113	332,750,112	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08[1]	171,506,667	9,019,397	162,487,270	214,671,863
2008-09	27,363,240[4]	2,194,680[4]	25,168,560[4]	4,090,256[5]

(1) Figures include tax levy, refunds and collections for all districts, including the County, cities, school districts, special districts and redevelopment agencies.
(2) Tax levy amounts are shown net of minimum taxes less than $10 and refunds are shown net of Refunds on Negative Extensions (RONES) less than $10. RONES arise due to decrease in value of property resulting in a negative assessment.
(3) Includes current and prior years' taxes, redemption penalties and interest collected.
(4) Data is for the period July 2008 through October 2008 actual.
(5) Data is for the period July 2008 through September 2008 actual.
Source: County Auditor-Controller/County Treasurer and Tax Collector.

(Remainder of this Page Intentionally Left Blank)

Largest Taxpayers. The following table shows the total tax levied against the principal largest taxpayers in the County for Fiscal Year 2007-08.

Table 11
County of Riverside
Fiscal Year 2007-08 Principal Taxpayers

Taxpayer	Total Taxes Levied	Percentage of Total Tax Charge
Centex Homes	$13,896,175.63	0.46%
Southern Calif Edison Company	12,523,657.60	0.42
Verizon California Inc.	8,944,490.24	0.30
KB Home Coastal Inc.	7,971,552.14	0.27
Lennar Homes of Calif Inc.	6,106,115.84	0.20
Pulte Home Corp.	4,704,578.45	0.16
Standard Pacific Corp.	4,682,700.17	0.16
Southern Calif Gas Company	4,446,401.60	0.15
KSL Desert Resort	4,442,154.44	0.15
Western Pacific Housing Inc.	3,605,023.03	0.12
Pardee Homes	3,270,678.61	0.11
Ryland Homes of Calif Inc.	3,100,833.89	0.10
Ashby USA	3,020,337.70	0.10
DS Hotel	2,931,909.08	0.10
Beazer Homes Holdings Corp	2,631,284.28	0.09
Blythe Energy LLC	2,569,619.16	0.09
Inland Empire Energy Ctr LLC	2,530,155.20	0.08
Costco Wholesale Corp.	2,341,669.36	0.08
Tyler Mall Ltd Partnership	2,305,759.94	0.08
Bre Prop Inc.	2,205,843.56	0.07
Lowes HIW Inc.	2,162,051.04	0.07
Mw Housing Partners III	2,109,148.28	0.07
Dos Lagos Lifestyle Center	1,994,553.94	0.07
Walgreen Co.	1,980,317.80	0.07
Wal Mart Real Estate Bus. Trust	1,944,580.42	0.06
SUBTOTAL	108,421,591.40	3.61

† Dollar amounts have been rounded.
Source: County Treasurer - Tax Collector.

The 10 largest taxpayers in the County by assessed value for all properties, for the Fiscal Year 2007-08 are shown below.

Table 12
County of Riverside
Ten Largest Taxpayers in Fiscal Year 2007-08
By Assessed Value

Assessee	Assessed Value
Centex Homes	$659,709,523
KSL Desert Resort	381,014,226
KB Home Coastal Inc.	334,953,028
Lennar Homes of California Inc.	316,585,434
Pulte Home Corp.	306,626,601
DS Hotel	257,455,433
Standard Pacific Corp.	251,748,931
Kaiser Foundation Hospitals	235,645,113
Western Pacific Housing Inc.	213,138,412
Eisenhower Memorial Hospital	208,109,780
SUBTOTAL	$3,200,986,481
All Others	239,779,403,010
TOTAL	$242,980,389,491†

† Excludes State assessed property.
Source: *County Assessor.*

The 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 of California (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.

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 2007-08, approximately 74% of all taxing entities within the County participate 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 $22.1 million as of June 30, 2008. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was accomplished through the sale, on November 5, 2007, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "Notes") in the amount of $168.4 million. The Notes were comprised of approximately $136 million representing Fiscal Year 2006-2007 delinquent property taxes and $32.4 million representing prior Fiscal 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 the annual repayment. The letter of credit will expire on November 5, 2012.

Assessment Appeals. Property tax values determined by the County Assessor may be subject to appeal by property owners. Assessment appeals are annually filed with the Assessment Appeals Board for a hearing and resolution. The resolution of an appeal may result in a reduction to the County Assessor's original taxable value and a tax refund to the applicant/property owner.

Each assessment appeal could result in a reduction of the taxable value of the real property, personal property or possessory interest of the property which is the subject of the appeal. Alternatively, an appeal may be withdrawn by the applicant or the Assessment Appeals Board may deny or modify the appeal at a hearing or by stipulation.

The County received assessment appeals applicable for Fiscal Year 2007-08 totaling approximately $2 billion in assessed value. A total of $393 million of assessed value, representing $3.93 million (or approximately 7.3% of the total assessed value under appeal) in general purpose taxes, was reduced from the County tax roll for Fiscal Year 2005-06 and Fiscal Year 2006-07. The majority of appeals applicable to Fiscal Year 2005-06 have been completed. The remainder of the Fiscal Year 2006-07 and the Fiscal Year 2007-08 assessment appeals are expected to be completed by June 1, 2009.

For Fiscal Year 2008-09, the County Assessor plans to make mass adjustments under Proposition 8, where applicable, to bring the tax roll in line with current (depressed) values. The Fiscal Year 2008-09 budget incorporates these planned Proposition 8 reductions. The expected total reductions of approximately $15 billion will completely offset all assessed value increases recorded during the past year. In simple terms, the County will have zero growth in assessed values (and associated taxes) during Fiscal Year 2008-09.

The County is unable to predict with certainty the outcome of the assessment appeals that have been filed but not yet been resolved. It is expected that the impact of the assessment appeals on the Fiscal Year 2007-08 budget will be determined primarily by two components: (i) the remainder of the Fiscal Year 2005-06 and Fiscal Year 2006-07 assessment appeals still to be completed; (ii) approximately 36% of the Fiscal Year 2007-08 appeals completed during Fiscal Year 2007-08; and (iii) additional assessment revenue that the County Assessor projects will be billed during a Fiscal Year and reduce the impact of the appeals related to such Fiscal Year.

Effect of Foreclosures on Property Tax Collections. As described under "–The Teeter Plan," once an installment of property tax becomes delinquent, penalties are assessed commencing on the applicable delinquency date until the delinquent installment(s) and all assessed penalties are paid. In the event of foreclosure and sale of property by a mortgage holder, all past due property taxes, penalties and interest is required to be paid before the property can be transferred to a new owner.

In addition, as required under the Teeter Plan (described above), the County maintains a tax losses reserve fund, to cover potential losses that may result if tax-defaulted property is sold by the County for less than the amount of the taxes owed.

Housing prices in the County declined in 2007 and are expected to decline in 2008. During calendar year 2007, mortgage holders had sent 29,874 notices of default with respect to properties located within the County compared to 11,776 during calendar year 2006, and 12,000 trustee deeds had been recorded during calendar year 2007 (indicating that the property has been lost to foreclosure), compared to 1,727 during calendar year 2006. During the first three quarters (January though September) of calendar year 2008, mortgage holders sent 39,341 notices of default and recorded 26,208 trustee deeds compared to 20,532 notices of default sent and 7,479 trustee deeds recorded in the first three quarters of calendar year 2007. 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.

In response to these factors, for Fiscal Year 2008-09 the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The Fiscal Year 2008-09 budget incorporates these Proposition 8 reductions. The total Fiscal Year 2008-09 reductions of $16.2 billion have offset a majority of the value increases recorded during the prior Fiscal Year.

After giving affect to the foregoing adjustments, as well as to projected collections under the Teeter Plan (described below) and to the stabilizing effects of Proposition 13, the County projects no net growth in assessed value for Fiscal Year 2008-09 of 1.45%, and a negative 5% assessed valuation growth for Fiscal Year 2009-2010. See "–Recent County General Fund Budgets."

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 2006-07, the County retained approximately 12.3% of the total amount collected and budgeted to retain 12.2% in Fiscal Year 2007-08. The remainder is distributed according to State law (AB 8), which established a tax-sharing formula, and State redevelopment law. Taxes levied for the purpose of repaying general obligation debt, special taxes and assessments are passed on in their entirety, less any allowable collection charges.

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

Redevelopment Agencies

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

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

Table 13
County of Riverside
Community Redevelopment Agencies'
Frozen Base Value, Full Cash Value Increments and Total Tax Allocations
Fiscal Years 2004-05 through 2008-09

Fiscal Year	Frozen Base Value	Full Cash Value Increments[1]	Total Tax Allocations[2]
2004-05	$12,271,092,108	$34,974,969,456	$352,602,509
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[3]	66,035,834,187	634,702,096[4]

(1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
(2) Actual cash revenues collected by the County and subsequently paid to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
(3) Includes general funds and debt.
(4) County 100 report value for Fiscal Year 2008-09.
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 38 unincorporated communities. As of June 30, 2008, the County Redevelopment Agency had a total land area of approximately 71,718 acres and a base year assessed value, including State-owned land, of $2,966,434,812. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in Fiscal Year 2008-09 was estimated at $11,631,453, based on an average County share of 13% of the 1% general tax levy.

Capital Improvement Fund Revenues from the Palm Desert Redevelopment Project Areas

The County receives pass through payments from the Palm Desert Redevelopment Agency (the "Agency") for deposit into a fund (the "County Capital Improvement Fund") pursuant to the Cooperative Agreement, dated as of February 13, 1992 (the "Cooperative Agreement") by and among the County, the City of Palm Desert (the "City") and the Agency. Pursuant to the Cooperative Agreement, the Agency may withdraw moneys from the County Capital Improvement Fund upon the written consent or at the direction of the County. Pursuant to the Implementation Agreement, the County will direct the Agency to periodically transfer available amounts from the County Capital Improvement Fund to the County for the County's application of such amounts to rental payments under the Sublease. The Capital Improvement Fund, established pursuant to the terms and conditions of the Cooperative Agreement, requires the Agency to: (i) allocate annually a share of the tax increment revenues generated by the Palm Desert Redevelopment Agency Project Area No. 1 Added Territory ("Project Area No. 1 Added Territory"), and the Palm Desert Redevelopment Agency Project Area No. 3 ("Project Area No. 3" and together with Project Area No. 1 Added Territory, the "Project Areas") and (ii) set aside such funds into a special interest bearing trust fund (the "County Capital Improvement Fund"). "Tax increment" is defined in the Cooperative Agreement to mean that portion of *ad valorem* property taxes resulting from the increase in assessed value in Project Area No. 1 Added Territory and in Project Area No. 3 that is allocated to the Agency pursuant to the Redevelopment Law. Net tax increment" is defined in the Cooperative Agreement to mean that portion of *ad valorem* property taxes resulting from the increase in assessed value in Project Area No. 1 Added Territory and in Project Area No. 3 *less* the amounts required to be set aside in the low and moderate income housing fund of the Agency. With the prior consent of the County, the Agency may use such funds to finance the costs of the acquisition, construction or improvement of public facilities that will be of mutual benefit to the County and the Agency. See also APPENDIX C–"THE REDEVELOPMENT PROJECT AREAS–Tax Increment Revenues" and "–Limitations on Tax Increment Revenues."

Project Area No. 1 Added Territory. Project Area No. 1 Added Territory is located in the City, comprises approximately 5,240 acres and 12,665 parcels and is generally bounded by the Whitewater Storm Channel on the north, the City limits on the east and south and the Palm Valley Storm Channel and the City limits on the west. Project Area No. 1 Added Territory represents approximately 90% of the total acreage of Project Area No. 1.

Commencing with Fiscal Year 1991-92, 24% of the gross tax increment revenue generated by Project Area No. 1 Added Territory is deposited into the County Capital Improvement Fund with the remaining 4.94 % of the County share of the levy allocated to the Agency. When the "total aggregated amount" of tax revenue received by the Agency generated from the County, Fire District and Library District shares of the 1% levy total $18 million (excluding amounts withheld, paid or deposited into the County Capital Improvement Fund pursuant to the previous cooperative agreements entered into by the County and the Agency in 1982, 1987 and 1991), the Agency is required to deposit 100% of the County share of the tax increment generated by Project Area No. 1 Added Territory into the County Capital Improvement Fund. The Cooperative Agreement acknowledges that as of June 30, 1991, the excluded amounts totaled $4,171,674 and that the balance in the County Capital Improvement Fund was $1,467,578. The Agency achieved the $18,000,000 cap during Fiscal Year 2000-01, therefore the County Capital Improvement Fund receives 100% of the County's share of the 1% levy.

Project Area No. 3. Project Area No. 3 is located in the City and includes approximately 764 acres, comprising 1,016 parcels, zoned for residential, office, commercial, industrial, public and open space uses. Project Area No. 3 is generally bounded by Portola Avenue and Cook Street to the west, and Carlotta Dive to the east, Hovely Lane and Running Springs Drive to the north and the Whitewater River Channel to the south. The Portola Country Club is *not* within Project Area No. 3.

The Cooperative Agreement provides that commencing with Fiscal Year 1992-93, the Agency allocate and deposit 12.57% of the tax increment generated by Project Area No. 3 into the County Capital Improvement Fund.

The Cooperative Agreement also provides that in each year that the net tax increment revenue equals or exceeds $1,250,000, the Agency will deposit an additional 7.43% of the net tax increment in excess of $1,250,000 into the County Capital Improvement Fund. The Cooperative Agreement further provides that the Agency is required to increase the total County Capital Improvement Fund deposit to 100% of the County's share in the Fiscal Year in which the cumulative tax increment from the County, the Fire District and the Library District shares of the 1% levy equal or exceed $2,000,000 (calculated from the date the Cooperative Agreement was adopted) and excludes amounts deposited by the Agency into the County Capital Improvement Fund, the Fire District Improvement Fund and the Library Improvement Fund.

Debt Service Coverage Projections from Contributions to the County Capital Improvement Fund. The following Table 14 shows scheduled debt service on the 2008 Series A Bonds, without regard to any optional redemption and estimated coverage solely from contributions to the Original Sheriff Station Draw Account within the County Capital Improvement Fund. See "DEBT SERVICE SCHEDULE" for the scheduled semiannual debt service on the 2008 Series A Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2008 SERIES A BONDS–Base Rental Payments–*Implementation Agreement*."

Table 14
Palm Desert Redevelopment Agency
Project Areas No. 1 Added Territory and Project Area No. 3
Projected Tax Increment Revenues and Debt Service Coverage
Fiscal Years 2008-09 through 2018-19

Fiscal Year Ending June 30	Projected Revenue[1]	Original Sheriff Station Draw Account[2]	2008 Series A Bonds Debt Service	Net Debt Service[3]	Estimated Debt Service Coverage
2009	$13,305,510	$335,560	$1,752,261	$614,466	14.01:1
2010	13,606,016	310,462	5,853,100	3,461,779	3.61:1
2011	13,912,521	–	8,260,700	7,565,471	1.84:1
2012	14,225,144	–	8,251,800	8,251,800	1.72:1
2013	14,544,008	–	8,259,350	8,259,350	1.76:1
2014	14,869,238	–	8,263,100	8,263,100	1.80:1
2015	15,200,961	–	8,264,600	8,264,600	1.84:1
2016	15,539,306	–	8,253,350	8,253,350	1.88:1
2017	15,884,407	–	8,260,400	8,260,400	1.92:1
2018	16,236,397	–	8,257,000	8,257,000	1.97:1
2019	16,595,416	–	8,256,000	8,256,000	2.01:1

(1) Represents the County share of tax increment revenues deposited in a separate account within the County Capital Improvement Fund. This table assumes that property values in the Project Area will increase based upon new development within the Project Areas, for annual inflation at the rate of 2% for the secured roll and for annual inflation at the rate of 0.25% for the unsecured roll. No growth is assumed for unitary revenues. See also APPENDIX C–"THE REDEVELOPMENT PROJECT AREAS."
(2) Original Sherriff's Station Debt Service concludes upon the completion and occupancy of the Palm Desert Sheriff Station Facilities. See also "THE PROJECTS–Description–*Palm Desert Cove Community Sheriff Station*."
(3) Net of aggregate capitalized interest in the amount of $1,173,891 in Fiscal Year 2008-09, $2,482,713 in Fiscal Year 2009-10 and $734,348 in Fiscal Year 2010-11.
Sources: *Rosenow Spevacek Group Inc. for the Projected Tax Revenues and Citigroup Global Markets Inc. and C.M. de Crinis & Co., Inc. for all other information.*

As described in "SECURITY AND SOURCES OF PAYMENTS FOR THE 2008 SERIES A BONDS–Base Rental Payments–*Implementation* Agreement," in any Fiscal Year, the Agency will make transfers to and from the Series 2008A Draw Account under the Implementation Agreement solely to the extent that moneys are available therefor in the County Capital Improvement Fund. If at any time the transfers from the Series 2008A Draw Account to the County are less than the Base Rental then coming due, the County will use moneys from other available sources to make up the deficiency.

County Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund ("PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of June 30, 2008, the portfolio assets comprising the PIF had a market value of $5,335,791,573.

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, 2007, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory vs. discretionary" depositors. Collectively these mandatory deposits constituted approximately 84% of the funds on deposit in the County Treasury; while approximately 16% 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.

Investment Policy and Procedures. All purchases of securities for the PIF are made in accordance with the County Treasurer's 2007 Statement of Investment Policy (the "Policy Statement") which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are *not* authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow needs that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

As of June 30, 2008 the market value of the PIF was 100.3% of book value. The County Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board of Supervisors established an Investment Oversight Committee ("IOC") in compliance with California Government Code Section 27131. Currently, the IOC is composed of the County, 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 IOC 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 of Supervisors. The IOC was reorganized to conform to State requirements specifying the size and categories from which members of the IOC shall be selected. The IOC is utilized by the County to manage, audit and safeguard public funds and to perform other internal control measures.

Fitch Ratings and Moody's Investors Service maintain ratings on the PIF's ability to meet its financial commitments of "AAA/V1+" and "Aaa/MR1," respectively. 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.

Summary of Investments. The following table reflects information with respect to the PIF as of June 30, 2008.

Table 15
County of Riverside
Pooled Investment Fund Summary
(As of June 30, 2008)

Investment	Market Value	% of Pool
Federal Agency Securities	$3,649,057,233	68.39%
Cash Equivalents & Money Market Funds	530,837,838	9.95
Commercial Paper	25,791,291	9.85
Negotiable Certificates of Deposit	209,000,000	3.92
Medium Tem Notes	309,639,947	5.80
Municipal Bonds	104,705,264	1.96
Certificates of Deposit[1]	–	0.00
Local Agency Obligations[2]	6,760,000	0.13
TOTAL	$5,335,791,573	100.00%
Weighted Average Yield:	3.1%	
Weighted Average Maturity:	1.22 years	

(1) Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and the March Joint Powers Redevelopment Agency.
(2) Not rated; all other investments are government securities or rated investments.
Source: County Treasurer-Tax Collector.

Investment Agreements. The County is a party to several investment agreements and has some exposure to surety policies provided by bond insurers. A summary of the County's exposure follows:

Investment Agreements	Counterparty	Amount
1985 ACES Reserve Fund	Pacific Life Insurance Co.	$15,292,748.00
2000 CAC Annex Reserve Fund	AIG	2,555,537.50
2003A Historic Court Reserve Fund	MBIA, Inc.	879,987.50
2003B Reserve Fund	MBIA, Inc.	868,500.00
2005A Reserve Fund	Trinity Plus Funding Co. LLC	3,442,595,02
2005B Reserve Fund	Trinity Plus Funding Co. LLC	2,048,750.00
2006A CAPI Account	FSA Mgmt Services LLC	680,709.99
2006A Reserve Fund	MBIA, Inc.	2,178,368.75
2007 Reserve Fund	MBIA, Inc.	8,683,500.00
2007 Construction Account	MBIA, Inc.	77,697,965.85
1993A/B Hospital Reserve Account	AIG Matched Funding	7,250,000.00
Surety Bonds		
1998 Larson Justice Center	MBIA, Inc.	Surety Bond Policy
2003 Bankruptcy Court Reserve Account	AMBAC Assurance Corp.	Surety Bond Policy

Source: County Treasurer-Tax Collector.

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.

On May 24, 2000, the County entered into a rate swap agreement with Citigroup Financial Products, Inc. (the "Swap Provider") in connection with the issuance of the County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) Series 2000B (the "Series 2000B Bonds") in the amount of $76.3 million. The Series 2000B Bonds and the swap agreement mature on November 1, 2032. Pursuant to this swap agreement, the County pays the Swap Provider a fixed payment at the rate of 5.20% and receives from the Swap Provider an amount equal to the weighted average variable interest rate payable on the outstanding Series 2000B Bonds. The Swap Provider was rated Aa3 by Moody's and AA- by Standard & Poor's as of April 21, 2008. 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. The interest rate swap is terminable at any time at the option of the County at its fair value. If at the time of termination, the swap has a negative fair value, then the County would be liable to the Swap Provider for such amount.

As of June 30, 2007, the swap agreement had a negative fair value of $13,002,751 (audited).

The obligation of the County to make payments to the Swap Provider, including termination payment under the Swap Agreement is an obligation of the County payable from any source of available funds. Under certain circumstances, the Swap Agreement is subject to termination and the County may be required to make a substantial termination payment to the Swap Provider depending upon the then current fair value of the Swap Agreement. The County has no intent of terminating the swap agreement at this time, but is monitoring the credit condition of the Swap Provider.

Employees

A summary of County employment levels is set forth in the table below. Some employees are hired under federally funded programs.

Table 16
County of Riverside
Full Time Equivalent Employees
Calendar Years 2000 through 2008
(As of December 31)

Year	Number of Regular Employees[(1)]
2000	13,332
2001	15,951
2002	14,729[(2)]
2003	16,926
2004	17,124
2005	16,907
2006	18,035
2007	19,669
2008[(3)]	18,912

(1) Excludes temporary and per diem employees, which totaled approximately 953 in 1997, approximately 2,593 in 2005, approximately 2,522 in 2006, approximately 2,671 in 207 and approximately 1,895 in 2008.
(2) Reduction is due to former County court employees becoming State employees.
(3) Estimated, as of August 13, 2008.
Source: County Human Resources Department.

Labor Relations. County employees comprise 11 bargaining units plus seven unrepresented employee groups. Sixteen of these units are represented by five labor organizations. The two largest of these organizations, Service Employees International Union, Local 1997 ("SEIU") and the 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").

During the last 20 years, the County has not experienced any major employee strikes or work stoppages.

Table 17
County of Riverside
Labor Organization Unit Contract Expiration Dates

Labor Organization	Contract Expiration Date
Service Employees International Union, Local 1997	June 30, 2009
Laborers International Union of North America	June 30, 2010
Riverside Sheriffs' Association - Law Enforcement	January 31, 2011
Riverside Sheriff's Association - Public Safety Unit	January 31, 2009
Riverside County Law Enforcement Management Unit	January 31, 2012
Deputy District Attorney's Association	March 31, 2009

Source: County Human Resources Department.

Retirement Programs

The County provides retirement benefits to all regular County employees scheduled to work over 1,000 hours in a plan year through its 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.

In 2003, the County established 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 May 12, 2008 (the "PARC Report"). See "*–Funding Status*" and "–Retirement Program–Projected County Contributions and UAAL" for a description of the PARC Report.

The following information concerning PERS is excerpted from publicly available sources, which the County believes to be accurate. PERS is not obligated in any manner for debt service payments on the 2008 Series A Bonds, and the assets of PERS are not available for such payments. PERS should be contacted directly at PERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, Telephone: 888-225-7377 for other information, including information relating to its financial position and investments.

General. The County provides retirement benefits to all full-time County employees through a contract with the California Public Employees Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. 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. The County selects optional benefit provisions from the benefit menu by contract with PERS and adopts those benefits through local ordinance.

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 ended June 30, 2007). 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 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 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 ("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 attributable to past service 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).

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 15 years using a smoothing technique that generally only recognizes 1/15 of the gain or loss realized 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 real rate of return during that fiscal year equaled the assumed rate of return of 7.75%). 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. The combined impact of the updated demographic and economic assumptions on the Miscellaneous Plan contribution rates was an increase of approximately 1 percentage point. The combined impact of the updated demographic and economic assumptions on the Safety Plan contribution rates was a decrease of approximately 5 percentage points. These changes were reflected in the June 30, 2003 PERS actuarial report, which affects County contribution rates starting in Fiscal Year 2005-06. For complete updated inflation and actuarial assumptions, please contact PERS at CalPERS, Lincoln Plaza, 400 P Street, Sacramento, CA 95814, telephone: 888-225-7377.

In addition to required County contributions, members are also obligated to make certain payments. The 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. 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"), the issuance of the 2005 Pension Obligation Bonds helped improve funding status and reduce rates and resulted in an economic benefit to the County of over $125 million since 2005. 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 was reflected in the June 30, 2006 valuation. On June 28, 2007 and on June 23, 2008, pursuant to recommendations set forth in the PARC Report, the Board of Supervisors authorized second and third transfers to PERS of $6.5 million each from the liability management fund established in connection with the 2005 Pension Obligation Bonds to reduce the County's PERS liability.

In July 2008, the County issued $315 million in Tax and Revenue Anticipation Notes through the California Statewide Communities Development Authority Pool,), the proceeds of which will be used to prepay a portion of the County's PERS contributions for Fiscal Year 2008-09.

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 table sets forth estimates for the Fiscal Years 2005-06 through 2009-10 the amount of the total employer contributions made by the County, the UAAL and the funded ratio of the Safety Plan as of the actuarial valuation dates June 30, 2003 through 2007 based on the PERS Actuarial Reports for those years.

Table 18A
PERS Historical Funding Status
(Safety Plan)

Actuarial Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	Employee Offsets Paid by County
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	58,201,798	94.8	2007-08	42,712,207	16,217,716
2006	61,861,506	100.2	2008-09	46,983,428	17,839,488
2007	78,113,619	108.6	2009-10	49,372,599(3)	18,731,642

(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 made by the County to PERS in connection with the issuance of the County of Riverside Taxable Pension Obligation Bonds, Series 2005A and taxable tax revenue anticipation notes issued in 2005.
(3) Estimated. Reflects Safety Plan membership, cost of living adjustments and contribution rates as of Fiscal Year 2008-09.
Source: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

The following table sets forth estimates for the Fiscal Years 2005-06 through 2009-10 the amount of the total employer contributions made by the County, the UAAL and the funded ratio of the Miscellaneous Plan as of the actuarial valuation dates June 30, 2003 through 2007 based on the PERS Actuarial Reports for those years.

Table 18B
PERS Historical Funding Status
(Miscellaneous Plan)

Actuarial Valuation Date June 30,	UAAL	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount(1)	Employee Offsets Paid by County
2003(3)	$330,444,892	83.5%	2005-06	$73,074,464	$33,122,091
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	100.4	2008-09	95,930,361(3)	40,075,029(3)
2007	135,212,288	100.3	2009-10	38,328,620(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 Miscellaneous Plan or otherwise.
(2) Includes payments made by the County to PERS in connection with the issuance of the County of Riverside Taxable Pension Obligation Bonds, Series 2005A and taxable tax revenue anticipation notes issued in 2005.
(3) Estimated. Reflects Miscellaneous Plan membership, cost of living adjustments and contribution rates as of Fiscal Year 2008-09.
Sources: PERS Actuarial Reports for June 30, 2003 through June 30, 2007.

A five-year schedule of the funding progress of the Safety Plan is presented in the table below.

Table 19A
PERS Schedule of Funding Progress
(Safety Plan)
($ in 000s)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (b-a)	Funded Status (a/b)[1]	Annual Covered Payroll (c)	Asset in Excess (Deficit) of AAL as a Percentage of Covered Payroll (b-a)/c)
2003	$814,074	$907,018	($92,944)	89.8%	$147,519	(63.0%)
2004	887,401	1,021,085	(133,684)	86.9	161,598	(82.7)
2005	1,069,038	1,127,240	(58,202)	94.8	168,806	(34.5)
2006	1,170,093	1,231,954	(61,862)	95.0	189,606	(32.6)
2007	1,291,421	1,369,534	(78,113)	94.3	214,634	(36.4)

(1) In its actuarial valuation report for June 30, 2006, PERS started computing the funded ratio of the plans using the market value of assets. Using this method of computing the funded ratio, PERS reported a funded ratio of 100.1% for the County's Safety Plan as of June 30, 2006.

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

A five-year schedule of the funding progress of the Miscellaneous Plan is presented in the table below.

Table 19B
PERS Schedule of Funding Progress
(Miscellaneous Plan)
($ in 000s)

Actuarial Valuation Date (June 30)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (b-a)	Funded Status (a/b)[1]	Annual Covered Payroll (c)	Asset in Excess (Deficit) of AAL as a Percentage of Covered Payroll (b-a)/c)
2003	$1,669,502	$1,998,882	($329,380)	83.5%	$542,056	(60.8%)
2004	1,834,161	2,231,624	(397,463)	82.2	571,677	(69.5)
2005	2,364,565	2,471,523	(106,958)	95.7	592,531	(18.1)
2006	2,599,592	2,741,753	(142,161)	94.8	659,274	(21.6)
2007	2,894,148	3,029,361	(135,212)	95.5	754,118	(17.9)

(1) In its actuarial valuation report for June 30, 2006, PERS started computing the funded ratio of the plans using the market value of assets. Using this method of computing the funded ratio, PERS reported a funded ratio of 100.9% for the County's Miscellaneous Plan as of June 30, 2006.

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

The following table shows the Annual Pension Cost ("APC") trend information for the Safety Plan for Fiscal Year 2002-03 through Fiscal Year 2006-07.

Table 20A
PERS Annual Pension Cost Trend Information
(Safety Plan)
($ in 000s)

Fiscal Year Ended (June 30)	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation (Asset)
2003	$18,483	100.00%	$0
2004	26,076	100.00	0
2005	36,430	335.28	(85,713)
2006	29,176	93.39	(83,784)
2007	32,986	104.99	(85,430)

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

The following table shows the APC trend information for the Miscellaneous Plan for Fiscal Year 2002-03 through Fiscal Year 2006-07.

Table 20B
PERS Annual Pension Cost Trend Information
(Miscellaneous Plan)
($ in 000s)

Fiscal Year Ended (June 30)	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation (Asset)
2003	$0	0.00%	$0
2004	52,100	100.00	0
2005	79,036	493.70	(311,162)
2006	75,534	90.73	(304,161)
2007	73,628	108.12	(310,138)

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

(Remainder of this Page Intentionally Left Blank)

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.

Table 20C
PERS Schedule of Employer Contribution Rates

Valuation Date June 30	Affects Contribution Rate for Fiscal Year	Safety Plan	Miscellaneous Plan
2003	2005-06	17.095%†	11.829%†
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

† Provided by the County. Rates reflect adjustments due to the receipt of $396,874,938 on February 17, 2005 in connection with the issuance of the County of Riverside Taxable Pension Obligation Bonds, Series 2005A.
Sources: 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 in the text preceding the chart 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 PERS actuary, in its June 30, 2007 actuarial valuation, projected that the County's contribution rate under the Safety Plan for the Fiscal Year 2009-10 will be 18.605%, which would result in an approximately 0.428% decrease in the contribution rate from Fiscal Year 2008-09. The PERS actuary, in its June 30, 2007 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for the Fiscal Year 2009-10 will be 11.999%, which would result in an approximately 0.165% increase in the contribution rate from Fiscal Year 2008-09. No projections beyond Fiscal Year 2009-10 have been prepared by PERS.

The County's projected contribution rates result principally from two factors. First, 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. As of June 30, 2007, the actuarial value of the assets in the Safety Plan was approximately 13.2% below the market value and the actuarial value of the assets in the Miscellaneous Plan was approximately 13.4% below the market value. As a result, even if the market asset return in the PERS Plans is above the actuarial assumed rate of 7.75% in future Fiscal Years, the actuarial practice of smoothing losses over several years may cause the investment rate of return for actuarial purposes to be less than the market asset return.

Second, the County's projected contribution rate in Fiscal Year 2009-10 will also be affected by the market asset return in the PERS Plans during previous Fiscal Years. PERS has publicly reported that the market asset return for all PERS plans was approximately 18.8% in Fiscal Year 2006-07, which is substantially above the actuarially assumed rate of return of 7.75%. Since the rate of return is above the assumed rate, the PERS Plans will realize a gain for actuarial purposes. While this actuarial gain will be smoothed such that the PERS Plans will only be impacted by one-fifteenth of that gain in one Fiscal Year, this will likely act to gradually reduce pressure on contribution rates to the succeeding years. For a discussion of the smoothing policy of PERS, see "– *General.*"

According to the PARC Report dated May 12, 2008, Bartel forecasted that as of June 30, 2008, the County will have a UAAL of $138.7 million for the Miscellaneous Plan and $63.6 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 97.8% for the Safety Plan and 98.0% for the Miscellaneous Plan. Bartel's forecasts reflect certain significant assumptions concerning future events and circumstances, including the projected annual market rate of return for 2008 which is greater than the assumed actuarial rate of return of 7.75%.

Defined Benefit Pension Plan

The County also provides a Defined Benefit Pension Plan to employees who are not eligible for social security of PERS retirement benefits through the County. This single-employer pension plan is subject to Internal Revenue Code Section 401(a) and is self-funded and self-administered. Participants in this plan vest at 100% immediately and are required to contribute 3.75% of compensation. A separate GAAP pension plan report is not available for this plan. Based on the actuarial valuation of June 30, 2007 the County's contribution level is 1.80%. The County's contribution to this plan was $1,378,547 for Fiscal Year 2007-08 and is estimated to be $745,031 for Fiscal Year 2008-09. The unfunded liabilities of this plan as of June 30, 2007 are approximately $6,689,956.

Other Post-Employment Benefits

In addition to providing retirement benefits, the County provides certain post-retirement health insurance premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. Employees with a minimum service of five years who are at least 50 years of age at retirement qualify to receive the post retirement benefits. Approximately 1,896 retirees meet these requirements and are covered under the eligibility requirements. PERS is responsible for administering the benefits for retirees in certain employee bargaining units. Waste Management, Flood, and Park District have not been a part of PERS-administered Health Plans since December 31, 2002. In addition, most of the County's employee bargaining units have withdrawn from the PERS-administered health plans and are now enrolled with County-administered health plans.

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2007, PERS-administered health plan expenditures amounted to approximately $361 thousand and County-administered health plan expenditures amounted to approximately $1 million, respectively. Effective with Fiscal Year 2007-08, the Board of Supervisors has authorized establishment of a trust fund through PERS, which will be initially funded with $10 million.

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 employers 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 employers will be 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. An employer 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 income statement. GASB 45 also established 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.

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, 2006. Based on the combination of plans and contribution levels that the County offers, assuming a 4.5% interest rate, the present value of future benefits was estimated to be $237 million, while the annual normal cost was $10 million. If the accrued actuarial liability of $142 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be $16 million. Approximately 70% of the County's OPEB liability was attributable to the "implicit subsidy," arising from the combination of "pre-65" retirees with active employees for rate purposes.

For that reason, the Board of Supervisors took action on September 12, 2006 to end the implicit subsidy by separately rating early retiree medical plans as of January 1, 2011. In addition, action was taken by the Board of Supervisors 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 PERS and a payment of $10.4 million was made to that trust.

The County obtained a second Post-Employment Health Benefits Valuation, calculated in accordance with GASB 45 standards as of January 1, 2007. Based on the actions mentioned above and the plans and contribution levels that the County offers, assuming a blended 7.24% interest rate, the present value of future benefits was estimated to be $58.8 million, while the annual normal cost was $1.6 million. If the accrued actuarial liability of $48.6 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be $4.39 million.

Overall, the actions by the Board of Supervisors reduced the County's OPEB liability from $237 million to $58 million. A revised actuarial valuation as of January 1, 2008 is expected to be completed by October 2008.

Medi-Cal and Medicare Programs

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 (the "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.

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

During 1991, legislation was enacted to provide supplemental Medi-Cal payments to hospitals that serve a disproportionately high percentage of Medi-Cal and other low-income patients. The RCRMC recorded net patient service revenue of $21.6 million from disproportionately Medi-Cal reimbursement for Fiscal Year 2006-07. The continuation of government reimbursement programs is contingent upon federal, State and County government policies. See also "–State Budgets."

At June 30, 2008, the RCRMC reflected unrestricted net assets of approximately $86 million for Fiscal Year 2007-08. The RCRMC had a cash balance of approximately $79 million as of June 30, 2008. In Fiscal Year 2007-08, the RCRMC had a decrease in net assets of $15 million. The RCRMC continued to experience growth in patient collections in Fiscal Year 2007-08. Future cash balance may be reduced as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in Fiscal Year 2005-06. The exact cash balance at the end of Fiscal Year 2008-09 will depend upon the State's meeting certain Waiver requirements and timely cash payments thereunder.

One significant element in Fiscal Year 2007-08 was the securitization of tobacco settlement revenue to fund jail construction. The $16.6 million tobacco settlement revenue that the hospital was to receive for debt service and operations was reduced to $10 million. The remaining $6.6 million will be used to fund jail bed construction, through securitization. RCRMC management is aware of this financing plan, which protects revenue needed for debt service while also providing for jail bed construction. The Medical Center's management team is concerned that the continuing downturn in the economic outlook for the federal and state budget and the cap on the Section 1115 waiver which will have a direct impact on the medical center's ability to meet projected targets during the next two years under the current Medi-Cal Waiver program.

The Fiscal Year 2008-09 approved budget includes a General Fund contribution of $24.4 million to address potential future shortfalls. This contribution is $6.7 million less than the prior year's contribution. Due in part to changes to federal and State funding, the RCRMC is expected to indefinitely require some degree of General Fund contribution. The County and the RCRMC management teams continue to improve new procedures designed to improve cash flow and control costs.

Risk Management

The County is self-insured for general liability, medical malpractice, short term disability income, unemployment and workers' compensation claims. General liability claims are self-insured to $1 million for each occurrence and the balance (to $25 million for each occurrence is insured through the California State Association of Counties ("CSAC") Excess Insurance Authority. CSAC Excess Insurance Authority is a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. The joint powers agreement provides for additional assessments to members if the pool was to become under funded.

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 claim basis through CSAC Excess Insurance Authority. Workers' compensation claims are self-insured to $2 million for each occurrence and the balance (currently $200 million per occurrence) 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 $1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each Tower of $60 million with an additional $232.5 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, 2007 are reported in these funds. Where certain funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County developed a policy to manage accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County departments and are intended to cover self-insured claim payments, insurance premiums and operating expenses. The combined cash balance in these funds as of January 31, 2008 was approximately $169.6 million.

Long Term General Fund Obligations

The County has never defaulted on the payment of principal or interest on any of its indebtedness. Following is a brief summary of the County's General Fund supported obligations and direct and overlapping debt.

No General Obligation Debt. The County has no outstanding general obligation debt.

Lease and Certificates of Participation Obligation. In addition, leases entered into in connection with the 2008 Series A Bonds, the County has outstanding capital leases payable from the General Fund in the amount of $700.481 million as of June 1, 2008.

(Remainder of this Page Intentionally Left Blank)

The following tables summarize the County's outstanding lease obligations as of June 1, 2008, and the respective annual lease requirements.

Table 21
County of Riverside
Summary of Lease Rental Obligations Payable from the General Fund
(As of June 1, 2008)

	Final Maturity Year	Original Lease Amount	Obligations Outstanding	Annual Base Rental[1]
erside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	$169,400,000	$82,900,000	$10,775,000[2]
inty of Riverside Sublease to Cal. Health Facilities Financing Authority, 1986 Series B Bonds	2011	10,210,000	2,884,509	998,340
erside 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 and C	2019	71,985,000	69,635,000	
2003 Series A and B	2009	60,180,000	11,030,000	18,907,557[3]
inty of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	6,500,000	871,500[4]
erside County Palm Desert Financing Authority Lease Revenue Bonds, 2003 Series A	2033	22,310,000	20,365,000	1,479,110
nty of Riverside Certificates of Participation (Historic Courthouse Property)				
2003 Series A	2033	13,190,000	12,670,000	873,455
2005 Series B[5]	2027	22,610,000	21,470,000	1,436,653
nty of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	12,680,000	1,446,890
nty of Riverside Certificates of Participation (1998 Larson Justice Center Refunding)[6]	2021	36,100,000	25,000,000	2,488,775
erside District Court Financing Corporation (United States District Court Project)				
Series 1999	2020	24,835,000	17,311,795	
Series 2002	2020	925,000	740,000	1,802,478[7]
nty of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project) Series 2000 A/B	2032	94,245,000	88,120,000	6,281,691
nty of Riverside Certificates of Participation (County Administrative Center Annex Project)	2031	38,075,000	34,710,000	2,532,406
nty of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B[8]	2018	8,685,000	5,405,000	1,018,620
nty of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law rt Refunding Project)[9]	2036	51,655,000	50,225,000	3,413,238
nty of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	34,675,000	2,164,444
nty of Riverside Certificates of Participation (2007 A/B Public Safety Communication and inding Projects)[10]	2022	111,125,000	109,340,000	6,243,105
TOTAL		$987,235,073	$700,481,377	$62,733,434

(1) Annual base rental for Fiscal Year 2008-09 unless otherwise noted.
(2) Annual base rental estimated at assumed interest rate of 5% per annum. The average interest rate for the twelve-month period ending April 30, 2008 was approximately 2.93%.
(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 April 30, 2008 was approximately 4.32%.
(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.
(7) Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).
(8) The 2003 Series B refunded the 1993 Master Refunding Project.
(9) A portion of the proceeds of the 2005 Series A Certificates was used to prepay all of the County of Riverside Certificates of Participation (Family Law Court Project).
(10) The 2007 Series B refunded the 1997 Lease Refunding Projects.
Source: County Executive Office.

Direct and Overlapping Debt. The direct and overlapping debt of the County as of October 1, 2008, according to California Municipal Statistics, Inc., is shown in Table 22 below. The County makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

Direct debt constitutes debt directly issued by the County while overlapping debt constitutes that portion of debt issued by different public entities within the same tax code area as the County's. The County is not responsible for the overlapping debt of other local agencies.

Table 22
County of Riverside
Direct and Overlapping Debt Statement
(as of October 1, 2008)

2008-09 Assessed Valuation: $239,495,914,020 (includes unitary utility valuation)
2007-08 Adjusted Assessed Valuation: $176,550,233,143 (includes unitary utility valuation)

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable (1)	Debt 10/1/08	
Metropolitan Water District	7.223%	$ 23,634,739	
Community College Districts	1.422-99.999	486,033,075	
Unified School Districts	2.879-100.	1,553,308,661	
Perris Union High School District	100.	57,412,260	
Union School Districts	100.	41,513,493	
City of Corona	100.	1,150,000	
City of Riverside	100.	17,940,000	
Eastern Municipal Water District Improvement Districts	100.	17,635,000	
Elsinore Valley Municipal Water District Improvement District No. U2	100.	815,000	
Coachella County Water District Improvement Districts	100.	9,105,000	
Rancho California Water District, Rancho and Santa Rosa Divisions	100.	4,250,000	
Riverside County Flood Control, Zones 4-2 B and 3-B Benefit Assessment Districts	100.	3,225,000	
San Gorgonio Memorial Hospital District	100.	50,000,000	
Other Special Districts	100.	2,500	
Community Facilities Districts	94.268-100.	2,961,713,510	
Riverside County 1915 Act Bonds	100.	34,505,317	
City and Special District 1915 Act Bonds (Estimated)	100.	278,481,831	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$5,540,725,386	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Riverside County General Fund Obligations	**100. %**	**$ 701,119,356**	(2)
Riverside County Pension Obligations	**100.**	**387,995,000**	
Riverside County Board of Education Obligations	100.	9,275,000	
School Districts General Fund and Lease Tax Obligations	2.879-100.	615,583,190	
City of Corona General Fund Obligations	100.	74,250,000	
City of Moreno Valley General Fund Obligations	100.	83,070,000	
City of Murrieta General Fund Obligations	100.	17,255,000	
City of Palm Springs Certificates of Participation and Pension Obligations	100.	130,713,588	
City of Riverside Certificates of Participation	100.	197,665,000	
City of Riverside Pension Obligations	100.	142,170,000	
Other City General Fund and Special Tax Obligations	100.	118,624,800	
Other Water District Certificates of Participation	0.312-100.	8,393,704	
Other Special District Certificates of Participation	100.	3,975,000	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,490,089,638	
Less: **Riverside District Court Financing Corporation (100% self-supporting from U.S. General Services Administration)**		**17,504,083**	
Perris Union High School District and Hemet Unified School District self-supporting obligations		5,551,500	
Other Special District self-supporting bonds (self-supporting from enterprise revenues)		7,020	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		$2,467,027,035	
GROSS COMBINED TOTAL DEBT		$8,030,815,024	(3)
NET COMBINED TOTAL DEBT		$8,007,752,421	

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

Ratios to 2007-08 Assessed Valuation:
Overlapping Tax and Assessment Debt..2.31%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt ($1,089,557,556)....................................0.62%
Combined Net Direct Debt ($1,071,610,273)..0.61%
Gross Combined Total Debt..4.55%
Net Combined Total Debt...4.54%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: $0

Source: California Municipal Statistics, Inc.

Additional Obligations

The County has current plans to execute a lease agreement with County of Riverside Asset Leasing Corp. (CORAL) which is issuing its Variable Rate Demand Leasehold Revenue Refunding Bonds, Series 2008A (Southwest Justice Center Refunding) in the approximate principal amount of $80 million to refund its Adjustable Rate Revenue Bonds, Series 2000B (Southwest Justice Center Project). In addition, County intends to issue its Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B in an aggregate principal amount not to exceed $186 million which will be payable from draws on a letter of credit and certain pledged taxes; and its Teeter Obligation Taxable Commercial Paper Notes, Series C in an approximate maximum principal amount of $85 Million which is payable from the County General Fund. The County currently expects to complete such financings prior to December 31, 2008. The County also has current plans to issue certificates of participation in an estimated principal amount of $37.4 million in connection with the fixed rate refunding of certificates of participation issued in 2007 as auction rate securities. This transaction is anticipated to be completed in January 2009.

TAX MATTERS

In the opinion of Richards, Watson & Gershon, A Professional Corporation, Bond Counsel, under existing law, interest on the 2008 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel will express no opinion as to any other federal tax consequences regarding the 2008 Series A Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the County and the Authority that are intended to assure the foregoing, including that the 2008 Series A Bonds are and will remain obligations, the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those representations and certifications.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes. Some of these qualifications and conditions require future or continued compliance after issuance of the obligations for the interest to be and to continue to be excluded from the date of issuance. Noncompliance with these qualifications and conditions by the Authority or the County may cause the interest on the 2008 Series A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Series A Bonds. The Authority and the County have covenanted to take the actions required of them for the interest on the 2008 Series A Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

Under the Code, a portion of the interest on the 2008 Series A Bonds earned by certain corporations may be subject to a corporate alternative minimum tax. In addition, interest on the 2008 Series A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owners of the 2008 Series A Bonds. Bond Counsel will express no opinion regarding those consequences.

Any excess of the stated redemption price at maturity of the 2008 Series A Bonds over the initial offering price to the public of the 2008 Series A Bonds set forth on the inside cover of this Official Statement is "original issue discount" Such original issue discount accruing on a 2008 Series A Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and exempt from California personal income tax. Original issue discount on any 2008 Series A Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the 2008 Series A Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a 2008 Series A Bond accruing during each period is added to the adjusted basis of such 2008 Series A Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such 2008 Series A Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of the 2008 Series A Bonds who purchase the 2008 Series A Bonds other than at the initial offering price and pursuant to the initial offering. Any person considering purchasing a 2008 Series A Bond should consult his or her own tax advisors with respect to the tax consequences of ownership of bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering and the original offering price, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such bonds under federal individual and corporate alterative minimum taxes.

If the 2008 Series A Bonds were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity, that excess constitutes "premium." For federal income tax purposes, that premium is amortized over the period to maturity of the 2008 Series A Bonds, based on the yield to maturity of the 2008 Series A Bonds, compounded semiannually. No portion of that premium is deductible by the owner of a 2008 Series A Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a 2008 Series A Bond, the owner's tax basis in the 2008 Series A Bond is reduced by the amount of premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a 2008 Series A Bonds for an amount equal to or less than the amount paid by the owner for that 2008 Series A Bond. A purchaser of a 2008 Series A Bond in the initial public offering at the price for that 2008 Series A Bond stated on the inside cover of this Official Statement who holds that 2008 Series A Bond to maturity will realize no gain or loss upon the retirement of that 2008 Series A Bond. Owners of the 2008 Series A Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of premium properly accruable in any period with respect to the 2008 Series A Bonds and as to other federal tax consequences and the treatment of premium for purposes of state and local taxes on, or based on, income.

Purchasers of the 2008 Series A Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount or premium.

In the further opinion of Bond Counsel, interest on the 2008 Series A Bonds is exempt from personal income taxation imposed by the State of California.

A copy of the proposed form of Bond Counsel's final approving opinions with respect to the 2008 Series A Bonds is attached hereto as APPENDIX E.

CERTAIN LEGAL MATTERS

Richards, Watson & Gershon, A Professional Corporation, Los Angeles, California, will render an opinion with respect to the validity of the 2008 Series A Bonds , a copy of which approving opinion is attached hereto as APPENDIX E–"PROPOSED FORM OF LEGAL OPINION." Copies of such approving opinion will be available at the time of delivery of the 2008 Series A Bonds at the expense of the Authority. Certain legal matters will be passed upon for the Authority by Richard, Watson & Gershon, A Professional Corporation, Los Angeles, California and by Lofton & Jennings, San Francisco, Disclosure Counsel, and for the County by County Counsel, and for the Underwriters by Nossaman LLP, Irvine, California.

Bond Counsel is not passing upon and undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

The fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel are contingent upon the delivery of the 2008 Series A Bonds.

LITIGATION

General

There is no action, suit or proceeding known to the Authority or the County to be pending or threatened, restraining or enjoining the execution or delivery of the 2008 Series A Bonds, the Indenture or the Lease, the Sublease or in any way contesting or affecting the validity of the foregoing or any proceedings of the Authority or the County taken with respect to any of the foregoing.

Litigation Relating to the County's General Plan

The County has been named and served in two pending lawsuits filed in Riverside County Superior Court challenging the County's Comprehensive General Plan approved on October 7, 2003. The lawsuits allege that the County did not comply with CEQA and/or violated various planning and zoning statutes in adopting the Comprehensive General Plan.

If settlement negotiations are not successful with respect to these lawsuits, future residential development in the County could be affected by an adverse ruling, although the County's capital improvement projects are exempt from the County's zoning and General Plan requirements.

On June 17, 2003, the Board of Supervisors approved the Western Riverside County Multiple Species Habitat Conservation Plan (the "MSHCP") which encompasses the western portion of the County of Riverside and fourteen incorporated cities within the boundaries of the MSHCP. The MSHCP is intended to assist land owners and participating public entities in addressing the need to mitigate public and private development projects that may have direct or indirect impacts to listed species. Additionally, the MSHCP provides an expedited review process for obtaining incidental take authorization pursuant to the state and federal Endangered Species Acts allowing take of the species covered by the MSHCP. Each proposed development project within the boundaries of the MSHCP must be reviewed to determine project consistency with the requirements of the MSHCP. However, the MSHCP provides a coordinated, efficient and quicker process for mitigating project impacts as well as for obtaining incidental take authorization pursuant to the state and federal Endangered Species Acts.

With regard to the MSHCP, the County has been named as a respondent and served in a lawsuit that has been filed in the Superior Court for Riverside County challenging the MSHCP on CEQA grounds.

If plaintiffs prevail and the MSHCP is set aside by the court, development projects would no longer have the benefit of MSHCP's coordinated, efficient and quicker processes for mitigating project impacts and obtaining incidental take authorization. Accordingly, development projects, including future capital improvement construction projects of the County, in the plan area could experience greater delay and expense in obtaining final government approvals.

FINANCIAL ADVISORS

C.M. de Crinis & Co., Inc., Sherman Oaks, California ("de Crinis"), has served as Financial Advisor to the County and Del Rio Advisors, LLC, Modesto, California ("Del Rio") has served as Financial Advisor to the Authority with respect to the sale of the 2008 Series A Bonds. Del Rio has also served as Financial Advisor to the Agency. de Crinis and Del Rio are referred to together as the "Financial Advisors." The Financial Advisors have assisted the County and the Authority in the review of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the 2008 Series A Bonds. The Financial Advisors have not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the County or the Authority to determine the accuracy or completeness of this Official Statement. Due to their limited participation, neither Financial Advisor assumes any responsibility for the accuracy or completeness of any of the information contained herein. The fees of the Financial Advisors are contingent upon the delivery of the 2008 Series A Bonds.

RATINGS

Moody's Investors Services, Inc. ("Moody's") and Standard & Poor's ("S&P") have assigned ratings of "A2" and "AA-," respectively to the 2008 Series A Bonds c based on their assessment of the Authority's ability to make payments with respect to the 2008 Series A Bonds. Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings may be obtained from Moody's and S&P, respectively. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2008 Series A Bonds.

UNDERWRITING

Citigroup Global Markets Inc., Banc of America Securities LLC, Loop Capital Markets, LLC and Stinson Securities LLC (the "Underwriters") have purchased the 2008 Series A Bonds at a purchase price of $71,309,577.79, being the par amount of the 2008 Series A Bonds less a net original issue discount in the amount of $615,717.50 and less an Underwriters' discount in the amount of $519,704.71. The Underwriters intend to offer the 2008 Series A Bonds to the public initially at the prices set forth on the inside front cover page of this Official Statement, which prices may subsequently change without any requirement of prior notice.

The Underwriters may offer and sell the 2008 Series A Bonds to certain dealers (including dealers depositing 2008 Series A Bonds into investment trusts) at prices lower than the public offering prices, and such dealers may reallow any such discounts on sales to other dealers.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the Owners and beneficial owners of the Certificates to provide certain annual financial information and operating data relating to the County by not later than February 15 of each year (the "Annual Report"), commencing with the report for the County's June 30, 2008 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with each National Recognition Municipal Securities Information Repository, with the State Depository, if any. Any notice of material events will be filed by the County with the Municipal Securities Rulemaking Board and the State Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of materials events is set forth under the caption APPENDIX F–"FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule").

The County has never failed to comply in all material respects with any previous undertaking pursuant to said Rule.

FINANCIAL STATEMENTS

The audited financial statements of the County for Fiscal Year 2006-07, prepared by Vavrinek, Trine, Day & Co., LLP, independent certified public accountants, in accordance with Governmental Accounting Standards Board guidelines, are included as APPENDIX B attached hereto. Vavrinek, Trine, Day & Co., LLP has not consented to the inclusion of its report in APPENDIX B, and has not undertaken to update its report or take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of statements made in this Official Statement and no opinion is expressed by Vavrinek, Trine, Day & Co., LLP with respect to any event subsequent to the date of its report.

(Remainder of this Page Intentionally Left Blank)

MISCELLANEOUS

All of the preceding summaries of the Indenture, Lease, the Sublease, the Cooperative Agreement, the Implementation Agreement, the Bond Law, other applicable legislation, agreements and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the 2008 Series A Bonds. Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

RIVERSIDE COUNTY PALM DESERT FINANCING AUTHORITY

By: /s/ Jean M. Benson
President

COUNTY OF RIVERSIDE

By: /s/ Bill Luna
County Executive Officer

APPENDIX A

GENERAL DEMOGRAPHIC AND ECONOMIC INFORMATION CONCERNING THE COUNTY OF RIVERSIDE

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

General

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 in the State.

The County is a general law county divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors, elected by district. Members serve staggered four-year terms, and the chairman is elected by the members of the Board of Supervisors. 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 by the County at cost, or in the discretion of the Board of Supervisors, in appropriate cases, at below cost to the County.

Three distinct geographical areas characterize the County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, 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.

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,088,322 as of January 1, 2008, reflecting an approximately 2.63% increase over January 1, 2007. Population has increased approximately 35.1% since 2000.

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

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

Table A-1
County of Riverside
Population of Cities within the County[1]
(As of January 1)

City	2004	2005	2006	2007	2008
Banning	27,635	28,090	28,321	28,293	28,348
Beaumont	16,611	19,077	23,304	28,271	31,477
Blythe	22,181	22,068	22,269	22,636	21,695
Calimesa	7,467	7,470	7,465	7,420	7,536
Canyon Lake	10,833	10,964	11,013	10,979	11,051
Cathedral City	49,389	50,885	51,435	52,151	52,465
Coachella	28,109	30,917	35,449	38,515	40,517
Corona	144,085	144,784	145,659	146,147	147,428
Desert Hot Springs	17,979	19,479	22,163	24,907	26,068
Hemet	64,805	66,779	70,015	73,299	74,185
Indian Wells	4,506	4,803	4,899	4,945	5,025
Indio	60,096	66,442	72,142	77,208	81,512
Lake Elsinore	35,942	38,235	41,271	47,669	49,807
La Quinta	33,059	36,323	38,604	41,125	42,958
Moreno Valley	157,657	166,146	175,769	180,603	183,860
Murrieta	78,941	85,521	93,567	97,329	100,173
Norco	25,833	26,813	27,418	27,375	27,255
Palm Desert	45,551	49,523	49,879	49,789	50,907
Palm Springs	44,981	45,935	46,754	46,893	47,251
Perris	41,993	44,814	47,463	50,701	53,605
Rancho Mirage	15,767	16,495	16,783	16,957	17,057
Riverside	281,451	286,917	289,747	291,611	296,842
San Jacinto	27,162	28,577	31,280	34,371	35,672
Temecula	78,738	81,804	94,575	98,009	101,057
SUBTOTAL INCORPORATED	1,320,771	1,378,861	1,447,244	1,497,203	1,533,751
Unincorporated	484,748	506,766	519,363	537,637	554,571[2]
TOTAL	1,805,519	1,885,627	1,966,607	2,034,840	2,088,322
California	36,252,878	36,743,186	37,195,240	37,559,440	38,049,462

(1) Columns may not total due to independent rounding; census counts remain unrounded.
(2) Includes the population of Wildomar (incorporated on July 1, 2008) and Menifee (incorporated on October 1, 2008).
Source: *State of California, Department of Finance, Table E-1 City/County Population Estimates with Annual Percent Change.*

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

Table A-6 below presents the latest available total effective buying income and median household effective buying income for the County, the State and the nation for the calendar years 2002 through 2006.

Table A-2
County of Riverside
Personal Income
Calendar Years 2002 through 2006†

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2006†		
County	$57,667	$29,730
State	1,436,446	39,626
United State	10,968,393	36,714
2005		
County	53,151	$27,579
State	1,348,255	37,462
United States	10,284,356	34,757
2004		
County	48,834	26,348
State	1,265,970	35,440
United States	9,711,363	3,123
2003		
County	42,655	24,814
State	1,187,040	33,469
United States	9,150,320	31,466
2002		
County	42,011	24,789
State	1,147,716	32,769
United States	8,872,871	30,795

† Most recent data available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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.

Table A-3
Riverside-San Bernardino PMSA
Annual Average Employment†
(In Thousands)

Industry	2003	2004	2005	2006	2007
Agriculture	20.3	18.7	18.3	17.3	16.8
Construction	99.0	111.8	123.3	127.5	112.8
Finance and Insurance	42.6	45.7	49.0	51.6	50.1
Government	211.6	212.5	220.4	222.5	225.7
Manufacturing	116.1	120.1	121.0	123.4	118.9
Nondurables	33.7	34.6	35.0	36.5	36.4
Durables	82.4	85.5	86.1	86.9	82.5
Natural Resources and Mining	1.2	1.2	1.4	1.4	1.4
Retail Trade	142.7	153.8	165.7	173.2	175.4
Professional, Educational and other Services	115.4	125.5	133.2	142.3	145.5
Trade, Transportation and Utilities	236.3	254.9	275.9	291.1	298.5
Wholesale Trade	43.5	45.6	49.9	54.2	56.4
Information, Publishing and Telecommunications	23.2	23.5	24.0	25.0	25.2
TOTAL ALL INDUSTRIES	1,119.4	1,178.7	1,240.3	1,285.0	1,285.5

† 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.

(Remainder of this Page Intentionally Left Blank)

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

Table A-4
County of Riverside
Principal Employers(1)
(2008)

Company Name	Location	Product/Service	Number of Employees(2)
County of Riverside	Countywide	Government	19,595
March Air Reserve Base	Riverside	Government	8,400
University of California, Riverside	Riverside	Education	6,657
Stater Brothers Market	Countywide	Grocery/Retail	6,425
Pechanga Resort & Casino	Temecula	Casino/Gaming	4,800
Abott Vascular	Temecula	Medical Device Manufacturer	4,500
Riverside Unified School District	Riverside	Education	4,041
Riverside Community College District	Riverside	Education	3,753
Kaiser Permanente Medical Center	Riverside	Health Care	3,200
Temecula Valley Unified School District	Temecula	Education	2,952
TOTAL			64,323

(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.
Source: The Business Press, Riverside, California, *2008 Book of Lists*.

(Remainder of this Page Intentionally Left Blank)

The following Table A-5 compares estimates of the labor force, civilian employment and unemployment for County residents, State residents and United States residents between 2003 through 2007.

Table A-5
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2003 Through 2007

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2003				
County	781,600	732,300	49,300	6.3%
State	17,418,700	16,227,000	1,190,500	6.8
United States	146,510,000	137,736,000	8,774,000	6.0
2004				
County	812,000	796,900	47,100	5.8
State	17,538,800	16,444,500	1,094,300	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
County	848,700	805,800	42,900	5.1
State	17,695,400	16,782,300	958,100	5.4
United States	149,321,000	141,730,000	7,591,000	5.1
2006				
County	886,400	842,000	44,400	5.0
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6
2007†				
County	909,800	853,800	56,000	6.2
State	18,188,100	17,208,900	974,200	5.4
United States	153,124,000	146,047,000	7,078,000	4.6

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

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 10 regional shopping malls in the County: Riverside Plaza, Galleria at Tyler (Riverside), Palm Springs Mall, Desert Fashion Mall, Indio Fashion Mall, Hemet Valley Mall, Palm Desert Town Center, Moreno Valley Mall at Towngate and Temecula Promenade Mall and The Promenade Shops at Dos Lagos. 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 2002 through 2006:

Table A-6
County of Riverside
Taxable Sales Transactions
(In Thousands)

	2002	2003	2004	2005	2006†
Apparel Stores	$610,388	$746,015	$867,276	$990,129	$1,080,385
General Merchandise Stores	2,237,605	2,671,971	3,026,335	3,304,474	3,553,554
Specialty Stores	1,501,106	1,649,224	1,885,435	2,104,040	2,262,442
Food Stores	2,459,046	1,028,392	1,079,972	1,197,438	1,309,782
Eating and Drinking Places	1,559,215	1,713,632	1,940,610	2,157,801	2,316,422
Home Furnishing and Appliances	594,049	691,051	862,551	964,629	948,217
Building Materials and Farm Implements	1,427,831	1,678,347	2,226,117	2,424,898	2,390,236
Automotive Group	4,563,779	5,198,391	6,035,203	6,751,648	6,956,756
Other Retail Stores	568,148	653,929	792,450	944,155	1,024,551
Retail Stores Total	14,250,733	16,030,952	18,715,949	20,839,212	21,842,345
All Other Outlets	4,366,737	4,733,525	5,479,839	6,298,709	6,822,031
Total All Outlets	$19,498,994	$21,709,135	$23,237,148	$28,256,491	$29,816,237

† Most recent annual data available.
Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

(Remainder of this Page Intentionally Left Blank)

Building and Real Estate Activity

The table below sets forth a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2003.

Table A-7
County of Riverside
Building Permit Valuations
($ in Thousands)

	Residential								
	Single Family		Multifamily		Value of Alterations and	Total Residential	Nonresidential	
Year	Units	Valuation	Units	Valuation	Additions	Valuation	Valuation	Total†
2003	25,137	$4,665,676	5,224	$406,483	$106,856	$5,179,015	$908,373	$6,087,387
2004	29,478	5,997,513	4,748	404,616	135,177	6,537,305	1,339,866	7,877,172
2005	29,994	6,243,792	4,140	407,432	164,313	6,815,536	1,292,075	8,107,612
2006	20,692	4,412,255	4,519	431,580	158,099	5,001,935	1,529,833	6,531,769
2007	9,763	2,207,520	2,690	238,316	141,997	2,587,832	1,458,143	4,045,975

† Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.
Source: Construction Industry Research Board.

Agriculture

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

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

The value of agricultural production in the County for calendar years 2003 through 2007 is presented in the following table.

Table A-8
County of Riverside Value of Agricultural Production
(Calendar Years)

Crop	2003	2004	2005	2006	2007
Citrus Fruits	$84,900,100	$123,574,100	$138,244,700	$107,897,000	$121,387,100
Trees and Vines	216,566,200	211,936,500	188,553,200	191,321,200	181,802,100
Vegetables, Melons, Miscellaneous	179,001,900	174,866,300	261,019,500	213,643,300	234,854,700
Field and Seed Crops	73,692,000	75,219,000	77,445,900	68,611,700	94,492,000
Nursery	205,846,300	211,271,200	229,210,200	270,992,800	272,326,200
Aquaculture Products	15,931,600	15,579,100	13,367,300	11,514,700	9,829,200
Apiculture	3,520,600	2,951,300	2,736,800	3,554,300	3,948,900
SUBTOTAL CROPS	779,524,700	815,397,500	910,819,000	869,387,600	918,640,200
Livestock and Poultry Valuation	287,908,600	316,207,700	257,852,100	234,903,400	338,938,600
TOTAL	$1,067,367,300	$1,131,605,200	$1,168,671,100	$1,104,291,000	$1,257,578,800

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

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

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

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

Education

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

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

Environmental Control Services

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

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

The uncertainty associated with the long-term availability of imported water from the Colorado River or the State Water Project is a concern of local and regional water agencies in southern California. Long-term water supply will be addressed in the next few years with the CalFed process and approval of the Quantification Settlement Agreement, and water districts' efforts toward the following: expanded water conservation and recycling; conjunctive use of local basins to store imported water; management plans to protect local groundwater; desalination of brackish groundwater; and improved coordination and joint planning with Metropolitan Water District available imported water supplies.

On June 4, 2008, the Governor of the State issued an Executive Order proclaiming a Statewide drought, citing below normal rainfall in 2007 and 2008, and called on all Californians to conserve water. The Governor is currently promoting an $11.9 billion bond proposal to address population growth, climate change, water supply reliability and environmental needs.

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

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

APPENDIX B

COUNTY OF RIVERSIDE, CALIFORNIA
COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

ROBERT E. BYRD, CGFM
COUNTY AUDITOR-CONTROLLER

County of Riverside, California

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

Robert E. Byrd, CGFM
County Auditor-Controller

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

COUNTY OF RIVERSIDE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
June 30, 2007

TABLE OF CONTENTS

INTRODUCTORY SECTION

Photographer
RICHARD PAUL
"Brother & Sister"

Blank Page

OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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

AUDITOR-CONTROLLER

Robert E. Byrd, CGFM
AUDITOR-CONTROLLER

Bruce Kincaid, CPA
ASSISTANT AUDITOR-CONTROLLER

December 17, 2007

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, 2007 is hereby submitted in accordance with Section 25253 of the Government Code of the State of California. 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 County of Riverside is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including the schedule of expenditures of federal awards, findings, questioned costs, and the independent auditor's report on internal control and compliance, are included in a separate annual publication.

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 ten 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 7,303 square miles and extends nearly 200 miles across Southern California, from the Arizona border west to within 14 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 291,398, Moreno Valley with a population of 180,466, and Corona with a population of 146,164.

Total County population was 2,031,625 on January 1, 2007, an increase of 4.7% as compared to the revised estimate for 2006 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 26.5% of the residents live in the unincorporated area. 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 28.0% from March 2001 to March 2007, while the population increased by 27.8% in the County from January 1, 2001 to January 1, 2007. As of September 2007, unemployment in the MSA was 6.1% (revised on an annual basis by the California Employment Development Department Labor Market Information Division) as compared to 4.5% for the United States.

PLANNING AND GROWTH MANAGEMENT

Economic Perspective

The economy still appears to be good throughout the United States, California and the County. While growth in the United States economy has slowed, the California economic growth rate was stronger than the United States. Locally, given current markets and trends, our economic perspective for the remainder of 2007 or in 2008 is modest. Impacts from reductions in residential construction and sales are being offset by continued growth in non-resident construction. The permit volume in Building and Safety is trending lower and starting to resemble similar declines experienced in the mid-90's. The Assessor expects next year's construction rate to drop 15 percent. Mortgage delinquencies are on the rise. The County's fiscal foundation is strong, but requires careful management.

The Riverside County Integrated Project

The County continues to develop and implement components of the Riverside County Integrated Project (RCIP). The RCIP is a multi-year comprehensive planning project that includes the following components: the County's General Plan of Land Use, a Western Riverside County Multi-Species Habitat Conservation Plan (MSHCP), a Community and Environmental Transportation Acceptability Plan (CETAP), and a Special Area Management Plan (SAMP). The RCIP is closely coordinated with regional councils of government, state and federal government agencies, and private stakeholders.

Following a series of public hearings, the Board of Supervisors adopted the MSHCP on June 17, 2003. The Regional Conservation Authority to implement the MSHCP was formed on June 22, 2004. Work is continuing on the CETAP and SAMP. The General Plan was adopted by the Board of Supervisors on October 7, 2003 and requires updates every five years. The next update is due in 2008.

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, 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, 2007, the fee, based on an adjusted consumer price index, was $3,898 and consisted of the following components:

		Development Agreement Fee
Public Facilities		$ 3,067
Public Services Offset		831
	Total	$ 3,898

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, 2007, the total of unexpended and uncommitted development agreement money available in capital project funds is $1.1 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 Western Riverside County Multiple Species Habitat and Conservation Plan. 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, 2007, the total amount of unexpended, uncommitted, interim open space mitigation funds related to Ordinance 810 and 810.1 is about $425,000.

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 for the preservation of 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, 2007, the total of unexpended, uncommitted, development mitigation funds related to Ordinance 659 in capital project funds is about $276,000.

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, 2007, the total unexpended, uncommitted, development impact fees is about $68.0 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 are 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.

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, 2006, 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, 2007, 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 2006-07 was adopted on June 27, 2006. 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 cash balance of the general fund increased from $257.1 million at June 30, 2006 to $283.1 million at June 30, 2007. This increase is attributable primarily to a favorable real estate market that generated more property tax and related documentary transfer fee revenue, than expected, increase in motor vehicle in-lieu tax, and improved yield on investments. The fund balance of the County's general fund represents the equivalent of 69 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, 2007 was 1.14 years. To provide sufficient liquidity to meet daily expenditures, the portfolio shall maintain at least 40% of its total value in securities having maturities 1 year or less. Securities maturing in less than one year totaled 56%. 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 $5.0 billion at June 30, 2007, $2.8 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, and service aides, 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 three 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 $90,000 for calendar year 2005, $94,200 for calendar year 2006, and $97,500 for 2007).

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.

The activities related to the County's programs 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, 2007, 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, 2006. This was the nineteenth 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 to staff that spent many late nights and weekends working on the preparation of this report. I would also like to thank the staff 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

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

List of Principal Officials
As of June 30, 2007

ELECTED OFFICIALS

Board of Supervisors

BOB BUSTER
First District

JOHN F. TAVAGLIONE
Chairman
Second District

ROY WILSON
Vice Chairman
Fourth District

JEFF STONE
Third District

MARION ASHLEY
Fifth District

COUNTYWIDE ELECTED OFFICIALS

ROD PACHECO
District Attorney

BOB DOYLE
Sheriff
Coroner
Public Guardian

ROBERT E. BYRD
Auditor – Controller

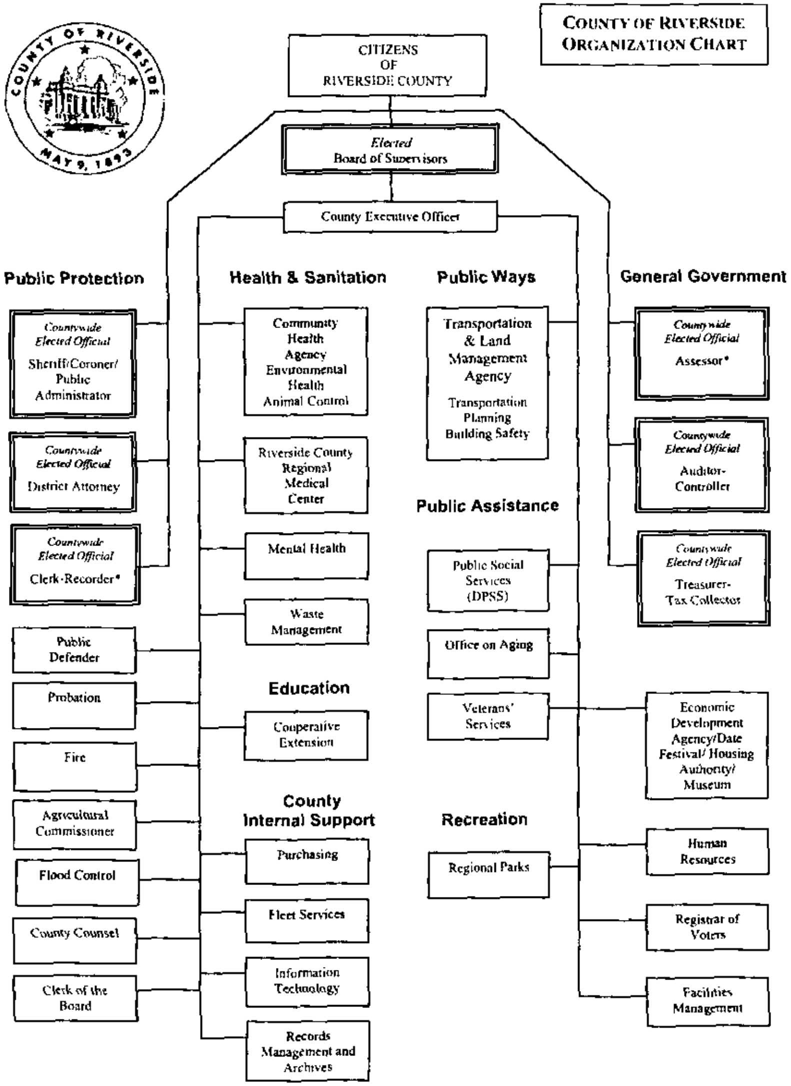
LARRY WARD
Assessor
County Clerk
Recorder

PAUL MCDONNELL
Treasurer
Tax Collector

APPOINTED OFFICIALS

LARRY PARRISH
County Executive Officer

JOE S. RANK
County Counsel



Assessor/Clerk-Recorder is a single elected position that falls under two functional categories in the County financial statements.

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, 2006

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. Emer

Executive Director

(This Page Intentionally Left Blank)

FINANCIAL SECTION

Photographer
CONSTANCE REID
"Aztec Dancers"

Blank Page

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, 2007, 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 (Flood Control District), Housing Authority of the County of Riverside (the Housing Authority), Riverside County Regional Park and Open-Space District (the Park District), and County of Riverside Redevelopment Agency (the RDA), which represent the following percentages, respectively, of the assets and revenues of the following opinion units:

Opinion Unit	Assets	Revenues
Governmental Activities	28%	9%
Business-type Activities	7%	15%
Aggregate Remaining Fund Information	9%	1%

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, and RDA 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007 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 the Governmental Accounting Standards Board. 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 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Photographer
FLO RICHARDS
"Young Dancer – Pow Wow"

Blank Page

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.

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, 2007. 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.

Management's Discussion & Analysis *(Unaudited)*

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 2006-07)
- Riverside County Service Areas

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, and Bankruptcy Court. 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 $5.7 billion exceeded its liabilities of $2.7 billion, by $3.0 billion (net assets). Of this amount $1.5 billion (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors; $620.1 million (restricted net assets) is restricted by external sources or through enabling legislation for specific purposes and $956.4 million is invested in capital assets, net of related debt.

- During fiscal year 2006-07, the County's net assets increased by $363.6 million. Of this amount, $327.3 million was from governmental activities and $36.3 million was from business-type activities. Countywide expenses of $2.9 billion were substantially offset by program revenues of $2.3 billion leaving an operating deficit of $558.8 million. The operating deficit was offset by general revenues of $922.4 million resulting in the increase in net assets.

- As of June 30, 2007, the total fund balances of the governmental funds were $1.8 billion. This represents an increase of 25.2% or $352.5 million, in comparison with the prior year. Approximately 16.6% or $291.3 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, 2007, fund balance for the General Fund was $571.0 million or 27.6% of the total General Fund expenditures. This amount includes $88.2 million of reserved fund balance and $339.8 million of designated fund balance.

- The County's long-term debt showed a net increase of 9.7% or $188.4 million compared to the prior year. These obligations are bonds payable, capital leases, certificates of participation and loans payable.

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 $3.0 billion.

The County's total net assets increased by 13.6%, or $363.6 million, during fiscal year 2006-07 compared to the prior year's increase of 17.6%, or $401.7 million. $327.3 million of the increase in net assets was from governmental activities and $36.3 million was from business-type activities. For the prior year, $375.9 million of the increase in net assets was from governmental activities and $25.8 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 31.4%, or $956.4 million, of the County's total net assets for fiscal year 2006-07 compared to 36.3%, or $971.8 million, for fiscal year 2005-06. 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 20.4%, or $620.1 million of the County's total net assets for fiscal year 2006-07 compared to 23.3% or $623.3 million for fiscal year 2005-06. 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 48.3%, or $1.5 billion of the County's total net assets for fiscal year 2006-07 compared to 40.5%, or $1.1 billion, for fiscal year 2005-06. 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 2006-07, $1.4 billion is from governmental activities and $100.6 million is for business-type activities compared to $1.0 billion for governmental activities and $86.0 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, 2007 as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		%
	2007	2006	2007	2006	2007	2006	Variance
Current and other assets	$ 2,925,165	$ 2,454,916	$ 314,998	$ 279,401	$ 3,240,163	$ 2,734,317	18%
Capital assets	2,201,178	2,060,660	257,095	249,474	2,458,273	2,310,134	6%
Total assets	5,126,343	4,515,576	572,093	528,875	5,698,436	5,044,451	13%
Other liabilities	480,284	387,261	40,840	34,589	521,124	421,850	24%
Long-term liabilities	1,803,156	1,615,486	326,736	326,042	2,129,892	1,941,528	10%
Total liabilities	2,283,440	2,002,747	367,576	360,631	2,651,016	2,363,378	12%
Net assets:							
Invested in capital assets, net of related debt	903,076	930,800	53,321	40,986	956,397	971,786	-2%
Restricted	569,477	582,037	50,629	41,287	620,106	623,324	-1%
Unrestricted	1,370,350	999,992	100,567	85,971	1,470,917	1,085,963	35%
Total net assets	$ 2,842,903	$ 2,512,829	$ 204,517	$ 168,244	$ 3,047,420	$ 2,681,073	14%

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 2006-07 with a total of $1.2 billion being earned. Public Assistance received 56.0% of the governmental activity funding for fiscal year 2006-07 compared to 54.7% of the governmental activity funding from this source in the prior year. Public Protection received 20.8% of the governmental activity funding for fiscal year 2006-07, compared with 23.4% for fiscal year 2005-06.

- A total of $609.2 million was earned as governmental activity charges for services compared to $558.7 million for fiscal year 2005-06. 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 50.4% of this revenue source, compared to 51.3% from the prior year. General government generated 28.1% compared to 31.3% for prior year.

- Capital Grants and Contributions resulted in the least amount of program revenue from governmental activities with $48.2 million earned for fiscal year 2006-07 compared to $31.0 million earned for fiscal year 2005-06. This revenue category accounts for grants and contributions received for the restricted use of capital acquisition. In fiscal year 2006-07, 96.9% of the revenue, or $46.7 million, as compared to 96.8%, or $30.0 million, for fiscal year 2005-06, 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 $462.8 million earned during the year, an increase of 16.8% or $66.7 million, as compared to the $396.2 million earned in fiscal year 2005-06. 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 $220.2 million in fiscal year 2005-06 to $245.7 million in fiscal year 2006-07.

Expenses: Total program expenses for governmental activities were $2.4 billion for the current fiscal year as compared to $2.2 billion for the prior fiscal year, an increase of 10.7% or $234.8 million. 38.4%, or $935.6 million of total governmental activities expenses were for Public Protection; 28.3% or $688.2 million for Public Assistance; 14.4% or $350.1 million for Health and Sanitation and 12.2% or $296.9 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%, $475.6 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, $337.9 million, was received by RMC as compared to $330.1 million for the prior fiscal year.

Expenses: Total expenses for business-type activities were $466.7 million for the fiscal year compared to $426.3 million for the prior fiscal year. This represents an increase of 9.5% or $40.4 million. 70.5%, or $329.1 million, of total expenses were incurred by RMC compared to 68.3%, or $291.0 million, for the prior fiscal year. In addition, expenses for the Housing Authority were 15.1% of total expenses for business-type activities or $70.2 million compared to 14.8% or $63.0 million for the prior fiscal year; Waste Management Department was 13.0% or $60.8 million compared to 15.6% or $66.5 million the prior fiscal year. Flood Control and County Service Areas account for the remaining 1.4% of expenses, a percentage consistent with the prior fiscal year.

The following table provides information from the Statement of Activities of the County for the fiscal year 2006-07, as compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total		
	2007	2006	2007	2006	2007	2006	Variance (%)
Revenues:							
Program revenues:							
Charges for services	$ 609,195	$ 575,071	$ 475,611	$ 465,391	$ 1,084,806	$ 1,040,462	4%
Operating grants and	1,210,941	1,100,674	-	-	1,210,941	1,100,674	10%
Capital grants and contributions	48,186	31,001	261	227	48,447	31,228	55%
General revenues:							
Property taxes	462,817	396,167	-	-	462,817	396,167	17%
Sales and use taxes	51,093	44,286	-	-	51,093	44,286	15%
Other taxes	16,865	15,603	-	-	16,865	15,603	8%
Motor vehicle in-lieu taxes	245,723	220,190	-	-	245,723	220,190	12%
Investment earnings	122,517	78,288	10,198	6,381	132,715	84,669	57%
Other	13,191	96,265	-	-	13,191	96,265	-86%
Total revenues	2,780,528	2,557,545	486,070	471,999	3,266,598	3,029,544	8%
Expenses:							
General government	296,917	259,993	-	-	296,917	259,993	14%
Public protection	935,550	801,044	-	-	935,550	801,044	17%
Public ways and facilities	57,578	61,443	-	-	57,578	61,443	-6%
Health and sanitation	350,082	350,451	-	-	350,082	350,451	0%
Public assistance	688,213	634,522	-	-	688,213	634,522	8%
Education	14,847	11,168	-	-	14,847	11,168	33%
Recreation and culture	11,941	7,188	-	-	11,941	7,188	66%
Interest on long-term debt	81,197	75,721	-	-	81,197	75,721	7%
Regional Medical Center	-	-	329,128	290,962	329,128	290,962	13%
Waste Management Department	-	-	60,772	66,453	60,772	66,453	-9%
Housing Authority	-	-	70,218	62,909	70,218	62,909	12%
Flood Control	-	-	6,242	5,705	6,242	5,705	9%
County Service Areas	-	-	329	285	329	285	15%
Total expenses	*2,436,325*	*2,201,530*	*466,689*	*426,314*	*2,903,014*	*2,627,844*	*10%*
Excess (deficiency) before Transfers	344,203	356,015	19,381	45,685	363,584	401,700	-9%
Transfers in (out)	(16,892)	19,888	16,892	(19,888)	-	-	0%
Change in net assets	327,311	375,903	36,273	25,797	363,584	401,700	-9%
Net Assets, Beginning of Year, as Restated	2,515,592	2,136,926	168,244	142,447	2,683,836	2,279,373	18%
Net Assets, End of Year	$ 2,842,903	$ 2,512,829	$ 204,517	$ 168,244	$ 3,047,420	$ 2,681,073	14%

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, 2007, the County's governmental funds reported combined fund balances of $1.8 billion, an increase of $352.5 million, in comparison with the prior year. Of this total amount, $946.6 million constitutes *unreserved fund balance,* which is available for spending at the County's discretion. The remainder of fund balance, $806.4 million is *reserved* to indicate that it is *not* available for new spending because it has been committed to:

- Specific County program: $86.1 million
- Outstanding debt service: $44.8 million
- Liquidation of current contractual commitments: $539.3 million
- Other smaller restrictions: $136.2 million

Total governmental fund revenue increased by 11.8% or $301.2 million from the prior fiscal year with $2.9 billion being earned for the fiscal year-ended June 30, 2007. Expenditures increased by 11.6% or $281.2 million, from the prior fiscal year with $2.7 billion being expended for governmental functions during fiscal year 2006-07, compared to $2.4 billion for the prior fiscal year. Therefore, governmental fund balance increased by 25.1% or $352.5 million. In comparison, fiscal year 2005-06 had an increase in governmental fund balance of 28.8% or $313.3 million, over fiscal year 2004-05.

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 $482.7 million, compared to $346.5 million for the prior fiscal year, while total fund balance was $571.0 million for the current year and $446.9 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 23.4% of the total General Fund expenditure of $2.1 billion for the current year as compared to 18.3% of the prior year total of $1.9 billion. The total fund balance of the General Fund for the current year is 27.6% of the total General Fund expenditure as compared to 23.6% for the prior year.

Teeter Debt Service fund taxes receivable balance increased from $21.9 million in the prior fiscal year to $37.0 million in the current fiscal year due to higher actual buyout in fiscal year 2006-07. Teeter notes payable increased in the current fiscal year to $86.2 million compared to $58.4 million in fiscal year 2005-06 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 $223.0 million to $256.3 million, 15.0%, or $33.4 million. The change resulted from increase in other revenue, $35.0 million due to increase in property values over the base year assessed values, increase in interest revenue, $11.7 million, decrease in charges for services, $36.5 million due to slower development and project services, and transfers in, $67.1million. This was offset by increases in general government expenditures of $82.4 million and transfers out, $34.6 million.

Redevelopment Capital Projects fund had a $177.9 million increase in fund balance. The increase resulted from the sale of bonds for $199.3 million, increases in interest revenue of $13.0 million due to higher tax increment, charges for services, $2.2 million, and other revenue of $2.5 million. This was offset by expenditures for general government in the amount of $40.6 million.

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.

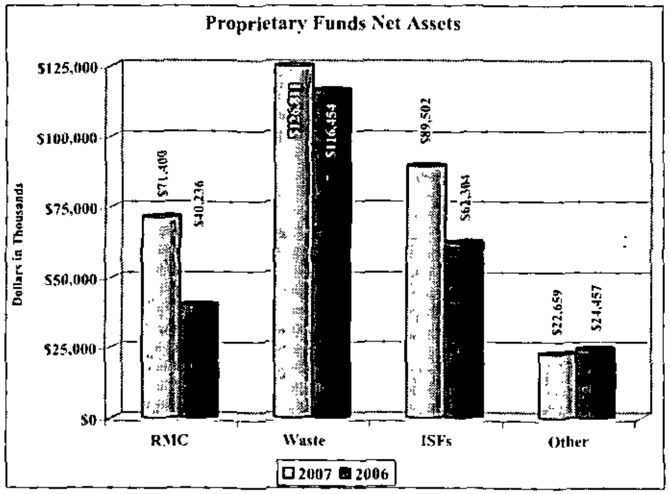
At the end of the fiscal year, total proprietary fund net assets were $310.4 million, compared to $243.5 million for prior fiscal year. Total proprietary fund net assets increased 27.5% or $66.9 million, compared to a 31.2% or $57.9 million increase for the prior fiscal year.

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

- Riverside County Regional Medical Center: $64.9 million
- Waste Management: $42.2 million
- Other enterprise fund activities: $9.8 million
- Internal service fund activities: $71.2 million

RMC's net assets increased from $40.2 million to $71.4 million, 77.5%, or $31.2 million. The change resulted from a 10% increase in patient volume along with one time additional revenues in various third parties programs. The major increases over last year were the Medi-Cal FFS and Waiver Program, $10.0 million, Private Insurance Payors, $3.0 million, California Department of Corrections, $4.0 million, Medicare Cost Report Settlements, $3.0 million, Section 1011, $3.0 million, and SB 1732 (Medi-Cal Capital Construction Fund), $7.0 million.

Waste Management's net assets increased from $116.5 million to $126.8 million, 8.9%, or $10.4 million. The change resulted from a decrease in closure/post-closure expenses, $10.6 million.



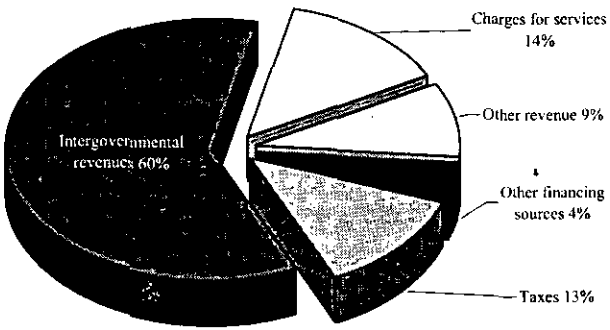
GENERAL FUND FINANCIAL ANALYSIS

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 2006-07	Percent of Total	Fiscal Year 2005-06	Percent of Total
Taxes	$ 301,575	13%	$ 273,493	13%
Intergovernmental revenues	1,405,699	60%	1,249,537	59%
Charges for services	319,198	14%	326,066	15%
Other revenue	211,460	9%	144,767	8%
Other financing sources	98,260	4%	111,711	5%
Total	$ 2,336,192	100%	$ 2,105,574	100%

The increase in tax revenue was attributable to collections on penalties and interest on delinquent property taxes tied to all teeter plan participants. This revenue is seasonal, dependent upon economical conditions, and will likely continue into fiscal year 2007-08. The increase in tax revenue is also due to the 22.47% increase in the assessed values of property. The increase in intergovernmental revenue was primarily attributable to growth in public safety sales tax and vehicle license fee revenue from the State, an increase in realignment revenue due to economic growth, and growth in reimbursement based programs. The overall decrease in charges for services was primarily the result of decreased revenue from building permit, recording, and modernization fees due to the real estate market slow down.

COUNTY OF RIVERSIDE
General Fund Revenues and Other Financing Sources
For The Year Ended June 30, 2007

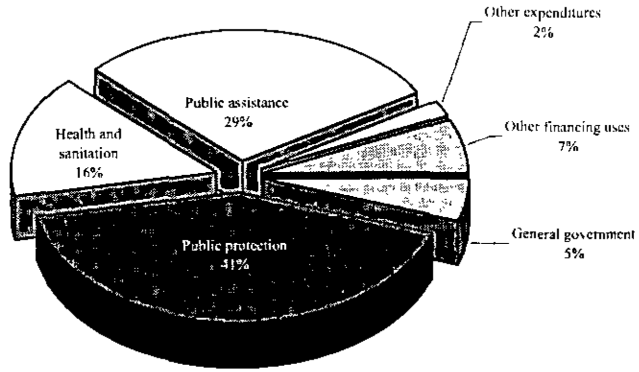


Expenditures and other financing uses for the General Fund, including comparative amounts from the preceding year, are shown in the following tabulation (in thousands):

Expenditures and Other Financing Uses	Fiscal Year 2006-07	Percent of Total	Fiscal Year 2005-06	Percent of Total
General government	$ 119,365	5%	$ 123,716	6%
Public protection	916,524	41%	798,035	40%
Health and sanitation	341,467	16%	337,139	18%
Public assistance	644,912	29%	588,928	29%
Other expenditures	43,664	2%	45,987	2%
Other financing uses	146,214	7%	104,172	5%
Total	$ 2,212,146	100%	$ 1,997,977	100%

The decrease of expenditures in general government was attributable to CORAL rent and COWCAP expenditures decreasing due to the charges being distributed to more departments outside of the general government and the installment payments for the new Edge II voting equipment were paid for in fiscal year 2005-06. The increase of expenditures in public protection was attributable to additional staffing, increases in salaries and benefits, and the conversion of fire stations to medic stations which were all needed to more efficiently serve the public. The increase of expenditures in health and sanitation was attributable to additional staffing in Mental Health and Public Health departments, increases in administrative cost and TAP services, and increases in computer software and hardware purchases. The increase in public assistance was attributable to caseload growth of reimbursable programs in categorical assistance, increases in salaries and benefits, and increases in COWCAP charges, costs of the new C-IV Statewide Welfare System, computer/equipment upgrades, contractual leases, and service contracts.

COUNTY OF RIVERSIDE
General Fund Expenditures and Other Financing Uses
For The Year Ended June 30, 2007



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 increased by 4.5%, or $104.4 million, from $2.3 billion to the final amended revenue budget of $2.4 billion. The increase represents $38.0 million from taxes, $5.2 million from fines, forfeitures and penalties, $1.4 million from use of money and property, $99.5 million from aid from other governmental agencies, and $17.4 million from other revenue. Revenue from charges for current services had a decrease of $57.0 million offsetting other revenue increases.

Taxes: The budget for property tax had a net increase of $38.0 million, or 13.0%, which primarily consisted of a $22.6 million increase in current secured property taxes, a $16.7 million increase in teeter overflow, a $3.0 million increase in supplemental property tax, and a $4.3 million decrease in documentary transfer taxes.

Fines, Forfeitures and Penalties: The budget for fines, forfeitures, and penalties had a net increase of $5.2 million, or 10.7%, primarily due to an increase in AB233 Realignment revenue for trial court funding.

Use of Money and Property: The budget for interest revenue had a net increase of $1.4 million, or 2.7%, from invested funds. This revenue is based on economist estimates of Federal Reserve activity, the forecasted level of interest rates, and ending balances of the General Fund and its share of pool interest earnings. The original budgeted amount of $51.8 million was raised by $1.4 million in May 2007 resulting in a final amended budget of $53.5 million.

Aid Received from Other Governmental Agencies: Aid received from other governmental agencies increased by $99.5 million, or 7.9%, and consisted of the following: Federal aid increased by $26.3 million and State aid increased by $73.0 million. Increases in Federal aid were the result of Probation having an increase of $9.8 million for the Temporary Assistance to Needy Families (TANF) program and an increase of $1.0 million for the National School Lunch program. Mental Health had an increase of $4.8 million due to the Mental Health Services Act (MHSA) agreement. Federal Grant Revenue increased for the Department of Health by $3.4 million, the Department of Public Social Services by $3.3 million, the Fire Department by $2.0 million, and the Sheriff by $1.5 million. Increases in State aid were primarily the result of an increase from the Department of Public Social Services by $27.4 million, Mental Health by $26.0 million related to the Mental Health Services Act (MHSA), $9.8 million due to SB90 revenue, and an increase in motor-vehicle tax of $8.5 million.

Charges for Current Services: The budget for charges for services had a net decrease of $57.0 million, or 12.8%. The Sheriff's Department had an increase of $5.6 million mainly due to contract city revenue, the Assessor's Department increased $5.4 million, the Fire Department increased by $3.3 million and Facilities Management Department increased by $3.4 million. The Health Department increased revenue for SB 12 or the School Nutrition Standards by $3.0 million while Registrar of Voters increased by $1.5 million. This was all offset by $72.7 million to account for the allocation related to the increase of intergovernmental activities.

Other Revenue: The increase in other revenue of $17.4 million, or 12.3%, was primarily the result of an increase in contractual revenue from Redevelopment of $21.8 million and from the Auditor-Controller of $7.0 million for secured tax revenue. This was offset by a decrease of $16.6 million for the allocation related to the increase of intergovernmental activities.

Expenditure Appropriation Variances

The original general fund appropriation budget increased by $30.3 million, or 1.3%, from $2.31 billion to the final amended appropriation budget of $2.34 billion. The significant appropriation changes were an increase of $30.0 million from public protection, an increase of $40.7 million from health and sanitation, and an increase of $5.0 million from public assistance. Increases were offset by a decrease of $44.9 million from general government. The major appropriation variances are described below.

General Government: The appropriation budget decreased by $44.9 million, or 17.9%, from the original budget of $250.7 million to $205.8 million. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by $4.2 million, or 4.3%, mainly due to the Assessor and Facilities Management. By year-end both departments had vacant budgeted positions therefore cost savings were reclassified to fund increases in operational expenditures. The Assessor decreased budget by $1.5 million and Facilities decreased budget by $1.3 million.
- Services and supplies increased by $19.1 million, or 21.0%, mainly due to Facilities and the Registrar of Voters. Several appropriation transfers totaling $3.7 million in Facilities were done throughout the year to anticipate higher operational expenditures. Facilities also increased budget by $2.0 million due to the addition of 23 new leases to accommodate the need for additional space for County departments. In addition, Facilities increased budget by $3.4 million for anticipated expenditures in consulting, land survey costs, geological contracts, and utility costs. The Registrar of Voters increased budget to cover a $2.3 million payment for replacement of voting equipment. The Registrar also required a $0.4 million increase in temporary help and election officers for the increase in precincts.
- Other charges decreased by $54.0 million, or 49.5%. This was a result of an increase of $11.4 million to Contribution to non-county agencies, a $5.4 million increase from the Assessor and an offset of $70.3 million decrease related to allocation of intergovernmental activities.
- Intrafund transfers increased by $12.1 million, or 15.0%, mainly due to a Human Resources transfer of $7.5 million to adjust the collection of estimated revenue.
- Appropriation for contingencies increased by $4.9 million, or 15.3%, due to the Board of Supervisors, based on Executive Office recommendations, authorizing an increase in appropriations to offset potential liabilities.

Public Protection: The appropriation budget increased by $30.0 million, or 3.2%, from the original budget of $947.7 million to $977.7 million. The increase was a result of a $22.7 million increase from services and supplies, a $5.5 million increase from capital assets, and a $3.7 million increase from other charges. The increases were offset by $1.6 million from salaries and employee benefits. The following describe the significant factors for the variances:

- Salaries and employee benefits decreased by $1.6 million, or 0.3%, mainly due to Probation, the Fire Department, and Code Enforcement. Probation's final budget was based on 433 authorized positions. However, at year end, Probation only had 383 filled positions, or a 12% vacancy rate. Therefore, appropriation transfers worth $1.7 million were made to cover expenditures for services and supplies. The Fire department had difficulty recruiting planning and engineering personnel. Anticipated savings of $1.4 million were transferred to cover services and supplies expenditures in the State contract. Code Enforcement had an increase of $1.6 million by adding 38 positions to increase code enforcement levels.
- Services and supplies increased by $22.7 million, or 7.7%, mainly due to the Fire department, Sheriff, Code Enforcement, and Probation. The Fire department added 14 State personnel and other State costs which increased budget by $2.6 million. Also, to cover the Lawson Dump Fire costs, the Fire department increased budget by $1.8 million. Other grants increased the Fire department budget by $1.5 million. The Sheriff budget increased by $5.9 million as a result of additions to city contract patrol services for $1.9 million, a records management system upgrade for $1.6 million, a Taser purchase also for $1.6 million, and $0.8 million due to an increase in motor vehicle maintenance, lodging, and radio systems. Code Enforcement increased by $2.9 million due to expanded supply costs, facilities, and special program expenses for 38 new positions including the illegal dump strike team. Probation increased by $1.1 million due to the replacement of all computers in the department which was paid by the Temporary Assistance to Needy Families (TANF) block grant.
- Other charges increased by $3.7 million, or 6.8%, mainly due to Code Enforcement and County Clerk-Recorder. Code Enforcement increased by $2.1 million in order to support 38 new positions and a new litter removal program. County Clerk-Recorder increased by $1.9 million due to the Box Springs project receiving construction bids that came in higher than expected. In addition, Facilities anticipated other attached costs for County Clerk-Recorder which would exceed original amounts.

- Capital assets increased by $5.5 million, or 81.3%, mainly due to the Sheriff receiving $1.3 million worth of contract additions to communications equipment and receiving $1.2 million in Cal-METT grant funded equipment.

Health and Sanitation: The appropriation budget increased $40.7 million, or 10.7%, from $381.2 million to $421.8 million. The increase was a result of increases of $2.0 million in salaries and employee benefits, $22.3 million from services and supplies, $15.8 million from other charges, and $1.3 million from capital assets. The majority of these increases were due to an increase in positions and services for Mental Health in conjunction with the Mental Health Services Act (MHSA).

Public Assistance: The appropriation budget increased by $5.0 million, or 0.8%, from the original budget of $663.0 million to $668.0 million. The increase was mainly a result of an $11.7 million increase in services and supplies and a decrease of $7.4 million in salaries and employee benefits. The following describe the significant factors for the variances:

- To fully expend Federal and State allocations during the fiscal year, the Department of Public Social Services had salary and benefit savings of $7.4 million transferred to supplies and services. The Department of Public Social Services also received additional funding to support various programs and projects including: Foster Child supplies, improvements to Cathedral City Self-Sufficiency facility, small equipment purchases for TAMD, APS, and CWS, information technology office remodeling, new equipment and building modifications for customer service initiative, and infrastructure improvements to CWS case management system.

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 $114.4 million resulting from unexpended appropriations of $275.8 million or 11.8% and overestimated revenue of $161.3 million or 6.7%. The following contributed to the variance:

Expenditure Variances

General fund actual expenditures of $2.1 billion were 11.8%, or $275.8 million, less than the final amended appropriation budget of $2.3 billion. General government, public protection, health and sanitation, and public assistance were the four most significant factors attributing to the unexpended appropriations as follows:

General Government: Actual expenditures of $119.4 million were less than the final amended budget of $205.8 million by $86.4 million or 42.0%. The most significant factors were due to a decrease in other charges of $42.9 million or 77.9% and a decrease in appropriations for contingencies of $37.0 million or 100%. Services and supplies were less than budget by $7.8 million or 7.1% and salaries and employee benefits were less by $3.6 million or 3.8%.

- Salaries and employee benefits were $3.6 million or 3.8% less than budgeted due to the Assessor, the Treasurer-Tax Collector, and County Counsel showing savings. The Assessor had savings of $1.0 million mainly attributed from information technology positions' skills pay. The Treasurer-Tax Collector had savings of $0.7 million because of 16 vacant budgeted positions. County Counsel had a $0.6 million savings due to 5 vacant budgeted code enforcement positions.
- Services and supplies were $7.8 million or 7.1% less due to the Assessor and the Executive Office. The Assessor had savings of $2.4 million because of a decrease in demand in information technology supplies and in building maintenance and other professional services. The Executive Office had a savings of $1.5 million due to a construction contract with the City of Temecula that was budgeted but not completed by year end and less communication equipment having to be replaced during this fiscal year.
- Other charges were $42.9 million or 77.9% less than budgeted due to the allocations related to the increase in intergovernmental activities.
- Appropriations for Contingencies are budgeted by the Board of Supervisors based on Executive Office recommendations for potential liabilities from general fund appropriations. The $37.0 million or 100% variance is due to expenditures not being reflected in the budget; instead, appropriations are reduced and increased in the department where they are needed.

Public Protection. Actual expenditures of $916.5 million were less than the final amended budget of $977.7 million by $61.2 million or 6.3%. The most significant factors were due to a decrease in other charges of $22.4 million or 39.0%, a decrease in services and supplies of $19.6 million or 6.1%, a decrease in salaries and employee benefits of $13.9 million or 2.3%, and a decrease in capital assets of $5.5 million or 44.7%.

- Salaries and employee benefits were $13.9 million or 2.3% less than budgeted due to Building and Safety, County Clerk-Recorder, and the Department of Child Support Services. The Building and Safety Department was $4.1 million less due to unfilled positions. The County Clerk-Recorder was $2.3 million less due to a slow down in recording fees. The Department of Child Support Services was $1.2 million less due to the difficulty in hiring experienced staff that are trained in child support activities and a number of employees who retired in the current year.
- Services and supplies were $19.6 million or 6.1% less than budgeted due to the County Clerk-Recorder, Fire Protection, the Sheriff and Planning Departments. The County Clerk-Recorder was $7.10 million less than budgeted. From the $7.1 million, $4.6 was budgeted for software maintenance and professional service projects but expenditures were deferred to next fiscal year due to the slow down in recording fees. The remaining $2.5 million budgeted for organizational restructure was not utilized. Fire Protection had a savings of $2.6 due to contracts with other cities and agencies. The Sheriff had a $3.6 million savings due the upgrade of a records management system project for $2.0 million which will be completed in the next fiscal year and a $1.6 million savings from safety-security supplies. The Planning Department had a $1.9 million savings due to a decrease in contractor services.
- Other charges were $22.4 million less than budgeted with the largest variance due to the County Clerk-Recorder Department. The Department had originally budgeted to lease a facility but it did not occur.
- Capital assets were $5.5 million less than budgeted with a majority of the highest variance from Sheriff-Patrol Department. The department had an increased in budget due to additions in city contracts and the Cal-METT Grant money not fully spent in fiscal year 2006-07.

Health and Sanitation: Actual expenditures of $341.5 million were less than the final amended budget of $421.8 million by approximately 19.1%, or $80.4 million. The most significant factors were due to a decrease in other charges of $56.2 million, a decrease in salaries and employee benefits of $17.7 million, a decrease in services and supplies of $10.0 million, and a decrease in capital assets of $5.4 million. A majority of these changes were from Mental Health and the implementation of the Mental Health Services Act (MHSA). Public Health had an $8.5 million savings in services and supplies as a result deferring equipment installation, software purchases and the expansion of the Bio-Terrorism program to fiscal year 2007-08.

Public Assistance: Actual expenditures of $644.9 million were less than the final amended budget of $668.1 million by approximately 3.5%, or $23.1 million. The most significant factors were due to a decrease in other charges of $8.9 million or 2.3%, a decrease in salaries and employee benefits of $8.3 million or 4.1%, and a decrease in services and supplies of $9.8 million or 10.9%, and an offset of intergovernmental activities of $3.9 million or 23.6%.

- Salaries and employee benefits were $8.3 million or 4.1% less than budgeted primarily due to the Department of Public Social Services Administration having $8.2 million savings from vacant budgeted positions.
- Services and supplies were $9.8 million or 10.9% less than budgeted primarily due to the Department of Public Social Services who cancelled or postponed facilities projects allowing a $6.7 million savings and fleet purchases of $1.8 million were also delayed until the first quarter of fiscal year 2007-08.
- Other charges were $8.9 million or 2.3% less than budgeted primarily due to the Department of Public Social Services. They experienced a decrease in services for kids in group home and youth offenders requiring services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the County's capital assets for both its governmental and business-type activities amounted to $2.5 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 6.41% or $148.0 million, from $2.3 billion in fiscal year 2005-06 to $2.5 billion in fiscal year 2006-07.

The increase of the County's capital assets was primarily due to construction in progress projects. Construction in progress rose from $213.4 million in fiscal year 2005-06 to $356.1 million in fiscal year 2006-07, a 67.0% increase. The 2007 balance includes additions of $161.5 million, retirements of $3.3 million, and transferred or completed projects of $15.5 million. Land and Easement increased by 3.8% as a result of donated land to the Flood Department.

In fiscal year 2006-07, new major projects budgeted for construction and design initiated include the following: construction of the new HUB Jail in Banning was budgeted at $300 million, the expansion of the Smith Correctional Facility for $40 million, $30 million for the Fire and Emergency Operations Center (EOC) Headquarters, $19 million in additions to the Community Health Administrative Building, a new Wildomar Community Animal Shelter for $15 million, and a Facility Management Headquarters building for $4 million in Riverside on Franklin Street. The Riverside Community Regional Medical Center budgeted $3.6 million for remodeling and expansion, a new Indio Maintenance Facility budgeted $3.0 million, and the Glen Oaks Fire Station budgeted $2.5 million for design and construction. A new runway was budgeted for the Jacqueline Cochran Regional Airport with an amount of $1.9 million.

Construction in Progress

Additions to Construction in Progress for Fiscal Year 2006-07:

- In fiscal year 2006-07, additions in the amount of $161.5 million consist of costs related to existing projects for $142.3 million and new projects for $13.7 million.

  Existing project costs of $142.3 million include the following:

  - Road, bridge and signal infrastructures additions were $56.2 million.
  - Facilities Department incurred $40.2 million of costs for projects involving the Perris Patrol Station, the Historic Courthouse renovation, and the Nuevo, Cabazon, Lake Perris, and Sun City fire stations.
  - The Economic Development Agency incurred $14.7 million in costs related projects such as the Rubidoux Youth Center and the Rubidoux Health Clinic.
  - Waste Management incurred $12.9 million for the Lamb Canyon Liner in preparation for the expansion of the landfill.
  - Parks additions amount to $10.9 million. There are 41 active County District Park projects. These projects are part of the expansion of public recreation and natural resources.
  - Flood incurred $4.0 million related to Stetson Avenue Channel.
  - The Riverside Community Regional Medical Center incurred costs of $2.3 million, $1.4 million due to the Cogeneration Plant.

  New project costs of $13.7 million include the following:

  - Facilities Department experienced new projects in the amount of $4.5 million due primarily to the remodeling and construction of buildings and structures, such as the Smith Correctional Facility Expansion, the Wilderness Animal Shelter, and the expansion of the Hemet Community Health Agency.
  - Flood incurred new projects costs of $4.1 million, such as those for the La Sierra MDP Campbell Avenue storm drain of $1.5 million, the Day Creek Channel for $1.5 million, and the Wildomar Channel Stage 5 for $1.1 million.

  - Road, bridge and signal infrastructures projects totaled $2.9 million.
  - The Jacqueline Cochran Regional Airport Terminal Runway in the amount of $1.5 million.

Retired projects from Construction in Progress:

- Parks had 24 countywide district park projects totaling $2.2 million of non depreciable assets retire to Infrastructure, Park Trails and Improvements. These projects dealt with the expansion of public recreation and natural resources, such as the playgrounds, campgrounds, and trail expansions.

Construction in Progress Transfers:

- Completed construction in progress projects were transferred from construction in progress to other designated capital asset accounts during fiscal year 2006-07 in the amount of $34.2 million. This was offset by 18.7 million, for a net transfer of $15.5 million. Projects that were transferred are as follows:
  - Infrastructure incurred transfers of $2.6 million in flood channels and $8.4 million in flood storm drains - $11.0 million.
  - Ben Clark training firing range was transferred to Structures and Improvements - $8.3 million.
  - Airport Runway projects were completed and transferred to Infrastructure - $4.1 million.
  - Sycamore Creek Fire Station transferred to Structures - $2.6 million.
  - Waste Recycling Park development project at Lamb Canyon Sanitary Landfill transferred to Infrastructure - $2.2 million.
  - County Administrative Center 6th floor renovation transferred to Structures and Improvements $1.7 million.

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 2006-07 Depreciable capital asset current year additions $161.7 million, which were comprised of the following:
  - Infrastructure in the amount of $116.7 million:
    - Roads in the amount of $82 million, for which $25.3 million consisted of donated assets, flood storm drains and flood channels in the amount of $34.4 million, and traffic signals in the amount of $0.3 million.
  - Equipment in the amount of $42.9 million:

    Vehicles Leased - $17.5 million, which includes prisoner transportation buses.
    Computer and Office Equipment - $7.2 million.
    Equipment Leased - $7.0 million.
    Equipment Vehicles - $5.0 million.
    Miscellaneous Equipment - $3.4 million.
    Equipment Field - $2.8 million.

Retirements of depreciable assets:

- Retirement of depreciable assets was composed of $115.2 million

  The $115.2 million in retired depreciable assets primarily consists of $95.6 million for Structures and Improvements designated to Court Buildings, such as the Family Law Court and the Justice Courts that were retired then transferred to the State per SB1732- Trial Court Facilities legislation and two fire stations that were donated to the cities of Moreno Valley & Temecula per Board of Supervisors Resolution No. 2005-490. $18.6 million in equipment was retired, consisting of:

  - Equipment Leased- $5.7 million.
  - Computer and Office equipment - $5.1 million.

- Equipment Vehicles - $3.1 million, which include police cruisers and patrol vehicles.
- Vehicles Leased - $2.6 million, which includes two fire trucks and over 100 vehicles.
- Equipment Miscellaneous - $1.1 million.

Transfers:

- $78.0 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 $101.2 million in depreciation.

Analysis of capital assets from fiscal year 2005-2006 to fiscal year 2006-2007:

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)
	2007	2006	2007	2006	2007	2006	Percent of Change
Infrastructure	$ 1,043,655	$ 994,455	$ 31,188	$ 30,137	$ 1,074,843	$ 1,024,592	5%
Land and Easements	333,097	320,426	21,419	21,095	354,516	341,521	4%
Land Improvements	99	-	6,571	7,153	6,670	7,153	-7%
Structures and Improvements	403,199	465,921	150,468	155,922	553,667	621,843	-11%
Equipment	93,147	84,044	19,299	17,566	112,446	101,610	11%
Construction in Progress	327,981	195,814	28,150	17,601	356,131	213,415	67%
Total	$ 2,201,178	$ 2,060,660	$ 257,095	$ 249,474	$ 2,458,273	$ 2,310,134	6%

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

Debt Administration

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, 2007, the County had several debt issues outstanding, principally certificates of participation—lease rental obligations.

Net bonded debt per capita equaled $361 as of June 30, 2007. The calculated legal debt limit for the County is $2.6 billion. On August 2, 2007, Moody's Investors Service upgraded the County's issuer rating to Aa3. 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 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 2006-07, the County, as a participant in the California Statewide Communities Development Authority Pool, issued $235.0 million in TRANs to satisfy short-term cash flow needs. Included in this amount was the $68.0 million of taxable notes to pre-pay the County fiscal year 2006-07 CALPERS employer's normal contribution.

In October 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 County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes (The "Notes") in the amount of $86.2 million. The $86.2 million was comprised of $67.7 million representing fiscal year 2006-07 delinquent property taxes and $18.5 million representing prior years' delinquent property taxes. Westdeutsche Landesbank Girozentrale and Citibank are the letter of credit providers for the Teeter Notes and the repayment is a pledge of the general fund.

The table below provides summarized information (including comparative amounts from the preceding year) for the County's outstanding long-term liabilities at June 30, 2007.

County's Outstanding Debt Obligation (In Thousands)

	Governmental Activities		Business-Type Activities		Total		Variance
	2007	2006	2007	2006	2007	2006	
Loans payable	$ 310,139	$ 113,383	$ -	$ -	$ 310,139	$ 113,383	174%
Bonds payable	806,398	814,443	181,263	191,142	987,661	1,005,585	-2%
Certificates of participation	335,866	348,486	-	-	335,866	348,486	-4%
Capital Leases	87,337	83,829	17,844	14,993	105,181	98,822	6%
Total Outstanding	$ 1,539,740	$ 1,360,141	$ 199,107	$ 206,135	$ 1,738,847	$ 1,566,276	11%

Outstanding Debt: The County of Riverside's total debt increased by 10.7%, $172.6 million ($179.6 million in governmental funds less $7.0 million in business-type), during the current fiscal year. The key factors in this increase are as follows:

- The issuance of the RDA's 2007 Loans Payable for $203.5 million, which refunded and defeased $11.4 million of the 1998 loans payable. The bonds are payable solely from and secured by an assignment and pledge of certain tax revenues derived from taxes assessed on property within the project areas and other amounts allocated and paid to the Agency.

- The issuance of RDA's 2007 Tax Allocation Refunding Bonds for $89.9 million as a result of current low interest rates to save money on debt service, which refunded and defeased $87.9 million of the 2001 Tax Allocation Bonds. The bonds are special obligations of the Agency and are payable exclusively from tax revenues to be derived from the various project areas and from amounts on deposit in certain funds and accounts established pursuant to the Indenture.

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 AND RATES

The county's economic outlook is cautious as the current national housing-market decline appears to be more extensive than predicted. While the onset of this economic slowdown was anticipated, the length and severity are much more difficult to forecast. The county exercises strong fiscal discipline by controlling service expansion, conservatively estimating revenue, and building up reserves. This strategy should protect the continuity of county services for the next several years. Moody's Investment Services commended the county in mid 2007 for its financial prowess and upgraded its credit rating to high quality.

General fund reserves for fiscal year 2007-08 are expected to exceed $400 million and will be drawn down selectively to fund high-priority capital projects. The fiscal year 2007-08 budget set aside $15 million of ongoing discretionary revenue to fund staff for jail expansion now under construction. Fiscal year 2007-08 discretionary revenue is expected to exceed fiscal year 2006-07 by about 7.3 percent ($88.4 million). Following is a summary depicting the general sources of fiscal year 2007-08 discretionary revenue.

Summary of Fiscal Year 2007-08
General-Fund Discretionary Revenue (in thousands)

Source		Final Budget Estimate
Property Taxes	$	355,800
Motor Vehicle In Lieu		216,600
Interest		50,400
Sales Tax *		42,700
Documentary Transfer Tax		16,000
Fines and Penalties		29,400
Tax Loss Reserve Fund-Overflow		10,000
Franchise Tax		6,400
Other (Prior Year & Miscellaneous)		3,300
Federal In-Lieu Taxes		1,800
Tipping fees (El Sobrante)		1,600
Transient Occupancy Tax		1,500
Total	$	735,500

* Does not include public safety sales tax revenue

The County's employee retirement benefit contribution rate for fiscal year 2007-08 for miscellaneous members is 12.05% and the Safety contribution rate is 18.63%. 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 2008-09 rates are projected at 11.9% (Miscellaneous) and 18.4% (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 22.52% in fiscal year 2006-07 and 16.63% in fiscal year 2007-08 yielding a total assessed property tax roll of $ 239.5 billion for fiscal year 2007-08. The $34.1 billion increase reflected the over 920,000 assessments and a growing county population that surpassed 2 million.

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.

BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

Photographer
MARIA CHAVEZ
"Hermano y Hermana"

Blank Page

COUNTY OF RIVERSIDE
Statement of Net Assets
June 30, 2007
(Dollars in Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Children and Families Commission
ASSETS:				
Cash and investments (Note 5)	$ 1,544,755	$ 110,374	$ 1,655,129	$ 52,595
Receivables, net (Notes 1 and 7)	390,440	83,157	473,597	5,996
Inventories	7,170	7,114	14,284	-
Internal balances (Note 8)	16,918	(16,918)	-	-
Pension asset, net (Note 18)	398,069	3,252	401,321	-
Prepaid items and deposits	12,889	1,192	14,081	8
Restricted cash and investments (Notes 5 and 6)	402,331	125,006	527,337	-
Other noncurrent receivables (Note 7)	65,899	-	65,899	-
Notes receivable (Note 7)	24,983	-	24,983	-
Land held for resale	43,704	-	43,704	-
Capital assets (Note 9):				
Depreciable assets, net	1,540,100	207,526	1,747,626	98
Nondepreciable assets	661,078	49,569	710,647	-
Bond issuance costs	18,007	1,821	19,828	-
Total assets	5,126,343	572,093	5,698,436	58,697
LIABILITIES:				
Accounts payable	133,652	14,996	148,648	2,286
Salaries and benefits payable	81,954	12,645	94,599	138
Due to other governments	44,424	9,180	53,604	261
Interest payable	13,057	778	13,835	-
Deposits payable	169	91	260	-
Notes payable (Note 12)	86,222	-	86,222	-
Other liabilities	1,860	3,150	5,010	-
Unearned revenue (Note 7)	118,946	-	118,946	-
Long-term liabilities (Note 13) :				
Due within one year	164,122	30,140	194,262	120
Due beyond one year	1,639,034	296,596	1,935,630	83
Total liabilities	2,283,440	367,576	2,651,016	2,888
NET ASSETS:				
Invested in capital assets, net of related debt	903,076	53,321	956,397	98
Restricted for:				
Children's programs	-	-	-	55,711
Community development	390,776	-	390,776	-
Debt service	42,770	36,861	79,631	-
Health and sanitation	9,750	13,335	23,085	-
Public protection	52,510	-	52,510	-
Public ways & facilities	69,988	-	69,988	-
Other programs	3,683	433	4,116	-
Unrestricted	1,370,350	100,567	1,470,917	-
Total net assets	$ 2,842,903	$ 204,517	$ 3,047,420	$ 55,809

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, 2007
(Dollars in Thousands)

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
FUNCTION/PROGRAM ACTIVITIES:								
Primary government:								
Governmental activities:								
General government	$ 296,917	$ 171,070	$ 91,528	$ -	$ (34,319)	$ -	$ (34,319)	
Public protection	935,550	307,288	252,027	306	(375,929)	-	(375,929)	
Public ways and facilities	57,578	63,603	20,057	46,700	72,782	-	72,782	
Health and sanitation	350,082	49,650	162,308	-	(138,124)	-	(138,124)	
Public assistance	688,213	2,547	678,597	-	(7,069)	-	(7,069)	
Education	14,847	8,628	451	1,180	(4,588)	-	(4,588)	
Recreation and culture	11,941	6,409	5,973	-	441	-	441	
Interest on long-term debt	81,197	-	-	-	(81,197)	-	(81,197)	
Total governmental activities	2,436,325	609,195	1,210,941	48,186	(568,003)	-	(568,003)	
Business-type activities:								
Regional Medical Center	329,128	337,905	-	261	-	9,038	9,038	
Waste Management Department	60,772	64,031	-	-	-	3,259	3,259	
Housing Authority	70,218	67,312	-	-	-	(2,906)	(2,906)	
Flood Control	6,242	6,032	-	-	-	(210)	(210)	
County Service Areas	329	331	-	-	-	2	2	
Total business-type activities	466,689	475,611	-	261	-	9,183	9,183	
Total primary government	$ 2,903,014	$ 1,084,806	$ 1,210,941	$ 48,447	(568,003)	9,183	(558,820)	
Component unit:								
Children and Families First Commission	$ 27,277	$ -	$ 27,888	$ -				$ 611
General revenues:								
Taxes:								
Property taxes					462,817	-	462,817	-
Sales and use taxes					51,093	-	51,093	-
Other taxes					16,865	-	16,865	-
Intergovernmental revenue not restricted to programs:								
Motor vehicle in-lieu of taxes					245,723	-	245,723	-
Investment earnings					122,517	10,198	132,715	2,527
Other					13,191	-	13,191	188
Transfers					(16,892)	16,892	-	-
Total general revenues and transfers					895,314	27,090	922,404	2,715
Changes in net assets					327,311	36,273	363,584	3,326
NET ASSETS, BEGINNING OF YEAR, AS RESTATED (Note 4)					2,515,592	168,244	2,683,836	52,483
NET ASSETS, END OF YEAR					$ 2,842,903	$ 204,517	$ 3,047,420	$ 55,809

(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

Photographer
FLO RICHARDS
"Japanese Dancers"

Blank Page

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Balance Sheet

Governmental Funds

June 30, 2007

(Dollars in Thousands)

	General	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and investments (Note 5)	$ 283,080	$ -	$ 255,605	$ 351,483	$ 433,568	$ 1,323,736
Accounts receivable (Notes 1 and 7)	60,621	-	2,713	-	9,316	72,650
Interest receivable (Note 7)	14,673	394	2,528	3,531	4,495	25,621
Taxes receivable (Note 7)	40,766	37,042	-	-	10,107	87,915
Due from other governments (Note 7)	252,411	-	20	-	13,016	265,447
Inventories	1,540	-	-	1,954	933	4,427
Due from other funds (Note 8)	5,417	-	-	-	1,776	7,193
Prepaid items	-	-	-	-	12,878	12,878
Restricted cash and investments (Notes 5 and 6)	263,390	53,688	-	-	85,253	402,331
Advance to other funds (Note 8)	37	-	-	-	-	37
Notes receivable (Note 7)	-	-	-	-	24,983	24,983
Land held for resale	-	-	-	34,165	9,539	43,704
Total assets	921,935	91,124	260,866	391,133	605,864	2,270,922
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	82,441	25	3,600	3,281	34,360	123,707
Salaries and benefits payable	70,585	-	-	-	6,448	77,033
Due to other governments	41,432	-	678	-	2,222	44,332
Due to other funds (Note 8)	288	4,877	-	403	1,190	6,758
Deposits payable	70	-	-	-	99	169
Teeter notes payable (Note 12)	-	86,222	-	-	-	86,222
Advances from other funds	-	-	-	-	37	37
Deferred revenue (Note 7)	156,155	-	250	-	23,246	179,651
Total liabilities	350,971	91,124	4,528	3,684	67,602	517,909
Fund balances (Note 14):						
Reserved	88,233	-	256,338	269,263	192,566	806,400
Unreserved, designated, reported in:						
General fund	339,773	-	-	-	-	339,773
Special revenue funds	-	-	-	-	187,664	187,664
Capital projects funds	-	-	-	118,186	9,671	127,857
Unreserved, undesignated, reported in:						
General fund	142,958	-	-	-	-	142,958
Special revenue funds	-	-	-	-	148,361	148,361
Total fund balances	570,964	-	256,338	387,449	538,262	1,753,013
Total liabilities and fund balances	$ 921,935	$ 91,124	$ 260,866	$ 391,133	$ 605,864	$ 2,270,922

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

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

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
June 30, 2007
(Dollars in Thousands)

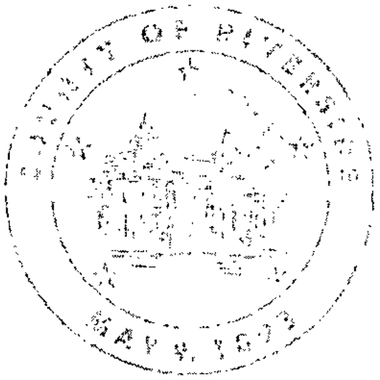
Fund balances - total governmental funds (page 29)		$ 1,753,013
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		2,155,180
Bond issuance costs are not current financial resources and therefore are not reported in the governmental funds.		18,007
Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		398,069
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.		60,705
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	$ 806,398	
Capital lease obligations	61,123	
Certificates of participation	335,866	
Loans payable	310,139	
Accrued interest payable	13,057	
Accreted interest payable	1,780	
Compensated absences	119,563	(1,647,926)
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.		105,855
Net assets of governmental activities (page 23)		$ 2,842,903

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, 2007
(Dollars in Thousands)

	General Fund	Teeter Debt Service	Public Facilities Improvements Capital Projects	Redevelopment Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	$ 301,575	$ -	$ -	$ -	$ 221,453	$ 523,028
Licenses, permits, and franchise fees	25,803	-	-	-	178	25,981
Fines, forfeitures, and penalties	81,148	-	-	-	1,798	82,946
Use of money and property:						
Interest	62,848	1,330	11,734	12,976	24,901	113,789
Rents and concessions	2,805	-	-	-	40,366	43,171
Aid from other governmental agencies:						
Federal	430,606	-	-	-	66,079	496,685
State	893,390	-	-	-	44,240	937,630
Other	81,703	-	-	-	7,408	89,111
Charges for services	319,198	-	36,530	2,248	73,700	431,676
Other revenue	38,856	-	34,961	2,492	39,554	115,863
Total revenues	2,237,932	1,330	83,225	17,716	519,677	2,859,880
EXPENDITURES:						
Current:						
General government	119,365	735	82,355	40,606	77,193	320,254
Public protection	916,524	-	-	-	55,482	972,006
Public ways and facilities	4,505	-	14	-	152,536	157,055
Health and sanitation	341,467	-	-	-	7,454	348,921
Public assistance	644,912	-	-	-	41,383	686,295
Education	394	-	-	-	14,436	14,830
Recreation and culture	203	-	-	-	11,504	11,707
Debt service:						
Principal	17,659	-	-	-	26,563	44,222
Interest	12,092	2,683	-	-	63,429	78,204
Cost of issuance	-	-	-	-	5,565	5,565
Capital outlay	8,811	-	-	-	49,714	58,525
Total expenditures	2,065,932	3,418	82,369	40,606	505,259	2,697,584
Excess (deficiency) of revenues over (under) expenditures	172,000	(2,088)	856	(22,890)	14,418	162,296
OTHER FINANCING SOURCES (USES):						
Transfers in	89,449	3,441	71,061	16,687	132,406	313,044
Transfers out	(146,214)	(1,353)	(38,562)	(16,106)	(126,389)	(328,624)
Issuance of debt	-	-	-	199,327	94,446	293,773
Premium on long-term debt	-	-	-	-	2,876	2,876
Issuance of refunding bonds	-	-	-	-	(103,396)	(103,396)
Proceeds from sale of capital assets	-	-	-	916	-	916
Capital leases	8,811					8,811
Total other financing sources (uses)	(47,954)	2,088	32,499	200,824	(57)	187,400
NET CHANGE IN FUND BALANCES	124,046	-	33,355	177,934	14,361	349,696
Fund balances, beginning of year, as previously reported	446,918	-	222,983	208,704	521,949	1,400,554
Adjustments to beginning fund balances (Note 4)	-	-	-	811	1,952	2,763
Fund balances, beginning of year, as restated	446,918	-	222,983	209,515	523,901	1,403,317
FUND BALANCES, END OF YEAR	$ 570,964	$ -	$ 256,338	$ 387,449	$ 538,262	$ 1,753,013



(This Page Intentionally Left Blank)

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, 2007
(Dollars in Thousands)

Net change in fund balances - total governmental funds (page 33)		$ 349,696
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	$ 284,812	
Less loss on sale of capital assets	(75,875)	
Less current year depreciation	(71,569)	137,368
Prepaid pension costs are expended in the governmental funds when paid but are recognized as a financial resource in the statement of net assets.		10,124
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.		4,018
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		(172,970)
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.		(26,626)
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	(1,950)	
Change in accreted interest	(285)	
Change in long-term compensated absences	(2,712)	(4,947)
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.		30,648
Change in net assets of governmental activities (page 25)		$ 327,311

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, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 291,700	$ 329,678	$ 301,575	$ (28,103)
Licenses, permits, and fees	29,741	29,751	25,803	(3,948)
Fines, forfeitures, and penalties	48,264	53,418	81,148	27,730
Use of money and property:				
Interest	52,141	53,541	62,848	9,307
Rents and concessions	22,599	22,649	2,805	(19,844)
Aid from other governmental agencies:				
Federal	418,893	445,222	430,606	(14,616)
State	846,088	919,087	893,390	(25,697)
Other government	372	506	81,703	81,197
Charges for current services	444,579	387,547	319,198	(68,349)
Other revenue	140,524	157,876	38,856	(119,020)
Total revenues	2,294,901	2,399,275	2,237,932	(161,343)
EXPENDITURES:				
Current:				
General government				
Salaries and employee benefits	99,031	94,808	91,171	(3,637)
Services and supplies	90,954	110,053	102,253	(7,800)
Other charges	109,061	55,044	12,147	(42,897)
Capital assets	244	1,629	674	(955)
Intrafund transfers	(80,643)	(92,741)	(86,880)	5,861
Appropriation for contingencies	32,081	36,989	-	(36,989)
Total general government	250,728	205,782	119,365	(86,417)
Public protection:				
Salaries and employee benefits	599,548	597,950	584,050	(13,900)
Services and supplies	297,054	319,794	300,209	(19,585)
Other charges	53,586	57,250	34,896	(22,354)
Capital assets	6,809	12,347	6,825	(5,522)
Intrafund transfers	(9,280)	(9,659)	(9,456)	203
Total public protection	947,717	977,682	916,524	(61,158)
Health and sanitation:				
Salaries and employee benefits	176,611	178,595	160,856	(17,739)
Services and supplies	95,412	117,717	107,682	(10,035)
Other charges	216,701	232,507	176,346	(56,161)
Capital assets	4,858	6,164	787	(5,377)
Intrafund transfers	(112,408)	(113,139)	(104,204)	8,935
Total health and sanitation	381,174	421,844	341,467	(80,377)
Public assistance:				
Salaries and employee benefits	208,128	200,731	192,450	(8,281)
Services and supplies	78,583	90,234	80,390	(9,844)
Other charges	392,648	392,873	383,987	(8,886)
Capital assets	100	628	628	-
Intrafund transfers	(16,411)	(16,411)	(12,543)	3,868
Total public assistance	$ 663,048	$ 668,055	$ 644,912	$ (23,143)

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, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final	Amounts	Over (Under)
Education:				
Salaries and employee benefits	$ 230	$ 231	$ 230	$ (1)
Services and supplies	161	163	164	1
Total education	391	394	394	-
Public ways and facilities:				
Salaries and employee benefits	4,732	4,551	3,515	(1,036)
Services and supplies	1,414	1,438	863	(575)
Other charges	596	85	-	(85)
Capital assets	141	314	128	(186)
Intrafund transfers	(267)	(266)	(1)	265
Total public ways and facilities	6,616	6,122	4,505	(1,617)
Recreation and culture:				
Salaries and employee benefits	91	81	68	(13)
Services and supplies	141	201	159	(42)
Other charges	75	20	-	(20)
Capital assets	-	105	-	(105)
Intrafund transfers	-	(25)	(24)	1
Total recreation and culture	307	382	203	(179)
Debt service:				
Principal	50,575	41,750	17,659	(24,091)
Interest	10,870	10,870	12,092	1,222
Total debt service	61,445	52,620	29,751	(22,869)
Capital outlay	-	8,811	8,811	-
Total expenditures	2,311,426	2,341,692	2,065,932	(275,760)
Excess (deficiency) of revenues over (under) expenditures	(16,525)	57,583	172,000	114,417
OTHER FINANCING SOURCES (USES):				
Transfers in	-	89,449	89,449	-
Transfers out	-	(146,214)	(146,214)	-
Capital leases	-	-	8,811	8,811
Total other financing sources (uses)	-	(56,765)	(47,954)	8,811
NET CHANGE IN FUND BALANCE	(16,525)	818	124,046	123,228
Fund balance, beginning of year	446,918	446,918	446,918	-
FUND BALANCE, END OF YEAR	$ 430,393	$ 447,736	$ 570,964	$ 123,228

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, 2007
(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)	$ 64,778	$ 38,603	$ 6,993	$ 110,374	$ 221,019
Accounts receivable - net (Notes 1 and 7)	57,221	5,011	2,585	64,817	2,470
Interest receivable (Note 7)	477	1,362	88	1,927	2,114
Taxes receivable (Note 7)	-	-	9	9	-
Due from other governments (Note 7)	12,564	256	3,584	16,404	122
Advances to other funds (Note 8)	-	-	-	-	200
Inventories	6,752	362	-	7,114	2,743
Pension asset, net	-	3,252	-	3,252	-
Due from other funds (Note 8)	-	-	-	-	184
Restricted cash and investments (Notes 5 and 6)	37,054	83,320	4,632	125,006	-
Prepaid items and deposits	1,160	-	32	1,192	11
Total current assets	180,006	132,166	17,923	330,095	228,863
Noncurrent assets:					
Capital assets (Note 9)					
Depreciable assets	147,848	45,457	14,221	207,526	45,648
Nondepreciable assets	18,544	25,785	5,240	49,569	350
Bond issuance costs	1,821	-	-	1,821	-
Total noncurrent assets	168,213	71,242	19,461	258,916	45,998
Total assets	348,219	203,408	37,384	589,011	274,861
LIABILITIES					
Current liabilities					
Accounts payable	9,166	2,955	2,875	14,996	9,945
Salaries and benefits payable	11,400	1,135	110	12,645	4,921
Due to other funds (Note 8)	565	-	-	565	54
Due to other governments	9,176	4	-	9,180	92
Other liabilities	768	313	2,938	4,019	1,860
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)	8,762	813	96	9,671	2,866
Capital lease obligations (Note 13)	3,929	-	-	3,929	9,761
Bonds payable (Note 13)	10,960	-	100	11,060	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	39,594
Total current liabilities	54,726	10,700	6,119	71,545	69,093
Noncurrent liabilities					
Compensated absences (Note 13)	4,514	1,728	950	7,192	2,479
Advances from other funds (Note 8)	-	-	-	-	200
Accrued closure and post closure care costs (Note 10)	-	45,638	-	45,638	-
Accrued remediation costs (Note 21)	-	18,531	-	18,531	-
Capital lease obligations (Notes 1 and 13)	13,915	-	-	13,915	16,453
Bonds payable (Note 13)	169,342	-	861	170,203	-
Estimated claims liabilities (Notes 13 and 15)	-	-	-	-	95,634
Other long-term liabilities (Note 13)	34,322	-	6,795	41,117	1,500
Total noncurrent liabilities	222,093	65,897	8,606	296,596	116,266
Total liabilities	276,819	76,597	14,725	368,141	185,359
NET ASSETS:					
Invested in capital assets, net of related debt	(30,587)	71,242	12,666	53,321	18,284
Restricted for debt service	36,861	-	-	36,861	-
Restricted for health and sanitation	-	13,335	-	13,335	-
Restricted other	193	-	240	433	-
Unrestricted	64,933	42,234	9,753	116,920	71,218
Total net assets	$ 71,400	$ 126,811	$ 22,659	220,870	$ 89,502
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(16,353)	
Net assets of business-type activities				$ 204,517	

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, 2007
(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)	$ 272,615	$ -	$ -	$ 272,615	$ -
Charges for services	4,067	61,108	8,663	73,838	166,909
Other revenue	61,223	2,923	65,012	129,158	29,758
Total operating revenues	337,905	64,031	73,675	475,611	196,667
OPERATING EXPENSES:					
Cost of materials used	-	185	-	185	1,785
Personnel services	165,602	17,549	9,609	192,760	68,049
Communications	1,820	324	2	2,146	4,205
Insurance	6,993	578	2	7,573	7,800
Maintenance of building and equipment	6,301	2,220	1,669	10,190	10,258
Insurance claims	-	-	-	-	61,695
Supplies	43,508	2,596	14	46,118	32,033
Purchased services	65,935	22,976	3,361	92,272	16,464
Depreciation and amortization	8,477	4,369	1,844	14,690	15,406
Rents and leases of equipment	3,998	160	21	4,179	2,614
Public assistance	-	-	57,739	57,739	-
Utilities	3,815	251	620	4,686	262
Closure and post-closure care costs	-	3,266	-	3,266	-
Remediation costs (recovery)	-	2,483	-	2,483	-
Other	7,168	3,485	1,041	11,694	3,587
Total operating expenses	313,617	60,442	75,922	449,981	224,158
Operating income (loss)	24,288	3,589	(2,247)	25,630	(27,491)
NONOPERATING REVENUES (EXPENSES):					
Investment income	3,423	5,973	802	10,198	8,733
Interest expense	(13,366)	-	(191)	(13,557)	(1,043)
Gain (loss) on disposal of capital assets	27	272	-	299	53
Total nonoperating revenues (expenses)	(9,916)	6,245	611	(3,060)	7,743
Income (loss) before capital contributions and transfers	14,372	9,834	(1,636)	22,570	(19,748)
Capital contributions	261	-	-	261	48,258
Transfers in	19,953	763	-	20,716	3,116
Transfers out	(3,422)	(240)	(162)	(3,824)	(4,428)
CHANGE IN NET ASSETS	31,164	10,357	(1,798)	39,723	27,198
Net assets, beginning of the year	40,236	116,454	24,457		62,304
NET ASSETS, END OF YEAR	$ 71,400	$ 126,811	$ 22,659		$ 89,502
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(3,450)	
Change in net assets of business-type activities				$ 36,273	

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, 2007
(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	$ 332,872	$ 64,051	$ 69,429	$ 466,352	$ 196,225
Cash paid to suppliers for goods and services	(132,286)	(37,180)	(64,337)	(233,803)	(137,614)
Cash paid to employees for services	(162,657)	(17,459)	(9,791)	(189,907)	(67,495)
Net cash provided by (used in) operating activities	37,929	9,412	(4,699)	42,642	(8,884)
Cash flows from noncapital financing activities					
Pension assets, net	-	434	-	434	-
Transfers received	19,953	763	-	20,716	3,116
Transfers paid	(3,422)	(240)	(162)	(3,824)	(4,428)
Net cash provided by (used in) noncapital financing activities	16,531	957	(162)	17,326	(1,312)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	27	272	-	299	1,430
Acquisition and construction of capital assets	(2,059)	(14,817)	(611)	(17,487)	(6,674)
Principal paid on capital leases	(1,973)	-	-	(1,973)	(6,631)
Capital Contributions	261	-	-	261	48,258
Principal paid on bonds payable	(9,858)	-	(21)	(9,879)	-
Interest paid on long-term debt	(13,363)	-	(191)	(13,554)	(1,043)
Net cash provided by (used in) capital and related financing activities	(26,965)	(14,545)	(823)	(42,333)	35,340
Cash flows from investing activities					
Interest received on investments	3,421	5,575	768	9,764	7,760
Net cash provided by investing activities	3,421	5,575	768	9,764	7,760
Net increase (decrease) in cash and cash equivalents	30,916	1,399	(4,916)	27,399	32,904
Cash and cash equivalents, beginning of year	70,916	120,524	16,541	207,981	188,115
Cash and cash equivalents, end of year	$ 101,832	$ 121,923	$ 11,625	$ 235,380	$ 221,019

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, 2007
(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 provided					
Operating income (loss)	$ 24,288	$ 3,589	$ (2,247)	$ 25,630	$ (27,491)
Adjustments to reconcile operating income to net cash					
Depreciation and amortization	8,477	4,369	1,844	14,690	15,406
Decrease (Increase) accounts receivable	(9,201)	30	(797)	(9,968)	(136)
Decrease (Increase) bond issuance cost	367	-	-	367	-
Decrease (Increase) due from other funds	1,189	-	-	1,189	(184)
Decrease (Increase) due from other governments	2,612	(10)	(3,449)	(847)	(122)
Decrease (Increase) inventories	(1,032)	(23)	-	(1,055)	(410)
Decrease (Increase) prepaid items and deposits	458	-	6	464	100
Increase (Decrease) accounts payable	(3,734)	(819)	2,557	(1,996)	(1,504)
Increase (Decrease) due to other funds	(1,798)	-	-	(1,798)	54
Increase (Decrease) due to other governments	9,176	4	-	9,180	92
Increase (Decrease) accrued closure costs	-	(784)	-	(784)	-
Increase (Decrease) accrued remediation costs	-	2,879	-	2,879	-
Increase (Decrease) other liabilities	4,182	87	(2,431)	1,838	(307)
Increase (Decrease) estimated claims liability	-	-	-	-	5,064
Increase (Decrease) salaries and benefits payable	1,426	90	1	1,517	543
Increase (Decrease) compensated absences	1,519	-	(183)	1,336	11
Net cash provided by (used in) operating activities	$ 37,929	$ 9,412	$ (4,699)	$ 42,642	$ (8,884)
Supplemental disclosure of noncash investing, capital, and financing activities	$ 358			$ 358	$ 13,259

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, 2007
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust	Agency Funds
ASSETS:				
Cash and investments (Note 5)	$ -	$ -	$ 15,850	$ 350,245
Federal Agency	7,986	1,630,446	-	-
Cash and Equivalent & MMF	718	146,513	-	-
Commercial Paper	1,906	389,228	-	-
Negotiable CDs	1,994	407,197	-	-
Medium Term Notes	810	165,311	-	-
Municipal Bonds	53	10,781	-	-
Certificates of Deposit	57	11,610	-	-
Local Agency Obligation	16	3,317	-	-
Accounts receivable	210	3,078	1	1
Interest receivable	6	30,806	98	342
Taxes receivable	-	1	-	114,019
Due from other governments	-	-	-	164
Total assets	13,756	2,798,288	15,949	464,771
LIABILITIES:				
Accounts payable	-	-	7,104	183,897
Salaries and benefits payable	-	-	-	10
Due to other governments	-	-	-	280,864
Total liabilities	-	-	7,104	$ 464,771
NET ASSETS:				
Held in trust for pension benefits, external pool participants, and other purposes	$ 13,756	$ 2,798,288	$ 8,845	

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, 2007
(Dollars in Thousands)

	Pension Trust	Investment Trust	Private-Purpose Trust
ADDITIONS:			
Employer contributions	$ 1,914	$ -	$ -
Employee contributions	1,368	-	-
Contributions to pooled investments	-	19,507,350	-
Contributions to Private-Purpose Trust	-	-	4,552
Investment income	584	128,281	467
Total additions	3,866	19,635,631	5,019
DEDUCTIONS:			
Distribution from Pension Trust	132	-	-
Distributions from pooled investments	-	19,212,116	-
Distributions from Private-Purpose Trust	-	-	4,409
Administrative and other expenses	452	-	-
Total deductions	584	19,212,116	4,409
Change in net assets	3,282	423,515	610
Net Assets Held in Trust, beginning of the year	10,474	2,374,773	8,235
Net Assets Held in Trust, end of the year	$ 13,756	$ 2,798,288	$ 8,845

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

(This Page Intentionally Left Blank)

BASIC FINANCIAL STATEMENTS – NOTES TO THE BASIC FINANCIAL STATEMENTS

Photographer
RICHARD PAUL
"Dickens Family"

Blank Page

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, 2007, 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.

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.

Current Governmental Accounting Standards Board Statements

Governmental Accounting Standards Board Statement No. 43

In April of 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* This Statement is effective for periods beginning after December 15, 2005. This Statement establishes uniform financial reporting standards for other nonpension benefits (OPEB) plans and supersedes the interim guidance included in Statement No. 26. The standards in this Statement apply to OPEB trust funds included in the financial reports of plan sponsors or employers, as well as to the stand-alone financial reports of OPEB plans, or the public employee retirement systems, or other third parties that administer them. This Statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is not applicable to the County. Note 22, subsequent events, has additional information relevant to this Statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements

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. The County has elected not to implement GASB No. 45 early. Note 22, subsequent events, has additional information relevant to this Statement.

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. The County has elected not to implement GASB No. 48 early. Note 22, subsequent events, has additional information relevant to this Statement.

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 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. 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Governmental Accounting Standards Board Statements (Continued)

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). The County has elected not to early implement GASB No. 50 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.

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, 43%, or $23.3 million, of the County's $54.1 million indirect costs, allocated through the Countywide Cost Allocation Program (COWCAP), have been included in the expenses of those functions which can obtain reimbursement through State and Federal Programs or other charges. Program revenues include (1) charges paid by the recipients of goods or services offered by the programs and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The County reports the following major governmental funds:

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 fixed 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments (Continued)

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, 2007, 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.

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, 2007 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 $349.9 million and $546.9 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 2006-07 gross assessed valuation of the County was $205.4 billion.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes (Continued)

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.

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 2006-07, $26.7 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

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items and Inventories (Continued)

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. 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 earned 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 $367,000 for the year ended June 30, 2007.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $43.7 million at June 30, 2007.

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, 2007, the amount of accrued vacation, holiday pay, and sick leave reported in the government-wide statement of net assets was $141.8 million.

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

Deferred Revenue / 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Landfill Closure and Post-Closure Care Costs

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

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

Interfund Transactions

Interfund transactions are reflected as either 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, 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.

A budgetary comparison statement is prepared for the general fund and is part of the basic financial statements. The 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.

(This Page Intentionally Left Blank)

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 29)	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 23)
Assets:					
Cash and investments	$ 1,323,736	$ -	$ 221,019	$ -	$ 1,544,755
Receivables:					
Accounts receivable	72,650	-	2,470	-	75,120
Interest	25,621	-	2,114	-	27,735
Taxes	87,915	-	-	-	87,915
Due from other governments	265,447	-	122	-	265,569
Notes receivable	24,983	-	-	-	24,983
Inventories	4,427	-	2,743	-	7,170
Due from other funds	7,193	-	184	(7,377)	-
Prepaid Items	12,878	-	11	-	12,889
Internal balances	-	-	-	16,918	16,918
Pension asset, net	-	398,069	-	-	398,069
Restricted cash and investments	402,331	-	-	-	402,331
Advances to other funds	37	-	200	(237)	-
Land held for resale	43,704	-	-	-	43,704
Capital assets:					
Nondepreciable	-	660,728	350	-	661,078
Depreciable, net	-	1,494,452	45,648	-	1,540,100
Bond issuance costs	-	18,007	-	-	18,007
Total assets	$ 2,270,922	$ 2,571,256	$ 274,861	$ 9,304	$ 5,126,343

COUNTY OF RIVERSIDE
Notes to the Basic Financial Statements (Continued)
June 30, 2007

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

	Total Governmental Funds	Long-term Assets and Liabilities	Internal Service Funds	Eliminations	Statement of Net Assets Totals (Page 23)
Liabilities:					
Accounts payable	$ 123,707	$ -	$ 9,945	$ -	$ 133,652
Salaries and benefits payable	77,033	-	4,921	-	81,954
Due to other funds	6,758	-	54	(6,812)	-
Due to other governments	44,332	-	92	-	44,424
Interest payable	-	13,057	-	-	13,057
Deposits payable	169	-	-	-	169
Deferred revenue / Unearned revenue	179,651	(60,705)	-	-	118,946
Notes payable	86,222	-	-	-	86,222
Other Liabilities	-	-	1,860	-	1,860
Long-term liabilities due within one year:		-			
Bonds payable	-	12,025	-	-	12,025
Capital lease obligations	-	11,358	9,761	-	21,119
Certificates of participation	-	14,057	-	-	14,057
Loans payable	-	5,330	-	-	5,330
Compensated absences	-	69,131	2,866	-	71,997
Estimated claims liability	-	-	39,594	-	39,594
Advance from other funds	37	-	200	(237)	-
Long-term liabilities due in more than one year:		-			
Bonds payable	-	794,373	-	-	794,373
Capital lease obligations	-	49,765	16,453	-	66,218
Certificates of participation	-	321,809	-	-	321,809
Loans payable	-	304,809	-	-	304,809
Accreted interest payable	-	1,780	-	-	1,780
Compensated absences	-	50,432	2,479	-	52,911
Estimated claims liability	-	-	95,634	-	95,634
Other long term liabilities	-	-	1,500	-	1,500
Total liabilities	517,909	1,587,221	185,359	(7,049)	2,283,440
Fund balances/net assets:					
Total fund balances/net assets	1,753,013	984,035	89,502	16,353	2,842,903
Total liabilities and fund balances/net assets	$ 2,270,922	$ 2,571,256	$ 274,861	$ 9,304	$ 5,126,343

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, 2007 is as follows (in thousands):

Governmental Funds:

Description	Major Fund	Nonmajor Funds	
	Redevelopment Agency Capital Projects Fund	Redevelopment Agency Special Revenue Fund	Redevelopment Agency Debt Service Fund
Fund balances as of June 30, 2006, as previously reported	$ 208,704	$ 98,286	$ 36,543
Prior Period Adjustments:			
Land Held for Resale expensed in prior years	811		
Loan Receivable not recognized in prior years		1,507	
Accounts payable correction from prior years			445
Fund balances, as of June 30, 2006, as restated	$ 209,515	$ 99,793	$ 36,988

Government-wide:

	Governmental Activities
Government-wide net assets, as of June 30, 2006, as previously reported	$ 2,512,829
Restatements:	
Fund financial statements:	
Land Held for Resale expensed in prior years	811
Loan Receivable not recognized in prior years	1,507
Accounts payable correction from prior years	445
Net assets as of June 30, 2006, as restated	$ 2,515,592

NOTE 5 – CASH AND INVESTMENTS

Cash and Investments

As of June 30, 2007, Cash and Investments are classified in the accompanying financial statements as follows (in thousands):

	Total Governmental Activities	Total Business-type Activities	Total Component Unit	Total Fiduciary Funds	Total
Cash and investments	$ 1,544,755	$ 110,374	$ 52,595	$ 3,144,038	$ 4,851,762
Restricted cash and investments	402,331	125,006	-	-	527,337
Total cash and investments	$ 1,947,086	$ 235,380	$ 52,595	$ 3,144,038	$ 5,379,099

As of June 30, 2007, cash and investments consist of the following (in thousands):

Deposits	$ 526,324
Investments	4,852,775
Total cash and Investments	$ 5,379,099

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% / 150mm	2.50%
US Treasury	5 Years	100%	None
Riverside County Local Agency Debt	3 Years	2.5%	1.25
Federal Agencies	5 Years	None	None
Bills of Exchange	180 Days	30%	None
Commercial Paper	270 Days	40%	100MM
Certificate & Time Deposits	1 Year	25.0%	50MM
Repurchase Agreements	45 Days	40% / 25%	20%
Reverse Repurchase Agreements	60 Days	10%	10%
Medium Term Notes	2 Years	20%	30MM
CalTrust Short Term Fund	Daily Liquidity	1%	1%
Mutual Funds	Daily Liquidity	20%	None
Secured Bank Deposits	1 Year	2%	None
Mortgage Pass-Through Securities	5 Years	20%	None
Local Agency Investment Funds	3 Years	2.5%	1.25%

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, 2007, the County had the following investments (in thousands):
Held by Fiscal Agents:

Investment	*Maturity*	*Fair Market Value*	Weighted Average *Maturity (Years)*
Treasury Investments			
Commercial Paper	07/07 - 10/07	$ 688,594	0.18
Federal Farm Credit Bank	07/07 - 06/10	259,051	1.33
Federal Home Loan Bank	07/07 - 06/10	830,008	1.66
FHLC - FHLB	*07/07 - 06/10*	*583,165*	*1.67*
Fed Nat Mortg Assoc	07/07 - 06/10	973,591	1.96
Local Agency Obligations	05/08 - 06/20	5,695	3.17
Medium Term Notes	11/07 - 05/09	284,051	0.88
Municipal Bonds	08/07-05/10	18,656	1.36
Negotiable CDs	07/07-05/08	719,003	0.20
Time Deposits	09/07-10/07	20,000	0.23
Total Treasury Investments		4,381,814	
Investments Outside the Treasury			
Money Market	NA	49,952	0.03
Guaranteed Investment Contract	06/20	19,600	6.93
Guaranteed Investment Contract	07/07-11/33	32,255	14.62
Investment Agreements	09/08	70,120	0.22
Investment Agreements	10/09	91,699	0.55
Investment Agreements	10/10	195,630	1.71
Investment Agreements	*10/37*	7,340	*0.60*
Local Agency Investment Funds	NA	4,365	0.00
Total Investments Outside the Treasury		470,961	
Total Investments		$ 4,852,775	

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 $489.8 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	Reported Amount
Federal Farm Credit Bank	Federal Agency	$ 259,051
Federal Home Loan Bank	Federal Agency	830,008
FHLC-FHLB Mortgage Certificates	Federal Agency	583,165
Federal National Mortgage Association	Federal Agency	973,591

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, 2007, the County had the following investments (in thousands):

Investment	Maturity	Minimum Legal Rating	Rating June 30, 2007	Fair Market Value
Treasury Investments				
Commercial Paper	07/06 - 11/06	A1/P1	A1/P1(1)	$ 688,594
Federal Farm Credit Bank	07/06 - 09/08	N/A	AAA	259,051
Federal Home Loan Bank	07/06 - 06/09	N/A	AAA	830,008
FHLC - FHLB	09/06 - 06/09	N/A	AAA	583,165
Federal Nat Mort Assn	07/06 - 06/09	N/A	AAA	973,591
Local Agency Obligations	07/12 - 06/20	NA	NA	5,695
Medium Term Notes	09/06 - 01/08	A	AA(2)	284,051
Municipal Bonds	08/06 - 08/07	A	AA(2)	18,656
Negotiable CDs	07/06 - 11/06	A1/P1	A1/P1(1)	719,003
Time Deposits	09/06 - 10/06	N/A	N/A	20,000
Total Treasury Investments				4,381,814
Investments Outside the Treasury				
Money Market	NA	AAA	AAA	49,952
Guaranteed Investment Contracts	06/20	AA	AAA	19,600
Guaranteed Investment Contracts	07/07-11-33	AA	AA+	32,255
Investment Agreements	09/08	AA	AAA	70,120
Investment Agreements	10/09	AA	AAA	91,699
Investment Agreements	10/10	AA	AAA	195,630
Investment Agreements	10/37	AA	AAA	7,340
Local Agency Investment Funds	NA	NA	NR	4,365
Total Investments Outside the Treasury				470,961
Total Investments				$ 4,852,775

(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

NOTE 6 - RESTRICTED CASH AND INVESTMENTS

The amount of assets restricted by legal and contractual requirements at June 30, 2007 is as follows (in thousands):

	General Fund	Teeter Debt Service	Nonmajor Governmental Funds	Regional Medical Center	Waste Management Department	Nonmajor Enterprise Funds
1985 Certificates	$ -	$ -	$ 23,293	$ -	$ -	$ -
1993 Hospital Bonds	-	-	-	36,001	-	-
1990 Monterey Avenue	-	-	133	-	-	-
1997 B & C Hospital	-	-	-	30	-	-
1997 Historic Court House	-	-	268	-	-	-
1997 Lease Refunding	-	-	402	-	-	-
1998 Larson Justice Center	-	-	27	-	-	-
2000 Southwest Justice Center	-	-	501	-	-	-
2001 CAC Annex	-	-	2,557	-	-	-
2003 A Historic Courthouse	-	-	1,287	-	-	-
2003 B Capital Facilities	-	-	1,128	-	-	-
2005 A Capital Improvement Family Law	-	-	21,451	-	-	-
2005 B Historic Refunding	-	-	2,263	-	-	-
2006 A Capital Improvements	-	-	12,072	-	-	-
Waste Management	-	-	-	-	83,320	-
Housing Authority Bond	-	-	-	-	-	1,954
Restricted Program Money	263,390	-	14,100	1,023	-	2,678
Teeter Commercial Paper Notes	-	53,688	-	-	-	-
Riverside Court Fin Corp	-	-	5,771	-	-	-
Total Restricted Assets	$ 263,390	$ 53,688	$ 85,253	$ 37,054	$ 83,320	$ 4,632

At June 30, 2007 County management believes that the County is in compliance with all significant terms of its debt agreements and all State statute requirements.

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	$ 60,621	$ -	$ 2,713	$ -	$ 63,334
Interest	14,673	394	2,528	3,531	21,126
Taxes	40,766	37,042	-	-	77,808
Due from other governments	252,411	-	20	-	252,431
Notes	-	-	-	-	-
Total receivables	$ 368,471	$ 37,436	$ 5,261	$ 3,531	$ 414,699

Receivables Governmental Activities:	Major Governmental Funds	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	$ 63,334	$ 9,316	$ 2,470	$ 75,120
Interest	21,126	4,495	2,114	27,735
Taxes	77,808	10,107	-	87,915
Due from other governments	252,431	13,016	122	265,569
Notes	-	24,983	-	24,983
Total receivables	$ 414,699	$ 61,917	$ 4,706	$ 481,322

Receivables Business-type Activities:	Regional Medical Center	Waste Management	Nonmajor Funds	Total Business-type Activities
Accounts	$ 954,022	$ 5,015	$ 2,585	$ 961,622
Interest	477	1,362	88	1,927
Taxes	-	-	9	9
Due from other governments	12,564	256	3,584	16,404
Gross receivables	967,063	6,633	6,266	979,962
Less: Allowance for contractuals	(546,862)	-	-	(546,862)
Allowance for uncollectibles	(349,939)	(4)	-	(349,943)
Total receivables	$ 70,262	$ 6,629	$ 6,266	$ 83,157

Of the total governmental receivable of $481.3 million, $38.6 million is SB-90 long-term receivable.

Governmental funds report deferred revenue in connection with receivables for revenue not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At June 30, 2007, the components of deferred/unearned revenue were as follows (in thousands):

Governmental activities:	Unavailable	Unearned
General fund:		
Due from other governments, current portion	$ 56,381	
Resources received that do not yet meet the criteria for revenue recognition		$ 99,774
Public Facilities Improvement Capital Projects:		
Resources received that do not yet meet the criteria for revenue recognition		250
Nonmajor funds:		
Due from other governments	4,324	
Resources received that do not yet meet the criteria for revenue recognition		18,922
Total governmental	$ 60,705	$ 118,946

NOTE 8 – INTERFUND TRANSACTIONS

Interfund Receivables/ Payables

The composition of interfund balances as of June 30, 2007 is as follows (in thousands):

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Teeter Debt Service Fund	$ 4,877	Deliquent Property Taxes
	Regional Medical Center	532	Medical Service
	Nonmajor Governmental Funds	8	Air Quality Management
		5,417	
Internal Service Funds	General Fund	97	
	Regional Medical Center	33	
	Internal Service Funds	54	
		184	Healthcare Services
Nonmajor Governmental Funds	General Fund	191	Capital Project
	Redevelopment Capital Projects	403	Transportation
	Nonmajor Government Funds	1,182	Interfund Activities
		1,776	
	Total	$ 7,377	

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	Purpose
General Fund	Nonmajor Governmental Fund	$ 37	(1)
Internal Service Fund	Internal Service Fund	200	(2)
	Total	$ 237	

(1) The amount payable to the General Fund relates to advances to Special Revenue Community Services Fund for HUD loans to Valley Restart Shelter. Repayment is expected in February 2008.

(2) Fleet Services Internal Service Fund advanced Central Mail Internal Service fund $500,000 in Fiscal Year 2005 or the contruction of a facility. As of June 30, 2007, $200,000 remains outstanding. Repayment is expected in Fiscal Year 2010.

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)

Transfers-Continued

(a) Between Governmental and Business-type Activities:

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Regional Medical Center	$ 3,600	Reimbursement
General Fund	Regional Medical Center	11,353	Operating Contribution
General Fund	Waste Management	763	Reimbursement
		15,716	
Public Facilities Improvement	Regional Medical Center	5,000	Operating Contribution
Regional Medical Center	Nonmajor Governmental Funds	3,422	Pension Obligation
Waste Management	Nonmajor Governmental Funds	240	Pension Obligation
Nonmajor Enterprise	Nonmajor Governmental Funds	162	Pension Obligation
	Total	$ 24,540	

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

Transfer out	Transfer in	Amount	Purpose
Operating or debt subsidy:			
General Fund	Nonmajor Governmental Funds	$ 3,791	Administrative support
	Nonmajor Governmental Funds	17,059	Reimbursement
	Nonmajor Governmental Funds	22,017	Pension Obligation
	Nonmajor Governmental Funds	915	Leases
	Nonmajor Governmental Funds	685	Professional services
	Nonmajor Governmental Funds	15,999	Capital projects
	Nonmajor Governmental Funds	165	Miscellaneous
	Teeter	3,441	Debt service
	Internal Service Funds	58	Reimbursement
	Public Facilities Capital Project	66,376	Capital projects
		130,498	
Teeter	General Fund	1,353	Debt Service
Public Facilities Improvement	Nonmajor Governmental Funds	2,639	Reimbursement
	Nonmajor Governmental Funds	21,681	Capital projects
	General Fund	2,140	Capital projects
	General Fund	1,085	Leases
	General Fund	17	Professional services
	General Fund	6,000	Reimbursement
		33,562	
Redevelopment Capital Project	General Fund	144	Professional services
	General Fund	344	Reimbursement
	Public Facilities Capital Project	130	Capital projects
	Nonmajor Governmental Funds	10,141	Capital projects
	Nonmajor Governmental Funds	5,347	Reimbursement
		$ 16,106	

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	$ 40	Overhead reimbursement
	General Fund	59,951	Fire Services
	General Fund	2,037	Administrative support
	General Fund	90	CDGB
	General Fund	1,721	Debt Service
	General Fund	4,116	Leases
	General Fund	571	Law Enforcement
	General Fund	3,555	Professional services
	General Fund	5,342	Reimbursement
	General Fund	103	Miscellaneous
	Public Facilities Capital Project	4,555	Capital Projects
	Redevelopment Capital	89	Reimbursement
	Redevelopment Capital	16,598	Capital Projects
	Nonmajor Governmental Funds	3,854	Debt Service
	Nonmajor Governmental Funds	1,801	Pension Obligation
	Nonmajor Governmental Funds	1,902	CDGB
	Nonmajor Governmental Funds	617	Leases
	Nonmajor Governmental Funds	947	Miscellaneous
	Nonmajor Governmental Funds	3,106	Administrative support
	Nonmajor Governmental Funds	113	Professional services
	Nonmajor Governmental Funds	12,848	Reimbursement
	Nonmajor Governmental Funds	1,709	Capital projects
	Internal Service	724	Reimbursement
		126,389	
Internal Service Funds	General Fund	840	Business services
	Internal Service Funds	2,342	Reimbursement
	Nonmajor Governmental Funds	1,246	Pension Obligation
		4,428	
Total		$ 312,336	

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, 2007 was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Governmental activities:					
Capital assets, not being depreciated:					
Land & easements	$ 320,426	$ 15,377	$ (57)	$ (2,649)	$ 333,097
Construction in progress	195,814	145,080	(2,343)	(10,570)	327,981
Total capital assets, not being depreciated	516,240	160,457	(2,400)	(13,219)	661,078
Capital assets, being depreciated:					
Infrastructure					
Flood channels	245,582	5,907	-	(30,803)	220,686
Flood storm drains	189,033	28,537	-	30,595	248,165
Flood dams and basins	30,404	-	-	207	30,611
Roads	1,190,067	81,988	-	(592)	1,271,463
Traffic signals	18,583	255	-	(531)	18,307
Bridges	99,983	-	-	(21,523)	78,460
Runways	6,793	-	-	4,144	10,937
Parks trails and improvements	2,923	406	(645)	-	2,684
Land improvements	11	-	-	99	110
Structures and improvements	644,705	804	(95,613)	90,948	640,844
Equipment	315,364	37,729	(16,506)	589	337,176
Total capital assets, being depreciated	2,743,448	155,626	(112,764)	73,133	2,859,443
Less accumulated depreciation for:					
Infrastructure	(788,912)	(50,405)	72	1,587	(837,658)
Land improvements	(11)	-	-	-	(11)
Structures and improvements	(178,785)	(9,421)	17,537	(66,976)	(237,645)
Equipment	(231,320)	(27,149)	15,988	(1,548)	(244,029)
Total accumulated depreciation	(1,199,028)	(86,975)	33,597	(66,937)	(1,319,343)
Total capital assets, being depreciated, net	1,544,420	68,651	(79,167)	6,196	1,540,100
Governmental activities capital assets, net	$ 2,060,660	$ 229,108	$ (81,567)	$ (7,023)	$ 2,201,178

NOTE 9 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2007 was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Transfers	Balance June 30, 2007
Business-type activities:					
Capital assets, not being depreciated:					
Land & easements	$ 21,095	$ 324	$ -	$ -	$ 21,419
Construction in progress	17,601	16,399	(951)	(4,899)	28,150
Total capital assets, not being depreciated	38,696	16,723	(951)	(4,899)	49,569
Capital assets, being depreciated:					
Land improvements	11,662	-	-	-	11,662
Infrastructure-landfill liners	34,914	-	-	-	34,914
Infrastructure-other	7,296	639	(299)	2,200	9,836
Structures and improvements	211,818	538		267	212,623
Equipment	103,720	4,855	(2,111)	2,432	108,896
Total capital assets, being depreciated	369,410	6,032	(2,410)	4,899	377,931
Less accumulated depreciation for:					
Land improvements	(4,509)	(582)		-	(5,091)
Infrastructure-landfill liners	(9,730)	(1,411)	-	-	(11,141)
Infrastructure-other	(2,343)	(377)	299	-	(2,421)
Structures and improvements	(55,896)	(6,259)	-	-	(62,155)
Equipment	(86,154)	(5,554)	2,111	-	(89,597)
Total accumulated depreciation	(158,632)	(14,183)	2,410	-	(170,405)
Total capital assets, being depreciated, net	210,778	(8,151)	-	4,899	207,526
Business-type activities capital assets, net	$ 249,474	$ 8,572	$ (951)	$ -	$ 257,095

Depreciation

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

General government	$ 8,588
Public protection	13,634
Health and sanitation	600
Public assistance	1,486
Public ways and facilities	46,536
Recreation and culture	725
Depreciation on capital assets held by the County's internal service funds is charged to the various functions based on their use of the assets	15,406
Total depreciation expense – governmental functions	$ 86,975

NOTE 9 – CAPITAL ASSETS (Continued)

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

Regional Medical Center	$ 8,110
Waste Management	4,229
Housing Authority	1,818
County Service Areas	6
Flood Control	20
Total depreciation expense – business-type functions	$ 14,183

Capital Leases

	Governmental	Business Type
Structures and Improvements	$ 1,386	$ -
Equipment	184,022	12,049
Less: Accumulated amortization	(135,036)	(5,558)
Total leased property, net	$ 50,372	$ 6,491

Discretely Presented Component Unit

Activity for the Riverside County Children and Families Commission for the year ended June 30, 2007, was as follows (in thousands):

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, being depreciated:				
Equipment	$ 312	$ 9	$ -	$ 321
Total capital assets, being depreciated	312	9	-	321
Less accumulated depreciation for:				
Equipment	(170)	(53)	-	(223)
Total accumulated depreciation	(170)	(53)	-	(223)
Total capital assets, net	$ 142	$ (44)	$ -	$ 98

NOTE 10 - LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

Waste Management (Waste) has recorded $82.7 million as landfill closure and post-closure care expense to date (based on the use of the estimated capacities of the landfills 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 $35.3 million as the remaining estimated capacity of 20.3 million tons is filled. Waste expects all currently permitted landfill capacities to be filled by 2032. The total estimate of $118 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, 2007 %	Estimated Years Remaining
Anza (Anza)	$ 2,756	100.0	-
Badlands (Moreno Valley)	12,990	45.3	9
Blythe (Blythe)	1,896	30.2	25
Coachella (Coachella)	8,617	100.0	-
Desert Center (Desert Center)	721	69.0	4
Double Butte (Winchester)	9,921	100.0	-
Edom Hill (Cathedral City)	18,955	100.0	-
Highgrove (Riverside)	6,576	100.0	-
Lamb Canyon (Beaumont)	6,590	32.2	16
Mead Valley (Perris)	8,553	100.0	-
Mecca II (Mecca)	2,798	99.4	-
Oasis (Oasis)	2,336	70.0	24
	$ 82,709		

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 $63.4 million are held for these purposes at June 30, 2007 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, 2007 (in thousands):

Year Ending June 30, 2007	
2008	$ 24,265
2009	31,138
2010	15,547
2011	11,706
2012	19,537
2013-2017	31,920
2018-2022	1,006
Total Minimum Payments	$ 135,119

Rental expense was $43.5 million principally in the General Fund for the year ended June 30, 2007.

NOTE 12 – SHORT TERM DEBT

Tax and Revenue Anticipation Notes (TRANs)

On July 1, 2006, the County issued $235 million of tax exempt Tax and Revenue Anticipation Notes (TRANs), which were repaid June 30, 2007. The Notes yielded an interest rate of 3.56% 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 2006-07, the County retired $39.9 million of the principal amount outstanding at June 30, 2006. The County then issued tax-exempt Series B-1 of $34.4 and Series B-2 of $51.8 million in commercial paper notes. The West LB bank provides Letter of Credit (LOC) for the Series B-1 and Citibank for the Series B-2 Teeter Notes.

Short-term debt activity for the year ended June 30, 2007, was as follows (in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
FY 2006-07 TRANs	$ -	$ 235,000	$ (235,000)	$ -
Teeter Notes	58,394	67,728	(39,900)	86,222
Total	$ 58,394	$ 302,728	$ (274,900)	$ 86,222

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 $2.1 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, 2007 (in thousands):

Year Ending June 30, 2007	Governmental Activities	Business-type Activities
2008	$ 24,328	$ 4,603
2009	19,821	4,260
2010	15,368	3,958
2011	11,438	3,409
2012	7,717	2,253
2013-2017	18,585	1,311
2018-2022	4,182	-
2023-2027	3,237	-
2028-2032	122	-
Total minimum payments	104,798	19,794
Less amount representing interest	(17,461)	(1,950)
Present value of net minimum lease payments	$ 87,337	$ 17,844

The statement of net assets includes the Palm Desert Financing Authority capital lease of $6.2 million for the construction of the Blythe County Administrative Center.

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, 2007 (in thousands):

Governmental Activities

Type of Indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Certificates of Participation:					
CORAL					
1985 Certificate:	12/01/06 -12/01/15	Variable	$5,400 -$15,000	$ 169,400	$ 89,300
Serial Certificates				169,400	89,300

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
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	$ 27,895
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	51,065
CORAL					
2005 B - Historic Courthouse Refunding project					
Serial Certificates	11/01/06 – 11/01/25	3 0% - 5.00%	$325 - $1,740	18,835	18,125
Term Certificates	11/01/26 – 11/01/27	5 00%	$1,860 - $1,915	3,775	3,775
2005-B Historic Courthouse				22,610	21,900
CORAL					
1997 Lease Refunding:					
Serial Certificate	11/01/06 – 11/01/12	4 50% - 5.50%	$1,375 - $1,830	43,560	9,780
Term Certificate	11/01/13 – 11/01/17	5.125%	$1,310 - $1,595	7,250	7,250
Term Certificate	11/01/18 – 11/01/21	5.125%	$1,680 - $1,955	7,260	7,260
1997 Lease Refunding				58,070	24,290
CORAL					
1998 Larson Justice Center:					
Serial Certificate	12/01/06 – 12/01/12	4.30% - 4.75%	$1,195 - $1,550	18,185	8,325
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	26,240
CORAL					
2001 CAC Annex:					
Serial Certificate	11/01/06 – 11/01/26	5 00% - 5.13%	$705 - $1,880	27,120	24,495
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	35,450
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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of Indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
Certificates of Participation (Continued):					
CORAL					
2003 A -Historic Court Project					
Serial Certificate	11/01/06 – 11/01/18	3.00% - 5.00%	$260 - $400	$ 4,125	$ 3,865
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	12,930
CORAL					
2003 B –Capital Facilities Refunding					
Serial Certificate	11/01/06 – 11/01/11	2.00% - 4.20%	$300 - $900	8,685	6,240
2003B- Capital Facilities				8,685	6,240
CORAL					
1990 Monterey Ave (Desert)					
Serial Certificate	11/01/06 – 11/01/20	Variable	$200 - $800	8,800	6,800
Monterey Ave (Desert Fac)				8,800	6,800
Court Financing Corporation					
Bankruptcy Courthouse					
Acquisition Project	11/01/05– 11/01/27	7.50%	$230 - $1,420	16,120	13,450
Term Certificate				16,120	13,450
District Court Financing					
U.S. District Court Project					
(Net of capital appreciation of $5,035)	12/15/15 – 06/15/20	7.59%	$640 - $844	2,165	2,165
Term /Series 1999	6/15/15	1.93%	Variable	17,635	10,621
Term /Series 2002	6/15/20	3.00%	Variable	925	740
Term certificate				20,725	13,526
Total Certificates of Participation				**$ 478,115**	**$ 335,866**
Bonds Payable:					
CORAL					
2000 Southwest Justice Center.					
Term Certificate	11/01/06 – 11/01/13	4.88% - 5.40%	$1,585 - $2,240	$ 17,945	$ 13,405
Term Certificate	11/01/14 – 11/01/32	5.20%	$2,400 - $6,200	76,300	76,300
Southwest Justice Center				94,245	89,705
CORAL (Sheriff Department)					
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

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Type of indebtedness (purpose)	Maturity	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2007
RDA					
2006 Tax Alloc/Lse Revenue	10/01/06 – 10/01/37	4.50% - 5.00%	$1,995 - $6,490	$ 144,075	$ 142,080
Bonds Payable				144,075	142,080
RDA					
2004 A Tax Alloc Housing	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	10/01/05 – 10/01/28	2.90% - 4.87%	$1,800 - $7,955	37,000	34,255
Bonds Payable				37,000	34,255
RDA					
2005 Tax Allocation Housing/ Refunding	10/01/05 – 10/01/33	3.00% - 4.50%	$365 - $4,120	18,245	17,520
Bonds Payable				18,245	17,520
RDA					
2007 Tax Allocation Revenue 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					
Pension Oblig.Bonds (Series 2005-A) PERS contract	8/15/05 – 8/15/35	4.91%	$3,155 - $5,530	400,000	392,890
Bonds Payable				400,000	392,890
Total Bonds Payable				**$ 823,513**	**$ 806,398**
Loans Payable:					
RDA					
1998 Loans Payable	10/01/05 – 10/01/33	3.50% - 7.00%	$695 - $11,135	$ 68,296	$ -
2000 Loans Payable	01/01/05 – 01/01/15	3.50% - 7.00%	$56 - $956	1,329	1,646
2004 Loans Payable (TAB)	10/01/05 – 01/01/37	2.50% - 5.00%	$2,705 - $40,300	102,785	98,980
2007 Loans- Series A (Tab)	10/01/07 – 01/01/37	3.50% - 4.37%	$3,380 - $8,925	169,720	169,720
2007 Loans- Series B (Tab)	10/01/07 – 01/01/37	4.00% - 4.75%	$645 - $1,955	33,820	33,820
CORAL					
2007 Monroe Prk Bldg.	12/5/2015	6.50%	$122 - $4,621	5,973	5,973
Total Loans Payable				381,923	310,139
Total Governmental Activities				**$ 1,683,551**	**$ 1,452,403**

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, 2007
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*
Bond Discount				-	-
Loss on Defeasance (net)				-	(2,254)
1993 A & B – bonds				149,060	51,396
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	63,935
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				-	(18)
Loss on Defeasance (net)				-	(2,212)
1997 B & C (Hospital)				70,252	65,672
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	17,590
Term Bonds (Series B)	06/01/04 – 06/01/07	3.35%	$4,040	4,040	4,040
Bond Premium				-	446
Loss on Defeasance (net)				-	(12)
2003 A & B – bonds				60,180	22,064
Housing Authority					
1998 Series A:					
Term Bonds	12/01/05-12/01/07	6.25%	$60 - $90	780	180
Term Bonds	12/01/08-12/01/18	6.85%	$100 - $200	1,625	1,545
Deferred Charges				-	(764)
Term Bonds				*2,405*	*961*
Total Bonds Payable				323,067	181,263
Total Business-type Activities				$ 323,067	$ 181,263

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2007, annual debt service requirements of governmental activities to maturity are as follows *(in thousands)*:

Governmental	Loans Payable		Certificates of Participation	
Year ending June 30, 2007:	Principal	Interest	Principal	Interest
2008	$ 5,330	$ 9,257	$ 14,057	$ 22,613
2009	4,759	14,106	15,900	21,442
2010	4,948	13,910	17,122	20,145
2011	5,320	13,728	17,849	18,716
2012	11,619	13,530	19,382	16,950
2013-2017	35,975	63,806	103,509	57,761
2018-2022	39,064	56,087	55,907	30,875
2023-2027	48,720	46,104	35,405	19,049
2028-2032	65,560	34,056	33,210	10,029
2033-2037	77,965	18,349	21,445	3,176
2038-2042	10,879	849	2,080	48
Total	$ 310,139	$ 283,782	$ 335,866	$ 220,804

Governmental	Bonds Payable		Other Long-term Liabilities	
Year ending June 30, 2007:	Principal	Interest	Principal	Interest
2008	$ 12,025	$ 37,658	$ -	$ -
2009	13,395	37,572	-	-
2010	14,750	37,051	-	-
2011	17,990	44,005	-	-
2012	32,445	33,852	-	-
2013-2017	130,930	165,191	1,500	-
2018-2022	188,823	130,949	-	-
2023-2027	180,875	80,289	-	-
2028-2032	124,280	44,788	-	-
2033-2037	79,950	11,735	-	-
2038-2042	10,935	162	-	-
Total	$ 806,398	$ 623,252	$ 1,500	$ -

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

As of June 30, 2007, 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, 2007:	Principal	Interest	Principal	Interest
2008	$ 11,060	$ 12,397	$ -	$ -
2009	11,515	12,222	-	-
2010	12,735	11,982	-	-
2011	13,555	11,469	-	-
2012	14,430	10,921	-	-
2013-2017	64,004	46,307	6,795	-
2018-2022	43,676	31,844	-	-
2023-2027	15,102	10,264	-	-
Total Requirements	186,077	147,406	$ 6,795	$ -
Bond Premium, net	446	-		
Bond Discount	(18)	-		
Deferred Chrgs (Housing)	(764)	-		
Loss on Defeasance (net)	(4,478)	-		
Total	$ 181,263	$ 147,406		

Accreted Interest Payable

The following is a summary of the changes in accreted interest payable for the year ended June 30, 2007 (in thousands):

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
Governmental Activities:				
Certificates of Participation:				
Court Financing (US District Court Project)	$ 1,495	$ 285	$ -	$ 1,780
Total governmental-type activities	$ 1,495	$ 285	$ -	$ 1,780
Business-type Activities:				
Lease Revenue Bonds:				
Regional Medical Center (1997A Hosp)	$ 30,031	$ 4,291	$ -	$ 34,322
Total business-type activities	$ 30,031	$ 4,291	$ -	$ 34,322

The accreted interest payable balances at June 30, 2007 represent accreted interest on the U.S. District Court Project and the 1997 A Hospital Serial Capital Appreciation Bonds. The original issues were $2.2 million for the U.S. District Court Project 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, and $171.6 million for the 1997 A Hospital Serial Capital Appreciation Bonds.

The increases of $285 thousand and $4.2 million, respectively, represent current year's accretion. Accumulated accretion is $34.3 million at June 30, 2007. The U.S. District Court Financing accounts for the remainder of $1.8 million. The un-accreted balances at June 30, 2007 are $96.1 million for the 1997-A Hospital (RCRMC) project and $5 million for the U.S. District Court.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Bonds, Certificates of Participation/ Refunding

During fiscal year ended June 30, 2007, CORAL issued $4 million in Capital Anticipation Notes (2006 CANS) to provide funding for the construction of Woodcrest Library. CORAL also assumed a $5.9 million loan associated with the purchase of the Monroe Park Building in Indio.

The mortgage loan assumed by CORAL carries 6.6% interest and early payment penalties apply. Interest escalates to the prime rate plus 1 basis point after December 2012. However, prepayment without any penalty is allowed after December 2010. It is CORAL's intention to pay off the note in December 2010.

During the fiscal year ended June 30, 2007, the Redevelopment Agency (RDA) issued $89.9 million of Tax Allocation Refunding Bonds as a result of current low interest rates to save money on debt service, to refund the 2001 Tax Allocation Bonds of RDA and to provide funds for the various debt obligations of the RDA within the various project areas. The Bonds are special obligations of RDA and are payable exclusively from tax revenues to be derived from the various project areas and from amounts on deposit in certain funds and accounts established pursuant to the indenture. The Bonds were used to (i) refund all of RDA's $90.0 million 2001 Tax Allocation Bonds, (ii) fund projects of benefit to RDA's Jurupa Valley Redevelopment Project Area; (iii) purchase a reserve policy; and (iv) pay the costs of issuing the bonds. The reserve requirement is covered by a bond insurance policy.

The RDA entered into loan agreements with the Riverside County Public Financing Authority for $203.5 million, which refunded and defeased approximately $11.4 million of the 1998 loans payable. The purpose intended was for financing projects in RDA's five redevelopment project areas.

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

Defeasance of Debt

In October 2006, the Riverside County Public Financing Authority issued $169.7 million in Tax Allocation Refunding Bonds to provide proceeds (a portion of the 2007 Loans Payable) to RDA that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining portion of the 1997 Loans Payable for $11.4 million. As a result, the refunding portion of the 1997 Loans Payable is considered to be defeased and the liability has been removed from the government activities column of the Statement of Net Assets. This advanced refunding was undertaken to reduce total debt service payments over the next 26 years by $3.7 million and resulted in an economic gain (difference between the present values of the old and new debt service payments) of $692.5 thousand.

In April 2007, 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 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. This advance refunding was undertaken to reduce total debt service payments over the next 28 years by $22.6 million and resulted in an economic gain of $2.6 million.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Defeasance of Debt (Continued)

In April 2005, CORAL issued $51.6 million of Certificates of Participation, 2005 Series A (Capital Improvement and Family Law Court Refunding). Eleven million dollars of the proceeds from the sale of the certificates were used to advance refund $10.7 million of the 1997 Family Law Court 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, 2007, was $10.7 million.

In April 2005, CORAL issued $22.6 million of Certificates of Participation, 2005 Series B (Historic Courthouse Refunding). The proceeds from the sale of the certificates were used to advance refund $21.2 million of the 1997 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, 2007, was $21.2 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 $69.4 million of Mortgage Revenue Bonds has been issued and $62.0 million is outstanding as of June 30, 2007. 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 $165.7 million at June 30, 2007, 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 $4.7 million as of June 30, 2007, 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 5.20%. 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, through June 1, 2003, the County paid Citigroup Financial Products, Inc., (Citigroup) a fixed payment rate of 5.20% and Citigroup paid the County an amount equal to the weighted average variable rate interest payable on the outstanding Bonds. After June 1, 2003, the County paid the Citigroup (Holding Company) a fixed rate of 5.2% and receives from Citigroup a variable payment (Floating Rate Option) computed on the weighted average rate paid on the Bonds during any calculation period. Conversely, the Bonds 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 $ 13.3 million as of June 30, 2007. The fair value is the market price quoted by Citigroup on June, 30 2007.

Credit Risks: The swap counterparty was rated Aa1 by Moody's and AA- by Standard & Poor's as of June 30, 2007. 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, 2007, the County's rate was 64% of LIBOR, or 3.4048%, and BMA was 3.63%. The synthetic rate on the bonds at June 30, 2007 was 1.7952%.

NOTE 13 – LONG-TERM OBLIGATIONS (Continued)

Interest Rate Swap (Continued)

Swap Payment and Associated Debt: Using rates as of June 30, 2007, 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 Ending June 30	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Net Swap Payments	Total Interest
2008	$ -	$ 2,598	$ 1,370	$ 3,968
2009	-	2,598	1,370	3,968
2010	-	2,598	1,370	3,968
2011	-	2,598	1,370	3,968
2012	-	2,598	1,370	3,968
2013 - 2017	4,900	12,485	6,583	19,068
2018 - 2022	14,700	10,180	5,368	15,548
2023 - 2028	19,400	7,041	3,712	10,753
2029 - 2033	25,200	3,095	1,631	4,726
2034 - 2038	12,100	269	142	411
	$ 76,300	$ 46,060	$ 24,286	$ 70,346

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, 2007 (in thousands):

	Balance July 1, 2006	New Additions	Payments / Reclass	Balance June 30, 2007	Amounts Due Within One Year
Governmental activities:					
Debt long-term liabilities:					
Bonds payable	$ 814,443	$ 89,990	$ (98,035)	$ 806,398	$ 12,025
Capital lease obligations	83,829	24,659	(21,151)	87,337	21,119
Certificates of participation	348,486	-	(12,620)	335,866	14,057
Loans payable	113,383	209,513	(12,757)	310,139	5,330
Total debt long-term liabilities	1,360,141	324,162	(144,563)	1,539,740	52,531
Other long-term liabilities:					
Accreted interest payable	1,495	285	-	1,780	-
Compensated absences*	122,186	3,355	(633)	124,908	71,997
Estimated claims liabilities	130,164	64,293	(59,229)	135,228	39,594
Other long-term liabilities (a)	1,500	-	-	1,500	-
Total other long-term liabilities	255,345	67,933	(59,862)	263,416	111,591
Total governmental activities – long-term liabilities	$ 1,615,486	$ 392,095	$ (204,425)	$ 1,803,156	$ 164,122

Business-type activities:	Balance July 1, 2006	Additions	Payments / Reclass	Balance June 30, 2007	Amounts Due Within One Year
Debt long-term liabilities:					
Bonds payable, net of un-amortized discount and losses**	$ 191,142	$ 5,555	$ (15,434)	$ 181,263	$ 11,060
Capital lease (RCRMC)	14,993	6,122	(3,271)	17,844	3,929
Total debt long-term liabilities	206,135	11,677	(18,705)	199,107	14,989
Other long-term liabilities:					
Accreted interest payable	30,031	4,291	-	34,322	-
Accrued closure and post-closure	50,684	3,810	(4,594)	49,900	4,262
Compensated absences*	15,527	1,525	(189)	16,863	9,671
Accrued remediation costs	16,870	2,879	-	19,749	1,218
Other long-term liabilities (b)	6,795	-	-	6,795	-
Total other long-term liabilities	119,907	12,505	(4,783)	127,629	15,151
Total business-type activities – long-term liabilities	$ 326,042	$ 24,182	$ (23,488)	$ 326,736	$ 30,140

* Obligations for compensated absences have been paid from the fund associated with the obligation.

** The reduction in bonds payable amount of $15.4 million includes a bond premium of $894 thousand, a bond discount amortization of $47 thousand, deferred charges of $833 thousand, and losses on bond defeasance of $5.6 million during FY 2006-07.

(a) Fleet & Purchasing (ISF fund) has $1.5 million in "Other Long-term liabilities" (Govt-type) 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 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, 2007 are as follows (in thousands):

	Major Funds			Total
Reserved:	General Fund	Public Facilities Improvements	Redevelopment Capital Projects	Major Governmental Funds
Encumbrances	$ 16,259	$ 606	$ 55,208	$ 72,073
Imprest cash	377	1	-	378
Inventories	1,540	-	1,954	3,494
Notes receivable	-	-	-	-
Advances	37	-	-	37
Program operations	69,376	5,214	-	74,590
Construction	-	250,517	177,936	428,453
Receivables	-	-	-	-
General	350	-	-	350
Debt service	294	-	-	294
Land held for resale	-	-	34,165	34,165
Prepaids	-	-	-	-
Total reserved fund balances	88,233	256,338	269,263	613,834
Unreserved:				
Unreserved, designated:				
Strategic planning	101,320	-	-	101,320
Program operations	131,885	-	118,186	250,071
Capital projects and programs	106,568	-	-	106,568
Total unreserved, designated fund balances	339,773	-	118,186	457,959
Total unreserved, undesignated fund balances	142,958	-	-	142,958
Total fund balances	$ 570,964	$ 256,338	$ 387,449	$ 1,214,751

NOTE 14 – FUND BALANCES *(Continued)*

	Nonmajor Funds			Total	
Reserved:	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Nonmajor Governmental Funds	Total Governmental Funds
Encumbrances	$ 25,994	$ -	$ 565	$ 26,559	$ 98,632
Imprest cash	151	-	-	151	529
Inventories	933	-	-	933	4,427
Notes receivable	24,983	-	-	24,983	24,983
Advances	-	-	-	-	37
Program operations	11,541	-	-	11,541	86,131
Construction	391	-	11,732	12,123	440,576
Receivables	833	-	-	833	833
General	51	32,415	16,030	48,496	48,846
Debt service	-	39,009	5,521	44,530	44,824
Land held for resale	9,539	-	-	9,539	43,704
Prepaids	-	1,884	10,994	12,878	12,878
Total reserved fund balances	74,416	73,308	44,842	192,566	806,400
Unreserved:					
Unreserved, designated:					
Strategic planning	-	-	-	-	101,320
Program operations	187,664	-	-	187,664	437,735
Capital projects and programs	-	-	9,671	9,671	116,239
Total unreserved, designated fund balances	187,664	-	9,671	197,335	655,294
Total unreserved, undesignated fund balances	148,361	-	-	148,361	291,319
Total fund balances	$ 410,441	$ 73,308	$ 54,513	$ 538,262	$ 1,753,013

Net Assets. The government-wide statement of net assets reports $569.4 million of restricted net assets for governmental activities, of which $239.5 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 $10 million, subject to a self-insured retention (SIR) of $1 million for each occurrence. A self insured retention is a form of a deductible. The County also purchases an additional $15 million per occurrence excess of the $10 million for a total of $25 million in limits. Medical malpractice utilizes an excess policy providing coverage on claims made basis. Limits under the malpractice policy are $10 million subject to a self-insured retention of $1.1 million. The general liability policy provides an additional $10 million in excess limits above the medical malpractice policy for a total of $20 million. The maximum limit under the excess workers' compensation, Section A, is $200 million; Section B, employer liability is $5 million per claim. Section A is subject to a $2 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 thousand deductible; Flood coverage is subject to a 2% deductible within a 100-year flood zone and $25 thousand outside a 100-year flood zone. The County's property is categorized into four Towers and each Tower provides $600 million in limits. Earthquake (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 $60 million with an additional $232.5 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 thousand minimum. 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. 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, 2007 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% 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 Internal Service Funds at June 30, 2007 plus revenues to be collected during fiscal year 2007-08 are expected to be sufficient to cover all fiscal year 2007-08 payments. The carrying amount of unpaid claim liabilities is $135.2 million. The liabilities are discounted at 4%.

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, 2006	June 30, 2007
Unpaid claims, beginning of year	$ 126,743	$ 130,164
Increase (decrease) in provision for insured events of prior years	(808)	(5,000)
Incurred claims for current year	51,127	64,293
Claim payments	(46,898)	(54,229)
Unpaid claims, end of year	$ 130,164	$ 135,228

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, the County Medically Indigent Services Program (MISP), and the County Indigent Adult (IA) program. Net patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payers, and others for services rendered. In addition, net patient service revenue includes a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a contractually agreed-upon per discharge rate and outpatient services are reimbursed under a schedule of maximum allowable reimbursement provided by the California Department of Health Services. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The 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 service revenue. The fiscal intermediary has audited the Regional Medical Center's Medicare cost reports through June 30, 2003 and through June 30, 2005 for Medi-Cal.

During 1991, legislation (SB855) was enacted by the State of California to provide supplemental Medi-Cal payments to hospitals that serve a disproportionately high percentage of Medi-Cal and other low-income patients. The Regional Medical Center has recorded net patient service revenue of $21.6 million from disproportionate Medi-Cal reimbursement under this program for the year ended June 30, 2007. The continuation of government reimbursement programs is contingent upon Federal, State, and County government policies.

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, 2007 follows:

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

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

Western Riverside Council of Governments was formed in November 1989 with the cities of Banning, Beaumont, Calimesa, Canyon Lake, Corona, Hemet, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula for the purpose of serving as a forum for consideration, study, and recommendation on area-wide and regional problems.

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 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 Description

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 odes 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. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. For fiscal year 2006-07, the contribution rates were:

	County	Flood Control	Park District	Waste Management
Miscellaneous	11.879%	12.891%	14.268%	14.121%
Safety	17.989%	-	-	-

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

Annual Pension Cost and Net Pension Obligation (Assets)

For fiscal year 2006-07, the annual pension costs for CalPERS is equal to the employer's required and actual contributions as noted below (in thousands):

	County	Flood Control	Park District	Waste Management
Miscellaneous	$ 73,628	$ 1,746	$ 524	$ 1,119
Safety	$ 32,986	-	-	-

NOTE 18 – RETIREMENT PLAN (Continued)

The required contribution for fiscal year 2006-07 was determined as part of the June 30, 2003 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and; (b) projected salary increases that vary by duration of service. Both (a) and (b) include an inflation component of 3.0%. The actuarial value of CalPERS assets was increased from 100% to 110% of the market value of investments. CalPERS unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payrolls on a closed basis. CalPERS has notified the County that the actuarial assumptions regarding the inflation rates will be revised for the next evaluation period. The remaining amortization periods in years at June 30, 2007 are:

	County	Flood Control	Parks District	Waste Management
Miscellaneous	30	15	16	16
Safety	30			

The County's annual pension cost and net pension obligation (asset) for CalPERS for the current year were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	$ 116,368	$ 685	$ 117,053
Interest on net pension obligation (asset)	(30,066)	-	(30,066)
Adjustment to annual required contribution	22,582	434	23,016
Annual pension cost	108,884	1,119	110,003
Contributions made	(116,368)	(685)	(117,053)
Increase(decrease) in net pension obligation (asset)	(7,484)	434	(7,050)
Net pension obligation (asset) beginning of year	(390,585)	(3,686)	(394,271)
Net pension obligation (asset) end of year	$ (398,069)	$ (3,252)	$ (401,321)

Riverside County – Miscellaneous

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 79,036	493.70%	$ (311,162)
June 30, 2006	75,534	90.73	(304,161)
June 30, 2007	73,628	108.12	(310,138)

COUNTY OF RIVERSIDE
Notes to Basic Financial Statements (Continued)
June 30, 2007

NOTE 18 – RETIREMENT PLAN (Continued)

Riverside County - Safety

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 36,430	335.28%	$ (85,713)
June 30, 2006	29,176	93.39	(83,784)
June 30, 2007	32,986	104.99	(85,430)

Flood Control and Water Conservation District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 1,192	333.00%	$ (2,779)
June 30, 2006	1,577	100.00	(2,640)
June 30, 2007	1,746	100.00	(2,501)

Regional Park and Open-Space District

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 2,238	100.00%	$ -
June 30, 2006	757	100.00	-
June 30, 2007	524	100.00	-

Waste Management Department

Three-Year Trend Information
(Dollar Amounts in Thousands)

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
June 30, 2005	$ 848	485.90%	$ (4,120)
June 30, 2006	656	100.00	(3,686)
June 30, 2007	1,119	100.00	(3,252)

NOTE 19 – DEFINED BENEFIT PENSION PLAN

County of Riverside

The County provides a 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 single-employer pension plan is subject to IRC Section 401(a), is self-funded and self-administered. Contributions made to the Plan are deposited with the County Treasurer, who invests the contributions. A participant is 100% vested immediately. Participants in the plan are required to contribute 3.75% of their compensation to the plan. The County's current contribution level is 5.78%. The contribution level is based on the actuarial valuation report for the year beginning June 30, 2006. A separate audited GAAP-basis pension plan report is not available for this plan. As of June 30, 2007, the Fund had a cash balance of $13.5 million.

Housing Authority

The Authority contributes through the County of Riverside to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public agencies within the State of California.

All full-time, part-time, and seasonal benefited County employees are eligible to participate in the system. 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. The County makes the contribution required of County employees hired prior to January 9, 1992 on their behalf and for their account. Miscellaneous County employees hired after the above date make their own contributions for the first five years.

On May 22, 2001 the County Board of Supervisors approved and authorized action to transition employees of the Authority to become County employees retroactive to May 3, 2001. These employees became subject to the provisions of the PERS retirement plan with no carry over vesting in years of service from the prior retirement plan. On May 17, 2006, employees of the Housing Authority who were hired prior to May 31, 2001 were 100% vested in the PERS retirement plan after 5 years of uninterrupted service.

The following information summarizes plan activity for the current fiscal year:

Total Authority Gross Salaries:	$ 5,985,143
Total Authority Regular Salaries Subject to PERS:	4,513,153
Total Authority Contributions Required and Paid:	980,355

Before Authority employees became County employees, the Authority fully funded a defined contribution pension plan on behalf of qualified employees and for their account. During the current fiscal year, the Authority participated in the PERS plan through the County of Riverside and was not required and did not make any contributions to the prior plan. In August 2002 the prior pension plan was formally terminated and plan assets were distributed to the entitled employees in accordance with written instructions as specified by each current or former employee.

NOTE 20 – POST-RETIREMENT BENEFITS

In addition to providing retirement benefits, the County provides certain post-retirement health insurance premium payments to qualifying retired employees and their eligible dependents or survivors pursuant to collective bargaining agreements and Board resolutions. Employees with a minimum service of 5 years who are at least 50 years of age at retirement qualify to receive the post-retirement benefits. Approximately 1,896 retirees meet these requirements and are covered under the eligibility requirements. CalPERS is responsible for administering the benefits for retirees in certain employee bargaining units. Waste Management, Flood, and Park Districts have not been a part of CalPERS-administered Health Plans since December 31, 2002. In addition, most of the County's employee bargaining units have withdrawn from the CalPERS-administered health plans and are now enrolled with County-administered health plans.

The contributions for retirees and beneficiaries have been funded on a pay-as-you-go basis, which are allocated among the operating departments based on the proportionate number of current employees. For the year ended June 30, 2007, CalPERS-administered health plan expenditures amounted to approximately $361 thousand and County-administered health plan expenditures amounted to approximately $1 million, respectively. Effective with FY2007-08, the Board of Supervisors has authorized establishment of a trust fund through CalPERS, which will be initially funded with $10 million.

The County of Riverside did obtain an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of January 1, 2007. Based on the combination of plans and contribution levels that the County offers, the present value of future benefits, assuming a 7.24% interest rate, was estimated to be $58.8 million, while the annual normal cost is $1.6 million. If the accrued actuarial liability of $48.6 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would be $4.4 million.

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, 2006, 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 2006-07 Single Audit of federal awards report is expected to be submitted to the Federal Audit Clearinghouse on or before March 30, 2008.

Commitments

At June 30, 2007, 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. $46.1 million will be payable upon future performance under the contracts.

NOTE 21 – COMMITMENTS AND CONTINGENCIES

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 $19.7 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 $19.7 million. At June 30, 2007, Waste has accrued $19.7 million for the estimated costs related to the remediation of these landfills. Remediation expense for fiscal year 2007 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 $19.7 million and $16.9 million are held for these purposes at June 30, 2007 and 2006, 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 2, 2007, the County as a participant in the California Statewide Communities Development Authority Pool issued $320 million of Tax and Revenue Anticipation Notes in the form of Series A-3 Bonds due June 30, 2008. The stated interest rate for the A-3 Bonds is set at 4.5% per annum with a yield of 3.62%.

The issuance is divided into two entities: $247 million for the Tax and Revenue Anticipation Notes and the other $73 million to pre-pay a portion of the County's CalPERS contribution for 2007-08. Between the prepayment discount of 3.66%, and earnings on cash flow the County expects to net $2.0 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 2007-08 and legally available for payment thereof. Proceeds for the Bonds will be used for fiscal year 2007-08 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 2007-2008, the State has directed the following ERAF tax shifts: First, a transfer of $348.9 million to the Vehicle License Fee Property Tax Compensation Fund for distribution of 50% in January and 50% in May. Secondly, the State has directed a transfer of $73 million to the Sales and Use Tax Compensation Fund for distribution of 50% in January and 50% in May. The total ERAF transfer for 2007-2008 is $421.9 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. At the time of this report, a bill to extend the deadline to December 31, 2008, SB 145, was still pending approval at the state level.

Transfer of responsibility may occur not earlier than July 1, 2004, and not later than June 30, 2007. The bill further imposes a state-mandated local program by expanding various duties of a county with respect to court facilities. This bill would establish the Court Facilities Trust Fund to be financed by specified payments by each county. In general, the County is held responsible for maintenance-of-effort contributions.

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.

Facility	Date Transferred to State	Annual Payment Obligation
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
Annual Payment Obligation		$ 1,608,149

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.

The Effects of the Economy on CalPERS

Based on past negative performance of the CalPERS fund, CalPERS has estimated that the County's Miscellaneous and Safety contribution rates for fiscal year 2007-08 will be 12.05% and 18.63%, respectively. Fiscal year 2008-09 contribution rates for Miscellaneous and Safety are estimated at 11.9% and 18.4%, respectively. They will be accounted for in fiscal year 2007-08 and future budget years.

OPEB Trust Agreement

In accordance with GASB 45, on October 23, 2007, the County's Board of Supervisors approved a trust agreement and elected to pre-fund Other Post Employment Benefits (OPEB) with the California Public Employees Retirement System (CalPERS). The trust will be initially funded with $10 million in previously designated general fund balance.

Tobacco Settlement Revenues

On July 17, 2007, the County's Board of Supervisors approved the formation of the Inland Empire Tobacco Securitization Corporation (the Corporation), the Joint Powers Agreement with the County of San Bernardino creating the Inland Empire Tobacco Securitization Authority (the JPA), and authorized the execution of a purchase and sale agreement of a portion of the County's tobacco settlement revenues.

NOTE 22 – SUBSEQUENT EVENTS (Continued)

Tobacco Settlement Revenues (Continued)

Subsequently, the JPA issued $294 million in Tobacco Settlement Asset-Backed Bonds. The bond proceeds were used to make a loan to the Corporation on August 1, 2007. The Corporation, in turn used the proceeds of the loan to purchase a portion of Riverside County's tobacco settlement revenues. The County will use the proceeds to fund certain County capital projects.

CORAL 2007 Certificates of Participation

On August 9, 2007, CORAL authorized the issuance of $111.1 million in Certificate of Participation Bonds, 2007 Series A – Fixed Rate Certificates ($73.7 million), and 2007 Series B – Auction Rate Certificates ($37.4 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 3.85% to 5.00% and the maturity date is November 1, 2017. The 2007 Series B Certificates mature (subject to prior prepayment) on November 1, 2021. The interest rates on the 2007 Series B Certificates will be determined by the Auction Agent during each Auction Period given the 2007 Series B are being issued as Auction Rate Certificates.

REQUIRED SUPPLEMENTARY INFORMATION

Photographer:
RICHARD PAUL
"Indonesian Lady"

Blank Page

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 (in thousands):

Riverside County – Miscellaneous

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 1,834,161	$ 2,231,624	$ (397,463)	.822	$ 571,677	(69.5%)
June 30, 2005	2,364,565	2,471,523	(106,958)	.957	592,531	(18.1%)
June 30, 2006	2,599,592	2,741,753	(142,161)	.948	659,274	(21.6%)

Riverside County - Safety

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 887,401	$ 1,021,085	$ (133,684)	.869	$ 161,598	(82.7%)
June 30, 2005	1,069,038	1,127,240	(58,202)	.948	168,806	(34.5%)
June 30, 2006	1,170,093	1,231,954	(61,862)	.950	189,606	(32.6%)

Flood Control and Water Conservation District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 62,180	$ 71,615	$ (9,435)	.868	$ 11,324	(83.3%)
June 30, 2005	69,637	77,958	(8,321)	.893	12,072	(68.9%)
June 30, 2006	75,422	84,198	(8,775)	.896	13,041	(67.3%)

Regional Park and Open-Space District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 334,956	$ 426,958	$ (92,002)	.785	$ 90,667	(101.5%)
June 30, 2005	405,481	499,323	(93,842)	.812	108,618	(86.4%)
June 30, 2006	501,707	620,492	(118,785)	.855	126,050	(94.2%)

The amounts disclosed are for the entire Risk Pool fund in which Parks participates and not solely of its specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

COUNTY OF RIVERSIDE
Required Supplementary Information
June 30, 2007

SCHEDULES OF FUNDING PROGRESS (CONTINUED)

Waste Management Department

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2004	$ 334,956	$ 426,958	$ (92,002)	.785	$ 90,667	(101.5%)
June 30, 2005	405,481	499,323	(93,842)	.812	108,618	(86.4%)
June 30, 2006	501,707	620,492	(118,785)	.855	126,050	(94.2%)

The amounts disclosed are for the entire Risk Pool fund in which WMD participates and not solely of its specific assets and liabilities. CalPERS Risk Pool valuation does not break out specific assets and liabilities.

Riverside County – Part-time and Temporary Help

Six -Year Trend Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Asset Value in Excess (Deficit) of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Assets in Excess (Deficit) of AAL As a Percentage of Covered Payroll (a-b)/c
June 30, 2001	$ 3,000	$ 4,579	$ (1,579)	.655	$ 26,258	(6.0%)
June 30, 2002	4,330	7,103	(2,773)	.610	18,956	(14.6%)
June 30, 2003	5,945	8,454	(2,509)	.703	31,360	(8.0%)
June 30, 2004	7,352	9,338	(1,986)	.787	29,670	(6.7%)
June 30, 2005	8,534	11,020	(2,486)	.774	31,360	(9.1%)
June 30, 2006	10,520	13,673	(3,153)	.769	29,124	(10.8%)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Riverside County – Part-time and Temporary Help – Employer Contribution Trend Data

Six -Year Trend Information

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$ 680	100%	$ -
2003	921	100	-
2004	813	100	-
2005	616	100	-
2006	633	100	-
2007	1,914	100	-

COMBINING AND INDIVIDUAL FUND STATEMENTS AND BUDGETARY SCHEDULES

Photographer
RICHARD PAUL
"Indonesian Dancers"

Blank Page

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Teeter Debt Service Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 242	$ 1,330	$ 1,088
Total revenues	250	242	1,330	1,088
EXPENDITURES:				
Current:				
General government	3,683	1,000	735	(265)
Debt service:				
Interest	-	2,683	2,683	-
Total expenditures	3,683	3,683	3,418	(265)
Excess (deficiency) of revenues over (under) expenditures	(3,433)	(3,441)	(2,088)	1,353
OTHER FINANCING SOURCES (USES):				
Transfers in	3,433	3,441	3,441	-
Transfers out	-		(1,353)	(1,353)
Total other financing sources and (uses)	3,433	3,441	2,088	(1,353)
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, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 157	$ 157	$ -	$ (157)
License, permits, and franchise fees	2,628	2,628	-	(2,628)
Use of money and property:				
Interest	3,722	3,722	11,734	8,012
Aid from other governmental agencies:				
State	2	2	-	(2)
Charges for services	66,820	60,880	36,530	(24,350)
Other revenue	57,129	52,607	34,961	(17,646)
Total revenues	130,458	119,996	83,225	(36,771)
EXPENDITURES:				
Current:				
General government	106,444	137,051	82,355	(54,696)
Public ways and facilities	24,033	17,018	14	(17,004)
Total expenditures	130,477	154,069	82,369	(71,700)
Excess (deficiency) of revenues over (under) expenditures	(19)	(34,073)	856	34,929
OTHER FINANCING SOURCES (USES):				
Transfers in	-	71,061	71,061	-
Transfers out	-	(38,562)	(38,562)	-
Total other financing sources and (uses)	-	32,499	32,499	-
NET CHANGE IN FUND BALANCE	(19)	(1,574)	33,355	34,929
Fund balance, beginning of year	222,983	222,983	222,983	-
FUND BALANCE, END OF YEAR	$ 222,964	$ 221,409	$ 256,338	$ 34,929

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 4,300	$ 4,300	$ 12,976	$ 8,676
Charges for current services	32	32	2,248	2,216
Other revenue	73,529	56,842	2,492	(54,350)
Total revenues	77,861	61,174	17,716	(43,458)
EXPENDITURES:				
Current:				
General government	77,862	61,960	40,606	(21,354)
Total expenditures	77,862	61,960	40,606	(21,354)
Excess (deficiency) of revenues over (under) expenditures	(1)	(786)	(22,890)	(22,104)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	16,687	16,687	-
Transfers out	-	(16,106)	(16,106)	-
Issuance of debt	-	-	199,327	199,327
Proceeds from sale of capital assets	-	-	916	916
Total other financing sources and (uses)	-	581	200,824	200,243
NET CHANGE IN FUND BALANCE	(1)	(205)	177,934	178,139
Fund balance, beginning of year, as previously reported	208,704	208,704	208,704	-
Adjustments to beginning fund balance	-	-	811	811
Fund balance, beginning of year, as restated	208,704	208,704	209,515	811
FUND BALANCE, END OF YEAR	$ 208,703	$ 208,499	$ 387,449	$ 178,950

(This Page Intentionally Left Blank)

NONMAJOR GOVERNMENTAL FUNDS

Photographer:
RICHARD PAUL
"Mexican Folklorico Dancer"

Blank Page

COUNTY OF RIVERSIDE
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(Dollars in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
ASSETS:				
Cash and investments	$ 390,584	$ 32,053	$ 10,931	$ 433,568
Accounts receivable	5,223	4,093	-	9,316
Interest receivable	3,634	744	117	4,495
Taxes receivable	9,965	-	142	10,107
Due from other governments	10,927	-	2,089	13,016
Inventories	933	-	-	933
Due from other funds	1,776	-	-	1,776
Prepaid items	1,884	-	10,994	12,878
Restricted cash and investments	14,100	37,603	33,550	85,253
Notes receivable	24,983	-	-	24,983
Land held for resale	9,539	-	-	9,539
Total assets	473,548	74,493	57,823	605,864
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	31,189	1,185	1,986	34,360
Salaries and benefits payable	6,274	-	174	6,448
Due to other governments	2,222	-	-	2,222
Due to other funds	340	-	850	1,190
Deposits payable	99	-	-	99
Advance from other funds	37	-	-	37
Deferred revenue	22,946	-	300	23,246
Total liabilities	63,107	1,185	3,310	67,602
Fund balances:				
Reserved	74,416	73,308	44,842	192,566
Unreserved, designated, reported in:				
Special revenue funds	187,664	-	-	187,664
Capital projects funds	-	-	9,671	9,671
Unreserved, undesignated, reported in:				
Special revenue funds	148,361	-	-	148,361
Total fund balances	410,441	73,308	54,513	538,262
Total liabilities and fund balances	$ 473,548	$ 74,493	$ 57,823	$ 605,864

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2007
(Dollar in Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total
REVENUES:				
Taxes	$ 158,250	$ 63,203	$ -	$ 221,453
Licenses, permits and franchise fees	178	-	-	178
Fines, forfeitures and penalties	1,798	-	-	1,798
Use of money and property:				
Interest	16,920	4,988	2,993	24,901
Rents and concessions	7,842	32,524	-	40,366
Aid from other governmental agencies:				
Federal	66,079	-	-	66,079
State	38,885	-	5,355	44,240
Other	7,408	-	-	7,408
Charges for services	72,194	1,506	-	73,700
Other revenue	39,540	-	14	39,554
Total revenues	409,094	102,221	8,362	519,677
EXPENDITURES:				
Current:				
General government	45,910	27,479	3,804	77,193
Public protection	55,482	-	-	55,482
Public ways and facilities	152,536	-	-	152,536
Health and sanitation	7,454	-	-	7,454
Public assistance	41,383	-	-	41,383
Education	14,436	-	-	14,436
Recreation and culture	11,343	-	161	11,504
Debt service:				
Principal	2,890	23,673	-	26,563
Interest	204	63,225	-	63,429
Cost of issuance	-	5,565	-	5,565
Capital outlay	67	385	49,262	49,714
Total expenditures	331,705	120,327	53,227	505,259
Excess (deficiency) of revenues				
Over (under) expenditures	77,389	(18,106)	(44,865)	14,418
OTHER FINANCING SOURCES (USES):				
Transfers in	69,139	36,667	26,600	132,406
Transfers out	(101,165)	(19,316)	(5,908)	(126,389)
Issuance of debt	243	94,203	-	94,446
Premium on long-term debt	-	2,876	-	2,876
Issuance of refunding bonds	-	(103,396)	-	(103,396)
Total other financing sources (uses)	(31,783)	11,034	20,692	(57)
NET CHANGE IN FUND BALANCES	45,606	(7,072)	(24,173)	14,361
Fund balances, beginning of year,				
as previously reported	363,328	79,935	78,686	521,949
Adjustments to beginning fund balances	1,507	445	-	1,952
Fund balances, beginning of year, as restated	364,835	80,380	78,686	523,901
FUND BALANCES, END OF YEAR	$ 410,441	$ 73,308	$ 54,513	$ 538,262

SPECIAL REVENUE FUNDS

Photographer
OTIS ALEXANDER
"Jazzy J"

Blank Page

COUNTY OF RIVERSIDE

SPECIAL REVENUE FUNDS

These are funds 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 FUND

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 FUND

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 FUND

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 FUND

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 AREA FUND

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 DISTRICT

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 FUND

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 FUND

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 FUND

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.

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE
Combining Balance Sheet
Special Revenue Funds
June 30, 2007
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
ASSETS:					
Cash and investments	$ 90,757	$ 162,383	$ 26,696	$ 64,885	$ 15,842
Accounts receivable	4,481	596	103	-	-
Interest receivable	860	1,747	56	515	163
Taxes receivable	123	3,564	5,019	-	624
Due from other governments	7,791	4	1,942	-	-
Inventories	933	-	-	-	-
Due from other funds	926	-	-	-	-
Prepaid Items	-	1,804	80	-	-
Restricted cash and investment	-	14,100	-	-	-
Notes receivable	-	-	-	24,983	-
Land held for resale	-	-	-	9,539	-
Total assets	105,871	184,198	33,896	99,922	16,629
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts payable	13,481	15,334	855	442	493
Salaries and benefits payable	2,582	1,068	1,798	-	61
Due to other governments	1,403	567	232	-	2
Due to other funds	-	-	-	-	332
Deposits payable	-	-	-	-	99
Advances from other funds	-	-	37	-	-
Deferred revenue	19,442	109	2,705	-	19
Total liabilities	36,908	17,078	5,627	442	1,006
Fund balances (Note 14):					
Reserved:	11,927	-	3,098	56,832	2
Unreserved:					
Designated	38	134,396	526	42,648	5
Undesignated	56,998	32,724	24,645	-	15,616
Total fund balances	68,963	167,120	28,269	99,480	15,623
Total liabilities and fund balances	$ 105,871	$ 184,198	$ 33,896	$ 99,922	$ 16,629

Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total	
					ASSETS:
$ 11,401	$ 1,107	$ 870	$ 16,643	$ 390,584	Cash and investments
-	-	-	43	5,223	Accounts receivable
125	11	6	151	3,634	Interest receivable
585	-	-	50	9,965	Taxes receivable
135	158	479	418	10,927	Due from other governments
-	-	-	-	933	Inventories
850	-	-	-	1,776	Due from other funds
-	-	-	-	1,884	Prepaid Items
-	-	-	-	14,100	Restricted cash and investment
-	-	-	-	24,983	Notes receivable
-	-	-	-	9,539	Land held for resale
13,096	1,276	1,355	17,305	473,548	Total assets
					LIABILITIES AND FUND BALANCES:
					Liabilities:
14	11	-	559	31,189	Accounts payable
402	-	103	260	6,274	Salaries and benefits payable
6	-	-	12	2,222	Due to other governments
-	8	-	-	340	Due to other funds
-	-	-	-	99	Deposits payable
-	-	-	-	37	Advances from other funds
51	-	-	620	22,946	Deferred revenue
473	19	103	1,451	63,107	Total liabilities
					Fund balances (Note 14):
985	-	5	1,567	74,416	Reserved:
					Unreserved:
10,051	-	-	-	187,664	Designated
1,587	1,257	1,247	14,287	148,361	Undesignated
12,623	1,257	1,252	15,854	410,441	Total fund balances
$ 13,096	$ 1,276	$ 1,355	$ 17,305	$ 473,548	Total liabilities and fund balances

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Transportation	Flood Control	Community Services	Redevelopment Agency	County Service Areas
REVENUES:					
Taxes	$ 25,126	$ 49,233	$ 60,673	$ 15,801	$ 1,628
Licenses, permits, and franchise fees	157	-	-	-	-
Fines, forfeitures, and penalties	742	-	623	-	-
Use of money and property:					
Interest	4,191	7,621	387	2,727	772
Rents and concessions	-	188	859	-	38
Aid from other governmental agencies:					
Federal	14,149	4,920	41,734	-	-
State	27,563	643	5,538	-	19
Other	7,408	-	-	-	-
Charges for services	35,589	12,646	1,581	-	8,547
Other revenue	13,848	3,476	20,208	230	178
Total revenues	128,773	78,727	133,603	18,758	11,182
EXPENDITURES:					
Current:					
General government	-	-	26,772	13,964	-
Public protection	2,329	48,464	201	-	8
Public ways and facilities	138,342	-	-	-	4,851
Health and sanitation	-	-	2,176	-	1,095
Public assistance	-	-	41,383	-	-
Education	-	-	14,436	-	-
Recreation and culture	-	-	-	-	745
Debt service:	-	-	-	-	-
Principal	2,657	-	233	-	-
Interest	204	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	143,532	48,464	85,201	13,964	6,699
Excess (deficiency) of revenues over (under) expenditures	(14,759)	30,263	48,402	4,794	4,483
OTHER FINANCING SOURCES (USES):					
Transfers in	38,170	30	26,485	-	251
Transfers out	(12,134)	(1,063)	(72,915)	(5,350)	(3,272)
Issuance of debt	-	-	-	243	-
Total other financing sources (uses)	26,036	(1,033)	(46,430)	(5,107)	(3,021)
NET CHANGE IN FUND BALANCES	11,277	29,230	1,972	(313)	1,462
Fund balances, beginning of year, as previously reported	57,686	137,890	26,297	98,286	14,161
Adjustments to beginning fund balances	-	-	-	1,507	-
Fund balances, beginning of year, as restated	57,686	137,890	26,297	99,793	14,161
FUND BALANCES, END OF YEAR	$ 68,963	$ 167,120	$ 28,269	$ 99,480	$ 15,623

Regional Park and Open-Space	Air Quality Improvement	In-Home Support Services	Other Special Revenue	Total	
					REVENUES:
$ 4,877	$ -	$ -	$ 912	$ 158,250	Taxes
-	-	-	21	178	Licenses, permits, and franchise fees
-	-	-	433	1,798	Fines, forfeitures, and penalties
		-			Use of money and property:
458	55	18	691	16,920	Interest
504	-	-	6,253	7,842	Rents and concessions
					Aid from other governmental agencies:
11	-	1,571	1,694	66,079	Federal
623	785	652	3,062	38,885	State
-	-	-	-	7,408	Other
4,897	-	-	8,934	72,194	Charges for services
190	1	-	1,409	39,540	Other revenue
11,560	841	2,241	23,409	409,094	Total revenues
					EXPENDITURES:
					Current:
-	304	-	4,870	45,910	General government
139	-	-	4,341	55,482	Public protection
304	-	-	9,039	152,536	Public ways and facilities
-	-	1,955	2,228	7,454	Health and sanitation
-	-	-	-	41,383	Public assistance
-	-	-	-	14,436	Education
10,598	-	-	-	11,343	Recreation and culture
-	-	-	-		Debt service:
-	-	-	-	2,890	Principal
-	-	-	-	204	Interest
67	-	-	-	67	Capital outlay
11,108	304	1,955	20,478	331,705	Total expenditures
452	537	286	2,931	77,389	Excess (deficiency) of revenues over (under) expenditures
					OTHER FINANCING SOURCES (USES):
1,471	-	-	2,732	69,139	Transfers in
(338)	(282)	(539)	(5,272)	(101,165)	Transfers out
-	-	-	-	243	Issuance of debt
1,133	(282)	(539)	(2,540)	(31,783)	Total other financing sources (uses)
1,585	255	(253)	391	45,606	NET CHANGE IN FUND BALANCES
11,038	1,002	1,505	15,463	363,328	Fund balances, beginning of year, as previously reported
-	-	-	-	1,507	Adjustments to beginning fund balances
11,038	1,002	1,505	15,463	364,835	Fund balances, beginning of year, as restated
$ 12,623	$ 1,257	$ 1,252	$ 15,854	$ 410,441	FUND BALANCES, END OF YEAR

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Transportation Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 13,561	$ 24,412	$ 25,126	$ 714
License, permits, and franchise fees	191	191	157	(34)
Fines, forfeitures, and penalties	-	-	742	742
Use of money and property:				
Interest	775	775	4,191	3,416
Aid from other governmental agencies:				
Federal	23,557	31,764	14,149	(17,615)
State	39,688	31,282	27,563	(3,719)
Other	16,619	16,948	7,408	(9,540)
Charges for current services	100,866	97,985	35,589	(62,396)
Other revenue	77,010	36,569	13,848	(22,721)
Total revenues	272,267	239,926	128,773	(111,153)
EXPENDITURES:				
Current:				
Public protection	3,144	3,262	2,329	(933)
Public ways and facilities	275,397	283,258	138,342	(144,916)
Debt service:				
Principal	-	2,657	2,657	-
Interest	-	204	204	-
Total expenditures	278,541	289,381	143,532	(145,849)
Excess (deficiency) of revenues over (under) expenditures	(6,274)	(49,455)	(14,759)	34,696
OTHER FINANCING SOURCES (USES):				
Transfers in	-	38,170	38,170	-
Transfers out	-	(12,134)	(12,134)	-
Total other financing sources and (uses)	-	26,036	26,036	-
NET CHANGE IN FUND BALANCE	(6,274)	(23,419)	11,277	34,696
Fund balance, beginning of year	57,686	57,686	57,686	-
FUND BALANCE, END OF YEAR	$ 51,412	$ 34,267	$ 68,963	$ 34,696

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Flood Control Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 34,045	$ 34,545	$ 49,233	$ 14,688
Use of money and property:				
Interest	2,838	2,838	7,621	4,783
Rents and concessions	72	72	188	116
Aid from other governmental agencies:				
Federal	-	-	4,920	4,920
State	590	590	643	53
Charges for services	13,343	13,343	12,646	(697)
Other revenue	6,160	6,130	3,476	(2,654)
Total revenues	57,048	57,518	78,727	21,209
EXPENDITURES:				
Current:				
Public protection	95,798	95,235	48,464	(46,771)
Total expenditures	95,798	95,235	48,464	(46,771)
Excess (deficiency) of revenues over (under) expenditures	(38,750)	(37,717)	30,263	67,980
OTHER FINANCING SOURCES (USES):				
Transfers in	-	30	30	-
Transfers out	-	(1,063)	(1,063)	-
Total other financing sources (uses)	-	(1,033)	(1,033)	-
NET CHANGE IN FUND BALANCE	(38,750)	(38,750)	29,230	67,980
Fund balance, beginning of year	137,890	137,890	137,890	-
FUND BALANCE, END OF YEAR	$ 99,140	$ 99,140	$ 167,120	$ 67,980

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Community Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 58,780	$ 59,913	$ 60,673	$ 760
Fines, forfeitures, and penalties	440	520	623	103
Use of money and property:				
Interest	53	53	387	334
Rents and concessions	763	763	859	96
Aid from other governmental agencies:				
Federal	52,366	55,226	43,734	(11,492)
State	7,005	8,155	5,538	(2,617)
Charges for current services	21,243	2,172	1,581	(591)
Other revenue	30,138	23,577	20,208	(3,369)
Total revenues	170,788	150,379	133,603	(16,776)
EXPENDITURES:				
Current:				
General government	37,205	34,877	26,772	(8,105)
Public protection	61,160	2,915	201	(2,714)
Health and sanitation	2,526	3,387	2,176	(1,211)
Public assistance	57,816	51,539	41,383	(10,156)
Education	16,646	17,129	14,436	(2,693)
Debt service:				
Principal	1,923	1,218	233	(985)
Total expenditures	177,276	111,065	85,201	(25,864)
Excess (deficiency) of revenues over (under) expenditures	(6,488)	39,314	48,402	9,088
OTHER FINANCING SOURCES (USES):				
Transfers in	-	26,485	26,485	-
Transfers out	-	(72,915)	(72,915)	-
Total other financing sources and (uses)	-	(46,430)	(46,430)	-
NET CHANGE IN FUND BALANCE	(6,488)	(7,116)	1,972	9,088
Fund balance, beginning of year	26,297	26,297	26,297	-
FUND BALANCE, END OF YEAR	$ 19,809	$ 19,181	$ 28,269	$ 9,088

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Redevelopment Agency Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 12,987	$ 12,987	$ 15,801	$ 2,814
Use of money and property:				
Interest	2,300	2,300	2,727	427
Other revenue	2,964	30,221	230	(29,991)
Total revenues	18,251	45,508	18,758	(26,750)
EXPENDITURES:				
Current:				
General government	18,251	40,401	13,964	(26,437)
Total expenditures	18,251	40,401	13,964	(26,437)
Excess (deficiency) of revenues over (under) expenditures	-	5,107	4,794	(313)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(5,350)	(5,350)	-
Issuance of debt	-	243	243	-
Total other financing sources and (uses)	-	(5,107)	(5,107)	-
NET CHANGE IN FUND BALANCE	-	-	(313)	(313)
Fund balance, beginning of year, as previously reported	98,286	98,286	98,286	-
Adjustments to beginning fund balance	-	-	1,507	1,507
Fund balance, beginning of year, as restated	98,286	98,286	99,793	1,507
FUND BALANCE, END OF YEAR	$ 98,286	$ 98,286	$ 99,480	$ 1,194

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
County Service Areas Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 996	$ 1,015	$ 1,628	$ 613
Use of money and property:				
Interest	216	216	772	556
Rents and concessions	12	12	38	26
Aid from other governmental agencies:				
State	16	16	19	3
Charges for current services	6,618	6,800	8,547	1,747
Other revenue	28	30	178	148
Total revenues	7,886	8,089	11,182	3,093
EXPENDITURES:				
Current:				
Public protection	259	368	8	(360)
Public ways and facilities	7,213	7,330	4,851	(2,479)
Health and sanitation	800	1,095	1,095	-
Recreation and cultural services	1,482	1,118	745	(373)
Total expenditures	9,754	9,911	6,699	(3,212)
Excess (deficiency) of revenues over (under) expenditures	(1,868)	(1,822)	4,483	6,305
OTHER FINANCING SOURCES (USES):				
Transfers in	-	251	251	-
Transfers out	-	(3,272)	(3,272)	-
Total other financing sources and (uses)	-	(3,021)	(3,021)	-
NET CHANGE IN FUND BALANCE	(1,868)	(4,843)	1,462	6,305
Fund balance, beginning of year	14,161	14,161	14,161	-
FUND BALANCE, END OF YEAR	$ 12,293	$ 9,318	$ 15,623	$ 6,305

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Taxes	$ 3,816	$ 3,816	$ 4,877	$ 1,061
Use of money and property:				
Interest	232	236	458	222
Rents and concessions	505	505	504	(1)
Aid from other governmental agencies:				
Federal	10	10	11	1
State	478	556	623	67
Charges for current services	5,406	4,073	4,897	824
Other revenue	1,265	1,615	190	(1,425)
Total revenues	11,712	10,811	11,560	749
EXPENDITURES:				
Current:				
Public protection	9	102	139	37
Public ways and facilities	-	304	304	-
Recreation and cultural services	12,536	12,691	10,598	(2,093)
Capital outlay	-	67	67	-
Total expenditures	12,545	13,164	11,108	(2,056)
Excess (deficiency) of revenues over (under) expenditures	(833)	(2,353)	452	2,805
OTHER FINANCING SOURCES (USES):				
Transfers in	-	1,471	1,471	-
Transfers out	-	(338)	(338)	-
Total other financing sources and (uses)	-	1,133	1,133	-
NET CHANGE IN FUND BALANCE	(833)	(1,220)	1,585	2,805
Fund balance, beginning of year	11,038	11,038	11,038	-
FUND BALANCE, END OF YEAR	$ 10,205	$ 9,818	$ 12,623	$ 2,805

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Air Quality Improvement Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 15	$ 15	$ 55	$ 40
Aid from other governmental agencies:				
State	600	600	785	185
Other revenue	-	-	1	1
Total revenues	615	615	841	226
EXPENDITURES:				
Current:				
General government	715	443	304	(139)
Total expenditures	715	443	304	(139)
Excess (deficiency) of revenues over (under) expenditures	(100)	172	537	365
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(282)	(282)	-
Total other financing sources / (uses)	-	(282)	(282)	-
NET CHANGE IN FUND BALANCE	(100)	(110)	255	365
Fund balance, beginning of year	1,002	1,002	1,002	-
FUND BALANCE, END OF YEAR	$ 902	$ 892	$ 1,257	$ 365

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
In-Home Support Services Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 18	$ 18
Aid from other governmental agencies:				
Federal	1,183	1,458	1,571	113
State	1,125	1,410	652	(758)
Other revenue	734	911	-	(911)
Total revenues	3,042	3,779	2,241	(1,538)
EXPENDITURES:				
Current:				
Health and sanitation	3,042	3,256	1,955	(1,301)
Total expenditures	3,042	3,256	1,955	(1,301)
Excess (deficiency) of revenues over (under) expenditures	-	523	286	(237)
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(539)	(539)	-
Total other financing sources / (uses)	-	(539)	(539)	-
NET CHANGE IN FUND BALANCE	-	(16)	(253)	(237)
Fund balance, beginning of year	1,505	1,505	1,505	-
FUND BALANCE, END OF YEAR	$ 1,505	$ 1,489	$ 1,252	$ (237)

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Other Special Revenue Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 720	$ 720	$ 912	$ 192
License, permits, and franchise fees	19	19	21	2
Fines, forfeitures, and penalties	-	-	433	433
Use of money and property:				
Interest	122	122	691	569
Rents and concessions	4,494	7,561	6,253	(1,308)
Aid from other governmental agencies:				
Federal	6,983	6,983	1,694	(5,289)
State	3,286	3,940	3,062	(878)
Charges for current services	11,017	10,831	8,934	(1,897)
Other revenue	1,061	627	1,409	782
Total revenues	27,702	30,803	23,409	(7,394)
EXPENDITURES:				
Current:				
General government	4,441	6,335	4,870	(1,465)
Public protection	5,493	5,279	4,341	(938)
Public ways and facilities	15,576	16,138	9,039	(7,099)
Health and sanitation	2,783	3,393	2,228	(1,165)
Total expenditures	28,293	31,145	20,478	(10,667)
Excess (deficiency) of revenues over (under) expenditures	(591)	(342)	2,931	3,273
OTHER FINANCING SOURCES (USES):				
Transfers in	-	2,732	2,732	-
Transfers out	-	(5,272)	(5,272)	-
Total other financing sources and (uses)	-	(2,540)	(2,540)	-
NET CHANGE IN FUND BALANCE	(591)	(2,882)	391	3,273
Fund balance, beginning of year	15,463	15,463	15,463	-
FUND BALANCE, END OF YEAR	$ 14,872	$ 12,581	$ 15,854	$ 3,273

DEBT SERVICE FUNDS

Photographer.
SUZY JACKSON
"Samoan Dancers"

Blank Page

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 PROJECT)

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).

COUNTY OF RIVERSIDE
Combining Balance Sheet
Debt Service Funds
June 30, 2007
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Total
ASSETS:						
Cash and investments	$ -	$ 28,190	$ 693	$ -	$ 3,170	$ 32,053
Accounts receivable	-	2,120	-	-	1,973	4,093
Interest receivable	209	271	4	22	238	744
Restricted cash and investments	31,832	-	-	5,771	-	37,603
Total assets	32,041	30,581	697	5,793	5,381	74,493
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts Payable	81	632	-	-	472	1,185
Total liabilities	81	632	-	-	472	1,185
Fund balances (Note 14):						
Reserved	31,960	29,949	697	5,793	4,909	73,308
Total fund balances	31,960	29,949	697	5,793	4,909	73,308
Total liabilities and fund balances	$ 32,041	$ 30,581	$ 697	$ 5,793	$ 5,381	$ 74,493

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	CORAL	Redevelopment Agency	District Court Financing Corporation	Bankruptcy Court	Pension Obligation	Total
REVENUES:						
Taxes	$ -	$ 63,203	$ -	$ -	$ -	$ 63,203
Use of money and property:						
Interest	1,780	1,715	70	272	1,151	4,988
Rents and concessions	27,947	-	2,338	2,239	-	32,524
Charges for services	-	-	-	-	1,506	1,506
Total revenues	29,727	64,918	2,408	2,511	2,657	102,221
EXPENDITURES:						
Current:						
General Government	343	18,937	670	550	6,979	27,479
Principal	12,067	5,915	992	744	3,955	23,673
Interest	18,268	24,473	812	709	18,963	63,225
Cost of issuance	-	5,565	-	-	-	5,565
Capital outlay	385	-	-	-	-	385
Total expenditures	31,063	54,890	2,474	2,003	29,897	120,327
Excess (deficiency) of revenues over (under) expenditures	(1,336)	10,028	(66)	508	(27,240)	(18,106)
OTHER FINANCING SOURCES (USES):						
Transfers in	829	6,950	-	-	28,888	36,667
Transfers out	(1,616)	(17,700)	-	-	-	(19,316)
Issuance of debt	-	94,203	-	-	-	94,203
Premium on long-term debt	-	2,876	-	-	-	2,876
Issuance of refunding bonds	-	(103,396)	-	-	-	(103,396)
Total other financing sources (uses)	(787)	(17,067)	-	-	28,888	11,034
NET CHANGE IN FUND BALANCES	(2,123)	(7,039)	(66)	508	1,648	(7,072)
Fund balances, beginning of year, as previously reported	34,083	36,543	763	5,285	3,261	79,935
Adjustments to beginning fund balances	-	445	-	-	-	445
Fund balances, beginning of year, as restated	34,083	36,988	763	5,285	3,261	80,380
FUND BALANCES, END OF YEAR	$ 31,960	$ 29,949	$ 697	$ 5,793	$ 4,909	$ 73,308

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Redevelopment Agency Debt Service Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Taxes	$ 48,505	$ 56,505	$ 63,203	$ 6,698
Use of money and property:				
Interest	1,000	1,000	1,715	715
Other revenue	17,322	23,293	-	(23,293)
Total revenues	66,827	80,798	64,918	(15,880)
EXPENDITURES:				
Current:				
General government	66,827	27,778	18,937	(8,841)
Debt service:				
Principal	-	5,915	5,915	-
Interest	-	24,473	24,473	-
Cost of issuance	-	5,565	5,565	-
Total expenditures	66,827	63,731	54,890	(8,841)
Excess (deficiency) of revenues over (under) expenditures	-	17,067	10,028	(7,039)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	6,950	6,950	-
Transfers out	-	(17,700)	(17,700)	-
Issuance of debt	-	94,203	94,203	-
Premium on long-term debt	-	2,876	2,876	-
Issuance of refunding bonds	-	(103,396)	(103,396)	-
Total other financing sources and (uses)	-	(17,067)	(17,067)	-
NET CHANGE IN FUND BALANCE	-	-	(7,039)	(7,039)
Fund balance, beginning of year, as previously reported	36,543	36,543	36,543	-
Adjustments to beginning fund balance	-	-	445	445
Fund balance, beginning of year, as restated	36,543	36,543	36,988	445
FUND BALANCE, END OF YEAR	$ 36,543	$ 36,543	$ 29,949	$ (6,594)

COUNTY OF RIVERSIDE

Budgetary Comparison Schedule
Pension Obligation Bond Debt Service Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 250	$ 250	$ 1,151	$ 901
Charges for current services	28,918	30	1,506	1,476
Total revenues	29,168	280	2,657	2,377
EXPENDITURES:				
Current:				
General government	29,168	6,250	6,979	729
Debt service:				
Principal	-	3,955	3,955	-
Interest	-	18,963	18,963	-
Total expenditures	29,168	29,168	29,897	729
Excess (deficiency) of revenues over (under) expenditures	-	(28,888)	(27,240)	1,648
OTHER FINANCING SOURCES (USES):				
Transfers in	-	28,888	28,888	-
Total other financing sources and (uses)	-	28,888	28,888	-
NET CHANGE IN FUND BALANCE	-	-	1,648	1,648
Fund balance, beginning of year	3,261	3,261	3,261	-
FUND BALANCE, END OF YEAR	$ 3,261	$ 3,261	$ 4,909	$ 1,648

(This Page Intentionally Left Blank)

CAPITAL PROJECTS FUNDS

Photographer
RICHARD PAUL
"Color Choices"

Blank Page

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.

EMERGENCY SERVICES COMMUNICATION (PSEC)

The Emergency Services 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.

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 DISTRICT

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, 2007
(Dollars in Thousands)

	PSEC	CORAL	Flood Control	District Court Financing Corporation	Regional Park and Open-Space	CREST	Total
ASSETS:							
Cash and investments	$ 1,077	$ -	$ 107	$ 160	$ 9,131	$ 456	$ 10,931
Interest receivable	-	-	2	1	110	4	117
Taxes receivable	-	142	-	-	-	-	142
Due from other governments	-	-	-	-	2,089	-	2,089
Prepaid items	10,444	-	-	-	550	-	10,994
Restricted cash and investments	-	33,550	-	-	-	-	33,550
Total assets	11,521	33,692	109	161	11,880	460	57,823
LIABILITIES AND FUND BALANCES:							
Liabilities:							
Accounts payable	75	1,397	5	-	509	-	1,986
Salaries and benefits payable	174	-	-	-	-	-	174
Due to other funds	-	-	-	-	850	-	850
Deferred revenue	-	-	-	-	300	-	300
Total liabilities	249	1,397	5	-	1,659	-	3,310
Fund balances (Note 14):							
Reserved	11,272	32,295	104	161	550	460	44,842
Unreserved:							
Designated	-	-	-	-	9,671	-	9,671
Total fund balances	11,272	32,295	104	161	10,221	460	54,513
Total liabilities and fund balances	$ 11,521	$ 33,692	$ 109	$ 161	$ 11,880	$ 460	$ 57,823

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Capital Projects Fund

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	PSEC	*CORAL*	Flood Control	District Court Financing Corporation	Regional Park and Open-Space	*CREST*	*Total*
REVENUES:							
Use of money and property:							
Interest	$ -	$ 2,591	$ 8	$ 8	$ 382	$ 4	$ 2,993
Aid from other governmental agencies:							
State	-	-	-	-	5,355	-	5,355
Other revenue	6	-	-	-	8	-	14
Total revenues	6	2,591	8	8	5,745	4	8,362
EXPENDITURES:							
Current:							
General government	3,804	-	-	-	-	-	3,804
Recreation and culture	-	-	-	-	161	-	161
Capital outlay	-	41,824	453	-	6,849	136	49,262
Total expenditures	3,804	41,824	453	-	7,010	136	53,227
Excess (deficiency) of revenues over (under) expenditures	(3,798)	(39,233)	(445)	8	(1,265)	(132)	(44,865)
OTHER FINANCING SOURCES (USES):							
Transfers in	15,230	1,045	308	-	9,425	592	26,600
Transfers out	(1,002)	(257)	-	-	(4,649)	-	(5,908)
Total other financing sources (uses)	14,228	788	308	-	4,776	592	20,692
NET CHANGE IN FUND BALANCES	10,430	(38,445)	(137)	8	3,511	460	(24,173)
Fund balances, beginning of year	842	70,740	241	153	6,710	-	78,686
FUND BALANCES, END OF YEAR	$ 11,272	$ 32,295	$ 104	$ 161	$ 10,221	$ 460	$ 54,513

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
PSEC Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Other revenue	$ 5,900	$ 1,114	$ 6	$ (1,108)
Total revenues	5,900	1,114	6	(1,108)
EXPENDITURES:				
Current:				
General government	5,900	16,124	3,804	(12,320)
Total expenditures	5,900	16,124	3,804	(12,320)
Excess (deficiency) of revenues over(under) expenditures	-	(15,010)	(3,798)	11,212
OTHER FINANCING SOURCES (USES):				
Transfers in	-	15,230	15,230	-
Transfers out	-	(1,002)	(1,002)	-
Total other financing sources and (uses)	-	14,228	14,228	-
NET CHANGE IN FUND BALANCE	-	(782)	10,430	11,212
Fund balance, beginning of year	842	842	842	-
FUND BALANCE, END OF YEAR	$ 842	$ 60	$ 11,272	$ 11,212

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Flood Control Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 1	$ 1	$ 8	$ 7
Other revenue	1,401	1,093	-	(1,093)
Total revenues	1,402	1,094	8	(1,086)
EXPENDITURES:				
Capital outlay	1,655	1,655	453	(1,202)
Total expenditures	1,655	1,655	453	(1,202)
Excess (deficiency) of revenues over(under) expenditures	(253)	(561)	(445)	116
OTHER FINANCING SOURCES (USES):				
Transfers in	-	308	308	-
Total other financing sources and (uses)	-	308	308	-
NET CHANGE IN FUND BALANCE	(253)	(253)	(137)	116
Fund balance, beginning of year	241	241	241	-
FUND BALANCE, END OF YEAR	$ (12)	$ (12)	$ 104	$ 116

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
Regional Park and Open-Space District Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ 198	$ 198	$ 382	$ 184
Aid from other governmental agencies:				
State	8,196	8,683	5,355	(3,328)
Other revenue	7,148	4,584	8	(4,576)
Total revenues	15,542	13,465	5,745	(7,720)
EXPENDITURES:				
Current:				
Recreation and cultural services	19,993	17,311	161	(17,150)
Capital outlay	-	4,849	6,849	2,000
Total expenditures	19,993	22,160	7,010	(15,150)
Excess (deficiency) of revenues over (under) expenditures	(4,451)	(8,695)	(1,265)	7,430
OTHER FINANCING SOURCES (USES):				
Transfers in	-	9,425	9,425	-
Transfers out	-	(4,649)	(4,649)	-
Total other financing sources and (uses)	-	4,776	4,776	-
NET CHANGE IN FUND BALANCE	(4,451)	(3,919)	3,511	7,430
Fund balance, beginning of year	6,710	6,710	6,710	-
FUND BALANCE, END OF YEAR	$ 2,259	$ 2,791	$ 10,221	$ 7,430

COUNTY OF RIVERSIDE
Budgetary Comparison Schedule
CREST Capital Projects Fund
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Over (Under)
REVENUES:				
Use of money and property:				
Interest	$ -	$ -	$ 4	$ 4
Total revenues	-	-	4	4
EXPENDITURES:				
Current:				
General government	-	592	-	(592)
Capital outlay	-	-	136	136
Total expenditures	-	592	136	(456)
Excess (deficiency) of revenues over(under) expenditures	-	(592)	(132)	460
OTHER FINANCING SOURCES (USES):				
Transfers in	-	592	592	-
Total other financing sources and (uses)	-	592	592	-
NET CHANGE IN FUND BALANCE	-	-	460	460
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	$ -	$ -	$ 460	$ 460

(This Page Intentionally Left Blank)

NONMAJOR ENTERPRISE FUNDS

Photographer
RICHARD PAUL
"African Student"

Blank Page

COUNTY OF RIVERSIDE

NONMAJOR ENTERPRISE FUNDS

These funds 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 AREA WATER AND SEWER DISTRICT FUNDS
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 FUNDS
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, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
ASSETS:				
Current assets:				
Cash and investments	$ 346	$ 5,982	$ 665	$ 6,993
Accounts receivable-net	-	166	2,419	2,585
Interest receivable	4	-	84	88
Taxes receivable	9	-	-	9
Due from other governments	-	3,559	25	3,584
Restricted cash and investments	-	1,954	2,678	4,632
Prepaid items and deposits	-	32	-	32
Total current assets	359	11,693	5,871	17,923
Noncurrent Assets:				
Capital assets:				
Depreciable assets	44	14,123	54	14,221
Nondepreciable assets	-	5,240	-	5,240
Total Noncurrent Assets	44	19,363	54	19,461
Total assets	403	31,056	5,925	37,384
LIABILITIES:				
Current liabilities:				
Accounts payable	3	-	2,872	2,875
Salaries and benefits payable	7	-	103	110
Interest payable	-	10	-	10
Deposits payable	46	-	-	46
Other liabilities	-	2,431	451	2,882
Compensated absences	2	-	94	96
Bonds payable	-	100	-	100
Total current liabilities	58	2,541	3,520	6,119
Noncurrent Liabilities:				
Compensated absences	10	744	196	950
Bonds payable	-	861	-	861
Other long-term liabilities	-	6,795	-	6,795
Total noncurrent liabilities	10	8,400	196	8,606
Total liabilities	68	10,941	3,716	14,725
NET ASSETS:				
Invested in capital assets, net of related debt	44	12,568	54	12,666
Restricted	62	178	-	240
Unrestricted	229	7,369	2,155	9,753
Total net assets	$ 335	$ 20,115	$ 2,209	$ 22,659

COUNTY OF RIVERSIDE
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
OPERATING REVENUES:				
Charges for services	$ 302	$ 2,403	$ 5,958	$ 8,663
Other	29	64,909	74	65,012
Total operating revenues	331	67,312	6,032	73,675
OPERATING EXPENSES:				
Personnel services	162	7,292	2,155	9,609
Communications	2	-	-	2
Insurance	2	-	-	2
Maintenance of building and equipment	42	1,623	4	1,669
Supplies	5	-	9	14
Purchased services	16	-	3,345	3,361
Depreciation and amortization	6	1,818	20	1,844
Rents and leases of equipment	8	-	13	21
Public assistance	-	57,739	-	57,739
Utilities	75	545	-	620
Other	9	1,012	20	1,041
Total operating expenses	327	70,029	5,566	75,922
Operating income (loss)	4	(2,717)	466	(2,247)
NONOPERATING REVENUES (EXPENSES):				
Investment income	18	408	376	802
Interest expense	(2)	(189)	-	(191)
Total nonoperating revenues (expenses)	16	219	376	611
Income (loss) before transfers	20	(2,498)	842	(1,636)
Transfers out	(1)	(161)	-	(162)
CHANGE IN NET ASSETS	19	(2,659)	842	(1,798)
Net assets, beginning of year	316	22,774	1,367	24,457
NET ASSETS, END OF YEAR	$ 335	$ 20,115	$ 2,209	$ 22,659

COUNTY OF RIVERSIDE
Statement of Cash Flows
Nonmajor Enterprise Funds
For the Fiscal Year Ending June 30, 2007
(Dollars in Thousands)

	County Service Areas	Housing Authority	Flood Control	Total
Cash flows from operating activities				
Cash receipts from customers / other funds	$ 331	$ 63,853	$ 5,245	$ 69,429
Cash paid to suppliers for goods and services	(157)	(61,052)	(3,128)	(64,337)
Cash paid to employees for services	(161)	(7,481)	(2,149)	(9,791)
Net cash provided by (used in) operating activities	13	(4,680)	(32)	(4,699)
Cash flows from noncapital financing activities				
Transfers paid	(1)	(161)	-	(162)
Net cash provided by (used in) noncapital financing activities	(1)	(161)	-	(162)
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	-	(608)	(3)	(611)
Principal paid on bonds payable	-	(21)	-	(21)
Interest paid on long-term debt	(2)	(189)	-	(191)
Net cash used in capital and related financing activities	(2)	(818)	(3)	(823)
Cash flows from investing activities				
Interest received on investments	17	408	343	768
Net cash provided by investing activities	17	408	343	768
Net increase (decrease) in cash and cash equivalents	27	(5,251)	308	(4,916)
Cash and cash equivalents, beginning of year	319	13,187	3,035	16,541
Cash and cash equivalents, end of year	$ 346	$ 7,936	$ 3,343	$ 11,625

Reconciliation of operating income to net cash provided (used) by operating activities

	County Service Areas	Housing Authority	Flood Control	Total
Operating income (loss)	$ 4	$ (2,717)	$ 466	$ (2,247)
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation and amortization	6	1,818	20	1,844
Decrease (Increase) accounts receivable	-	8	(805)	(797)
Decrease (Increase) due from other governments	-	(3,467)	18	(3,449)
Decrease (Increase) prepaid items and deposits	-	6	-	6
Increase (Decrease) accounts payable	3	-	2,554	2,557
Increase (Decrease) deposits payable	(1)	-	-	(1)
Increase (Decrease) other liabilities	-	(139)	(2,291)	(2,430)
Increase (Decrease) salaries and benefits payable	-	-	1	1
Increase (Decrease) compensated absences	1	(189)	5	(183)
Net cash provided by (used in) operating activities	$ 13	$ (4,680)	$ (32)	$ (4,699)

INTERNAL SERVICE FUNDS

Photographer:
RICHARD PAUL
"Bag Piper"

Blank Page

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 FUNDS
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 FUND
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 FUND
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 FUND
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 FUND
This fund finances the operation that provides County departments with merchandise and services on a cost-reimbursement basis.

OASIS PROJECT FUND
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 FUNDS
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 FUND (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 FUNDS
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, 2007
(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services	OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
ASSETS:										
Current assets:										
Cash and investments	$ 888	$ 6,380	$ 13,029	$ 2,306	$ 3,108	$ 7,062	$ 180,159	$ 2,585	$ 5,502	$ 221,019
Accounts receivable-net	20	79	-	107	2	-	2,247	-	15	2,470
Interest receivable	9	-	104	-	-	78	1,873	-	50	2,114
Due from other government	-	27	-	95	-	-	-	-	-	122
Advance to other funds	-	200	-	-	-	-	-	-	-	200
Inventories	-	526	1,212	284	393	-	-	-	328	2,743
Due from other funds	-	-	-	-	-	-	184	-	-	184
Prepaid items and deposits	-	-	-	11	-	-	-	-	-	11
Total current assets	917	7,212	14,345	2,803	3,503	7,140	184,463	2,585	5,895	228,863
Noncurrent assets:										
Capital assets:										
Depreciable assets	64	35,648	4,651	667	334	1,856	117	31	2,280	45,648
Non depreciable assets	-	350	-	-	-	-	-	-	-	350
Total noncurrent assets	64	35,998	4,651	667	334	1,856	117	31	2,280	45,998
Total assets	981	43,210	18,996	3,470	3,837	8,996	184,580	2,616	8,175	274,861
LIABILITIES:										
Current liabilities:										
Accounts payable	-	3,661	534	92	211	152	5,084	88	123	9,945
Salaries and benefits payable	80	230	1,182	117	44	451	1,106	1,625	86	4,921
Due to other funds	-	-	-	-	-	-	-	54	-	54
Due to other governments	-	-	-	-	2	-	8	-	82	92
Other liabilities	-	1,859	-	-	-	-	1	-	-	1,860
Compensated absences	69	240	1,174	88	21	390	737	62	85	2,866
Capital lease obligation	-	8,508	1,121	132	-	-	-	-	-	9,761
Estimated claims liability	-	-	-	-	-	-	39,594	-	-	39,594
Total current liabilities	149	14,498	4,011	429	278	993	46,530	1,829	376	69,093
Noncurrent liabilities:										
Compensated absences	37	167	1,000	19	14	440	556	67	179	2,479
Advance from other funds	-	-	-	200	-	-	-	-	-	200
Capital lease obligation	-	14,248	2,205	-	-	-	-	-	-	16,453
Estimated claims liabilities	-	-	-	-	-	-	95,634	-	-	95,634
Other long-term liabilities	-	1,500	-	-	-	-	-	-	-	1,500
Total noncurrent liabilities	37	15,915	3,205	219	14	440	96,190	67	179	116,266
Total liabilities	186	30,413	7,216	648	292	1,433	142,720	1,896	555	185,359
NET ASSETS:										
Invested in capital assets, net of related debt	64	11,742	1,325	535	334	1,856	117	31	2,280	18,284
Unrestricted (deficit)	731	1,055	10,455	2,287	3,211	5,707	41,743	689	5,340	71,218
Total net assets	$ 795	$ 12,797	$ 11,780	$ 2,822	$ 3,545	$ 7,563	$ 41,860	$ 720	$ 7,620	$ 89,502

COUNTY OF RIVERSIDE

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets

Internal Service Funds

For the Fiscal Year Ended June 30, 2007

(Dollars in Thousands)

	Records Management and Archives	Fleet Services	Information Services	Printing Services	Supply Services
OPERATING REVENUES:					
Charges for services	$ 2,708	$ 25,122	$ 38,403	$ 5,613	$ 9,310
Other revenue	-	456	7	2,591	9,971
Total operating revenues	2,708	25,578	38,410	8,204	19,281
OPERATING EXPENSES:					
Cost of materials used	-	1,743	-	-	-
Personnel services	1,386	3,610	18,521	1,735	614
Communications	15	85	3,533	36	34
Insurance	38	69	142	14	20
Maintenance of building and equipment	169	2,359	5,139	339	13
Insurance claims	-	-	-	-	-
Supplies	159	6,211	2,107	3,797	17,209
Purchased services	70	755	2,668	1,523	441
Depreciation and amortization	19	8,018	4,719	413	33
Rents and leases of equipment	286	1	755	35	-
Utilities	38	12	143	1	-
Other	24	156	709	56	110
Total operating expenses	2,204	23,019	38,436	7,949	18,474
Operating income (loss)	504	2,559	(26)	255	807
NONOPERATING REVENUES (EXPENSES):					
Investment income	32	21	158	8	12
Interest expense	-	(652)	(377)	(14)	-
Gain (loss) on disposal of capital assets	-	15	(4)	(16)	-
Total nonoperating revenues (expenses)	32	(616)	(223)	(22)	12
Income (loss) before capital contributions and transfers	536	1,943	(249)	233	819
Capital contributions	-	-	-	-	-
Transfers in	-	-	-	50	-
Transfers out	(33)	(85)	(448)	(40)	(15)
CHANGE IN NET ASSETS	503	1,858	(697)	243	804
Net assets, beginning of year	292	10,939	12,477	2,579	2,741
NET ASSETS, END OF YEAR	$ 795	$ 12,797	$ 11,780	$ 2,822	$ 3,545

	OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
OPERATING REVENUES:					
Charges for services	$ 14,470	$ 44,320	$ 25,853	$ 1,110	$ 166,909
Other revenue	-	11,795	43	4,895	29,758
Total operating revenues	14,470	56,115	25,896	6,005	196,667
OPERATING EXPENSES:					
Cost of materials used	-	-	-	42	1,785
Personnel services	6,025	12,522	21,665	1,971	68,049
Communications	274	173	53	2	4,205
Insurance	19	7,480	18	-	7,800
Maintenance of building and equipment	1,492	61	7	679	10,258
Insurance claims	-	61,695	-	-	61,695
Supplies	240	1,097	267	946	32,033
Purchased services	4,935	2,919	2,445	708	16,464
Depreciation and amortization	1,258	53	26	867	15,406
Rents and leases of equipment	460	885	190	2	2,614
Utilities	27	23	18	-	262
Other	692	1,090	274	476	3,587
Total operating expenses	15,422	87,998	24,963	5,693	224,158
Operating income (loss)	(952)	(31,883)	933	312	(27,491)
NONOPERATING REVENUES (EXPENSES):					
Investment income	122	8,157	10	213	8,733
Interest expense	-	-	-	-	(1,043)
Gain (loss) on disposal of capital assets	3	-	(6)	61	53
Total nonoperating revenues (expenses)	125	8,157	4	274	7,743
Income (loss) before capital contributions and transfers	(827)	(23,726)	937	586	(19,748)
Capital contributions	-	48,258	-	-	48,258
Transfers in	-	2,342	-	724	3,116
Transfers out	(150)	(2,652)	(1,005)	-	(4,428)
CHANGE IN NET ASSETS	(977)	24,222	(68)	1,310	27,198
Net assets, beginning of year	8,540	17,638	788	6,310	62,304
NET ASSETS, END OF YEAR	$ 7,563	$ 41,860	$ 720	$ 7,620	$ 89,502

COUNTY OF RIVERSIDE
Combining Statements of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Record Mgt and Archive	Fleet Service	Information Services	Printing Services	Supply Services
Cash flows from operating activities					
Cash receipts from internal services provided	$ 2,688	$ 25,536	$ 38,410	$ 8,031	$ 19,280
Cash paid to suppliers for goods and services	(814)	(11,934)	(17,084)	(5,785)	(18,650)
Cash paid to employees for services	(1,423)	(3,509)	(18,678)	(1,726)	(682)
Net cash provided by (used in) operating activities	451	10,093	2,648	520	(52)
Cash flows from noncapital financing activities					
Transfers received	-	-	-	50	-
Transfers paid	(33)	(85)	(448)	(40)	(15)
Net cash provided by (used in) noncapital financing activities	(33)	(85)	(448)	10	(15)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	1	15	1,358	(16)	3
Acquisition and construction of capital assets	-	(4,368)	-	(151)	(37)
Principal paid on capital leases	-	(4,542)	(1,850)	(239)	-
Capital contributions	-	-	-	-	-
Interest paid on long-term debt	-	(652)	(377)	(14)	-
Net cash used in capital and related financing activities	1	(9,547)	(869)	(420)	(34)
Cash flows from investing activities					
Interest received on investments	26	21	54	8	12
Net cash provided by investing activities	26	21	54	8	12
Net increase (decrease) in cash and cash equivalents	445	482	1,385	118	(89)
Cash and cash equivalents, beginning of year	443	5,898	11,644	2,188	3,197
Cash and cash equivalents, end of year	$ 888	$ 6,380	$ 13,029	$ 2,306	$ 3,108
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ 504	$ 2,559	$ (26)	$ 255	$ 807
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	19	8,018	4,719	413	33
Decrease (Increase) accounts receivable	(20)	(15)	-	(78)	(1)
Decrease (Increase) due from other funds	-	-	-	-	-
Decrease (Increase) due from other governments	-	(27)	-	(95)	-
Decrease (Increase) inventories	-	(57)	(212)	40	(85)
Decrease (Increase) prepaid items and deposits	-	-	111	(11)	-
Increase (Decrease) accounts payable	(15)	(273)	(1,787)	(9)	(650)
Increase (Decrease) due to other funds	-	-	-	-	-
Increase (Decrease) due to other governments	-	-	-	-	2
Increase (Decrease) other liabilities	-	(213)	-	(4)	(90)
Increase (Decrease) estimated claims liability	-	-	-	-	-
Increase (Decrease) salaries and benefits payable	(13)	18	(102)	7	(13)
Increase (Decrease) compensated absences	(24)	83	(55)	2	(55)
Net cash provided by operating activities	$ 451	$ 10,093	$ 2,648	$ 520	$ (52)
Supplemental disclosure of noncash investing, capital, and financing activities		$ 11,544	$ 1,715		

	OASIS Project	Risk Management	Temporary Assistance Pool	Flood Control Equipment	Total
Cash flows from operating activities					
Cash receipts from internal services provided	$ 14,470	$ 55,905	$ 25,896	$ 6,009	$ 196,225
Cash paid to suppliers for goods and services	(8,873)	(68,044)	(3,283)	(3,147)	(137,614)
Cash paid to employees for services	(5,937)	(11,991)	(21,627)	(1,922)	(67,495)
Net cash provided by (used in) operating activities	(340)	(24,130)	986	940	(8,884)
Cash flows from noncapital financing activities					
Transfers received	-	2,342	-	724	3,116
Transfers paid	(150)	(2,652)	(1,005)	-	(4,428)
Net cash provided by (used in) noncapital financing activities	(150)	(310)	(1,005)	724	(1,312)
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	3	5	-	61	1,430
Acquisition and construction of capital assets	(1,090)	(152)	-	(876)	(6,674)
Principal paid on capital leases	-	-	-	-	(6,631)
Capital contributions	-	48,258	-	-	48,258
Interest paid on long-term debt	-	-	-	-	(1,043)
Net cash used in capital and related financing activities	(1,087)	48,111	-	(815)	35,340
Cash flows from investing activities					
Interest received on investments	44	7,394	10	191	7,760
Net cash provided by investing activities	44	7,394	10	191	7,760
Net increase (decrease) in cash and cash equivalents	(1,533)	31,065	(9)	1,040	32,904
Cash and cash equivalents, beginning of year	8,595	149,094	2,594	4,462	188,115
Cash and cash equivalents, end of year	$ 7,062	$ 180,159	$ 2,585	$ 5,502	$ 221,019
Reconciliation of operating income to net cash provided (used) by operating activities					
Operating income (loss)	$ (952)	$ (31,883)	$ 933	$ 312	$ (27,491)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation and amortization	1,258	53	26	867	15,406
Decrease (Increase) accounts receivable	-	(26)	-	4	(136)
Decrease (Increase) due from other funds	-	(184)	-	-	(184)
Decrease (Increase) due from other governments	-	-	-	-	(122)
Decrease (Increase) inventories	-	-	-	(96)	(410)
Decrease (Increase) prepaid items and deposits	-	-	-	-	100
Increase (Decrease) accounts payable	(734)	2,307	(65)	(278)	(1,504)
Increase (Decrease) due to other funds	-	-	54	-	54
Increase (Decrease) due to other governments	-	8	-	82	92
Increase (Decrease) other liabilities	-	-	-	-	(307)
Increase (Decrease) estimated claims liability	-	5,064	-	-	5,064
Increase (Decrease) salaries and benefits payable	71	253	299	23	543
Increase (Decrease) compensated absences	17	278	(261)	26	11
Net cash provided by operating activities	$ (340)	$ (24,130)	$ 986	$ 940	$ (8,884)
Supplemental disclosure of noncash investing, capital, and financing activities					$ 13,259

(This Page Intentionally Left Blank)

FIDUCIARY FUNDS

Photographer
CONSTANCE REID
"Musical World"

Blank Page

COUNTY OF RIVERSIDE

FIDUCIARY FUNDS

These funds were established for the purpose of accounting for assets held in trustee or agency capacity for oth and therefore cannot be used to support the government's own programs and are excluded from the governme wide financial statements.

OTHER AGENCY FUND

This fund was established to account for a wide array of fiduciary responsibilities. Some of these responsibili include tax payments clearing, asset forfeiture, State Controller clearing, child support collections, undistribu bond proceeds, and family support clearing.

PAYROLL DEDUCTION AGENCY FUND

The purpose of this fund is to collect deductions from employee wages. The deductions are owed to a variety third parties for health insurance, union dues, unemployment insurance, withholding tax, flexible spending accou and dental insurance.

PROPERTY TAX ASSESSMENT AGENCY FUND

The Property Tax Assessment Agency Fund was set up to help Riverside County account for apportioned ta clearing, delinquent mobile home fees, property tax refunds, special assessments, and Teeter Plan collections.

WARRANT AGENCY FUND

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, 2007
(Dollars in Thousands)

	Other	Payroll Deductions	Property Tax Assessments	Warrants	Total
ASSETS:					
Cash and investments	$ 84,944	$ 771	$ 168,382	$ 96,148	$ 350,245
Accounts receivable	-	-	1	-	1
Interest receivable	300	37	-	5	342
Taxes receivable	125	16	113,874	4	114,019
Due from other governments	164	-	-	-	164
Total assets	85,533	824	282,257	96,157	464,771
LIABILITIES:					
Accounts payable	85,522	824	1,394	96,157	183,897
Salaries and benefits payable	10	-	-	-	10
Due to other governments	1	-	280,863	-	280,864
Total liabilities	$ 85,533	$ 824	$ 282,257	$ 96,157	$ 464,771

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Other				
Assets				
Cash and investments	$ 126,666	$ 3,816,033	$ 3,857,755	$ 84,944
Interest receivable	185	300	185	300
Taxes receivable	69	461	405	125
Due from other governments	14,676	179	14,691	164
Total Assets	141,596	3,816,973	3,873,036	85,533
Liabilities				
Accounts payable	141,504	566,651	622,633	85,522
Salaries and benefits payable	7	10	7	10
Due to other governments	85	3,757,755	3,757,839	1
Total Liabilities	$ 141,596	$ 4,324,416	$ 4,380,479	$ 85,533
Payroll Deductions				
Assets				
Cash and investments	$ 7,683	$ 1,397,937	$ 1,404,849	$ 771
Interest receivable	26	37	26	37
Taxes receivable	11	15	10	16
Total Assets	7,720	1,397,989	1,404,885	824
Liabilities				
Accounts payable	7,720	1,012,551	1,019,447	824
Total Liabilities	$ 7,720	$ 1,012,551	$ 1,019,447	$ 824
Property Tax Assessments				
Assets				
Cash and investments	$ 133,295	$ 3,166,590	$ 3,131,503	$ 168,382
Accounts receivable	-	2	1	1
Taxes receivable	56,918	113,874	56,918	113,874
Due from other governments	12,356		12,356	-
Total Assets	202,569	3,280,466	3,200,778	282,257
Liabilities				
Accounts payable	1,396	223,412	223,414	1,394
Due to other governments	201,173	3,268,970	3,189,280	280,863
Total Liabilities	$ 202,569	$ 3,492,382	$ 3,412,694	$ 282,257

COUNTY OF RIVERSIDE
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2007
(Dollars in Thousands)

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Warrants				
Assets				
Cash and investments	$ 63,245	$ 6,002,523	$ 5,969,620	$ 96,148
Interest receivable	5	5	5	5
Taxes receivable	11	4	11	4
Total Assets	63,261	6,002,532	5,969,636	96,157
Liabilities				
Accounts payable	63,261	6,003,545	5,970,649	96,157
Total Liabilities	$ 63,261	$ 6,003,545	$ 5,970,649	$ 96,157
Total Agency Funds				
Assets				
Cash and investments	$ 330,889	$ 14,383,083	$ 14,363,727	$ 350,245
Accounts receivable	-	2	1	1
Interest receivable	216	342	216	342
Taxes receivable	57,009	114,354	57,344	114,019
Due from other government	27,032	179	27,047	164
Total Assets	415,146	14,497,960	14,448,335	464,771
Liabilities				
Accounts payable	213,881	7,806,159	7,836,143	183,897
Salaries and benefits payable	7	10	7	10
Due to other government	201,258	7,026,725	6,947,119	280,864
Total Liabilities	$ 415,146	$ 14,832,894	$ 14,783,269	$ 464,771

STATISTICAL SECTION

Photographer
FLO RICHARDS
"Japanese Fan Dancer"

Blank Page

Statistical Section

This section of the Riverside County Comprehensive Annual Financial Report presents additional detail, historical perspective, and context to assist annual financial report users in understanding the financial statements, note disclosures, required supplementary information, and assessing the County's financial condition.

These tables contain trend information to assist readers in understanding and assessing how the County's financial position has changed over time.

Net Assets by Component
Changes in Net Assets
Governmental Activities Tax Revenues by Source
Fund Balance of Governmental Funds
Changes in Fund Balances of Governmental Funds

Revenue Capacity Information T6 – T10

These tables contain information to assist readers in understanding and assessing the factors affecting the County's local revenue sources, property tax, sales tax, and other taxes.

General Government Tax Revenues by source
Assessed Value and Estimated Actual Value of Taxable Property
Property Tax Rates, Direct and Overlapping Governments
Principal Property Tax Payers
Property Tax Levies and Collections

Debt Capacity Information T11 – T15

These tables contain information to assist readers in understanding and assessing the County's current level of outstanding debt, and the County's ability to issue additional debt.

Ratios of Outstanding Debt by Type
Ratios of General Bonded Debt Outstanding
Direct and Overlapping Governmental Activities Debt
Legal Debt Margin Information
Pledged-Revenue Coverage

Economic and Demographic Information T16 – T17

These tables provide economic and demographic information to assist readers in understanding the socioeconomic environment within which the County operates, and to facilitate the comparisons of financial information over time.

Demographic and Economic Statistics
Principal employers

Operating Information T18 – T20

These tables provide contextual information about the County's operations and resources to assist readers in understanding and assessing the County's financial condition as it relates to the services that the County provides.

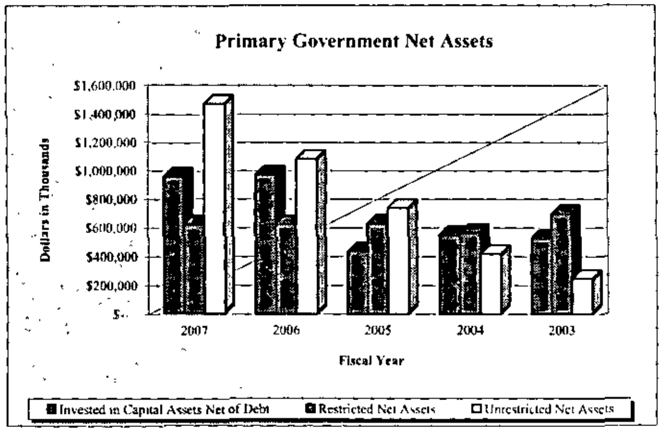
Full-time Equivalent County Government Employees by function/program
Operating Indicators by Function
Capital Asset Statistics by Function

Source: Unless otherwise noted, the information in these tables is derived from Riverside County's Comprehensive Annual Financial Reports for the relevant years. The County implemented GASB Statement 34 in FY 2001-2002. Statistical Tables present information for the last five years beginning with the first year after GASB Statement 34 implementation.

(This Page Intentionally Left Blank)

COUNTY OF RIVERSIDE
Net Assets by Component
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year 2007	2006	2005	2004	2003
Governmental Activities					
Invested in capital assets, net of related debt	$ 903,076	$ 930,800	$ 407,762	$ 524,624	$ 503,294
Restricted	569,477	582,037	584,441	521,143	662,446
Unrestricted	1,370,350	999,992	671,917	387,007	205,952
Governmental activities, total net assets	2,842,903	2,512,829	1,664,120	1,432,774	1,371,692
Business-type Activities					
Invested in capital assets, net of related debt	53,321	40,986	29,583	25,102	19,972
Restricted	50,629	41,287	45,362	43,232	33,740
Unrestricted	100,567	85,971	67,502	31,602	40,096
Business-type activities, total net assets	204,517	168,244	142,447	99,936	93,808
Primary Government					
Invested in capital assets, net of related debt	956,397	971,786	437,345	549,726	523,266
Restricted	620,106	623,324	629,803	564,375	696,186
Unrestricted	1,470,917	1,085,963	739,419	418,609	246,048
Primary government, total net assets	$ 3,047,420	$ 2,681,073	$ 1,806,567	$ 1,532,710	$ 1,465,500



Source: Auditor-Controller, County of Riverside

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Program Revenues					
Governmental Activities:					
Charges for services	$ 609,195	$ 575,071	$ 458,992	$ 436,029	$ 393,482
Operating grants and contributions	1,210,941	1,100,674	983,290	1,086,456	1,050,230
Capital grants and contributions	48,186	31,001	64,252	33,041	32,537
Governmental activities program revenues	1,868,322	1,706,746	1,506,534	1,555,526	1,476,249
Business-type Activities:					
Charges for services	475,611	465,391	480,455	385,028	299,419
Capital grants and contributions	261	227	-	125	9,712
Business-type activities program revenues	475,872	465,618	480,455	385,153	309,131
Primary government program revenues	2,344,194	2,172,364	1,986,989	1,940,679	1,785,380
Expenses					
Governmental Activities:					
General government	296,917	259,993	187,911	232,322	183,132
Public protection	935,550	801,044	792,287	710,053	620,663
Public ways and facilities	57,578	61,443	79,649	93,529	87,092
Health and sanitation	350,082	350,451	290,001	376,338	330,830
Public assistance	688,213	634,522	552,298	590,719	588,502
Education	14,847	11,168	10,112	10,280	8,609
Recreation and cultural	11,941	7,188	8,617	9,666	8,842
Interest on long-term debt	81,197	75,721	48,717	29,890	33,666
Governmental activities expenses	2,436,325	2,201,530	1,969,592	2,052,797	1,861,336
Business-type Activities:					
Regional Medical Center	329,128	290,962	356,255	296,227	228,339
Waste Management Department	60,772	66,453	55,563	40,056	36,579
Housing Authority	70,218	62,909	62,206	61,599	57,977
Flood Control	6,242	5,705	4,928	4,318	2,054
County Service Areas	329	285	320	329	294
Business-type activities expense	466,689	426,314	479,272	402,529	325,243
Primary government expenses	$2,903,014	$2,627,844	$2,448,864	$2,455,326	$2,186,579
Net (expense)/revenue					
Governmental activities	(568,003)	(494,784)	(463,058)	(497,271)	(385,087)
Business-type activities	9,183	39,304	1,183	(17,376)	(16,112)
Primary government, net (expense) / revenue	(558,820)	(455,480)	(461,875)	(514,647)	(401,199)

COUNTY OF RIVERSIDE
Changes in Net Assets
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

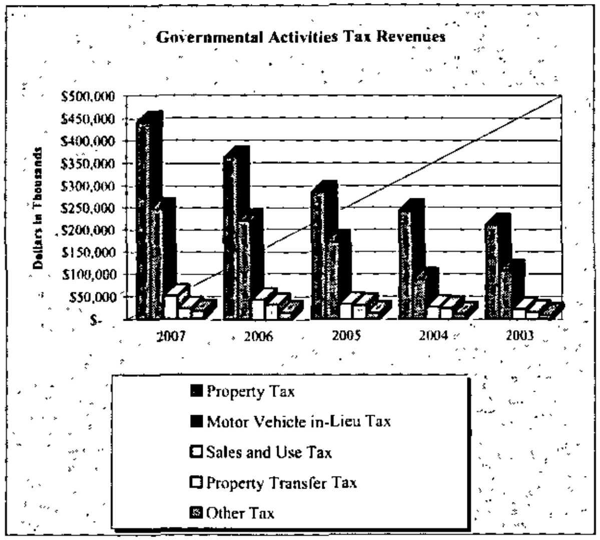
	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Continued:					
Primary government, net (expense) / revenue	$ (558,820)	$ (455,480)	$ (461,875)	$ (514,647)	$ (401,199)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes:					
Property taxes	462,817	396,167	314,666	266,391	225,775
Sales tax and use tax	51,093	44,286	33,091	26,633	22,444
Other taxes	16,865	15,603	13,885	12,108	10,377
Intergovernmental revenue - not restricted to programs:					
Motor vehicle in-lieu taxes	245,723	220,190	172,265	87,435	106,466
Fines, forfeitures, and penalties	-	-	70,578	43,344	37,914
Investment earnings	122,517	78,288	39,907	16,835	24,909
Proceeds on sale of capital assets	-	-	(18,407)	1,491	504
Other	13,191	96,265	117,737	146,392	117,706
Transfers	(16,892)	19,888	(31,000)	(16,791)	(13,287)
Governmental activities	895,314	870,683	712,722	583,838	532,808
Business-type Activities:					
Investment earnings	10,198	6,381	4,234	2,505	3,235
Gain on sale of capital assets	-	-	346	4,208	754
Transfers	16,892	(19,888)	31,000	16,791	13,287
Business-type activities	27,090	(13,507)	35,580	23,504	17,276
Total primary government	922,404	857,180	748,302	607,342	550,084
Change in net assets					
Governmental activities	327,311	375,903	249,664	86,567	147,721
Business-type activities	36,273	25,797	36,763	6,128	1,164
Primary government change in net assets	$ 363,584	$ 401,700	$ 286,427	$ 92,695	$ 148,885

Source: Auditor-Controller, County of Riverside

Table 3

COUNTY OF RIVERSIDE
Governmental Activities Tax Revenues By Source
Last Five Fiscal Years
(Accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Property Tax	Property Transfer Tax	Sales and Use Tax	Motor Vehicle In-Lieu Tax	Other Tax	Total
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

Table 4

COUNTY OF RIVERSIDE
Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

	Fiscal Year 2007	2006	2005	2004	2003
General Fund					
Reserved	$ 88,233	$ 100,436	$ 121,249	$ 100,940	$ 103,489
Unreserved, designated	339,773	277,833	185,014	70,361	89,011
Unreserved, undesignated	142,958	68,649	46,191	77,752	26,078
Total general fund	570,964	446,918	352,454	249,053	218,578
Public Facilities Improvements					
Reserved	256,338	222,983	175,699	152,842	146,588
Unreserved, undesignated	-	-	-	184	-
Total public facilities improvements	256,338	222,983	175,699	153,026	146,588
Redevelopment Capital Projects					
Reserved	269,263	88,391	61,460	-	-
Unreserved, designated	118,186	120,313	75,702	-	-
Total redevelopment capital projects	387,449	208,704	137,162	-	-
Nonmajor Governmental Funds					
Reserved	192,566	197,878	149,222	159,413	159,357
Unreserved, designated reported in:					
Special revenue funds	187,664	212,407	86,593	13,041	11,929
Capital projects funds	9,671	2,056	1,805	20,353	5,128
Unreserved, undesignated reported in:					
Special revenue funds	148,361	109,608	197,438	189,570	186,964
Capital projects funds	-	-	-	(8,241)	981
Total nonmajor governmental funds	538,262	521,949	435,058	374,136	364,359
Total all governmental funds	$ 1,753,013	$ 1,400,554	$ 1,100,373	$ 776,215	$ 729,525

Source: Auditor-Controller, County of Riverside

Table 5

COUNTY OF RIVERSIDE
Changes in Fund Balances of Governmental Funds
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

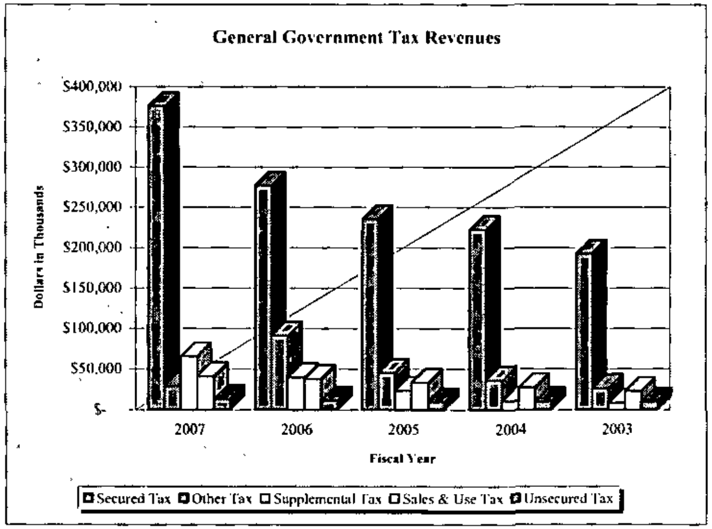
	Fiscal Year 2007	2006	2005	2004	2003
Revenues					
Taxes	$ 523,028	$ 457,117	$ 346,248	$ 305,132	$ 258,596
Licenses, permits, and franchise fees	25,981	21,733	22,343	26,418	25,677
Fines, forfeitures, and penalties	82,946	62,984	70,578	43,297	37,241
Use of money and property:					
Interest	113,789	73,838	37,624	16,145	23,331
Rents and concessions	43,171	41,798	39,831	31,952	39,833
Aid from other governmental agencies:					
Federal	496,685	451,036	446,628	430,970	428,433
State	937,630	830,634	705,289	713,146	696,466
Other	89,111	69,042	55,661	46,750	46,099
Charges for services	431,676	439,594	383,497	368,497	327,918
Other revenue	115,863	110,870	146,800	100,404	132,900
Total revenues	2,859,880	2,558,646	2,254,499	2,082,711	2,016,494
Expenditures					
General government	320,254	270,340	250,568	217,416	204,861
Public protection	972,006	855,133	1,039,822	677,798	613,781
Public ways and facilities	157,055	141,017	111,088	133,973	120,490
Health and sanitation	348,921	346,738	339,444	365,727	339,123
Public assistance	686,295	629,553	652,069	576,267	570,458
Education	14,830	11,108	9,889	10,241	9,261
Recreation and culture	11,707	12,727	20,058	9,242	10,722
Debt service:					
Principal	44,222	45,516	34,452	32,118	37,643
Interest	78,204	73,707	46,439	24,523	31,220
Cost of issuance	5,565	4,925	9,283	504	-
Capital outlay	58,525	25,639	9,680	1,604	22,489
Total expenditures	2,697,584	2,416,403	2,522,792	2,049,413	1,960,048
Revenues over (under) expenditures	162,296	142,243	(268,293)	33,298	56,446
Other financing sources (uses)					
Transfers in	313,044	294,835	203,411	163,383	58,661
Transfers out	(328,624)	(277,680)	(229,835)	(179,701)	(71,879)
Issuance of debt	293,773	178,750	670,530	21,645	-
Premium on long-term debt	2,876	857	4,827	-	-
Issuance of refunding bonds	(103,396)	(35,684)	(53,338)	-	-
Proceeds from the sale of capital assets	916	2,064	35	494	-
Capital leases	8,811	7,929	6,616	1,008	8,435
Total other financing sources (uses)	187,400	171,071	602,246	6,829	(4,783)
Net change in fund balances	$ 349,696	$ 313,314	$ 333,953	$ 40,127	$ 51,663
Debt service as a % of non-capital expenditures	5.30%	5.70%	3.74%	2.89%	3.68%

Source: Auditor-Controller, County of Riverside

Table 6

COUNTY OF RIVERSIDE
General Government Tax Revenues By Source
Last Five Fiscal Years
(Modified accrual basis of accounting)
(Amounts expressed in thousands)

Fiscal Year	Secured Tax	Unsecured Tax	Supplemental Tax	Sales & Use Tax	Other Taxes	Total
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

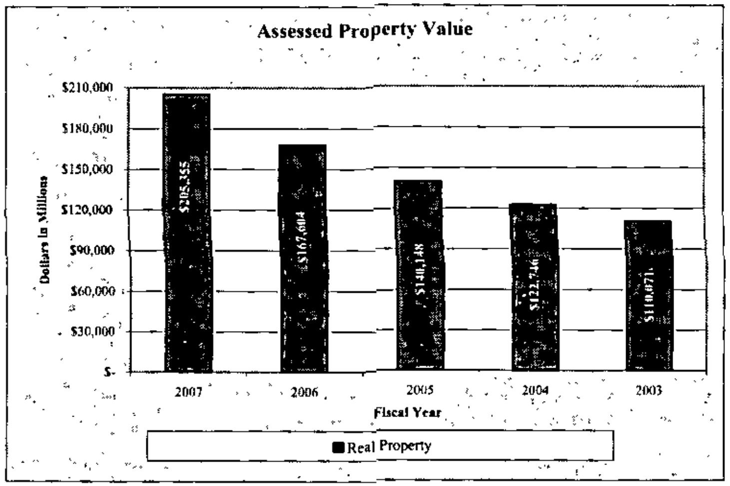


Source: Auditor-Controller, County of Riverside

Table 7

COUNTY OF RIVERSIDE
Assessed Value and Estimated Actual Value of Taxable Property
Last Five Fiscal Years
(Amounts expressed in thousands)

	Fiscal Year				
	2007	**2006**	**2005**	**2004**	**2003**
Real Property					
Secured property	$ 198,619,682	$ 161,287,719	$ 134,299,740	$ 117,379,593	$ 105,080,028
Unsecured property	6,735,421	6,316,569	5,848,602	5,365,993	4,990,478
Total Gross Assessed Value	205,355,103	167,604,288	140,148,342	122,745,586	110,070,506
Less:					
Tax-exempt real property	5,109,756	4,993,449	4,657,680	4,264,442	3,878,514
Total Taxable Assessed Value	$ 200,245,347	$ 162,610,839	$ 135,490,662	$ 118,481,144	$ 106,191,992
Total Direct Tax Rate	1.0772	1.0805	1.0866	1.0771	1.0787
Estimated Actual Taxable Value	$ 266,993,796	$ 216,814,452	$ 180,654,216	$ 157,974,859	$ 141,589,323
Assessed Value as a % of Actual Value	76.91%	77.30%	77.58%	77.70%	77.74%



Source: Assessor-Clerk-Recorder, County of Riverside

Table 8

COUNTY OF RIVERSIDE
Property Tax Rates
Direct and Overlapping Governments
Last Five 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**
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
(Amounts expressed in thousands)
Current Year and Nine Years Ago

	Fiscal Year			
	2007		1998	
Tax Payer	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Percentage of Total County Taxable Assessed Value
So. California Edison Co.	$ 8,679	0.41%	$ 7,166	0.74%
Verizon Network	7,242	0.34%	-	0.00%
Centex Homes	7,057	0.33%	-	0.00%
Pulte Home Corp	5,400	0.25%	-	0.00%
KB Home Coastal Inc.	3,743	0.18%	-	0.00%
So. California Gas Co.	3,737	0.18%	3,445	0.35%
Ryland Homes of California Inc.	3,558	0.17%	-	0.00%
Western Pacific Housing Inc.	3,266	0.15%	-	0.00%
Blythe Energy, LLC	3,008	0.14%	-	0.00%
Wolf Creek Development	2,567	0.12%	-	0.00%
General Telephone Co. of California	-	0.00%	9,064	0.93%
McKenzie Vista	-	0.00%	3,019	0.31%
Pacific Bell	1,641	0.08%	2,836	0.29%
KSL Desert Resorts, Inc.	2,402	0.11%	2,269	0.23%
Landmark Land Co. of California, Inc.	-	0.00%	2,160	0.22%
International Rectifier Corp.	-	0.00%	2,082	0.21%
Desert Springs Marriott Ltd. Partinership	-	0.00%	1,975	0.20%
Pardee Grossman Cottonwood Canyon	-	0.00%	1,972	0.20%
Total	$ 52,300	2.46%	$ 35,988	3.69%

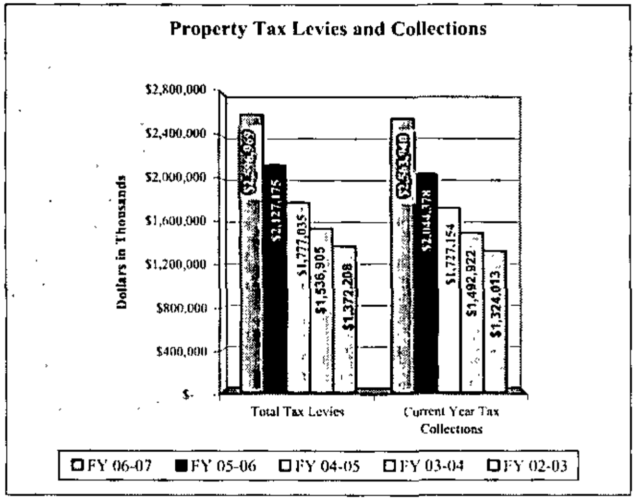
Source: Treasurer-Tax Collector, County of Riverside

Table 10

COUNTY OF RIVERSIDE
Property Tax Levies and Collections
Last Five Fiscal Years
(Amounts expressed 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
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.

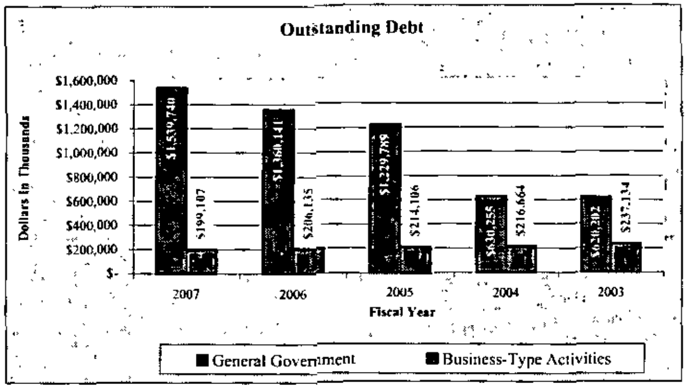


Source: Auditor-Controller, County of Riverside

Table 11

COUNTY OF RIVERSIDE
Ratios of Outstanding Debt by Type
Last Five Fiscal Years
(Amounts expressed in thousands, except per capita amount)

	Fiscal year				
	2007	2006	2005	2004	2003
General Government					
Bonds	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Certificates of participation	335,866	348,486	325,572	387,869	357,855
Note and loans	310,139	113,383	150,344	67,010	68,060
Capital leases	87,337	83,829	75,845	83,618	102,529
Business-Type Activities					
Bonds	181,263	191,142	200,555	210,558	228,392
Certificates of participation	-	-	1,040	2,040	3,000
Capital leases	17,844	14,993	12,511	4,066	5,742
Total Primary Government	$ 1,738,847	$ 1,566,276	$ 1,443,895	$ 846,919	$ 857,336
Percentage of Personal Income	3.08%	2.94%	2.92%	1.88%	2.01%
Per Capita	$ 856	$ 807	$ 769	$ 477	$ 499



Note: Per Capita is an estimate for 2006 and 2007

Source: California State Department of Finance and Auditor-Controller, County of Riverside

Table 12

COUNTY OF RIVERSIDE
Ratios of General Bonded Debt Outstanding
Last Five Fiscal Years
(Amounts expressed in thousands, except per capita amount)

	Fiscal Year				
	2007	2006	2005	2004	2003
Bonds	$ 806,398	$ 814,443	$ 678,028	$ 91,758	$ 91,758
Less:					
Amounts available in debt service fund	73,308	79,935	61,941	72,798	133,049
Total Net Obligation Bonds Outstanding	$ 733,090	$ 734,508	$ 616,087	$ 18,960	$ (41,291)
Percentage of Estimated Actual Taxable Value of Property	0.27%	0.27%	0.32%	0.46%	0.44%
Per Capita	$ 361	$ 379	$ 328	$ 11	$ (24)

Note: Details regarding the county's outstanding debt can be found in the notes to the basic financial statements

Source: California State Department of Finance

Table 13

COUNTY OF RIVERSIDE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007
(Amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Overlapping Debt
Debt repaid with property taxes: County	$ 7,468,703	86.13%	$ 6,432,792
Subtotal, overlapping debt			6,432,792
County of Riverside direct debt			1,035,911
Total direct and overlapping debt			$ 7,468,703

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.

Table 14

COUNTY OF RIVERSIDE
Legal Debt Margin Information
Last Five Fiscal Years
(Amounts expressed in thousands)

	Fiscal Year 2007	2006	2005	2004	2003
Debt limit	$ 2,598,369	$ 2,125,832	$ 1,735,525	$ 1,511,307	$ 1,353,391
Total net debt applicable to limit	(733,090)	(603,194)	(616,087)	(635,290)	(620,202)
Legal debt margin	$ 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	28.2%	28.4%	35.5%	42.0%	45.8%

Legal Debt Margin Calculated for Fiscal Year 2007

Assessed value	$ 205,744,450
Less: Homeowners exemptions	2,125,076
Total assessed value	207,869,526
Debt limit (1.25% of total assessed value)	2,598,369
Debt applicable to limit:	
General obligation bonds	806,398
Less: Amount set aside for repayment of general obligation debt	73,308
Total net debt applicable to limit	733,090
Legal debt margin	$ 1,865,279

Definitions:

Debt limit - the maximum amount of outstanding gross or net debt legally permitted.

Debt margin - the difference between debt limit and existing debt.

Legal debt margin - the excess of the amount of debt legally authorized over the amount of debt outstanding

Source: Auditor-Controller, County of Riverside

Table 15

COUNTY OF RIVERSIDE
Pledged-Revenue Coverage
Last Five Fiscal Years
(Amounts expressed in thousands)

	Lease Revenue Bonds					
Fiscal Year	Revenue from Lease Payments	Less: Operating Expenses	Net Available Revenue	Debt Service Principal	Debt Service Interest	Coverage
2007	$ 27,046	$ 5,939	$ 21,107	$ 12,115	$ 16,976	0.7256
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

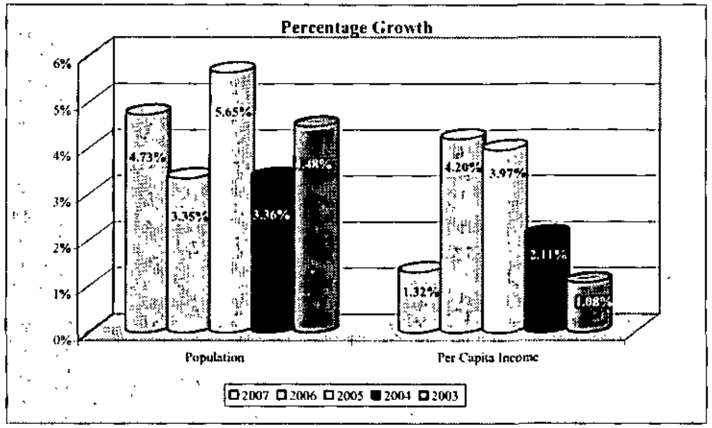
Note: Details regarding the county's outstanding debt can be found in the notes to the basic financial statements.

Source: Auditor-Controller, County of Riverside

Table 16

COUNTY OF RIVERSIDE
Demographic and Economic Statistics
Last Five 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
2007	2,031,625	$53,246,505 [1]	$ 27,810 [1]	33 [2]	12.2 [2]	404,331	5.70%
2006	1,939,814	53,246,505 [1]	27,449 [1]	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 13 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			
	2007		1998	
Employer	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
County of Riverside	19,669	2.27%	11,687	1.90%
March Air Reserve Base	8,750	1.01%	-	
U. C Riverside	6,657	0.77%	-	
Stater Brothers Market	6,125	0.71%	3,200	0.52%
Riverside Unified School District	5,099	0.59%	-	
Pechanga Resort & Casino	4,800	0.55%	-	
Guidant corp.	4,500	0.52%	1,300	0.21%
Riverside Community College District	3,753	0.43%	-	
Kaiser Permanente	3,200	0.37%	1,600	0.26%
Morongo Casino Resort & Spa	3,000	0.35%	-	
Eisenhower Medical Center	-		1,822	0.30%
Fleetwood Enterprise, Inc.	-		1,800	0.29%
Valley Health System	-		1,750	0.28%
Marriott Desert springs Resort	-		1,600	0.26%
La Quinta Hotel Golf & Tennis	-		1,500	0.24%
Bourns, Inc.	-		1,500	0.24%
The press-Enterprise	-		1,228	0.20%
Total	65,553	7.57%	28,987	4.71%

Note: Only the top ten employers that provided data to the Business Press are listed for each year.

Source: The Business Press, Riverside, California

Table 18

COUNTY OF RIVERSIDE
Full-time Equivalent County Government Employees by Function/Program
Last Five Fiscal Years

	Full-time Equivalent Employees				
Function/Program	2007	2006	2005	2004	2003
General government					
Legislative and administrative	92	93	87	92	93
Finance	477	445	424	445	449
Counsel	69	58	52	50	50
Personnel	191	179	160	153	144
Elections	39	31	34	36	39
Communication	-	-	-	11	10
Property management	387	323	305	312	306
Promotion	168	142	126	121	110
Other general	-	-	1	1	1
Public protection					
Judicial	1,371	1,204	1,150	1,213	1,260
Police protection	2,354	2,113	1,926	1,914	1,902
Detention and correction	1,972	1,811	1,748	1,803	1,832
Fire protection	165	145	126	135	122
Protection/inspection	274	254	233	216	206
Other protection	541	523	441	446	419
Administration	50	39	36	37	35
Public ways and facilities					
Public ways	517	497	488	491	476
Health and sanitation					
Health	2,023	1,939	1,862	1,901	1,929
Hospital care	31	28	30	32	31
California children's services	159	152	143	127	119
Public assistance					
Aid programs	2,948	2,841	2,796	2,744	2,720
Veterans' services	12	11	10	10	11
Other assistance	302	283	309	338	452
Education, recreation and culture					
Library services	1	1	1	1	1
Agricultural extension	5	5	4	4	5
Cultural services	2	2	2	2	-
County business-type functions					
Hospital care	1,889	1,680	1,589	1,526	1,538
Sanitation	170	158	149	130	94
Internal service	2,934	2,538	2,147	2,305	2,058
Special districts	526	540	528	528	514
Total	19,669	18,035	16,907	17,124	16,926

Source: County of Riverside

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Five Fiscal Years

Function/Program			Fiscal year 2007	2006	2005	2004	2003
Sheriff							
	Number of bookings		63,512	56,926	55,375	52,497	49,617
	Coroner case load		9,430	8,943	8,558	7,826	7,772
	Calls for services	c	277,496	250,000	240,182	219,145	206,122
Fire							
	Medical assistance		89,329	86,129	80,484	76,601	70,851
	Fires extinguished		6,372	5,060	14,696	14,816	14,714
	Other services		16,310	19,035	10,870	10,786	10,689
	Communities served		78	78	78	78	78
Probation							
	Adults on probation	a	15,974	16,051	13,937	13,282	11,618
	Juveniles in secure detention	b	343	322	310	367	355
	Juveniles in treatment facilities	b	126	113	98	107	98
	Juveniles in detention facilities	a	14,283	13,218	12,405	14,435	13,708
Waste Management							
	Landfill tonnage		1,325,284	1,423,469	1,328,935	1,231,767	1,148,312
	Recycling tonnage		3,048	3,758	2,619	2,850	2,066
County Library							
	Total circulation - books		2,352,624	2,051,276	2,324,539	2,222,575	2,293,424
	Reference questions answered		383,428	454,590	430,226	423,925	461,598
	Patrons		2,352,403	2,433,646	2,226,360	1,447,505	1,621,147
	Programs offered		4,546	2,353	2,274	3,759	3,588
	Program attendance		80,100	84,994	45,605	68,437	61,921
Assessor-Clerk-Recorder							
	Assessments		920,555	896,998	859,413	831,610	791,348
	Official records recorded		957,123	1,082,688	1,039,166	1,019,271	794,257
	Vital records copies issued		88,640	82,015	73,379	68,892	70,071
	Official records copies issued		35,319	35,691	36,480	36,231	33,506
County Regional Medical Center							
	Emergency room treatments		76,666	73,448	68,105	66,411	66,136
	Emergency room services - MH		7,624	7,536	8,076	8,276	8,126
	Clinic visits		123,479	106,943	109,568	113,171	118,477
	Admissions		24,393	22,262	21,723	20,587	19,690
	Patient days		112,138	105,203	96,820	92,643	91,114
	Discharges		24,430	22,244	21,741	20,554	19,705
Community Health Agency							
	Facilities inspections		31,760	32,000	40,642	38,105	36,546
	Patient visits		139,885	123,843	135,539	125,936	123,230
	Patient services		438,639	369,041	339,095	376,534	336,909
	Animal impounds		27,362	29,206	20,467	21,307	21,661
	Spays and neuters		5,645	5,806	2,401	3,080	2,372

Note:
a = Average monthly
b = Average daily
c = Unincorporated areas

COUNTY OF RIVERSIDE
Operating Indicators by Function
Last Five Fiscal Years

Function/Program		Fiscal year 2007	2006	2005	2004	2003	
Public Social Services							
	CalWORKs clients	20,336	19,880	20,846	20,296	19,908	
	Food stamp clients	30,781	28,749	27,992	24,796	23,026	
	Medi-Cal clients	105,578	108,887	110,994	105,598	99,332	
	In-home support services	13,934	12,590	12,171	11,314	10,201	
	Foster care placements	4,306	5,175	5,088	4,418	4,215	
	Child welfare services	12,333	11,639	11,153	9,411	10,467	
Community Action Partnership							
	Utility assistance (households)	13,337	10,944	11,783	12,846	14,706	
	Weatherization (households)	465	801	795	711	857	
	Energy education attendees	14,590	10,389	11,508	1,953	37,445	a
	Disaster relief (residents)	13,551	8,605	1,514	-	-	b
	Income tax returns prepared	1,384	2,651	-	-	-	b
	After school programs (students)	10,905	537	51	271	51	
	Homeless program (bed nights)	13,198	31,328	40,245	30,316	63,703	
	Homeless program (meals)	26,396	142,578	372,048	170,937	453,238	
	Leadership program enrollment	-	113	11	-	-	b
Registrar of Voters							
	Voting precincts	1,368	976	2,012	1,574	2,087	
	Polling places	610	486	1,090	815	1,136	
	Voters	818,584	934,940	1,481,719	1,302,252	1,335,785	
	Poll workers	2,696	1,908	4,675	3,306	4,668	
Agricultural Commissioner							
	Export phytosanitary certificates	22,266	21,746	20,037	14,692	15,623	
	Pesticide use inspections	840	1,199	1,105	1,366	1,257	
	Weights and measures regulated	117,039	110,837	106,149	102,780	95,334	
	Agriculture quality inspections	1,061	541	1,067	1,251	1,202	
	Plant pest inspections	14,532	4,975	5,933	6,296	5,421	
	Nursery acreage inspected	9,226	7,382	7,431	5,355	6,501	
TLMA - Building & Safety							
	Building permits issued	5,786	10,232	9,980	10,452	10,106	
	Building plans checked	5,151	8,759	8,251	9,128	8,776	
	Building structures inspected	8,580	9,593	8,182	8,887	8,533	
Veterans' Services							
	Phone inquiries answered	23,287	21,917	25,276	-	-	b
	Client interviews	8,199	7,467	7,559	-	-	b
	Claims filed	3,786	3,372	3,503	-	-	b

Notes:
a - Number of pamphlets mailed
b - Program not yet started / not tracked

Phytosanitary = Plant pest cleanliness
Pesticide Use Inspections = Environmental monitoring

Source: Various County Departments

Table 20

COUNTY OF RIVERSIDE
Capital Asset Statistics by Function
Last Five Fiscal Years

Function/Program	2007	2006	2005	2004	2003
Sheriff					
Patrol stations	10	10	10	10	10
Patrol vehicles	702	598	583	576	550
Fire					
Stations	49	48	48	48	48
Trucks	141	135	125	126	117
Waste Management					
Landfills	6	7	7	8	8
Capacity in tons	51,609,663	52,392,284	50,948,302	50,872,281	42,712,387
Parks and Recreation					
Regional parks	13	13	13	13	13
Historic sites	6	6	6	6	6
Nature centers	5	5	5	5	5
Archaeological sites	7	7	7	7	7
Wildlife reserves	16	16	16	16	16
County Libraries					
Branch libraries	29	29	29	28	27
Book mobiles	2	2	2	2	2
Books in collection	1,784,149	1,221,744	1,477,670	1,098,082	1,029,424
County Regional Medical Center					
Major clinics	4	4	4	4	4
Routine and specialty clinics	30	30	30	30	30
Beds licensed	439	439	439	439	439

Source: Various County Departments

Special Acknowledgments

Our County's diverse history has continued to be enriched with the tremendous growth we have experienced over the past few decades. This year's Comprehensive Annual Financial Report theme of "Diversity" celebrates the people and cultures that make the County of Riverside unique. The photographs in this publication were requested to illustrate the value we place on diversity.

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 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: Maria Chavez and Suzy Jackson

APPENDIX C

THE REDEVELOPMENT PROJECT AREAS

Description

Project Area No. 1 Added Territory. Project Area No. 1 Added Territory is located in the City of Palm Desert (the "City"), comprises approximately 5,240 acres and 12,665 parcels and is generally bounded by the Whitewater Storm Channel on the north, the City limits on the east and south and the Palm Valley Storm Channel and the City limits on the west. Project Area No. 1 Added Territory represents approximately 90% of the total acreage of Project Area No. 1.

Project Area No. 3. Project Area No. 3 is located in the City and includes approximately 764 acres, comprising 1,016 parcels, zoned for residential, office, commercial, industrial, public and open space uses. Project Area No. 3 is generally bounded by Portola Avenue and Cook Street to the west, and Carlotta Dive to the east, Hovely Lane and Running Springs Drive to the north and the Whitewater River Channel to the south. The Portola Country Club is *not* within the Project Area No. 3.

Summary of Redevelopment Plan Limits

Project Area No. 1 Added Territory. Project Area No. 1 was formally established with the adoption by the City Council of a redevelopment plan (the "Original Plan") for approximately 580 acres (the "Original Area") pursuant to Ordinance No. 80, adopted on July 16, 1975. Approximately 5,240 acres (the "Added Territory") were added to the Original Area pursuant to amendments to the Original Plan approved and adopted by the City Council by Ordinance No. 275, adopted on November 25, 1981 and Ordinance No. 324, adopted on October 13, 1983. The Original Plan, as amended, is referred to as the "Redevelopment Plan."

On December 8, 1994, the City adopted Ordinance No. 765 establishing Plan limits required by AB 1290 for Project Area No. 1, the Original Area and Added Territory. On February 27, 2003 the City adopted Ordinance No. 1035, amending the Redevelopment Plan as permitted by SB 211 to eliminate the time limit on incurring indebtedness. Pursuant to SB 1045 the Agency amended the limits of the Project Area No. 1 by adopting Ordinance No. 1082, adding one year to the term of effectiveness and the time limit to collect tax increment.

On January 24, 1991, the City approved the Sixth Amendment to the Redevelopment Plan (the "Amendment") limiting the amount of tax revenues which can be divided and allocated to the Agency from the Added Territory to a maximum of $500,000,000 (exclusive of amounts paid to any taxing agency, and exclusive of amounts used to pay debt service, directly or indirectly, on obligations of the Agency or any taxing agency, to finance the acquisition of land or the construction of buildings, facilities, structures, or improvements of such taxing agencies). Through Fiscal Year 2006-07, the Added Territory has received $379,772,089 in gross tax increment revenue and $227,898,602 in net tax increment revenue. The net tax increment revenue collected is subject to reductions for mandatory contributions to the County Education Revenue Augmentation Fund (the "ERAF") pursuant to Section 33683 of the Redevelopment Law. For Fiscal Year 1992-93 through Fiscal Year 1994-95 and Fiscal Year 2002-03 through Fiscal Year 2005-06, ERAF payments made by redevelopment agencies may be deducted from the total amount of tax increment collected from a redevelopment project area for the purposes of calculating the amount subject to the tax increment revenue limit for such project area. The aggregate ERAF payments made by Project Area No. 1 Added Territory for the Fiscal Years noted above total $7,577,719, further reducing the net tax increment received to $199,617,087. See also "CERTAIN RISKS TO BONDHOLDERS–State Budget.") The Sixth Amendment also limits the amount of bonded indebtedness which can be outstanding at one time to $200,000,000 (exclusive of bonds issued to finance the acquisition of land or the construction of buildings, facilities, structures or improvements of taxing agencies).

Table C-1 summarizes the Redevelopment Plan Limits within the Added Territory.

Table C-1
Palm Desert Redevelopment Agency
Project Area No. 1 Added Territory
Summary of Redevelopment Plan Limits

	Plan Limit Termination			*Revenue Limits*			
Base Year	**Debt Incurrence**	**Plan Expiration**	**Receipt of Tax Increment and Debt Repayment**	**Gross Tax Increment Cap ($ in millions)**	**Bonded Debt ($ in millions)**	**Gross Amount Received ($ in millions)**	**Net Tax Increment Received ($ in millions)(6)**
1981-82	None(1)	11/25/22	11/25/32(2)	$500(3)	$200(4)	$379,772,089 (5)	$199,617,087

(1) Pursuant to SB 211, City Council adopted Ordinance No. 1035 on February 27, 2003, amending the Redevelopment Plan to eliminate the time limit to incur debt.
(2) Pursuant to SB 1045, the Agency amended the Redevelopment Plan on December 9, 2004 through the adoption of Ordinance No. 1082 to add one year to the term of effectiveness and the time limit to collect tax increment.
(3) Pursuant to the Sixth Amendment to the Redevelopment Plan adopted on January 24, 1991, the tax increment limit for the Added Territory is exclusive of amounts paid to taxing agencies and exclusive of amounts paid directly or indirectly by the Agency or any taxing entity to finance the acquisition of land, construction of buildings, facilities, structures or improvements for such taxing agencies.
(4) Pursuant to the Sixth Amendment to the Redevelopment Plan, the Bonded Debt Cap excludes bonds issued to finance the acquisition of land, construction of buildings, facilities, structures or improvements to taxing agencies.
(5) Represents gross tax increment revenues received as of June 30, 2008. Gross tax increment revenues includes secured, unsecured, utility and supplemental revenue, less property tax administrative costs paid to the County pursuant to SB 2557. See "LIMITATIONS ON TAX REVENUES-Property Tax Administrative Costs." The net tax increment revenue received through Fiscal Year 2007-08 is $227,898,602.
(6) Represents the gross tax increment revenues received less ERAF deductions in the amount of $7,577,719 and less debt service on the bonds providing facilities for taxing agencies in the Project Area No. 1 Added Territory in the amount of $20,703,795.

Source: *The Agency.*

Project Area No. 3. The Redevelopment Plan for Project Area No. 3 was adopted by the City on July 17, 1991. Project Area No. 3 includes approximately 764 acres of residential, office, commercial, industrial, public and open space uses.

The net tax increment for Project Area No. 3 shown in Table C-2 is defined as gross tax increment less the Housing Set-Aside. ERAF payments made by Project Area No. 3 for Fiscal Years 2002-03 through 2007-08 total $378,850 further reducing the net tax increment received to $8,109,165.

Table C-2 summarizes the Redevelopment Plan Limits for Project Area No. 3.

Table C-2
Palm Desert Redevelopment Agency
Project Area No. 3
Summary of Redevelopment Plan Limits

	Plan Limit Termination			Revenue Limits			
Base Year	Debt Incurrence	Plan Expiration	Debt Repayment	Gross Tax Increment Cap	Bonded Debt	Gross Tax Increment Received(2)	Net Tax Increment Received(3)
990-91	None(1)	07/17/32	07/17/42	$360,000,000	N/A	$24,519,712	$8,109,165

Limitation on Outstanding Bonded Debt: $100 million

(1) The limit previously established as July 17, 2011, was eliminated by the adoption of Ordinance 1036 on February 27, 2003.
(2) Represents gross tax increment revenues received as of June 30, 2007. Gross tax increment revenues includes secured, unsecured, utility and supplemental revenue, less property tax administrative costs paid to the County pursuant to SB 2557. See "LIMITATIONS ON TAX REVENUES–Property Tax Administrative Costs."
(3) Represents net tax increment revenues received as of June 30, 2008. Net tax increment revenues equal gross tax increment less the Housing Set-Aside and payments to taxing agencies, less ERAF deductions in the amount of $378,850.
Source: *The Agency.*

Tax Increment Revenues

The State Legislature has in the past enacted legislation altering spending limitations or establishing minimum funding provisions for particular activities. The Agency cannot predict whether the State Legislature will enact other legislation requiring additional or increased future shifts of tax increment revenues to the State and/or to schools, whether through an arrangement similar to the local county ERAF or by other arrangements, and, if so, the effect of such legislation on future Tax Revenues. A description of such legislation is summarized below.

AB 1290. Pursuant to Section 33607.7 of the State Health and Safety Code added by Assembly Bill (Statutes of 1993), Chapter 942) ("AB 1290") a redevelopment plan amendment for any redevelopment plan adopted prior to January 1, 1994 that increases the limitation on the number of dollars to be allocated to the Agency or the time limit on the establishing of loans, advances and indebtedness, must begin making statutory payments to affected taxing entities that do not have existing pre-AB 1290 tax sharing agreements. These payments are to begin once any of the original redevelopment plan limitations would have taken effect. The first limit encountered or to be encountered in the Project Areas is the debt establishment limit.

The AB 1290 payments are computed using the increase in revenue, if any, over the amount of revenue generated by a project area in the year that the debt establishment limit would have been reached. In effect, the year in which the debt establishment limit is met becomes a new "base year" for purposes of calculating payments. AB 1290 payments are paid from revenues resulting from the growth in the new tax base year.

Among other amendments to the Law, AB 1290 limits the time for: (i) establishing indebtedness in a project area to the later of 20 years from the date of adoption of the redevelopment plan or January 1, 2004; (ii) the life of existing redevelopment plans to the later of 40 years from the date of adoption or January 1, 2009; (iii) paying indebtedness with tax increment beyond 10 years after the expiration of the redevelopment plan, except to fund deferred Low and Moderate Income Housing Fund (the "Housing Set-Aside") requirements and to repay indebtedness incurred prior to January 1, 1994. The time limits imposed by AB 1290 apply individually to each plan as well as to specific territory added by amendments to a redevelopment plan.

On December 8, 1994, the City Council adopted Ordinance No. 765 with respect to Project Area No. 1; and Ordinance No. 767 with respect to Project Area No. 3 establishing time limits to incur debt within the respective Project Area. See "*–SB 211*" and "*–SB 1096*" for additional legislation affecting plan limits and "–Limitations on Tax Revenues–*Pass-Through Agreements and Tax Sharing Payments*–Statutory Tax Sharing Payments" and "–Summary of Redevelopment Plan Limits" for a summary of the plan amendment and limitations.

SB 211. Senate Bill 211 (Chapter 741, Statutes of 2001) ("SB 211") was adopted by the California Legislature and became law on January 1, 2002. Among other things, SB 211 authorizes a redevelopment agency that adopted a redevelopment plan prior to January 1, 1994, to amend that plan in accordance with specified procedures to extend its effectiveness and receive tax increment revenues with respect to the plan for not more than 10 years if certain specified findings are made. If a plan is so amended, the requirement for allocating tax increment revenues to low and moderate income housing is increased from 20% to 30%. However, such elimination also triggers statutory tax sharing with those taxing entities that do not have tax sharing agreements for the period commencing in the year the eliminated plan limit would have taken effect. Tax sharing will be calculated based on the increase in assessed valuation after the year in which the time limit would have otherwise become effective. SB 211 also allows redevelopment agencies to amend redevelopment plans to eliminate the time limit for the establishment of loans, advances and indebtedness within project areas. However, such an amendment would also require a redevelopment agency to begin making statutory tax sharing payments to affected taxing entities. See "*–AB 1290.*"

On February 27, 2003, the City Council adopted Ordinance No. 1035 with respect to Project Area No. 1 and on March 11, 2004, adopted Ordinance No. 1062 with respect to Project Area No. 3 to eliminate the time limit to repay debt in each Project Area.

SB 1045. Senate Bill 1045 (Chapter 260, Statutes of 2003) ("SB 1045") was enacted as part of the State Fiscal Year 2003-04 budget legislation and required redevelopment agencies Statewide to contribute $135 million to the ERAF in order to reduce the amount of State funding for schools.

In addition, SB 1045 amended the Redevelopment Law to permit redevelopment agencies to use a simplified methodology to amend the redevelopment plans to extend by one year the effectiveness of the plan and the time during which a redevelopment agency may repay debt with tax increment revenues, and permitted a redevelopment agency to deduct the amount of ERAF payments in Fiscal Year 2003-04 and in prior years from the amount of the cumulative tax increment revenues for a project area.

On December 9, 2004, the City Council adopted Ordinance No. 1082 with respect to Project Area No. 1 and Ordinance No. 1084 with respect to Project Area No. 3 each of which extended the time limit within the related Project Area by one year. See "–Summary of Redevelopment Plan Limits."

SB 1096. Senate Bill 1096 (Chapter 211, Statutes of 2004) ("SB 1096") permits a redevelopment agency to extend the term of the redevelopment plans effectiveness and the periods within which a redevelopment agency may repay indebtedness by up to two additional years, *provided* the Agency pays its ERAF obligations for Fiscal Years 2004-05 and 2005-06. SB 1096 authorizes the following extensions of redevelopment plans: (i) for components of a project area that have 10 years or less of plan effectiveness remaining after June 30, 2005, a two-year extension is authorized; and (ii) for components of a project area that have more than 10 years and less than 20 years of plan effectiveness remaining after June 30, 2005, a two-year extension is authorized if the legislative body of the Agency makes certain findings. For those components of a project area with more than 20 years of plan effectiveness remaining after June 30, 2005, no extension of time is authorized under SB 1096.

The Agency has not extended the repayment provisions within the Project Areas as permitted by SB 1096, but may do so in the future.

Limitations on Tax increment Revenues

Taxation of Unitary Property. AB 454 (Statutes of 1987, Chapter 921) provides a revised method of reporting and allocating property tax revenues generated from most State-assessed unitary properties commencing with Fiscal Year 1988-89. Under AB 454, the State reports to each county auditor-controller on the county-wide unitary taxable value of each utility, without an indication of the distribution of the value among tax rate areas. AB 454 provides two formulas for auditor-controllers to use in order to determine the allocation of unitary property taxes generated by the county-wide unitary value, which are: (i) for revenue generated from the 1% tax rate, each jurisdiction is to receive up to 102% of its prior year unitary property tax increment revenue, however, if county-wide revenues generated for unitary properties are greater than 102% of prior year revenues, each jurisdiction receives a percentage share of the excess unitary revenues equal to the percentage of each jurisdiction's share of secured property tax revenues; or (ii) for revenue generated from the application of the debt service tax rate to county-wide unitary taxable value, each jurisdiction is to receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes.

The provisions of AB 454 apply to all State-assessed property, except railroads and non-unitary properties the valuation of which will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination or reversion of the method of assessing utilities by the State Board of Equalization. AB 454 allows, generally, valuation growth or decline of State-assessed unitary property to be shared by all jurisdictions within a county.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the County becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (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 record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Current tax payment practices by the County provide for payment to the Agency of Tax Revenues monthly throughout the fiscal year, with the majority of Tax Revenues derived from secured property paid to the Agency in mid-December and mid-April, and the majority of Tax Revenues derived from unsecured property paid to the Agency by mid-November. A final reconciliation is made after the close of the fiscal year to incorporate all adjustments to previously reported current year taxable values. The difference between the final reconciliation and Tax Revenues previously allocated to the Agency is allocated mid-August.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1% per month to the time of redemption and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent after the following December 10 and April 10. Taxes on unsecured property are due April 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to the roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next January 1 tax lien date following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the January 1 lien date. To the extent such supplemental assessments occur within the Project Areas, Tax Revenues may increase.

Property Tax Administrative Costs. Legislation enacted by the State Legislature authorizes county auditors to determine property tax administrative costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities that are subject to such charges. Specifically, in 1990 the State legislature enacted SB 2557 (Chapter 466, Statutes of 1990) authorizing counties to charge for the cost of assessing, collecting and allocating property tax revenues to local governments jurisdictions in proportion to the tax derived revenues allocated to each. SB 1559 (Chapter 697, Statutes of 1992) explicitly includes redevelopment agencies among the jurisdictions which are subject to such charges. The County collects property tax administration costs from the Agency by deducting such costs from tax revenues prior to delivering such amounts to the Agency.

Project Area No. 1. Added Territory. For Fiscal Year 2006-07, the County's administrative fee in the Added Territory was 0.92414% of the gross tax increment revenues paid to the Agency from the Added Territory or $337,271, for Fiscal Year 2007-08 was 0.91495% of the gross tax increment revenues or $368,824 and for Fiscal Year 2008-09 is estimated to be 0.91495% of the gross tax increment revenues or $394,519.

Project Area No. 3. For Fiscal Year 2006-07 the County's administrative fee was 0.92473% of the gross tax increment revenues from the Project Area No. 3 or $31,526, for Fiscal Year 2007-08 was 0.91515% of the gross tax increment revenues or $36,007 and for Fiscal Year 2008-09 is estimated to be 0.91515% of the gross tax increment revenues or $43,426.

The administrative fees are prorated to the Housing Fund and to taxing entities (including the County Capital Improvement Fund) who receive a portion of the tax increment revenue from a Project Area pursuant to a tax sharing agreement. See also Appendix A–"Report of the Fiscal Consultant."

Certification of Redevelopment Agency Indebtedness. Under the Redevelopment Law, redevelopment agencies must file with the county auditor a statement of indebtedness for each project area not later than the first day of October of each year. As described below, the statement of indebtedness controls the amount of tax increment revenue that will be paid to the Agency in each fiscal year.

Each statement of indebtedness is filed on a form prescribed by the State Controller and specifies, among other things: (i) the total amount of principal and interest payable on all loans, advances or indebtedness (the "Debt"), both over the life of the Debt and for the current fiscal year, and (ii) the amount of "available revenue" as of the end of the previous fiscal year. "Available revenue" is calculated by subtracting the total payments on Debt during the previous fiscal year from the total revenues (both tax increment revenues and other revenues) received during the previous fiscal year, plus any carry forward from the prior fiscal year. Available revenues include amounts held by the Agency and irrevocably pledged to the payment of Debt, but do not include amounts set aside for low and moderate income housing.

The county auditor may only pay tax increment revenue to the Agency in any fiscal year to the extent that the total remaining principal and interest on all Debt exceeds the amount of available revenues as shown on the statement of indebtedness.

The statement of indebtedness constitutes prima facie evidence of the indebtedness of the Agency; however, the county auditor may dispute the statement of indebtedness in certain cases Section 33675 provides for certain time limits controlling any dispute of the statement of indebtedness, and allows for Superior Court determination of such dispute in the event it cannot be resolved by the Agency and the county. Any such action may only challenge the amount of the Debt as shown on the statement, and not the validity of any Debt or related contract or the expenditures related thereto. No challenge can be made to payments to a fiscal agent in connection with a bond issue or payments to a public agency in connection with payments by that public agency with respect to a lease or bond issue.

Pass-Through Agreements and Tax Sharing Payments

Pass-Through Agreements. The Agency entered into pass-through agreements with certain local taxing agencies (collectively, the "Pass-Through Agreements"). Pursuant to each such agreement, the Agency is obligated to pay tax increment revenues to each such taxing entity, other than the City, that has territory located within the Project Areas in the amount which the Agency determines is appropriate to alleviate any financial burden or detriment caused to such taxing entity as a result of redevelopment activities within the Project Areas. Each Pass-Through Agreement provides for a pass-through of tax increment revenue directly to the related taxing entity.

Statutory Tax Sharing Payments. The Redevelopment Plans for the Project Areas were amended after January 1, 1994 and therefore they are subject to the statutory tax-sharing payments mandated in the Redevelopment Law, as amended by AB 1290, requiring that a portion of the tax increment revenues be shared with taxing entities. See also "–Tax Increment Revenues–AB 1290." These tax-sharing payments are set by statute and are not negotiated. The County Auditor-Controller allocates all tax increment revenue to the Agency for payment of tax-sharing payments. This defined tax sharing amount has three Tiers.

Tier 1: Commences with the first year that each of Expansion Areas, respectively, receives tax increment revenue and continues for the life of each such Expansion Area. The Tier 1 tax-sharing amount is equal to 25% of the gross tax increment revenue allocated from the respective Expansion Area net of the Housing Set-Aside Requirement. The City may chose to forgo this Tier of taxing-sharing payments.

Tier 2: Commences in the 11th year after the Agency first receives tax increment revenue, and is in an amount equal to 21% of the tax increment revenue net of the Housing Set-Aside Requirement, derived from the growth in assessed value that is in excess of the assessed value of the Project Areas in the tenth year. The City may not receive any portion of the Tier 2 tax-sharing payments.

Tier 3: Commences in the 31st year after the Agency first receives tax increment revenues and is an amount equal to 14% of the tax increment revenue net of Housing Set-Aside derived from the growth in assessed value that is in excess of the assessed value of the Project Areas in the 30th year. The City may not receive any portion of the Tier 3 tax-sharing payments.

These three tiers of tax sharing are calculated independent of one another and continue from their inception through the life of the Project Areas.

SB 211 Tax Sharing Payments. On February 27, 2003 and March 11, 2004, the City Council adopted separate Ordinances with respect to each Project Area eliminating the time limit to incur debt in each Project Area. Pursuant to SB 211, the adoption of such an ordinance requires the Agency to begin making statutory tax sharing payments in the Fiscal Year following the expiration of the original time limit for the incurrence of new indebtedness.

In accordance with SB 1045, the limit for incurrence of new indebtedness for the Project Areas were extended by one year. By extending these limits, the Agency caused statutory tax sharing payments to commence in Fiscal Year 2012-13 with respect to Project Area No. 3. The assessed values in the last Fiscal Year prior to initiation of the statutory tax sharing payments are used as the base value for calculation of the tax sharing payments. The projections of the Fiscal Consultant assume that the City will elect to receive its share of these payments, however, currently, if the City elects not to receive its share of these tax sharing payments, that portion of the statutory tax sharing payment will remain with the Agency for its use. The County Auditor-Controller allocates all tax increment revenue to the Agency and it is the responsibility of the Agency to make the required tax sharing payments.

Controls, Land Use and Building Restrictions

The Redevelopment Plan for each Project Area sets forth the principal land uses permitted and the building restrictions to be imposed in project development. It also assigns the Agency and the City their respective responsibilities in carrying out each Redevelopment Plan.

The information in Table C-3A and Table C-3B is based on land use designations as provided by Riverside County Office of the Auditor Controller through tax roll data, however, County land use designations do not necessarily parallel City land use and zoning designations. Unsecured and SBE non-unitary values are connected with parcels that are already accounted for in other categories.

Table C-3A
Palm Desert Redevelopment Agency
Project Area No. 1 Added Territory
Land Uses by Category

Land Use	Number of Parcels	2008-09 Net Secured Assessed Value(1) Amount	Percent
Residential	7	$4,121,501,526	85.05%
Commercial	546	443,309,485	9.15
Vacant	10,584	237,792,053	4.91
Mixed Use	219	31,826,292	0.66
Other	1,031	11,389,644	0.24
Agriculture	1	268,394	0.01
TOTAL	12,388	$4,846,087,394(2)	100.00%

† Column does not total due to independent rounding.
(1) Secured assessed value was provided by the County Assessor's Office and varies form the information provided by the County Auditor-Controller.
(2) Secured assessed value is $4,932,004,902 less $85,917,508 for all exemptions, except the homeowners exemption.
Source: *The County Assessor.*

Table C-3B
Palm Desert Redevelopment Agency
Project Area No. 3
Land Uses by Category

Land Use	Number of Parcels	2008-09 Net Secured Assessed Value(1) Amount	Percent
Commercial	300	$341,877,278	62.32%
Residential	788	200,613,469	36.57
Vacant	66	6,096,595	1.11
Other	5	–	–
Mixed Use	1	–	–
TOTAL	1,160	$548,587,342(2)	100.00%

(1) Secured assessed value was provided by the County Assessor's Office and varies form the information provided by the County Auditor-Controller.
(2) Secured assessed value is $569,369,787 less $20,782,445 for all exemptions, except the homeowners exemption.
Source: *The County Assessor.*

Principal Taxpayers

Project Area No. 1 Added Territory. The top 10 taxpayers within the Project Area No. 1 Added Territory for Fiscal Year 2008-09 own property with an aggregate value of $291,687,458, representing approximately 5.90% of the net assessed value within Project Area No. 1 Added Territory.

Table C-4A and Table C-4B list the principal taxpayers and primary land uses in Project Area No. 1 Added Territory based on the Fiscal Year 2008-09 assessed value.

Table C-4A
Palm Desert Redevelopment Agency
Project Area No. 1 Added Territory
Principal Taxpayers
As of Fiscal Year 2008-09

Owner	No. of Parcels	Primary Land Use	2008-09 Net Assessed Value[1]	% of Net 2008-09 Total Roll
Stewart, Elisabeth	290	Residential, Commercial, Vacant	$87,685,882	1.78%
Gardens SPE II	1	Commercial Special Use	77,210,317	1.56
Bighorn	150	Commercial, Residential, Vacant	39,257,031	0.79
Bosley	2	Vacant Residential	13,565,476	0.27
ARV Assisted Living	2	Commercial: Special Use, Convalescent Care	13,414,868	0.27
Hummer, James	4	Vacant Residential, Single Family Residence	12,733,917	0.26
Deep Canyon Partners	5	Miscellaneous Structures	12,679,773	0.26
Pasternack, Lawrence	2	Vacant Residential, Single Family Residence	12,008,051	0.24
Summit Cable Service	1	Commercial: Special Use	11,783,040	0.24
Smith, Orin	1	Single Family Residence	11,349,103	0.23
TOTAL TOP TEN	459		291,687,458	5.90
Other Property Owners	11,929	Various	4,648,291,909	94.10
TOTAL	12,388		$4,939,979,367[2]	100.00%

(1) Does not reflect homeowners exemption.
(2) Represents total Fiscal Year 2008-09 assessed value in the amount of $5,037,270,697 less $97,291,330 for all exemptions *except* for the homeowners exemption.
Sources: *County Auditor Controller's Office and County Assessor's Office 2008-09 Equalized Local Assessment Roll.*

(Remainder of this Page Intentionally Left Blank)

Project Area No. 3. The top 10 taxpayers within Project Area No. 3 for Fiscal Year 2008-09 own property with an aggregate value of $169,687,991 representing approximately 27.24% of the assessed value within Project Area No. 3.

Table C-4B lists the principal taxpayers and primary land use in the Project Area No. 3 based on the Fiscal Year 2008-09 assessed valuation.

Table C-4B
Palm Desert Redevelopment Agency
Project Area No. 3
Principal Taxpayers(1)
Fiscal Year 2008-09

Owner	No. of Parcels	Primary Land Use	2008-09 Assessed Value(1)	% of 2008-09 Total Roll
Capri W. Canterra	1	Residential Apartments	$58,911,998	9.46%
Sunrise IV Carlotta	1	Commercial Special Use	26,786,886	4.30
Guthy Renker Corp.	1	Commercial Agencies, Conditional Sale Equip, Other	18,252,050	2.93
Time Warner Entertainment	1	Commercial Agencies, Cable TV Companies	17,273,046	2.77
Burrtec Waste & Recovery	1	Recycling Plants, Miscellaneous Services	9,714,478	1.56
Business Park of the Desert	14	Other Commercial	8,784,483	1.41
Northern Trust Bank	9	Other Commercial	8,551,638	1.37
SAG Palm Desert	1	Other Commercial	8,526,859	1.37
Desert Properties	5	Other Commercial	6,572,371	1.05
Rancho Vista Apts.	1	Residential Apartments	6,314,182	1.01
TOTAL TOP TEN	35		169,687,991	27.24
Other Property Owners	1,125	Various	453,347,332	72.76
TOTAL	1,160		$623,035,323(2)	100.00%

(1) Does not reflect homeowners exemption.
(2) Represents total Fiscal Year 2008-09 assessed value in the amount of $644,367,400 less $21,332,077 for all exemptions *except* for the homeowners exemption.
Sources: *County Auditor Controller's Office and County Assessor's Office 2008-09 Equalized Local Assessment Roll.*

Tax Rates

Within the State tax rates vary from area to area, as well as within a community and a project area. The tax rate for any particular parcel is based upon the jurisdictions levying the tax rate for the area (a "Tax Rate Area") in which the parcel is located. The tax rate applied to incremental taxable values consist of two components: (i) the general levy rate which may not exceed $1.00 per $100 of taxable values in accordance with Article XIII A of the State Constitution and (ii) the over-ride tax rate that is levied to pay voter approved indebtedness or contractual obligations that existed prior to the enactment of Proposition XIII. See "LIMITATION ON TAX REVENUES" and "CERTAIN RISKS TO BONDHOLDERS–Reduction in Assessed Value." The over-ride tax rates can decline each year as increasing property values reduce the over-ride rate needed to be levied by the taxing entities to satisfy voter approved debt service obligations and as the voter approved debts is retired over time.

The taxing entities within a Tax Rate Area each receive a prorated share of the general levy and the revenues resulting from any voter approved over-ride tax rates.

Project Area No. 1 Added Territory. Project Area No. 1 Added Territory contains a total of 21 Tax Rate Areas. The taxing entities within a Tax Rate Area each receive a prorated share of the general levy and the revenues resulting from any voter approved over-ride tax rates. The components that make up the tax rate applicable to the Project Area No. 1 Added Territory are set forth in Table C-5A below:

Table C-5A
Palm Desert Redevelopment Agency
Project Area No. 1 Added Territory
Summary of Tax Rates
Fiscal Year 2008-09

General Purpose Levy	Rate
County General Fund	0.2835%
County Library	0.0288
County Fire District	0.0620
Supervisorial Road District No. 4	0.0000(1)
City of Indian Wells	0.0000(2)
City of Palm Desert	0.0210
Desert Sands Unified School	0.3693
Desert Community College	0.0803
County Superintendent of Schools	0.0437
Riverside County Regional Park and Open Space	0.0430
Rancho Mirage Fire Assessment District	0.0003
Coachella Valley Public Cemetery	0.0030
Palm Springs Public Cemetery	0.0003
Desert Hospital	0.0132
Coachella Valley Mosquito Abatement	0.0146
Coachella Valley Recreation and Park	0.0186
Coachella Valley Water District	0.0292
Coachella Valley Water District 80	0.0100
Coachella Valley Resource Center	0.0002
Coachella Valley Water District Storm Water Unit	0.0177
TOTAL	1.0000%

(1) Represents rounded figure. Actual rate is equal to 0.0000007648988%.
(2) Represents rounded figure. Actual rate is equal to 0.0000000648453%.
Source: *Rosenow Spevacek Group Inc.*

(Remainder of this Page Intentionally Left Blank)

Project Area No. 3. Project Area No 3. contains a total of 16 Tax Rate Areas. The taxing entities within a Tax Rate Area each receive a prorated share of the general levy and the revenues resulting from any voter approved over-ride tax rates. The components that make up the tax rate applicable to Project Area No. 3 are set forth in Table C-5B below:

Table C-5B
Palm Desert Redevelopment Agency
Project Area No. 3
Summary of Tax Rates
Fiscal Year 2008-09

General Purpose Levy	Rate
County General Fund	0.2541%
County Library	0.0282
County Fire District	0.0606
City of Palm Desert	0.0444
Desert Sands Unified School	0.3740
Desert Community College	0.0777
County Superintendent of Schools	0.0423
Riverside County Regional Park and Open Space	0.0038
Coachella Valley Public Cemetery	0.0035
Desert Hospital	0.0107
Coachella Valley Mosquito Abatement	0.0141
Coachella Valley Recreation and Park	0.0214
Coachella Valley Water District	0.0283
Coachella Valley Water District 80	0.0008
Coachella Valley Resource Center	0.0003
Coachella Valley Water District Storm Water Unit	0.0358
TOTAL	1.0000%

Source: *Rosenow Spevacek Group Inc.*

Historical, Current and Projected Tax Revenues

The purpose of redevelopment is to revitalize deteriorated or underdeveloped areas within a community. As new construction progresses, property values normally increase and the ultimate result is a proportionate increase in *ad valorem* property tax revenues.

The total taxable value of all properties within a given project area on the property assessment roll last equalized prior to the effective date of the ordinance adopting the redevelopment plan for such project area and related amendment areas, if any, establishes a base from which increases in taxable value are computed.

Project Area No. 1 Added Territory. The base so established for the Original Area is the Fiscal Year 1974-75 assessment roll and for the Added Territory the Fiscal Year 1981-82 assessment roll. Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls will continue to be paid to and retained by all taxing agencies levying property taxes in Project Area No. 1 Added Territory. Taxes levied by the respective taxing agencies on any increases in taxable value realized in Project Area No. 1 Added Territory will be allocated to the Agency.

It should be understood that this procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year are apportioned to the taxing agencies levying the taxes and to the Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Agency in connection with Project Area No. 1 Added Territory have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner. See also "CERTAIN RISKS TO BONDHOLDERS–Reduction of Tax Revenues."

Table C-6A-1 presents the aggregate taxable value of all property within Project Area No. 1 Added Territory and the tax increment revenues received for Fiscal Years ended June 30, 2005 through June 30, 2009 (projected).

Table C-6A-1
Palm Desert Redevelopment Agency
Project Area No. 1 Added Territory
Historical Taxable Values and Tax Increment Revenues

	2004-05	2005-06	2006-07	2007-08	(Projected) 2008-09	
Assessed Value[1][2]						
Local Secured	$3,353,983,977	$3,700,665,201	$4,187,633,924	$4,567,720,911	$4,846,087,394	
Utility (SBE)	–	–	–	–	–	
Unsecured	79,970,509	79,183,032	92,440,023	91,419,977	93,891,973	
TOTAL ASSESSED VALUE	3,433,954,486	3,779,848,233	4,280,073,947	4,659,140,888	4,939,979,367	
Base Year Value	656,065,059	656,065,059	656,065,059	656,065,059	656,065,059	
Incremental Value	$2,777,889,427	$3,123,783,174	$3,624,008,888	$4,003,075,829	$4,283,914,308	
Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	
Estimated Revenue						
Tax Increment Revenue	$27,778,894	$31,237,832	$36,240,089	$40,030,758	$42,839,143	
Unitary Utility Revenue	142,166	167,752	255,476	280,014	280,014	est.
County Administration Fee	(368,240)	(298,669)	(337,271)	(368,824)	(394,519)	est.[3]
TOTAL ESTIMATED REVENUE	$27,552,820	$31,106,915	$36,158,294	$39,941,948	$42,724,638	
Actual Receipts						
Secured and Unitary Utility	$27,921,060	$31,405,584	$39,827,914	$40,310,773	N/A	
Supplemental Payments	1,502,190	5,644,432	255,476	2,644,698	N/A	
County Administration Fee	(368,240)	(298,669)	(337,271)	(368,824)	N/A	
TOTAL ACTUAL RECEIPTS	$29,055,010	$36,751,347	$39,746,119	$42,586,647	N/A	

(1) Values include homeowner exemption value.
(2) Assessed value data for Fiscal Year 2004-05 through 2007-08 were provided by the County Auditor Controller. Data for Fiscal Year 2008-09 were provided by the County Assessor.
(3) Represents property tax administrative costs, in an amount equal to 0.915% of the annual gross tax increment, that are paid to the County pursuant to SB 2557. See "LIMITATIONS ON TAX REVENUES–Property Tax Administrative Costs."

Sources: *Riverside County Office of the Auditor-Controller and City of Palm Desert Finance Department.*

Table C-6A-2 summarizes the projected Tax Revenues received by Project Area No. 1 Added Territory, for the Fiscal Years ending June 30, 2009 through June 30, 2013. To date, the County has paid to the Agency the full amount of Tax Revenues expected to be received by the Agency, without regard to delinquencies in tax collection.

Table C-6A-2
Palm Desert Redevelopment Agency
Project Area No 1 Added Territory
Projection of Incremental Taxable Value and Tax Increment Tax Revenue
Based Upon an Assumed Secured Growth Rate of 2.0%

	2008-09	2009-10	2010-11	2011-12	2012-13
Taxable Values					
Secured[1]	$4,846,087,394	$4,943,009,142	$5,041,869,325	$5,142,706,711	$5,245,560,845
Unsecured[2]	93,891,973	94,126,703	94,362,020	94,597,925	94,834,420
Total Value	4,939,979,367	5,037,135,845	5,136,231,345	5,237,304,636	5,340,395,265
Base Year Value	656,065,059	656,065,059	656,065,059	656,065,0599	656,065,059
Taxable Value over Base	4,283,914,308	4,381,070,786	4,480,166,285	4,581,239,577	4,684,330,206
Tax Increment	$42,839,143	$43,810,708	$44,801,663	$45,812,396	$46,843,302
Unitary Tax Revenue	280,014	280,014	280,014	280,014	280,014
Total Gross Tax Increment	43,119,157	44,090,722	45,081,677	46,092,410	47,123,316
Less:					
County Admin. Fee[3]	(394,519)	(403,409)	(412,475)	(421,723)	(431,155)
Housing Set-Aside Requirement[4]	(8,544,928)	(8,737,463)	(8,933,840)	(9,134,137)	(9,338,432)
Tax Sharing Payments[5]	(20,537,616)	(21,045,058)	(21,563,106)	(22,091,998)	(22,631,973)
Available Tax Revenues	$13,642,094	$13,904,793	$14,172,255	$14,444,552	$14,721,755

(1) Growth in secured values is projected at 2.00% annually.
(2) Growth in unsecured values is projected at 0.25% annually.
(3) Represents property tax administrative costs, in the amount equal to 0.915%% of the annual gross tax increment, that are paid to the County pursuant to SB 2557. See "–Limitations on Tax Revenues–*Property Tax Administrative Costs.*"
(4) For a discussion of the Housing Set-Aside, see "–Limitations on Tax Revenues–*Housing Set-Aside.*"
(5) Represents payments to all taxing entities, including statutory payments. See "LIMITATIONS ON TAX REVENUES–Pass Through Agreements and Tax Sharing Payments."

Sources: *Riverside County Office of the Auditor-Controller and Rosenow Spevacek Group Inc.*

Project Area No. 3. The base so established for Project Area No. 3 is the Fiscal Year 1992-93 assessment roll. Under the Redevelopment Law, property taxes levied based upon the amount shown on the base year assessment rolls will continue to be paid to and retained by all taxing agencies levying property taxes in Project Area No. 3. Taxes levied by the respective taxing agencies on any increases in taxable value realized in Project Area No. 3 will be allocated to the Agency.

It should be understood that this procedure does not involve the levy of any additional taxes, but provides that revenues produced by the tax rates in effect from year to year are apportioned to the taxing agencies levying the taxes and to the Agency on the basis described above. After all loans, advances and other indebtedness, including interest, incurred by the Agency in connection with Project Area No. 3 have been paid, the tax revenues will be paid to and retained by the respective taxing agencies in the normal manner. See also "CERTAIN RISKS TO BONDHOLDERS–Reduction of Tax Revenues and Subordinate Tax Revenues."

Table C-6B-1 presents the aggregate taxable value of all property within Project Area No. 3 and the tax increment revenues received for Fiscal Years ended June 30, 2005 through June 30, 2009 (Projected).

Table C-6B-1
Palm Desert Redevelopment Agency
Project Area No. 3
Historical Taxable Values and Tax Increment Revenues

	2004-05	2005-06	2006-07	2007-08	(Projected) 2008-09	
Assessed Value(1)(2)						
Local Secured	$318,385,414	$385,333,313	$432,181,892	$479,042,011	$548,587,342	
Utility (SBE)	–	–	–	–	–	
Unsecured	44,912,824	50,081,784	57,571,490	62,935,478	74,447,981	
TOTAL ASSESSED VALUE	363,298,238	435,415,097	489,753,382	541,977,489	623,035,323	
Base Year Value	149,523,255	149,523,255	149,523,255	149,523,255	149,523,255	
Incremental Value	$213,774,983	$285,891,842	$340,230,127	$392,454,234	$473,512,068	
Tax Rate	1.00%	1.00%	1.00%	1.00%	1.00%	
Estimated Revenue						
Tax Increment Revenue	$2,137,750	$2,858,918	$3,402,301	$3,924,542	$4,735,121	
Unitary Utility Revenue	763	3,147	6,910	9,990	9,990	est.
County Administration Fee	(28,204)	(27,207)	(31,526)	(36,007)	(43,426)	est.(3)
TOTAL ESTIMATED REVENUE	$2,110,309	$2,834,859	$3,377,685	$3,898,525	$4,701,685	
Actual Receipts						
Secured and Unitary Utility	$2,138,513	$2,862,066	$3,402,301	$3,934,532	N/A	
Supplemental Payments	261,674	607,706	192,256	454,199	N/A	
County Administration Fee	(28,204)	(27,207)	(31,526)	(36,007)	N/A	
TOTAL ACTUAL RECEIPTS	$2,371,983	$3,442,565	$3,563,031	$4,352,724	N/A	

(1) Secured values include homeowner exemption value.
(2) Assessed value data for Fiscal Year 2004-05 through 2007-08 was provided by the County Auditor Controller. Data for Fiscal Year 2008-09 was provided by the County Assessor.
(3) Represents property tax administrative costs, in an amount equal to 0.163% of the annual gross tax increment, that are paid to the County pursuant to SB 2557. See "LIMITATIONS ON TAX REVENUES–Property Tax Administrative Costs."
Sources: *Riverside County Office of the Auditor-Controller and City of Palm Desert Finance Department.*

(Remainder of this Page Intentionally Left Blank)

Table C-6B-2 summarizes the projected Tax Revenues received by Project Area No. 3, for the Fiscal Years ending June 30, 2009 through June 30, 2013. To date, the County has paid to the Agency the full amount of Tax Revenues expected to be received by the Agency, without regard to delinquencies in tax collection.

Table C-6B-2
Palm Desert Redevelopment Agency
Project Area No. 3
Projection of Incremental Taxable Value and Tax Increment Tax Revenue
Based Upon an Assumed Secured Growth Rate of 2.0%

	2008-09	2009-10	2010-11[1]	2011-12	2012-13
Taxable Values					
Secured[1]	$548,587,342	$559,559,089	$570.750,271	$582,165,276	$593,808,582
Unsecured[2]	74,447,981	74,447,981	74,447,981	74,447,981	74,447,981
Total Value	623,035,123	634,007,070	645,198,252	656,613,257	668,256,563
Base Year Value	149,523,255	149,523,255	149,523,255	149,523,255	149,523,255
Taxable Value over Base	473,512,068	484,483,815	495,674,997	507,090,002	518,773,308
Tax Increment	4,735,121	4,844,838	4,956,750	5,070,900	5,187,333
Unitary Tax Revenue	9,990	9,990	9,990	9,990	9,990
Total Gross Tax Increment	4,745,111	4,854,828	4,966,740	5,080,890	5,197,323
Less:					
County Admin. Fee[3]	(43,426)	(44,430)	(45,454)	(46,499)	(47,564)
Housing Set-Aside Requirement[4]	(940,337)	(962,080)	(984,257)	(1,006,878)	(1,029,952)
Tax Sharing Payments[5]	(2,339,914)	(2,388,481)	(2,437,147)	(2,485,870)	(2,536,548)
Available Tax Revenues	$1,421,434	$1,459,838	$1,499,882	$1,541,643	$1,583,259

(1) Growth in secured values is projected at 2.00% annually.
(2) Growth in unsecured values is projected at 0.00% annually.
(3) Represents property tax administrative costs, in the amount equal to 0.127% of the annual gross tax increment, that are paid to the County pursuant to SB 2557. See "–Limitations on Tax Revenues–*Property Tax Administrative Costs.*"
(4) For a discussion of the Housing Set-Aside, see "–Limitations on Tax Revenues–*Housing Set-Aside.*"
(5) Represents payments to all taxing entities, including statutory payments. See "LIMITATIONS ON TAX REVENUES–Pass Through Agreements and Tax Sharing Payments."

Source: *Rosenow Spevacek Group Inc. for Projected Tax Revenues and Citigroup Global Markets Inc. for all other information*

(This Page Intentionally Left Blank)

APPENDIX D

SUMMARY OF THE PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the legal documents related to the 2008 Series A Bonds. This summary is not intended to be definitive and is qualified in its entirety by reference to the Indenture, the Lease, the Sublease, the Assignment Agreement, and the Implementation Agreement for the complete terms thereof. Copies of these documents are available upon request from the Trustee.

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined herein or elsewhere in the Official Statement have the meanings set forth in the Sublease or the Indenture.

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

"Additional Bonds" means additional Bonds which may be issued pursuant to and under the Indenture upon satisfaction of certain conditions set forth in the Indenture.

"Additional Rental Payments" means the additional rental payable by the County under and pursuant to the Sublease.

"Agency" means the Palm Desert Redevelopment Agency.

"Annual Debt Service" means, with respect to any Bond Year, the sum obtained by totaling the following:

(a) The principal amount of all Outstanding Bonds maturing or required to be redeemed by mandatory sinking account redemption in such Bond Year; and

(b) The interest which would be due during such Bond Year on the aggregate principal amount of Bonds which would be Outstanding in such Bond Year if the Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds already retired in advance of the above- mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

"Assignment Agreement" means the Assignment Agreement, dated as of November 1, 2008, by and between the Authority and the Trustee, as the same may be amended, supplemented or otherwise modified from time to time.

"Authority" means the Riverside County Palm Desert Financing Authority, a joint powers agency duly organized and existing under the JPA Agreement and the laws of the State.

"Authority Commission" means the governing body of the Authority.

"Average Annual Debt Service" means the average Annual Debt Service over all Bond Years.

"Bond Counsel" means any attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized expertise in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"Base Rental" or "Base Rental Payments" means the base rental payable by the County under and pursuant to the Sublease.

"Bermuda Dunes Regional Park Property" means the Bermuda Dunes Regional Park Site, together with all of the improvements constructed thereon.

"Bermuda Dunes Regional Park Site" means that certain real property more particularly described in applicable exhibit of the Sublease.

"Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the applicable Bond Insurer and guaranteeing, in whole or in part, the payment of principal of and interest on a series of Bonds. The Authority has not obtained any Bond Insurance Policy at the issuance of the Series 2008A Bonds, but may, in its sole discretion, elect to purchase one or more Bond Insurance Policies for any Bonds issued under the Indenture at any time.

"Bond Insurer" means the issuer or issuers of a policy or policies of municipal bond insurance (other than a Qualified Reserve Account Credit Instrument) obtained by the Authority to insure the payment of principal of and interest on all or a portion of a series of Bonds issued under the Indenture, when due, and which in fact, are at any time insuring such Bonds. In the event that there are more than two or more Bond Insurers for the Bonds, the consent, approval or action of a Bond Insurer shall affect only the Bonds insured by such Bond Insurer; provided, however, with respect to default and remedies provision of the Indenture, the consent, approval or action of the Bond Insurer shall be governed by the consent, approval or action of the Bond Insurer(s) insuring at least a majority of the aggregate amount of Bonds then Outstanding.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act, as in existence on the Closing Date or as thereafter amended from time to time.

"Bond Year" means each twelve-month period extending from May 2 in one calendar year to May 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall extend from the Closing Date with respect to the Series 2008A Bonds to May 1, 2009.

"Bonds" means, collectively, the Series 2008A Bonds and any Additional Bonds.

"Business Day," as used in the Indenture, means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Business Day," as used in the Implementation Agreement, means a day other than (i) a Saturday or Sunday, (ii) a day on which the business offices of the Agency or the County are closed, or (iii) a day on which the offices of the financial institution with which the Capital Improvement Fund is then maintained are authorized or required to close

"Certificate of the Authority" means a certificate in writing signed by the President or the Chief Administrative Officer of the Authority or by any other officer of the Authority duly authorized for that purpose by a resolution adopted by the Authority Commission and filed with the Trustee.

"Certificate of the County" means a certificate in writing signed by the County Executive Officer or by any other officer of the County duly authorized for that purpose.

"Closing Date" means, with respect to each Series of Bonds, the initial date of delivery for such Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

"Commencement Date" means the Closing Date with respect to the Series 2008A Bonds.

"Cooperative Agreement" means the Cooperative Agreement, dated as of February 13, 1992, by and among the County, the City of Palm Desert and the Agency, as the same may be amended or supplemented from time to time

"Costs of Issuance," with respect to each Series of Bonds, means all expenses incurred in connection with the authorization, issuance, sale and delivery of such series of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, costs of obtaining title insurance with respect to the Leased Properties, costs relating to conveyance of the Leased Properties, rating agency fees, costs of preparation and reproduction of documents, costs of printing, bond insurance premiums and fees and costs for any guaranty, surety bond, letter of credit or other credit facility.

"County" means the County of Riverside, California.

"County Capital Improvement Fund" means the fund by that name established under the Cooperative Agreement.

"County Treasurer" means the Treasurer-Tax Collector of the County.

"Event of Default" means any of the events described as such under "INDENTURE – Events of Default and Remedies" below.

"Federal Securities" means any direct, noncallable 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 other noncallable obligations for which the faith and credit of the United States of America are pledged for the payment of principal and interest.

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Implementation Agreement" means the Implementation Agreement, dated as of November 1, 2008, by and between the Agency and the County, as the same may be amended, supplemented or otherwise modified from time to time.

"Indenture" means the Indenture, dated as of November 1, 2008, by and between the Trustee and the Authority relating to the Series 2008A Bonds, as the same may be amended, supplemented or otherwise modified from time to time.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom: (i) is in fact independent and not under domination of the Authority or the County; (ii) does not have any substantial interest, direct or indirect, in the Authority or the County; and (iii) is not connected with the Authority or the County as an officer or employee of the Authority or the County but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the County.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Interest Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Interest Payment Date" means May 1 and November 1 of each year, commencing May 1, 2009.

"JPA Agreement" means that certain Joint Exercise of Powers Agreement, dated as of January 1, 2002, as amended, entered into under the Act by the County of Riverside and the Agency, together with any amendments thereof and supplements thereto.

"Lease" means that certain Lease, dated as of November 1, 2008, by and between the County as lessor and the Authority as lessee, with respect to the Leased Properties, as the same may be amended, supplemented or otherwise modified from time to time.

"Leased Properties" means, collectively, (i) the Bermuda Dunes Regional Park Property, (ii) the Mecca Library and Sheriff Office Property, (iii) the North Palm Springs Multi-Service Center Property, (iv) the Palm Desert Sheriff Station Property, and (v) the Rubidoux Health Clinic Property. The singular form "Leased Property" shall mean any of such properties.

"Lease Revenue Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Lease Term" means the period commencing on the Closing Date for the Series 2008A Bonds and ending on the Termination Date or such other date as determined in accordance with the Sublease.

"Maximum Annual Debt Service" means, with respect to the Bonds, the largest Annual Debt Service during the period from the date of calculation through the final maturity date of any Outstanding Bonds.

"Mecca Library and Sheriff Office Property" means the Mecca Library and Sheriff Office Site, together with all of the improvements constructed thereon.

"Mecca Library and Sheriff Office Site" means that certain real property more particularly described in the applicable exhibit of the Sublease.

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns.

"Net Proceeds" means any insurance or condemnation proceeds, paid with respect to the Leased Properties remaining after payment therefrom of all expenses in the collection thereof.

"North Palm Springs Multi-Service Center Facilities" means the multi-service center and related facilities to be constructed on the North Palm Springs Multi-Service Center Site.

"North Palm Springs Multi-Service Center Property" means the North Palm Springs Multi-Service Center Site, together with all of the improvements constructed thereon.

"North Palm Springs Multi-Service Center Site" means that certain real property more particularly described in applicable exhibit of the Sublease.

"Original Sheriff Station" means that certain real property and the sheriff station facilities and improvements thereon located at 73-520 Fred Waring Drive in the City.

"Original Sheriff Station Bonds" means the bonds issued by the Agency to finance the construction and installation of the Original Sheriff Station facilities and improvements and the indebtedness incurred by the Agency to refund such bonds.

"Original Sheriff Station Draw Account" means the account by that name established in the County Capital Improvement Fund pursuant to the Implementation Agreement.

"Original Sheriff Station Lease" means the Lease, dated as of February 2, 1989, by and between the Agency and the County, relating to the Original Sheriff Station.

"Original Sheriff Station Lease Termination Agreement" means the Lease Termination Agreement, dated as of October 28, 2008, by and between the Agency and the County, under which the Agency and the County agree that the Original Sheriff Station Lease would terminate upon completion of certain requirements.

"Original Sheriff Station Lease Termination Date" means the date on which the Original Sheriff Station Lease will terminate pursuant to the Original Sheriff Station Lease Termination Agreement.

"Original Sheriff Station Portion" means, with respect to each Fiscal Year, the amount of debt service payable by the Agency with respect to the Original Sheriff Station Bonds, as set forth in the Implementation Agreement.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture except:

(a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Indenture; and

(c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

"Owner" or "Bond Owner," when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"Palm Desert Sheriff Station Facilities" means the sheriff station and related facilities to be constructed on the Palm Desert Sheriff Station Site.

"Palm Desert Sheriff Station Property" means the Palm Desert Sheriff Station Site, together with all of the improvements constructed thereon.

"Palm Desert Sheriff Station Site" means that certain real property more particularly described in the applicable exhibit of the Sublease.

"Payment Date" means, with respect to a Base Rental payment, the date listed as its related "Payment Date" in the Sublease.

"Permitted Encumbrances" means (a) liens for general ad valorem taxes, special taxes and assessments, if any, not then delinquent, or which the County may, pursuant to the Sublease, permit to remain unpaid; (b) liens created pursuant to or permitted under the Lease or the Sublease; (c) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Commencement Date; (d) utility, access and other easements and rights of way, restrictions and exceptions that do not interfere with or impair the use intended to be made of the Leased Properties; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law after the Commencement Date; (f) such minor defects, irregularities, encumbrances and clouds on title as normally exist with respect to property similar in character to the Leased Properties and as do not materially impair the use intended to be made of property affected thereby; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Commencement Date and to which the Authority and the County consent in writing.

"Permitted Investments" mean any of the following obligations if and to the extent that they are permissible investments of funds of the Authority and/or the County, as applicable:

(a) Direct obligations of the United States (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank ("Eximbank")
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration ("FmHA")
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures ("FHA")

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association ("GNMA")
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations (participation certificates) (not acceptable for certain cash-flow sensitive issues)

7. United States Maritime Administration
   Guaranteed Title XI financing

8. United States Department of Housing and Urban Development
   Project Notes
   Local Authority Bonds
   New Communities Debentures
      United States government guaranteed debentures
   United States Public Housing Notes and Bonds
      United States government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
   Senior debt obligations

2. Federal Home Loan Mortgage Corporation ("FHLMC")
   Participation Certificates
   Senior debt obligations

3. Federal National Mortgage Association ("FNMA")
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association ("SLMA")
Senior debt obligations

5. Resolution Funding Corporation obligations

6. Farm Credit System
Consolidated system-wide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m" or "AA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2," including funds for which the Trustee or any of its affiliates (including any holding company, subsidiaries, or other affiliates) provides investment advisory or other management services, provided such funds satisfy the criteria contained in the Indenture.

(e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks (including affiliates of the Trustee), savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF.

(g) Investment agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

A. Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, Project Fund draws) on the Bonds;

B. The invested funds are available for withdrawal without penalty or premium for debt service payments and/or Project Fund draws upon not more than seven days' prior notice;

C. The investment agreement shall state that the provider's payment obligation thereunder is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel, shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. The Authority and the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Authority and the Trustee) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Authority and the Trustee;

E. The investment agreement shall provide that if during its term:

(I) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 business days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels of at least 104 percent and in the form of securities described in (a), (b) or (c) above; (B) assign the investment agreement to an entity acceptable to the Authority and the Trustee that is rated at least "AA-" by S&P and "Aa3" by Moody's, (C) provide a guaranty from a guarantor acceptable to the Authority and the Trustee that is rated at least AA- by "S&P" and "Aa3" by Moody's; or (D) if the provider fails to perform either (A), (B) or (C) above, repay the principal of and accrued but unpaid interest on the investment, and

(II) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 business days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee,

F. The investment agreement shall state that there are is no prior lien on any collateral pledged under the agreement (at any time) and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(I) the provider shall default in its payment obligations and such failure continues for one business day or more after the Trustee gives written notice thereof to the provider, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and

(II) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

(h) Commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank (including those of the Trustee and its affiliates) which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(k) Repurchase agreements which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Authority or the Trustee, and the transfer of cash from the Authority or the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date, and

1. Repurchase agreements must be between the Authority or the Trustee and a dealer bank or securities firm

A. Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or

B. Banks rated "A" or above by S&P and Moody's.

2. The written repurchase agreements contract must include the following:

A. Securities which are acceptable for transfer are:

(1) Direct United States governments, or

(2) Federal agencies backed by the full faith and credit of the United States government (and FNMA & FHLMC)

B. The collateral must be delivered to the Authority, the Trustee (if trustee is not supplying the collateral) or third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

C. Valuation of Collateral

(1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(2) The value of collateral must be equal to 104 percent of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104 percent of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105 percent.

(l) Local Agency Investment Fund of the State.

(m) With respect to any fund or account relating to Bonds that are insured, such other types investments as may be approved in writing by the applicable Bond Insurer.

"Principal Account" means the account by that name established and held by the Trustee pursuant to the Indenture.

"Project Costs" means, with respect to a Project, the costs, expenses and liabilities paid or incurred or to be paid or incurred by the County or the Authority, all calculated in accordance with generally accepted accounting principles, in connection with acquisition(s), financing, planning, engineering, design, construction and installation(s) relating to such Project or any portion thereof, and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including but not limited to (a) the costs of acquisition, renovation or construction of real or personal property or any interest therein, (b) any good faith or other similar payment or deposits, (c) the costs of any demolitions or relocation necessary in connection therewith, (d) costs of physical construction and costs incidental to such construction, renovation or acquisition, (e) all costs relating to injury and damage claims, (f) the costs of any indemnity or surety bonds and premiums on insurance, including obligations to a stock, mutual or reciprocal insurance company or exchange, (g) preliminary investigation and development costs, (h) engineering fees, contractors' fees, legal fees and expenses, and any other fees and expenses of professional consultants and (i) the costs of labor, materials, equipment and utility services and supplies, (j) administrative and general overhead expenses and costs of keeping accounts and making reports required by the Indenture or the Sublease prior to or in connection with the completion of such Project, (k) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with such Project prior to or in connection with the completion of such Project. It is intended that this definition of Project Costs be broadly construed to encompass all costs, expenses and liabilities of the County and the Authority which are chargeable to the capital accounts of related Project in accordance with generally accepted accounting principles.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Projects" means the following County projects (all of which constitute "public capital improvements" as defined in the Act): (i) the construction and installation of the Palm Desert Sheriff Station Facilities (as defined in the Sublease), (ii) the acquisition, construction, development and rehabilitation of various community centers, day care centers, multi-service center and park facilities in the County, and (iii) various public infrastructure improvements throughout the County.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee for a credit to the Reserve Account pursuant to the Indenture, provided that all of the following requirements are met: (i) at issuance of such letter of credit or surety bond, the long-term credit rating of such bank is within the highest rating category of Moody's and S&P, or the claims paying ability of such insurance company is rated within the highest rating category of A.M. Best & Company and S&P, or if the Bonds are then insured, the long-term credit rating of such bank, or the claims paying ability of such insurance company shall be at least as high as the insured rating of the Bonds; (ii) such letter of credit or surety bond has a term which ends no earlier than the last Interest Payment Date of the portion of the Bonds covered by such letter of credit or surety bond; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder amounts necessary to carry out the purposes specified in the Indenture, including the replenishment of the Interest Account or the Principal Account.

"Rating Agency" means, with respect to each Series of Bonds, any nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Authority. Unless the context dictates otherwise, whenever rating categories are specified in this Indenture, such categories shall be irrespective of gradation within a category.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established and held by the Trustee pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee pursuant to the Indenture for the registration and transfer of ownership of the Bonds.

"Rental Payments" means collectively the Base Rental Payments and the Additional Rental Payments.

"Request of the Authority" means a request in writing signed by the President or Chief Administrative Officer of the Authority, or by any other officer of the Authority duly authorized for that purpose by a resolution adopted by the Authority Commission and filed with the Trustee.

"Request of the County" means a request in writing signed by the County Executive Officer, or by any other officer of the County duly authorized for that purpose.

"Reserve Account" means the account by the name established and held by the Trustee pursuant to the Indenture.

"Reserve Requirement" means, as of any calculation date, an amount equal to the least of (i) 10 percent of the original stated principal amount of the Bonds at issuance; (ii) 125 percent of Average Annual Debt Service; or

(iii) Maximum Annual Debt Service. The amount of the Reserve Requirement on any date is subject to confirmation by the Authority to the Trustee upon the Trustee's request.

"Revenues" means (a) all Base Rental Payments payable by the County pursuant to the Sublease (including prepayments); (b) any proceeds of Bonds originally deposited with the Trustee and held by the Trustee in the Lease Revenue Fund and the accounts thereof; (c) investment income with respect to any moneys held by the Trustee in the Lease Revenue Fund and the accounts thereof (other than amounts payable to the United States of America pursuant to the Indenture for arbitrage rebate purposes); and (d) any insurance proceeds or condemnation awards received by or payable to the Trustee with respect to the Leased Properties, including rental interruption insurance.

"Rubidoux Health Clinic Property" means the Rubidoux Health Clinic Site, together with all of the improvements constructed thereon.

"Rubidoux Health Clinic Site" means that certain real property more particularly described in applicable exhibit of the Sublease.

"S&P" means Standard & Poor's, and its successors and assigns.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041, Attn: Call Notification Department, Fax (212) 855-7232 and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

"Series" means, when used with reference to the Bonds, means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture (or a Supplemental Indenture authorizing such Bonds) as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture.

"Series 2008A Bonds" means the Riverside County Palm Desert Financing Authority, Lease Revenue Bonds (County Facilities Projects), 2008 Series A issued pursuant to the Indenture.

"Series 2008A Draw Account" means the account in the County Capital Improvement Fund established under the Implementation Agreement

"Series 2008A Multi-Service Center Capitalized Interest Subaccount" means the subaccount by that name established and held by the Trustee in the Interest Account of the Lease Revenue Fund pursuant to the Indenture.

"Series 2008A Scheduled Draw Amount" means, with respect to each Series 2008A Semi-Annual Draw Date, the amount (indicated in the Implementation Agreement, which corresponds with the Base Rental schedule under the Sublease) that the Agency is scheduled to draw from the Series 2008A Draw Account on such date pursuant the Implementation Agreement (which may differ from the actual draw amount upon the County's directions or under the circumstances described in Implementation Agreement).

"Series 2008A Semi-Annual Draw Date" means each date (April 1 and October 1) that the Agency is scheduled to make a draw from the Series 2008A Draw Account pursuant to the Implementation Agreement.

"Series 2008A Sheriff Station Capitalized Interest Subaccount" means the subaccount by that name established and held by the Trustee in the Interest Account of the Lease Revenue Fund pursuant to the Indenture.

"State" means the State of California.

"Sublease" means that certain Sublease, dated as of November 1, 2008, by and between the Authority as sublessor and the County as sublessee, with respect to the Leased Properties, as the same may be amended, supplemented or otherwise modified from time to time.

"Supplemental Indenture" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of the Indenture.

"Tax Certificate," with respect to each series of Bonds issued under the Indenture, means the Certificate Regarding Compliance with Certain Tax Matters (or similar instrument) dated the date of the original delivery of such series of Bonds relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government that such interest is excluded from gross income for federal income tax purposes whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating tax liabilities, including any alternative minimum tax, under the Code.

"Termination Date" means May 1, 2022.

"Trust Office" means the principal corporate trust office of the Trustee in Los Angeles, California or such other offices as may be specified to the Authority by the Trustee in writing. With respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust business shall be conducted.

"Trustee" means Wells Fargo Bank, National Association, and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided in the Indenture.

INDENTURE

Project Fund

The Trustee shall establish and maintain a separate fund to be known as the "Project Fund." The Trustee shall disburse or transfer amounts from the Project Fund, as stated in a Request of the County, for the payment of the Project Costs relating to the Projects (including reimbursement to the County for any such costs paid by it). Upon receipt of each such Request of the County, the Trustee shall pay the amount set forth in such Request as directed by the terms thereof. When the Projects, or the portions thereof determined by the County to be financed under the Indenture, have been completed, the Authority shall deliver or shall cause the County to deliver to the Trustee a Certificate of the County, stating the fact and date of such completion. Following the delivery of such certificate and upon receipt of a Request of the County, the Trustee shall transfer amounts then on deposit in the Project Fund (or such portion thereof as may be specified in such Request of the County) to the Lease Revenue Fund.

Additional Bonds

(a) Subject to the provisions of the Indenture described below, the Authority may from time to time issue one or more series of Additional Bonds payable from and secured by Revenues on parity with all other Outstanding Bonds. Bonds issued pursuant to this Section of the Indenture shall be issued under and pursuant to a Supplemental Indenture which shall specify: (1) the maturity date or dates of such Additional Bonds, which shall be May 1 in any given year; (2) the interest payment dates, which shall be May 1 and November 1; (3) the terms, if any, for call and redemption of such Additional Bonds prior to maturity; and (4) the interest rate or rates on such Additional Bonds and any other matters deemed appropriate or necessary and not inconsistent with the provisions of the Indenture.

(b) All of the Additional Bonds shall be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon shall be delivered by the Trustee upon the Request of the Authority but only upon receipt by the Trustee of the following documents or money or securities:

(1) A certified copy of the Supplemental Indenture authorizing the issuance of such Additional Bonds;

(2) A Request of the Authority as to the delivery of such Additional Bonds;

(3) An opinion of Bond Counsel substantially to the effect that (i) the Authority has the right and power under the Act to execute and deliver the Indenture and all Supplemental Indentures, and such Supplemental Indenture has been duly executed and delivered by the Authority, and the Indenture, as supplemented by such Supplemental Indenture, is in full force and effect and valid and binding upon the Authority and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights and similar qualifications); (ii) such Additional Bonds are valid and binding special obligations of the Authority, enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and are subject to the terms of the Indenture, as amended and supplemented, and entitled to the benefits of the Indenture, as amended and supplemented, and the Act, and such Additional Bonds have been duly and validly issued in accordance with the Act and the Indenture, as amended and supplemented; and (iii) the obligation of the County to make the Base Rental Payments during the term of the Sublease as amended is a valid and binding obligation of the County.

(4) A Certificate of the Authority (i) certifying that no Event of Default has occurred or is continuing; (ii) stating that the Authority and the County have entered into an amendment to the Sublease pursuant to which the County is obligated to make Base Rental Payments at times and in amounts sufficient to provide for payment of the principal of and interest on the Bonds (including such Additional Bonds) which will be Outstanding following the sale and delivery of such Additional Bonds; (iii) stating that provisions have been made for the deposit into the Reserve Account of an amount, if any, necessary to increase the balance therein to the Reserve Requirement, as calculated at the time such Additional Bonds are issued; and (iv) containing such additional statements as may be reasonably necessary to show compliance with the requirements of the Indenture;

(5) An executed copy of the amendment to the Sublease;

(6) An executed copy of the amendment to the Lease, if any is to be executed in connection with the issuance of such Additional Bonds;

(7) Such further documents, money and securities as are required by the provisions of the Indenture, as amended and supplemented by the Supplemental Indenture, providing for the issuance of such Additional Bonds.

Validity of Bonds

The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

Revenues; Flow of Funds

Pledge of Revenues; Assignment of Rights. Subject to the provisions of the Indenture, the Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Indenture) of all of the Revenues and a pledge of all the moneys in the Interest Account, the Principal Account and the Reserve Account, including all amounts derived from the investments of such moneys. The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the Bonds and any premiums upon the redemption of any portion thereof shall be and are secured by an exclusive pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues shall not be used for any other purpose; except that out of the Revenues and such moneys there may be apportioned such sums, for such purposes, as are expressly permitted by the Indenture.

Pursuant to the Assignment Agreement, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the

Authority in the Sublease (other than its rights to indemnification and payment or reimbursement for any costs or expenses), including its rights to receive the Base Rental scheduled to be paid by the County under and pursuant to the Sublease and any and all of the other rights of the Authority under the Sublease as may be necessary to enforce payment of such Base Rental when due or otherwise to protect the interest of the Owners of the Bonds, including the Authority's leasehold title to the Leased Properties pursuant to the Sublease. The Trustee accepts such assignments. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Lease Revenue Fund. All Base Rental Payments shall be deposited by the Trustee in a special fund designated as the "Lease Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Indenture. On or before each Interest Payment Date, the Trustee shall transfer from the Lease Revenue Fund (and from the Series 2008A Sheriff Station Capitalized Interest Subaccount for Interest Payments Dates on or before November 1, 2010 and from the Series 2008A Multi-Service Center Capitalized Interest Subaccount for Interest Payments Dates on or before May 1, 2010) and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Lease Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

Interest Account; Capitalized Interest Subaccounts. On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on each succeeding Interest Payment Date within the then current Bond Year. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity pursuant to the Indenture).

For the purpose of accounting for capitalized interest during the period of construction of the Palm Desert Sheriff Station Facilities, the Trustee shall establish and maintain a subaccount within the Interest Account to be known as the "Series 2008A Sheriff Station Capitalized Interest Subaccount." On the Closing Date with respect to the Series 2008A Bonds, a portion of the proceeds from the sale thereof shall be deposited in the Series 2008A Sheriff Station Capitalized Interest Subaccount. Such money deposited in the Series 2008A Sheriff Station Capitalized Interest Subaccount shall represent capitalized interest through August 31, 2010. Money in the Series 2008A Sheriff Station Capitalized Interest Account shall be transferred to the Interest Account to pay a portion of the interest on the Series 2008A Bonds becoming due on or before November 1, 2010 (i.e., the immediately next Interest Payment Date after the August 31, 2010) according to the schedule set forth in the Indenture. Any money remaining in the Series 2008A Sheriff Station Capitalized Interest Subaccount after November 2, 2010 shall be transferred to the Interest Account.

For the purpose of accounting for capitalized interest during the period of construction of the North Palm Springs Multi-Service Center Facilities, the Trustee shall establish and maintain a subaccount within the Interest Account to be known as the "Series 2008A Multi-Service Center Capitalized Interest Subaccount." On the Closing Date with respect to the Series 2008A Bonds, a portion of the proceeds from the sale thereof shall be deposited in the Series 2008A Multi-Service Center Capitalized Interest Subaccount. Such money deposited in the Series 2008A Multi-Service Center Capitalized Interest Subaccount shall represent capitalized interest through December 31, 2009. Money in the Series 2008A Multi-Service Center Capitalized Interest Account shall be transferred to the Interest Account to pay a portion of the interest on the Series 2008A Bonds becoming due on or before May 1, 2010 (i.e., the immediately next Interest Payment Date after the December 31, 2009) according to the schedule set forth in the Indenture. Any money remaining in the Series 2008A Multi-Service Center Capitalized Interest Subaccount after May 2, 2010 shall be transferred to the Interest Account.

Principal Account. On or before each Interest Payment Date, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds maturing or required to be redeemed through mandatory sinking account redemption on such Interest Payment Date pursuant to the Indenture. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds.

Reserve Account. (1) On or before each Interest Payment Date, the Trustee shall deposit in the Reserve Account such amount as may be necessary, if any, to restore a balance therein equal to the Reserve Requirement. No deposit need be made in the Reserve Account so long as there shall be on deposit an amount equal to the Reserve Requirement. Except as otherwise provided in the Indenture, all money in (or available to) the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account in such order, in the event of any deficiency at any time in either of such accounts, or for the purpose of paying the interest on or principal of or redemption premiums, if any, on the Bonds, or for the retirement of all Bonds then Outstanding. Any amount in the Reserve Account in excess of the Reserve Requirement shall be transferred monthly to the Lease Revenue Fund.

(2) The Reserve Requirement may be satisfied by crediting to the Reserve Account moneys or one or more Qualified Reserve Account Credit Instruments or any combination thereof, which in the aggregate make funds available in the Reserve Account in an amount equal to the Reserve Requirement. Upon the deposit with the Trustee of such Qualified Reserve Account Credit Instrument, the Trustee shall release moneys then on hand in the Reserve Account to the County, to be used for any lawful purpose, in an amount equal to the face amount of the Qualified Reserve Account Credit Instrument.

Surplus. On or promptly after each Interest Payment Date, Trustee shall determine the amount, if any, remaining in the Lease Revenue Fund after making the deposits described above and the transfers of investment earnings pursuant to the provision of the Indenture described under "Investment" below, and shall notify the County of the amount so determined. The Trustee shall apply such amount as a credit against the next following Base Rental Payment; provided that, if directed in a Request of the County, the Trustee shall, with respect to all or any portion of such amount: (i) pay, or set an amount aside for the payment of, any rebate amount in accordance with a computation made by the County pursuant to the Code; (ii) transfer an amount to the Project Fund.

Redemption Fund. There is established a fund to be held by the Trustee known as the "Redemption Fund." At any time the Trustee receives from the County Net Proceeds from insurance payments or taking proceedings or optional prepayment of Base Rental pursuant to the Sublease, the Trustee shall immediately deposit such money as follows: (a) an amount equal to the interest on the Bonds to be redeemed pursuant to the Indenture, accrued to the redemption date shall be deposited in the Interest Account; and (ii) the balance of such moneys shall be deposited in the Redemption Fund. Amounts on deposit in the Redemption Fund shall be applied solely for the purpose of paying the principal of and premium, if any, on the Bonds to be redeemed pursuant to the Indenture; provided, however, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed in writing by the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the County Treasurer given to the Trustee in advance of the making of such investments (and promptly confirmed in writing, as to any such direction given orally); which Permitted Investments shall, as nearly as practicable, mature (or be subject to redemption or disposition by the Trustee) on or before the dates on which such money is anticipated to be needed for disbursement under the Indenture. In the absence of any such direction from the County Treasurer, the Trustee shall invest any such moneys in money market funds described in clause (d) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account.

The Trustee shall transfer monthly all investment earnings on amounts in the Principal Account and the Interest Account to the Lease Revenue Fund. If the balance of the Reserve Account is then at least equal to the Reserve Requirement, then the Trustee shall promptly transfer all investment earnings in the Reserve Account, which are in excess of the Reserve Requirement, to the Lease Revenue Fund. Unless otherwise specified in the Indenture, investment earnings on amounts in all other funds and accounts established and maintained pursuant to the Indenture shall be retained in such respective funds and accounts. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to the Indenture.

Covenants of the Authority

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Revenues, the Sublease and other assets purported to be pledged and assigned, respectively, under the Indenture in the manner and to the extent provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to the provisions of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions by the Trustee relating to the proceeds of Bonds, the Revenues, the Sublease and all funds and accounts established pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the County during regular business hours with reasonable prior notice.

Additional Obligations. The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or in part except as provided in the Indenture.

Sublease. The Trustee, as assignee of the Authority's rights under the Sublease pursuant to the Indenture and the Assignment Agreement, shall receive all amounts due from the County pursuant to the Sublease. The Authority will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Sublease required to be complied with, kept, observed and performed by it and, together with the Trustee, will enforce the Sublease against the County in accordance with its terms.

Except as provided in the Indenture, the Authority will not alter, amend or modify the Sublease without the prior written consent of the Trustee, which consent shall be given if: (i) such amendment or modification is for any of the purposes stated in clauses (a) through (f) of the provisions of the Indenture described under "Modification and

Amendment of the Indenture – *Amendment of the Indenture*"; or (ii) the Trustee receives an opinion of Bond Counsel that such alteration, amendment or modification will not result in any material impairment of the security given or intended to be given for the payment of the Base Rental Payments, or (iii) the Trustee first obtains the written consents of the Owners of at least a majority in aggregate principal amount of the affected Bonds then Outstanding to such alteration, amendment or modification. Prior to any amendment or modification of the Sublease pursuant to this Section, the Trustee may require the Authority to deliver to the Trustee an opinion of Bond Counsel to the effect that such amendment or modification has been adopted in accordance with the requirements of the Indenture.

Tax Covenant. (a) The Authority shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the Tax-Exempt status of interest on the Series 2008A Bonds under Section 103(a) of the Code or cause interest on the Series 2008A Bonds to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations under Section 55 of the Code.

(b) In furtherance of the foregoing tax covenant, each of the Authority shall comply with the provisions of the Tax Certificate for the Series 2008A Bonds, which is incorporated in the Indenture as if fully set forth in the Indenture. These covenants shall survive payment in full or defeasance of the Series 2008A Bonds.

The Trustee

Appointment of Trustee. 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, is appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Indenture and to allocate, use and apply the same as provided in the Indenture. The Authority agrees that it will maintain a Trustee which has (or which is a wholly-owned subsidiary of a corporation which has) a combined capital and surplus of at least $75,000,000, and which is subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank, national banking association or trust company or such parent corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture, the combined capital and surplus of such bank, national banking association or trust company or such parent corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Acceptance of Trusts. The Trustee accepts the trusts imposed upon it by the Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts.

(b) Whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action under the Indenture, the Trustee (unless other evidence is in the Indenture specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the Authority.

(c) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners or Bond Insurer pursuant to the Indenture, unless such Owners or Bond Insurer shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(d) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, facsimile transmission, electronic mail, order bond or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit.

(e) The Trustee, prior to the occurrence of an Event of Default and after the curing or waiving of all Events of Default that may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and no covenants of or against the Trustee shall be implied in the Indenture. In case an

Event of Default under the Indenture or the Sublease has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by the Indenture and by the Sublease, and shall use the same degree of care and skill in the exercise of such rights and powers as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(f) The Trustee may execute any of the trusts or powers under the Indenture and perform the duties required of it under the Indenture either directly or by or through attorneys or agents, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Indenture.

(g) The Trustee shall not be responsible for any recital in the Indenture, the Sublease, or the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued under the Indenture or intended to be secured by the Indenture and makes no representation as to the validity or sufficiency of the Bonds, the Indenture or the Sublease. The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority under the Indenture or on the part of the Authority or the County under the Sublease. The Trustee shall not be responsible for the application by the Authority or the County of the proceeds of the Bonds.

(h) The Trustee may become the Owner or pledgee of Bonds secured by the Indenture with the same rights it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(i) The Trustee may rely and shall be protected in acting or refraining from acting, in good faith and without negligence, upon any notice, resolution, opinion, report, direction, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to the Indenture or the Sublease upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(j) The permissive right of the Trustee to do things enumerated in the Indenture or in the Sublease shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(k) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Indenture or the Sublease except failure by the Authority or the County to make any of the payments to the Trustee required to be made by the Authority or the County pursuant thereto or failure by the Authority or the County to file with the Trustee any document required by the Indenture or the Sublease to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority or by the Owners of at least 25 percent in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default under the Indenture except as aforesaid.

(l) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records which are not privileged by statute or by law.

(m) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises of the Indenture.

(n) Notwithstanding anything elsewhere in the Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of the Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(o) All moneys received by the Trustee shall, until used or applied or invested as provided in the Indenture, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(p) Whether or not expressly provided therein, every provision of the Indenture and the Sublease relating to the conduct or affecting the liability of the Trustee shall be subject to the provisions of this Section.

(q) The Trustee shall not be considered in breach of or in default with respect to any obligations created under the Indenture, in the event of an enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God, or of the public enemy, acts of a government, acts of the other party to the Indenture, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to governmental action or inaction pertaining to the Leased Properties or the Projects, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee; provided, that in the event of any such enforced delay, the Trustee shall notify the Authority in writing within five business days after (i) the occurrence of the event giving rise to such delay, (ii) the Trustee's actual knowledge of the impending enforced delay, or (iii) the Trustee's knowledge of sufficient facts under which a reasonable person would conclude the enforced delay will occur.

(r) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(s) The Trustee shall not be liable in connection with the performance of its duties in accordance with the Indenture, except for its own negligence or willful misconduct.

Notice to Bond Owners of Default. If an Event of Default under the Indenture or the Sublease occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in the Indenture, then the Trustee shall, within 30 days of the receipt of such notice, give written notice thereof by first class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Intervention by Trustee. In any judicial proceeding to which the Authority or the County is a party that, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to terms and conditions of the Trustee described above for accepting the trusts created by the Indenture, shall do so if requested in writing by the Owners of at least 25 percent in aggregate principal amount of such Bonds then Outstanding.

Removal of Trustee. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee and signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds. The Authority may also remove the Trustee at any time upon 30 days notice, except during the existence of an Event of Default. The Trustee may be removed at any time for any breach of the Trustee's duties set forth in the Indenture.

Resignation by Trustee. The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee under the Indenture, such notice to be given to the Authority and the County by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to the Indenture, respectively, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within 90 days following the delivery to the Trustee of the instrument described in the Indenture or within 90 days following the receipt of notice by the Authority pursuant to the Indenture, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of the Indenture. Any such successor Trustee appointed by such court shall become the successor Trustee under the Indenture notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such 90-day period.

Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything in the Indenture to the contrary notwithstanding.

Modification and Amendment of the Indenture

Amendment of the Indenture. The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owner, to the extent permitted by law but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved to or conferred upon the Authority in the Indenture so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the reasonable judgment of the Authority;

(c) to provide for the issuance of Additional Bonds, and to provide the terms and conditions under which such Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(d) To maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes (except with respect to the Bonds which the Authority certifies to the Trustee are not intended to qualify for such exclusion);

(e) To the extent necessary to obtain bond insurance or in connection with satisfying all or a portion of the Reserve Requirement by crediting a letter of credit or other forms of Qualified Reserve Account Credit

Instrument to the Reserve Account; provided, that such bond insurance or Qualified Reserve Credit Instrument shall not adversely affect the rating then assigned to the Bonds by the Rating Agency; or

(f) for any other purpose that does not materially adversely affect the interests of the Owners.

Except as set forth in the preceding paragraph of this Section, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when (i) if a Bond Insurance Policy is then in full force and effect, the Authority shall have obtained the prior approval of the Bond Insurer of the affected Bonds, and (ii) the written consent of the Owners of a majority in aggregate principal amount of the affected Bonds then Outstanding are filed with the Trustee (subject, however, to the provisions, if any of any Supplemental Indenture regarding Bond Insurer's right to consent in lieu of Owners). No such modification or amendment shall (I) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (II) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (III) modify any of the rights or obligations of the Trustee without its written consent thereto.

Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective, the Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties to the Indenture or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Prior to entering into any Supplemental Indenture pursuant to this Section, the Trustee may require the Authority to deliver to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture has been adopted in accordance with the requirements of the Indenture.

Endorsement or Replacement of Bonds after Amendment. After the effective date of any action taken relating to an amendment to the Indenture as described above, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of such Owner's Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owners' action, the new Bond certificates shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Events of Default and Remedies

Notwithstanding anything to the contrary in the Indenture, if the Authority decides to obtain a Bond Insurance Policy for the Bonds, so long as the Bond Insurance Policy remains in effect and the Bond Insurer has not defaulted with respect to its obligations under the Bond Insurance Policy, all provisions under the default and remedies section of the Indenture, including those described below, shall be subject to, and qualified by, the provisions set forth in the related Supplemental Indenture relating to the Bond Insurance, including, without limitation, the Bond Insurer's right to consent to or direct certain Trustee, Authority, County or Owner actions.

Events of Default. The following events shall be Events of Default under the Indenture:

(a) Default in the due and punctual payment of the principal of or premium on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 30 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than 25 percent in aggregate principal amount of the Outstanding Bonds; provided, however, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 30-day period, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the Federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Authority, seeking reorganization under the Federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of the Leased Properties.

Remedies; No Acceleration. Upon the occurrence of an Event of Default 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 Authority or any member, officer or employee thereof, in order to compel the Authority or any such member, officer or employee to perform and carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him contained in the Indenture;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Authority and its members, officers and employees to account as the trustee of an express trust.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least 25 percent in aggregate principal amount of Outstanding Bonds and indemnified as provided in Indenture, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture upon the occurrence of an Event of Default, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver or any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Trustee shall have no right to declare the principal of or interest on the Bonds to be due and payable immediately.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Indenture shall be applied by the Trustee, in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied to the payment of such principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is appointed (an the successive respective Owners of the Bonds issued under the Indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Appointment of Receivers. Upon the occurrence of an Event of Default under the Indenture, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged under the Indenture, pending such proceedings, with such powers as the court making such appointment shall confer.

Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners 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. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

Rights of Bond Owners. No Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of the Indenture.

Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under the Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights under the Indenture, respectively, with regard to the Leased Properties subject to the Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Limited Liability of Authority.

Notwithstanding anything in the Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants contained in the Indenture (except to the extent any such covenants are expressly payable under the Indenture from the Revenues or otherwise from amounts payable under the Sublease). The Authority may, however advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds as provided in the Indenture. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premiums (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority except the Revenues and other funds pledged to the payment of the Bonds as provided in the Indenture. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as provided in the Indenture.

Discharge of Indenture.

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and premiums (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Certified Public Accountant shall determine in a written report filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Indenture or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Request of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under the Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all amounts due the Trustee. Any funds held by the Trustee following any payment or discharge of the Outstanding Bonds pursuant to this Section, which are not required for said purposes, shall after payment of amounts due the Trustee under the Indenture be paid over to the Authority.

Payment on Business Days.

Whenever in the Indenture any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made, without accruing additional interest thereby, on the Business Day immediately following such day.

Unclaimed Moneys.

Anything in the Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds that remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, 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 said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Governing Law.

The Indenture shall be construed and governed in accordance with the laws of the State of California.

LEASE

Term

The County leases the Leased Properties to the Authority and the Authority hires the Leased Properties from the County, on the terms and conditions set forth in the Lease.

Subject to the paragraph below, the term of the Lease shall commence on the Commencement Date and shall end on the last day of the Lease Term under the Sublease; provided, that if the Authority shall elect to terminate pursuant to the default provisions of the Sublease, then the Lease shall remain in full force and effect until the earlier of (i) the date upon which all Series 2008A Bonds shall be fully paid (or provision therefor made) and the Indenture shall be discharged by its terms, or (ii) the tenth anniversary of the Termination Date.

In the event that the Sublease, terminates or expires with respect to a Leased Property (but not all of the Leased Properties) as described in the Sublease, then the Lease shall automatically expire with respect to such Leased Property, but shall remain in full force and effect with respect to the remaining Leased Properties.

Title

In accordance with the Sublease, the County will obtain one or more CLTA (or comparable) policies of title insurance at the time of and dated as of the Closing Date in an amount not less than the aggregate principal amount of the Series 2008A Bonds, payable to the Trustee, insuring the respective interests of the County and the Authority in the Leased Properties, and insuring the validity of the Lease and the Sublease, issued by a title insurance company qualified to do business in the State of California and acceptable to the Trustee. To the extent permitted under the Indenture, the costs of obtaining such title insurance policy or policies may be paid out of the sale proceeds of the 2008A Bonds.

Default

If –

(a) the Authority shall fail to keep, observe or perform any term, covenant or condition contained in the Lease to be kept or performed by the Authority, or

(b) (1) the Authority's interest in the Lease or any part thereof is assigned or transferred without the written consent of the County, either voluntarily or by operation of law or otherwise, except as provided in the Lease, or (2) any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency or similar law or any law providing for the appointment of a receiver, liquidator, trustee or similar official of the Authority or of all or substantially all of its assets is instituted by or with the consent of the Authority, or is instituted without its consent and is not permanently stayed or dismissed within 30 days, or (3) the Authority offers to the Authority's creditors to effect a composition or extension of time to pay the Authority's debts, or asks, seeks or prays for a reorganization or to effect a plan or reorganization or for readjustment of the Authority's debts, or (4) the Authority shall make an assignment for the benefit of the Authority's creditors,

then the Authority shall be deemed to be in default under the Sublease and it shall be lawful for the County to exercise any and all rights and remedies available pursuant to law; provided, however, that, so long as any Series 2008A Bonds remain outstanding, the County shall have no power to terminate the Lease by reason of any default on the part of the Authority.

Neither the County nor the Authority shall in any event be in default in the performance of any of its obligations under the Lease or imposed by law unless and until the County or the Authority (as the case may be) shall have failed to perform such obligation within 30 days after notice by the Authority or the County (as the case may be) to the nonperforming party properly specifying wherein such party has failed to perform any such obligation.

SUBLEASE

Terms of Sublease

Term of Sublease. (i) The Authority agrees to sublease the Leased Properties to the County, and the County agrees to pay the Base Rental and the Additional Rental as provided in the Sublease for the use and occupancy of the Leased Properties, all on the terms and conditions set forth in the Sublease. The leasing by the County to the Authority of the Leased Properties pursuant to the Lease shall not effect or result in a merger of the County's leasehold estate pursuant to the Sublease and its fee estate as lessor under the Lease, and the Authority shall continue to have and hold a leasehold estate in the Leased Properties pursuant to the Lease throughout the term thereof and the term of the Sublease.

(ii) The Lease Term shall begin on the Commencement Date and shall end on the earliest of the following:

(A) the date on which the Base Rental and Additional Rental shall have been paid (or prepaid) in full in accordance with the Sublease;

(B) the date of discharge of the Series 2008A Bonds and the Indenture pursuant to the terms thereof;

(C) the date on which all of the Leased Properties (or so much thereof as to render the remainder of the Leased Properties unusable) shall have been taken by eminent domain under the conditions and circumstances described in the Sublease; or

(D) the Termination Date; provided that if on the Termination Date, the Series 2008A Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, then the Lease Term shall be extended to the earlier of: (1) the date upon which all Series 2008A Bonds shall be fully paid (or provision therefor made) and the Indenture shall be discharged by its terms, or (2) the tenth anniversary of the Termination Date.

(iii) In the event that the County prepays the Base Rental with respect to a Leased Property in full pursuant to the Sublease shall expire with respect to such Leased Property on the related prepayment date and all of the Authority's title to and interests in such Leased Property, and any additions thereto, shall be transferred directly to the County or, at the option of the County, to any assignee or nominee of the County. Thereafter, all references to "Leased Properties" in the Sublease shall become references to the remaining Leased Properties (or Property) only and the Sublease shall continue in full force and effect with respect to each remaining Leased Property.

Substitution or Release of Leased Properties. Notwithstanding anything contained in the Sublease to the contrary, in addition to the provisions regarding the release of a portion of the Leased Property in connection with an optional prepayment of Base Rental, a redemption of Series 2008A Bonds from insurance Net Proceeds or a redemption of Series 2008A Bonds from condemnation Net Proceeds, the Leased Properties may be amended, modified, released, transferred, changed or substituted, in whole or in part, by other properties, solely in the discretion of the County; provided, however, that: (i) such amendment, modification, release, transfer, change or substitution complies with the requirements set forth in the Indenture; (ii) such amendment, modification, release, transfer, change or substitution does not, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the Series 2008A Bonds; (iii) the County delivers to the Authority and the Trustee a certificate confirming that (1) the fair rental value of the Leased Properties following such amendment, modification, release, transfer, change or substitution is at least equal to the Base Rental payable under the Sublease and (2) the useful life of any amended, modified, released, transferred, changed or substituted Leased Property equals or exceeds the remaining term of the Sublease; (iv) the County shall provide evidence that the title insurance required under the Sublease includes such amended, modified, released, transferred, changed or substituted Leased Property or, prior to the release of a Leased Property, the County shall provide evidence that the existing title insurance required under the Sublease on the remaining Leased Properties is not affected by such release; and (v) the County has been advised by each Rating Agency (which shall have received notice of such amended, modified, released, transferred, changed or substituted Leased Property), that such amendment, modification, release, transfer, change or substitution will not, in and of itself, result in a reduction of the rating then assigned by such Rating Agency to the Series 2008A Bonds.

Title. Upon payment (or prepayment) of all Base Rental and Additional Rental required by the Sublease or defeasance or retirement of the Series 2008A Bonds, all of the Authority's title to and interests in the Leased Properties, and any additions thereto, shall 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.

Rent

Rental Payments. The County and the Authority agree that, subject to the rental abatement provisions of the Sublease, the fair rental value of the Leased Properties is not less than the amounts set forth in the Sublease. In satisfaction of its obligations under the Sublease, the County shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner set forth in the Sublease, such amounts constituting in the aggregate the rental payable under the Sublease as follows:

Base Rental. Subject to the rental abatement provisions of the Sublease and the two immediately following paragraphs, the County agrees to use legally available funds, including but not limited to moneys transferred to it from the Series 2008A Draw Account of the County Capital Improvement Fund pursuant to the Implementation Agreement, to pay Base Rental in the amounts set forth in the Sublease, a portion of which shall constitute principal and a portion of which shall constitute interest as determined in accordance with the terms of the Sublease. Each Base Rental payment shall be payable 15 days before its Payment Date. Base Rental payable in any Fiscal Year shall be for the use and occupancy of the Leased Properties for such Fiscal Year. Except as provided below, the obligation of the County to pay Base Rental and Additional Rental shall commence on the Commencement Date.

It is contemplated that the construction of the Palm Desert Sheriff Station Facilities will be completed on or before August 31, 2010 (the "Sheriff Station Scheduled Completion Date"). As reflected in the Sublease, the obligation of the County to pay Base Rental with respect to the Palm Desert Sheriff Station Facilities will commence on such date. The County covenants that it will cause the construction of the Palm Desert Sheriff Station Facilities to be completed in accordance with the Sublease with all practical dispatch. If, for whatever reason, the construction of the Palm Desert Sheriff Station Facilities, or any part thereof, is not completed by the Sheriff Station Scheduled Completion Date, the Sublease shall not be void or voidable; but in that event, the Base Rental payable with respect to the Palm Desert Sheriff Station Facilities shall be abated proportionately in the proportion by which the construction costs of the part or parts of the Palm Desert Sheriff Station Facilities not yet completed bear to the construction costs of the whole of the Palm Desert Sheriff Station Facilities during the period between the Sheriff Station Scheduled Completion Date and the time when the construction of the Palm Desert Sheriff Station Facilities is actually completed.

It is contemplated that the construction of the North Palm Springs Multi-Service Center Facilities will be completed on or before December 31, 2009 (the "Multi-Service Center Scheduled Completion Date"). As reflected in the Sublease, the obligation of the County to pay Base Rental with respect to the North Palm Springs Multi-Service Center Facilities will commence on such date. The County covenants that it will cause the construction of the North Palm Springs Multi-Service Center Facilities to be completed in accordance with the Sublease with all practical dispatch. If, for whatever reason, the construction of the North Palm Springs Multi-Service Center Facilities, or any part thereof, is not completed by the Multi-Service Center Scheduled Completion Date, the Sublease shall not be void or voidable; but in that event, the Base Rental payable with respect to the North Palm Springs Multi-Service Center Facilities shall be abated proportionately in the proportion by which the construction costs of the part or parts of the North Palm Springs Multi-Service Center Facilities not yet completed bear to the construction costs of the whole of the North Palm Springs Multi-Service Center Facilities during the period between the Multi-Service Center Scheduled Completion Date and the time when the construction of the North Palm Springs Multi-Service Center Facilities is actually completed.

Additional Rental. In addition to the Base Rental, the County agrees to pay as certain Additional Rental under the Sublease, which include, among other amounts, taxes and assessments levied on the Leased Properties, insurance premiums, if any, on all insurance required under the provisions of the Sublease described below under "Affirmative Covenants of the Authority and the County – Insurance," and any amounts required to be paid as rebate to the United States pursuant to the Tax Certificate.

Budget. The County covenants 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, subject to the rental abatement provisions of the Sublease.

The covenants on the part of the County contained in the Sublease shall be deemed to be and shall be construed to be ministerial duties imposed by law and it shall be the ministerial duty of each and every public official of the County to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the County to carry out and perform the covenants and agreements on the part of the County contained in the Sublease. The obligation of the County to make Base Rental or Additional Rental payments does not constitute an obligation of the County for which the County is obligated to levy or pledge any form of taxation or for which the County has levied or pledged any form of taxation. Neither the Series 2008A Bonds nor the obligation of the County to make Base Rental or Additional Rental payments constitutes an indebtedness of the County, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit. Amounts necessary to pay Base Rental shall be deposited by the County on the dates set forth in the Sublease in lawful money of the United States of America, at the office of the Trustee. Except as provided in the rental abatement provisions of the Sublease, any amount necessary to pay any Base Rental or portion thereof which is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the County and the Authority under the Sublease, the County shall make all rental payments when due and shall 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 shall be without any right of set-off or counterclaim, subject to the rental abatement provisions of the Sublease. Amounts required to be deposited with the Trustee pursuant to this Section on any date shall be reduced to the extent that amounts on deposit in the Lease Revenue Fund constitute a credit against Base Rental payments coming due under the Indenture.

Rental Abatement. Except to the extent of (i) amounts held by the Trustee in the Lease Revenue Fund or the Reserve Account, (ii) amounts received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the Trustee for payments in respect of the Series 2008A Bonds, Base Rental and Additional Rental payments due under the Sublease shall be abated during any period in which, by reason of material damage, destruction, condemnation or defects in title to the Leased Properties, there is substantial interference with the use or right of possession by the County thereof; provided that the County shall comply with the provisions of the Sublease described below under "Application of Insurance Proceeds; Eminent Domain" regarding the use of any Net Proceeds in connection with such damage, destruction, condemnation or title defects. The amount of abatement shall be such that the resulting Base Rental and Additional Rental represent fair rental value for the use and possession of the remaining portions of the Leased Properties as to which the County has beneficial use and occupancy and as to which such damage, destruction, condemnation or title defects do not substantially interfere with the use and right of possession by the County. The Trustee may require a certificate from an appropriate representative of the County to the effect that the resulting total rental represents such fair rental value as elaborated in the preceding sentence. Such abatement shall continue for the period commencing with the date of such substantial interference due to material damage, destruction, condemnation or title defect and ending with the restoration of the Leased Properties to tenantable condition. In the event of any material damage, destruction, condemnation or title defect, the Sublease shall continue in full force and effect, except as set forth in the provisions of Sublease described below under "Application of Insurance Proceeds; Eminent Domain."

Triple Net Lease. The Sublease is intended to be a triple net lease. The County agrees that the rentals provided for in the Sublease shall be an absolute net return to the Authority free and clear of any expenses, charges, counter-claims, recoupment or set-offs whatsoever.

Use of Proceeds

General. The County and the Authority agree that the proceeds of the Series 2008A Bonds will be used to (i) finance the Projects, (ii) fund the Reserve Account, and (iii) pay the costs of issuing the Series 2008A Bonds and incidental and related expenses, as more fully set forth in the Indenture.

Construction of Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities. The County shall carry out all phases of the construction of the Palm Desert Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities, in accordance with any contracts necessary for their completion. The Palm Desert Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities shall be constructed in all respects in accordance with the provisions of the Sublease and the Indenture. The County agrees that it will cause the work under all purchase orders and contracts to be diligently performed after the deposit of funds with the Trustee pursuant to the Indenture, and that the Palm Desert Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities will be constructed in accordance with the plans and specifications therefor. Upon delivery of a certificate of occupancy with respect to the Palm Desert Sheriff Station Facilities, the County shall take occupancy of the Palm Desert Sheriff Station Facilities, and shall deliver to the Authority and the Trustee a Certificate of the County stating that the Palm Desert Sheriff Station Facilities have been completed and the date of such completion. Upon delivery of a certificate of occupancy with respect to the North Palm Springs Multi-Service Center Facilities, the County shall take occupancy of the North Palm Springs Multi-Service Center Facilities, and shall deliver to the Authority and the Trustee a Certificate of the County stating that the North Palm Springs Multi-Service Center Facilities have been completed and the date of such completion.

Additional Bonds. If and to the extent that proceeds of the Series 2008A Bonds and other moneys legally available to the Authority or the County are not sufficient to complete construction of the Palm Desert Sheriff Station Facilities and the North Palm Springs Multi-Service Center Facilities, the Authority covenants that at the request of the County, the Authority will use its best efforts, to issue and sell Additional Bonds for that purpose, and the County and the Authority covenant to amend the Sublease in connection with such issuance and sale, in accordance with, the provisions of the Indenture.

Affirmative Covenants of the Authority and the County

The Authority and the County are entering into the Sublease in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The County shall, at its own expense, during the term of the Sublease maintain the Leased Properties, or cause the same to be maintained, in good order, condition and repair and shall replace any portion of the Leased Properties which is destroyed; provided, that the County shall not be required to repair or replace any such portion of the Leased Properties pursuant to this Section if there shall be applied insurance proceeds or other legally available funds sufficient to prepay and redeem (i) all of the Series 2008A Bonds Outstanding, or (ii) the Series 2008A Bonds allocable to the portion of the Leased Properties destroyed, provided that the Base Rental with respect to the remaining portion of the Leased Properties shall be sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such redemption. The County shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of the Leased Properties. It is understood and agreed that in consideration of the payment by the County of the rental provided for in the Sublease, the County is entitled to occupy and use the Leased Properties, and no other party shall have any obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Properties during the Lease Term. The Authority, as lessor under the Sublease, shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to the Leased Properties. The County shall keep the project free and clear of all liens, charges and encumbrances, subject only to the provisions of the Sublease.

Utilities. The County shall pay for the furnishing of all utilities which may be used in or upon the Leased Properties during the Lease Term. Such payment shall be made by the County directly to the respective utility companies furnishing such utility services or products, under such contract or contracts therefor as the County may make.

Insurance. The County shall 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, but only to the extent specifically permitted in this Section all coverage on the Leased Properties required by this Section. Such insurance shall consist of:

(i) a policy or policies of property insurance against loss or damage to the Leased Properties known as "all risk," including earthquake and flood. Such insurance shall be maintained with respect to the Leased Properties at any time in an amount not less than the full replacement value of the Leased Properties or at least equal to the aggregate principal amount of Outstanding Bonds. Such insurance may at any time include deductible clauses, not to exceed (A) $50,000, in the case of "all risk" insurance, on a per-loss basis in any one year, (B) in case of flood insurance, two percent of the replacement value per unit (with a "unit" being defined as each separate building, contents within separate building, property in open (such as yards) or time element coverage (i.e., loss of use over time)) in respect of locations within a 100 year flood plain (as defined by the Federal Emergency Management Agency), subject to a minimum of $100,000 and a maximum of $500,000 each and every occurrence, and (C) five percent of the loss per unit and per occurrence subject to $500,000 minimum for earthquake insurance; provided, however, that (1) in the event earthquake insurance required under this clause (i) is not available from reputable insurers at a reasonable cost, the County need not obtain earthquake insurance, and (2) the County's obligations under this clause (i) may be satisfied by its program(s) of self-insurance;

(ii) commercial general liability coverage against claims for damages including death, personal injury, bodily injury or property damage arising from operations involving the Leased Properties. Such insurance shall afford protection with a combined single limit of not less than $1,000,000 per occurrence with respect to bodily injury, death or property damage liability, or such greater amount as may from time to time be recommended by the County's risk management officer or an independent insurance consultant retained by the County for that purpose; provided, however, that the County's obligations under this clause (ii) may be satisfied by its program(s) of self-insurance;

(iii) boiler and machinery coverage against loss or damage by explosion of steam boilers, pressure vessels and similar apparatus now or hereafter installed in or on the Leased Properties in an amount not less than $2,000,000 per accident; provided, however, that the County's obligations under this clause (iii) may be satisfied by its program(s) of self-insurance;

(iv) workers' compensation insurance issued by a responsible carrier authorized under the laws of the state to insure employers against liability for compensation under the California Labor Code, 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 Properties and to cover full liability for compensation under any such act aforesaid; provided, however, that the County's obligations under this clause (iv) may be satisfied by its program(s) of self-insurance;

(v) rental interruption insurance to cover loss, total or partial, of the use of the Leased Properties as a result of any of the hazards covered by the insurance required pursuant to clause (i) above 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, but in any event not less than the maximum Base Rental due under the Sublease during any 24 month period; provided, that the County's obligations under this clause (v) may not be satisfied by its program(s) of self-insurance; and

(vi) one or more CLTA (or comparable) insurance policies for the Leased Properties, in an amount at least equal to the aggregate of the principal components of all unpaid Base Rental with respect to the Leased Properties. Said policies shall insure (A) the fee interest of the County in the Leased Properties and (B) the Authority's leasehold interests in the Leased Properties subject only to Permitted Encumbrances; provided, that the County's obligations under this clause (vi) may not be satisfied by self-insurance. So long as any Series 2008A Bonds remain outstanding, each policy of title insurance obtained pursuant to or required by the Sublease shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Series 2008A Bond Owners.

All policies or certificates of insurance provided for in the Sublease shall name the County as a named insured, and the Authority and the Trustee as additional insureds. All Net Proceeds received pursuant to a claim under such insurance policies shall be applied in accordance with the Sublease.

Notwithstanding the generality of the foregoing, but subject to the proviso in each clause under this Section as to the ability of the County to self-insure for the enumerated risks, the County shall not be required to maintain or cause to be maintained more insurance than is specifically referred to above or any policies of insurance other than standard policies of insurance with standard deductibles offered by reputable insurers.

Liens. The County shall 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 Properties and which may be secured by any mechanic's, materialman's or other lien against the Leased Properties, or the interest of the Authority therein, and shall cause each such lien to be fully discharged and released; provided, however, that the County or the Authority (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 shall 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 shall 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 Properties, other than the rights of the Authority and the County as provided in the Sublease. Except as expressly provided in the Sublease, the County shall promptly, at its own expense, take such action as may be necessary to duly discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim for which is responsible, if the same shall arise at any time.

Laws and Ordinances. The County agrees to observe and comply with all rules, regulations and laws applicable to the County with respect to the Leased Properties and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the County, and the Authority shall not be liable therefor. The County agrees further to place, keep, use, maintain and operate the Leased Properties in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Application of Insurance Proceeds; Eminent Domain

Insurance Proceeds. Net Proceeds from rental interruption insurance shall be deposited in the Lease Revenue Fund and shall be credited towards the payment of Base Rental in the order in which Base Rental payments become due and payable. All proceeds of commercial general liability coverage and workers' compensation insurance maintained by the County with respect to the Leased Properties pursuant to the Sublease shall be deposited with the County. With respect to Net Proceeds from insurance maintained by the County described by clauses (i) and (iii) under "Affirmative Covenants of the Authority and the County – Insurance," the County may elect to (i) apply the payments from such insurance to the prompt replacement, repair or reconstruction of the Leased Properties, or (ii) apply Net Proceeds from such insurance, together with other money available to the County, to redeem Series 2008A Bonds allocable to the damaged or defective portion of the Leased Properties pursuant to the Indenture; provided, however, that the County may elect to redeem Series 2008A Bonds under clause (ii) only if the Base Rental with respect to the remaining portion of the Leased Properties shall be sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such redemption. If the County elects to apply such proceeds to the replacement, repair or reconstruction of the Leased Properties, the Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Properties to tenantable condition.

Net Proceeds from title insurance maintained by the County pursuant to the Sublease, shall be applied as follows: (I) If the County determines that the title defect giving rise to such Net Proceeds has not materially affected the operation of the Leased Properties and shall not result in an abatement of the Base Rental by the County under the Sublease, then such Net Proceeds shall be, first, transferred to the Trustee for deposit in the Reserve Account to the extent that the balance therein is less than the Reserve Requirement, and second, for any lawful purposes of the County; or (II) if any of the portion of Leased Properties has been affected by such title defect, and the County determines that such title defect shall result in an abatement of Base Rental payable by the County under the Sublease, then the Net Proceeds shall be transferred to the Trustee and the Trustee shall apply such Net Proceeds to redeem Series 2008A Bonds allocable to the affected portion of the Leased Properties pursuant to the Indenture (and, upon such redemption, the Sublease shall terminate with respect to such affected portion of the Leased Properties).

Eminent Domain. If the Leased Properties, or so much thereof as to render the remainder of the Leased Properties unusable for the County's purposes under the Sublease, shall be taken under the power of eminent domain, then the Sublease shall terminate with respect to the Leased Properties as of the day possession shall be so taken, or, if the County is the condemnor, then the Sublease shall terminate as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there shall be an abatement of Base Rental in accordance with the rental abatement provisions of the Sublease. If less than a substantial portion of the Leased Properties shall be taken under the power of eminent domain, and the remainder is usable for County purposes, then there shall be an abatement of Base Rental only to the extent of the portion of the Leased Properties which is unusable and the Sublease shall continue in full force and effect and shall not be terminated with respect to the Leased Properties by virtue of such taking and the parties waive the benefit of any law to the contrary. With respect to any award made in eminent domain proceedings for the taking, the County may elect to (i) apply the payments from such award to the prompt replacement of the Leased Properties, or (ii) apply Net Proceeds, together with other money available to the County, to redeem Series 2008A Bonds allocable to the portion of the Leased Properties subject to such taking pursuant to the Indenture (and, upon such redemption, the Sublease shall terminate with respect to such taken portion of the Leased Properties); provided, however, that the County may elect to redeem Series 2008A Bonds under clause (ii) only if the Base Rental with respect to the remaining portion of the Leased Properties shall be sufficient to pay the principal and interest due with respect to the Series 2008A Bonds Outstanding after such redemption. If the County elects to apply such proceeds to the replacement of the Leased Properties, the Base Rental shall again begin to accrue with respect thereto upon restoration of the Leased Properties to tenantable condition.

Assignment and Sublease

Subletting of Leased Properties. The County shall 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 may, sublease all or any portion of the Leased Properties, and may grant concessions to others involving the use of any portion of the Leased Properties, whether such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Properties. The County shall 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 contained in the Sublease shall 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 in the Sublease. In no event shall the County sublease or permit the use of all or any part of the Leased Properties 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.

Assignment Agreement. The Authority shall, concurrently with the execution of the Sublease, assign all of its right, title and interest (other than its rights to indemnification and payment or reimbursement for any costs or expenses) in and to the Sublease, including without limitation its right to receive Base Rental payable under the Sublease, to the Trustee pursuant to the Assignment Agreement, and the County approves such assignment.

Additions and Improvements; Removal

The County shall have the right during the Lease Term to make any additions or improvements to the Leased Properties, to attach fixtures, structures or signs, and to affix any personal property to the Leased Properties, so long as the fair market value of the Leased Properties is not thereby reduced. Title to all fixtures, equipment or personal property placed by the County on the Leased Properties shall remain in the County. The title to any personal property, improvements or fixtures placed on the Leased Properties by any sublessee or licensee of the County shall be controlled by the sublease or license agreement between such sublessee or licensee and the County, which sublease or license agreement shall not be inconsistent with the Sublease.

Right of Entry; Quiet Enjoyment

Right of Entry. Representatives of the Authority shall, subject to reasonable security precautions, have the right to enter upon any of the Leased Properties during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Authority under the Sublease, or (iii) for all other lawful purposes.

Quiet Enjoyment. Subject to the Authority's right of entry as provided in the Sublease, the Authority covenants and agrees that the County, by keeping and performing the covenants and agreements contained in the Sublease, shall, at all times during the Lease Term, peaceably and quietly have, hold, and enjoy the Leased Properties.

Default by County; Remedies

Default. The County shall be deemed to be in default under the Sublease upon the occurrence of any of the following:

(i) The County shall have failed to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Sublease by the close of business on the day such deposit is required to be made pursuant to the Sublease, and such failure shall not have been corrected within five days upon notice by the Authority or the Trustee;

(ii) The County shall become the subject of proceedings under Title 11 of the United States Code and such proceedings are not dismissed within 90 days; or

(iii) The County shall have failed to keep, observe or perform any term, covenant or condition of the Sublease (other than as referred to in the preceding clause (i)) and, upon written notice by the Authority or the

Trustee, the County shall not have cured such failure within 30 days of such notice (provided, that if the County informs each of the Authority and the Trustee that the failure stated in such notice can be corrected, but not within such 30-day period, then the cure period may be extended upon the written consent of the Authority and the Trustee, who shall not unreasonably withhold such consent).

Remedies. Upon any default by the County, the Authority, in addition to all other rights and remedies the Authority may have at law or in equity, will have the option to do any of the following:

(i) To terminate the Sublease in the manner described below on account of default by the County, notwithstanding any re-entry or re-letting of the Leased Properties as described in subparagraph (ii) below, and to re-enter the Leased Properties and remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Properties 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 Properties, without let or hindrance, and to pay the Authority all damages recoverable at law that the Authority 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 Properties and removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions of the Sublease. Neither notice to pay Base Rental or to deliver up possession of the Leased Properties given pursuant to law nor any entry or re-entry by the Authority nor any proceeding in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting re-entry or obtaining possession of the Leased Properties nor the appointment of a receiver upon initiative of the Authority to protect the Authority's interest under the Sublease shall of itself operate to terminate the Sublease, and no termination of the Sublease on account of default by the County shall be or become effective by operation of law or acts of the parties, or otherwise, unless and until the Authority shall have given written notice to the County of the election on the part of the Authority to terminate the Sublease. The County covenants and agrees that no surrender of the Leased Properties or of the remainder of the term of the Sublease or any termination of the Sublease shall be valid in any manner or for any purpose whatsoever unless stated by the Authority by such written notice.

(ii) Without terminating the Sublease, (A) to collect each installment of Base Rental as the same becomes due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Leased Properties, or (B) to exercise any and all rights of entry and re-entry upon the Leased Properties. In the event that the Authority 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 Properties are not relet, 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 the County shall pay said Base Rental (or Base Rental deficiency) punctually at the same time and in the same manner as provided for the payment of Base Rental. Should the Authority elect to re-enter, the County irrevocably appoints the Authority as the agent and attorney-in-fact of the County to re-let the Leased Properties, or any part thereof, from time to time, either in the Authority's name or otherwise, upon such terms and conditions and for such use and period as the Authority may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Leased Properties 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 hold harmless the Authority from any costs, loss or damage whatsoever arising out of, in connection with, or incident to any such reentry upon and re-letting of the Leased Properties and removal and storage of property by the Authority or its duly authorized agents.

Prior to the exercise of the Authority's right to re-let or otherwise change the use of the Leased Properties after termination of the Sublease, the Authority will obtain an opinion of Bond Counsel to the effect that such use of the Leased Premises will not adversely affect the tax exemption of interest with respect to the Series 2008A Bonds.

All damages and other payments received by the Authority or its assignee pursuant to the exercise of its rights and remedies pursuant to the Sublease shall be applied in the manner set forth in the Indenture.

No Acceleration. Notwithstanding any other provision of the Sublease or the Indenture, in no event shall the Authority have the right to accelerate the payment of any Base Rental under the Sublease.

Remedies Cumulative. Each and every remedy of the Authority or any assignee of the rights of the Authority under the Sublease is cumulative and the exercise of one remedy shall not impair the right of the Authority or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Authority or its assignee, the Authority or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

Prepayment and Credits

Effect of Redemption of Series 2008A Bonds from Net Proceeds. In the event that, pursuant to the Sublease, the County determines that Base Rental shall be abated and Net Proceeds from insurance or any condemnation award shall be used to redeem Series 2008A Bonds, the County shall provide the Authority and the Trustee an amended schedule of Base Rental payments.

Optional Prepayment. The County may, at its option, prepay from any source of available moneys, Base Rental with respect to one or more Leased Properties then unpaid, in whole or in part, to effect a redemption of the Series 2008A Bonds, which redemption date(s) shall be on or after May 1, 2018. In such event, the Series 2008A Bonds shall be redeemed pursuant to the optional redemption provisions of the Indenture. An optional prepayment under the Sublease shall be deemed made upon the occurrence of either of the following:

(i) The County shall have deposited with the Trustee an amount equal to the sum of (A) the principal components of Base Rental being so prepaid, plus (B) the interest components with respect thereto accrued to the related redemption date(s) of the Series 2008A Bonds, plus (C) a premium in an amount equal to the redemption premium applicable to the Series 2008A Bonds being so redeemed; or

(ii) There shall have been deposited, on behalf of the Authority, with the Trustee or another fiduciary, Federal Securities (or a combination of cash and Federal Securities) in a sufficient amount to satisfy the requirements of defeasance provisions of the Indenture to discharge the Series 2008A Bonds to be redeemed in connection with such prepayment.

Except in the case of a prepayment of Base Rental to redeem all of the then Outstanding Series 2008A Bonds, an optional prepayment of principal components of Base Rental pursuant to the Sublease shall (1) apply only to Base Rental previously unpaid and not yet due, and (2) be applied to reduce Base Rental so that, after such prepayment (and the related redemption of Series 2008A Bonds), (A) each annual installment of principal components of Base Rental due under the Sublease shall be an integral multiple of $5,000 and (B) the principal components of Base Rental due in any year shall correspond with the principal amount of Series 2008A Bonds due and payable in such year.

Partial Prepayment. In the event of a partial optional prepayment of Base Rental under the Sublease, the County shall provide the Authority and the Trustee an amended schedule of Base Rental payments. A prepayment made pursuant to the Sublease shall not a cause a defeasance of Series 2008A Bonds unless the requirements of the defeasance provisions of the Indenture are satisfied. In the event that the Base Rental of a Leased Property is prepaid in full, the Sublease shall terminate with respect to such Leased Property.

Credit. In the event that the County determines to prepay in full of principal component of Base Rental with respect to all of the Leased Properties, such that the Sublease shall be terminated by its terms, all amounts then on deposit under the Indenture which are to be credited to the County's obligations to make Base Rental payments shall be credited towards the amounts then required to be so prepaid.

Covenant Regarding Section 103(a) of the Code

The County covenants that during the term of the Sublease it shall not use or permit the use of the Leased Properties or any proceeds of the Series 2008A Bonds, directly or indirectly, in any manner, and shall not take or omit to take any action, that would cause any of the Series 2008A Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Waiver

Failure of the Authority to take advantage of any default on the part of the County shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may be established between the parties in the course of administering the Sublease be construed to waive or to lessen the right of the Authority to insist upon performance by the County of any term, covenant or condition of the Sublease, or to exercise any rights given the Authority on account of such default. A waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of rent under the Sublease shall not be, nor be construed to be, a waiver of any term, covenant or condition of the Sublease.

Amendment

The Sublease may be amended only in accordance with and as permitted by the relevant provisions of the Indenture.

ASSIGNMENT AGREEMENT

Under the Assignment Agreement, the Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Series 2008A Bonds, all of the right, title and interest of the Authority in the Sublease (except the Authority's rights to indemnification and payment or reimbursement for any costs or expenses thereunder), including the Authority's rights to receive the Base Rental Payments scheduled to be paid by the County under and pursuant to the Sublease, and any and all of the other rights of the Authority under the Sublease as may be necessary to enforce payment of such Base Rental Payments when due or otherwise to protect the interest of the Owners of the Series 2008A Bonds.

IMPLEMENTATION AGREEMENT

Original Sheriff Station Draw Account

The Agency shall establish a separate account within the County Capital Improvement Fund to be designated the "Original Sheriff Station Draw Account." From and after the Closing Date for the Series 2008A Bonds to and including the Fiscal Year during which the Original Sheriff Station Lease Termination Date occurs, moneys deposited in the County Capital Improvement Fund each Fiscal Year shall be set aside, first, in the Original Sheriff Station Draw Account until the aggregate amount of such transfers to the Original Sheriff Station Draw Account is equal to the Original Sheriff Station Portion for such Fiscal Year; provided that, for Fiscal Year 2008-09, the Agency shall make the transfer from moneys already on deposit in the County Capital Improvement Fund to the Original Sheriff Station Draw Account as soon as practicable after the Closing Date for the Series 2008A Bonds; provided further that, for the Fiscal Year during which the Original Sheriff Station Lease Termination Date occurs, the aggregate amount to be deposited into the Original Sheriff Station Draw Account shall only be equal to (i) the Original Sheriff Station Portion for such Fiscal Year, multiplied by (ii) a percentage that represents (A) the number of days that have elapsed from the preceding July 1 to the Original Sheriff Station Lease Termination Date (both dates inclusive), divided by (B) the total number of days in such Fiscal Year.

After the Closing Date for the Series 2008A Bonds, the Agency shall not use any money in the County Capital Improvement Fund except for moneys deposited in the Original Sheriff Station Draw Account to pay (or reimburse the Agency for the payment of) debt service on the Original Sheriff Station Bonds. The Agency may make withdrawals from the Original Sheriff Station Draw Account at any time to pay (or reimburse the Agency for the payment of) debt service on the Original Sheriff Station Bonds.

All interest earned on moneys in the Original Sheriff Station Draw Account shall be deposited in the County Capital Improvement Fund.

On the last day (i.e., June 30) of the Fiscal Year during which the Original Sheriff Station Lease Termination Date occurs, the Agency shall transfer any money remaining in the Original Sheriff Station Draw Account to the County Capital Improvement Fund and then close the Original Sheriff Station Draw Account.

Series 2008A Draw Account

The Agency shall establish a separate account within the County Capital Improvement Fund to be designated the "Series 2008A Draw Account." Notwithstanding any provision of the Cooperative Agreement to the contrary but subject to the provisions of the Implementation Agreement described below, so long as the Implementation Agreement remains effective, each Fiscal Year, after the transfers to the Original Sheriff Station Draw Account required by the Implementation Agreement have been completed, moneys deposited in the County Capital Improvement Fund shall be set aside in the Series 2008A Draw Account until the aggregate amount of such transfers to the Series 2008A Draw Account is equal to the sum of the Series 2008A Scheduled Draw Amounts for such Fiscal Year, less the applicable County Deposits (defined below), if any. Moneys deposited in the County Capital Improvement Fund each Fiscal Year may not be used for any purpose other than as permitted under the Implementation Agreement until the required transfers to the Original Sheriff Station Draw Account and the Series 2008A Draw Account have been made.

Subject to the further provisions of the Implementation described below, the Agency shall make withdrawals from the Series 2008A Draw Account on the Series 2008A Semi-Annual Draw Dates and in the Series 2008A Scheduled Draw Amounts set forth in the exhibit to the Implementation Agreement (which correspondence with the Base Rental Payments schedule under the Sublease); provided, that if a Series 2008A Semi-Annual Draw Date is not a Business Day, then the withdrawal shall be made on the immediately preceding Business Day. All moneys so withdrawn from the Series 2008A Draw Account described in this paragraph shall be transferred immediately by the Agency to the County. The County shall apply the amounts so transferred to pay Series 2008A Base Rental Payments coming due under the Series 2008A Sublease.

The County may in its discretion pay any Base Rental Payment, in whole or in part, from sources available to the County other than the Series 2008A Draw Account. Prior to any Semi-Annual Draw Date, if the County shall have deposited with the Trustee moneys representing all or a portion of a Base Rental Payment (or if there are moneys already on deposit in the Lease Revenue Fund held by the Trustee under the Indenture which may be used as a credit against the Base Rental Payments coming due), then the County may provide to the Agency in a written notice, signed by the County Executive Officer:

(i) specifying the amount (the "County Deposit") that (A) the County has so deposited with the Trustee or (B) is on deposit in the Lease Revenue Fund which will be used as a credit against the Base Rental Payment coming due;

(ii) specifying the related Rental Payment Date (as defined in the Sublease) and Series 2008A Semi-Annual Draw Date;

(iii) directing the Agency to, for the affected Fiscal Year, deposit in the Series 2008A Draw Account only an amount equal to the total Series 2008A Scheduled Draw Amounts for such Fiscal Year less the County Deposit, and

(iv) directing the Agency to, on the affected Series 2008A Semi-Annual Draw Date, withdraw from the Series 2008A Draw Account and transfer to the County only an amount equal the Series 2008A Scheduled Draw Amount less the County Deposit.

Upon receipt of such a notice, the Agency shall comply with the directions therein. The Agency shall have no obligation to verify the genuineness or the accuracy of such notice.

All interest earned on moneys in the Original Sheriff Station Draw Account shall be deposited in the County Capital Improvement Fund. Upon the termination of the Implementation Agreement, the Agency shall transfer any money remaining in the Series 2008A Draw Account to the County Capital Improvement Fund and then close the Series 2008A Draw Account.

Additional Withdrawals

Moneys deposited in the Original Sheriff Station Draw Account and the Series 2008A Draw Account shall be applied solely as permitted by the Implementation Agreement. After the required transfers to the Original Sheriff Station Draw Account and the Series 2008A Draw Account have been completed each Fiscal Year, the County may consent to or direct any additional withdrawal from the County Capital Improvement Fund during the remainder of such Fiscal Year to the extent provided in the Cooperative Agreement.

Agency Obligations Limited

The Agency's obligations with respect to transfers and withdrawals from the County Capital Improvement Fund (and the accounts therein) under the Implementation Agreement and the Cooperative Agreement on any date shall be limited to the actual balance then on deposit in the County Capital Improvement Fund. In any Fiscal Year, the Agency shall make transfers to the Series 2008A Draw Account solely to the extent that moneys are available therefor in the County Capital Improvement Fund. If the Agency reasonably anticipates that the balance of the Series 2008A Draw Account will be less than the Series 2008A Scheduled Draw Amount on any Series 2008A Semi-Annual Draw Date, then the Agency shall notify the County of the deficiency at least one Business Day before such Series 2008A Semi-Annual Draw Date and, in such event, unless the County instructs the Agency to withdraw a lesser amount, the Agency shall withdraw the full balance of the Series 2008A Draw Account (in lieu of the Series 2008A Scheduled Draw Amount) and transfer such balance to the County on such Series 2008A Semi-Annual Draw Date.

The County acknowledges and agrees that Base Rental Payments (and any "Additional Rental" under the Sublease) shall be the responsibility of the County. The Agency has not assumed any responsibility with respect to the County's obligations under the Sublease or in connection with the Series 2008A Bonds by the Agency's execution of the Implementation Agreement or any action taken (or to be taken) relating to the Implementation Agreement.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the 2008 Series A Bonds, Richards Watson & Gershon, A Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

[Closing Date]

Riverside County Palm Desert Financing Authority
73-519 Fred Waring Drive
Palm Desert, California 92260

Opinion of Bond Counsel

with reference to

$72,445,000
Riverside County Palm Desert Financing Authority
Lease Revenue Bonds
(County Facilities Projects)
2008 Series A

Ladies and Gentlemen:

We have examined (i) a record of proceedings relating to the issuance of the above-captioned bonds (the "Series 2008A Bonds") of the Riverside County Palm Desert Financing Authority (the "Authority"); (ii) the Indenture, dated as of November 1, 2008 (the "Indenture"), by and between the Authority and Wells Fargo Bank National Association, as trustee (the "Trustee"); (iii) the Lease, dated as of November 1, 2008, by and between the County of Riverside (the "County"), as lessor, and the Authority, as lessee; (iv) the Sublease, dated as of November 1, 2008 (the "Sublease"), by and between the Authority, as sublessor, and the County, as sublessee; and (v) such other matters of law as we have deemed necessary to enable us to render the opinions expressed herein. As to questions of fact material to this opinion, we have relied upon such certificates and documents without undertaking to verify the same by independent investigation. Capitalized terms used but not defined herein have the meanings ascribed to them in the Indenture.

The Series 2008A Bonds are issued pursuant to the Indenture and the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of California, as amended (the "Act"), including the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act. The Series 2008A Bonds are issued for the purpose of financing County various public capital projects.

We are of the opinion that:

1. The Indenture has been duly and lawfully authorized, executed and delivered by the Authority. Assuming due authorization, execution and delivery by the Trustee, the Indenture is in full force and effect in accordance with its terms and is valid and binding upon the Authority and enforceable

in accordance with its terms, and no other authorization for the Indenture is required. The Indenture creates the valid pledge which it purports to create of the Revenues and certain funds established by the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

2. The Authority is duly authorized and entitled to issue the Series 2008A Bonds. The Series 2008A Bonds have been duly and validly authorized and issued by the Authority in accordance with the Constitution and statutes of the State of California, including the Act, and in accordance with the Indenture. The Series 2008A Bonds constitute the valid and binding special obligations of the Authority as provided in the Indenture, are enforceable in accordance with their terms and the terms of the Indenture and are entitled to the benefits of the Act and the Indenture. The Series 2008A Bonds are not an obligation of the State of California, any public agency thereof (other than the Authority), or any member of the Authority and neither the faith and credit nor the taxing power of the State of California or any public agency thereof or any member of the Authority is pledged for the payment of the Series 2008A Bonds. The Authority has no taxing power.

3. The Authority and the County have duly authorized, executed and delivered the Lease and the Sublease, which constitute the valid and binding agreements of the Authority and the County enforceable in accordance with their terms. The obligation of the County to make Base Rental Payments during the term of the Sublease constitutes a valid and binding obligation of the County, payable from funds of the County lawfully available therefor, and does not constitute a debt of the County, the State of California or any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

4. Interest on the Series 2008A Bonds is exempt from personal income taxes of the State of California.

5. Assuming compliance with the covenants described below, interest on the Series 2008A Bonds is excluded from gross income for Federal income tax purposes. The Series 2008A Bonds are not "specified private activity bonds" within the meaning of Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code") and, therefore, the interest on the Series 2008A Bonds will not be treated as a preference item for purposes of computing the alternative minimum tax imposed by Section 55 of the Code. However, we note a portion of the interest on Series 2008A Bonds owned by corporations may be subject to the Federal alternative minimum tax, which is based in part on adjusted current earnings.

The Code sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2008A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2008A Bonds to be included in gross income retroactive to the date of issue of the Series 2008A Bonds. The Authority and the County have covenanted to satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain the exclusion of the interest on the Series 2008A Bonds from gross income for Federal income tax purposes pursuant to Section 103(a) of the Code.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of nationally recognized bond counsel. We express no opinion as to any Series 2008A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of any counsel other than ourselves.

Except as stated in the foregoing paragraphs numbered 4 and 5 and the paragraph immediately following paragraph 5, we express no opinion as to any Federal or state tax consequences of the ownership or disposition of the Series 2008A Bonds.

The opinions expressed in the paragraphs numbered 1, 2 and 3 hereof are qualified to the extent that the enforceability of the Lease, the Sublease, the Indenture and the Series 2008A Bonds may be limited by any applicable bankruptcy, insolvency, debt adjustment, fraudulent conveyance or transfer, moratorium, reorganization or other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We do not express any opinion with respect to the quality of title to, or interests in, any of the real or personal property subject to the lien of the Lease or the Sublease or with respect to the accuracy or sufficiency of the description of any real property contained therein and in the Indenture.

The opinions expressed herein are based on an analysis of existing law and cover certain matters not directly addressed thereby. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof, and we have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering material relating to the Series 2008A Bonds and no opinion is expressed herein with respect thereto. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in such documents.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this "Certificate") is executed and delivered by the County of Riverside (the "County") as of November 20, 2008 in connection with the issuance of the $72,445,000 Riverside County Palm Desert Financing Authority, Lease Revenue Bonds (County Facilities Project), 2008 Series A (the "Bonds"). The Bonds are being issued pursuant to the terms of an Indenture, dated as of November 1, 2008 (the "Indenture"), by and between the Riverside County Palm Desert Financing Authority (the "Issuer") and Wells Fargo Bank, National Association (the "Trustee"), and a Resolution of the governing board of the Issuer adopted on October 24, 2008 relating to the issuance of the Bonds (the "Resolution"). The County hereby covenants and agrees as follows:

Section 1. **Purpose of Certificate**. This Certificate is being executed and delivered by the County for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriters (as defined below) in complying with the Rule (as defined below).

Section 2. **Definitions**. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

"**Annual Report**" means any Annual Report of the County provided by the Corporation pursuant to, and as described in, Sections 3 and 4 of this Certificate.

"**Beneficial Owner**" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Central Post Office" shall mean shall mean the Disclosure USA website maintained by the Texas Municipal Advisory Council (the "MAC") or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate.

"**Commission**" means the Securities and Exchange Commission.

"**Dissemination Agent**" means any person appointed in writing by the County to act as the County's agent in complying with the filing requirements of the Rule. As of the date of this Certificate, the County has not appointed a Dissemination Agent.

"**Listed Events**" means any of the events listed in section 5(a) of this Certificate.

"**National Repository**" means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories approved by the Commission as of the date of this Certificate are set forth in Exhibit A to this Certificate.

"**Underwriters**" means the original purchasers of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"**Repository**" means each National Repository and each State Repository.

"**Rule**" means paragraph (b) (5) of Rule 15c2-12 adopted by the Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"**State Repository**" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Commission. As of the date of this Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than sixty (60) days after the County normally receives its audited financial statements from its auditors in each year but in no event later than February 15, commencing with the report for the County's Fiscal Year ended June 30, 2008, provide to each Repository copies of an Annual Report of the County which is consistent with the requirements of Section 4 of this Certificate. Each Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Certificate; provided that the audited financial statements of the County may be submitted separately from the balance of such Annual Report and later than the date required above for the filing of such Annual Report if they are not available by that date. If the County's Fiscal Year changes, the County shall give notice of such change in the same manner as for a Listed Event under subsection 5(c).

(b) Not later than 15 Business Days prior to the date specified in subsection (a) above for providing each Annual Report to Repositories, the County shall provide such Annual Reports to the Dissemination Agent (if one has been appointed). If the County is unable to provide to the Repositories such Annual Reports by the date specified in subsection (a) above, the County shall send a notice to each Repository, the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form of Exhibit B to this Certificate.

(c) The Dissemination Agent (if one has been appointed) shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) file a report with the County certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Notwithstanding any other provision of this Disclosure Certificate, the County and the Dissemination Agent, if any, may make any filing required under this Disclosure Certificate solely by transmitting such filing to the Central Post Office as provided at http://www.disclosureusa.org unless the SEC has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 4. Content of Annual Reports. The Annual Reports of the County shall contain or include by reference the following:

(a) The audited financial statements of the County for the Fiscal Year most recently ended, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and reporting standards as set forth by the State Controller in "State of California Accounting Standards and procedures for Counties." If the County's audited financial statements are not available by the time the Annual Reports are required to be filed pursuant to subsection 3(a) of this Certificate, the Annual Reports shall contain unaudited financial statements in a format similar to the financial statements contained in the final

Official Statement relating to the Bonds, and the audited financial statements shall be filed in the same manner as the Annual Reports when they become available.

(b) To the extent not included in the financial statements, the following types of information will be provided in one or more reports:

(i) assessed valuations, tax levies and delinquencies for real property located in the County for the Fiscal Year of the County most recently ended;

(ii) summary financial information on revenues, expenditures and fund balances for the County's total budget funds for the Fiscal Year of the County most recently ended;

(iii) summary financial information on the proposed and adopted budgets of the County for the current Fiscal Year and any changes in the adopted budget;

(iv) summary of aggregate annual debt obligations of the County as of the beginning of the current Fiscal Year;

(v) summary of annual outstanding principal obligations of the County as of the beginning of the current Fiscal Year; and

(vi) the ratio of the County's outstanding debt to total assessed valuations as of the end of the Fiscal Year of the County most recently ended.

Any or all of the items listed above may be included by specific reference to other documents, including official statements or other disclosure documents of debt issues of the County or related public entities, which have been submitted to each of the Repositories or the Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The County shall clearly identify each such other document so included by reference.

The contents, presentation and format of the Annual Reports may be modified from time to time as determined in the judgment of the County to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the County or to reflect changes in the business, structure, operations, legal form of the County or any mergers, consolidations, acquisitions or dispositions made by or affecting the County; provided that any such modifications shall comply with the requirements of the Rule.

Section 5. <u>Reporting of Significant Events</u>.

(a) Pursuant to the provisions of this Section 5, the County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions or events affecting the tax status of the Bonds;
(vii) modifications to the rights of Owners of the Bonds;
(viii) bond calls other than mandatory sinking fund redemptions;
(ix) defeasances;
(x) release, substitution, or sale of property, if any, securing repayment of the Bonds; and

(xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the County determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the County shall promptly file, or cause to be filed, a notice of such event with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (viii) and (ix) above need not be given under this subsection any earlier than when the notice, if any, of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 6. **Termination of Reporting Obligation**. The County's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the County shall give notice of such termination in the same manner as for a Listed Event under subsection 5(c).

Section 7. **Dissemination Agent**. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing sixty (60) days written notice to the County. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Certificate.

Section 8. **Amendment; Waiver**. Notwithstanding any other provision of this Certificate, the County may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of subsection 3(a), section 4, or subsection 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertakings, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the County shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under subsection 5(c), and (ii) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the County from disseminating any other information, including the information then contained in the County's official statements or other disclosure documents relating to debt issuances, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the County chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the County to comply with any provision of this Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the County to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Indenture with respect to the Bonds, and the sole remedy under this Certificate in the event of any failure of the County to comply with this Certificate shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages under this Certificate.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the County agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the County under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Underwriters, the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This certificate shall be governed by the laws of the State of California and the federal securities laws.

COUNTY OF RIVERSIDE

By:______________________________
Authorized Signatory

EXHIBIT A

FORM OF NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Obligated Person:	County of Riverside, California
Name of Bond Issue:	$72,445,000 Riverside County Palm Desert Financing Authority, Lease Revenue Bonds (County Facilities Project), 2008 Series A
Issuance Date:	November 20, 2008

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate dated as of November 20, 2008, executed and delivered by the County. [The County anticipates the Annual Report will be filed by ____________________]

Dated:______________

COUNTY OF RIVERSIDE

By:___________________________
Title:__________________________

APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or accuracy thereof. The Authority 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 2008 Series A Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2008 Series A Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2008 Series A Bonds, 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. 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, NY, will act as securities depository for the 2008 Series A Bonds. The 2008 Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered the 2008 Series A Bond certificate will be issued for each maturity of the 2008 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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 and www.dtc.org.

Purchases of the 2008 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2008 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the 2008 Series A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2008 Series A Bonds, except in the event that use of the book-entry system for the 2008 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2008 Series A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2008 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the 2008 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the 2008 Series A Bonds may wish to ascertain that the nominee holding the 2008 Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Series A Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2008 Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 2008 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2008 Series A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE AUTHORITY NOR THE TRUSTEE 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 2008 SERIES A BONDS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the 2008 Series A Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the 2008 Series A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2008 Series A Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2008 Series A Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee take any responsibility for the accuracy thereof.

The Authority and the Trustee cannot 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 2008 Series A Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee 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 2008 Series A Bonds or an error or delay relating thereto.