

Section 11. Beneficiaries. This Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters, the Owners and Beneficial Owners from time to time of the Note, and shall create no rights in any other person or entity.

Section 12. 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 Officer

[Signature Page for Continuing Disclosure Certificate]

EXHIBIT A

**FORM OF NOTICE TO REPOSITORIES
OF FAILURE TO FILE REPORT**

Name of Issuer: County of Riverside, California

Name of Bond Issue: \$_____ * County of Riverside 2012-2013 Tax and Revenue Anticipation Note

Issuance Date: _____, 2012

NOTICE IS HEREBY GIVEN that the COUNTY OF RIVERSIDE (the "County") has not provided the Quarterly Report with respect to the above-named Note as required by Section 3 of the Continuing Disclosure Certificate, dated as of July 1, 2011, executed and delivered by the County. [The County anticipates that such report will be filed by _____].

Dated: _____

COUNTY OF RIVERSIDE

By _____
Authorized Officer

*Preliminary, subject to change.

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The information in this APPENDIX E concerning DTC and its book-entry system has been obtained from DTC and the County takes no responsibility for the completeness or accuracy thereof. The County cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Note, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Note, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Note, 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 E. 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.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has 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. The County undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on DTC's website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned websites.

Purchases of the Note under the DTC system must be made by or through Direct Participants, which will receive a credit for the Note on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Note 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 Note, except in the event that use of the book-entry system for the Note is discontinued.

To facilitate subsequent transfers, the Note 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 Note with DTC and its registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Note; DTC's records reflect only the identity of the Direct Participants to whose accounts such Note is credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Note unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent 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 Note is credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Note 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 Paying Agent 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 or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Note at any time by giving reasonable notice to the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF THE NOTE AND WILL NOT BE RECOGNIZED BY THE PAYING AGENT AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

APPENDIX F

FORM OF RESOLUTION

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APPENDIX A

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

GENERAL INFORMATION

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 2,217,778 as of January 1, 2011, representing an approximately 1% increase over the County's population as estimated by the 2010 Census, following an increase of approximately 42% over the prior decade. For the eleven year period of January 1, 2000 to January 1, 2011, the County's population grew by over 600,000, ranking it as one of the major growth areas in the nation. During this period, nine cities and the unincorporated County area each grew by over 20,000 persons. The largest population increase was in Murrieta, which added over 59,000 to its population. This is followed by Riverside, Temecula, Moreno Valley, Indio, Corona, Beaumont, Lake Elsinore and La Quinta. The city of Beaumont experienced the most rapid growth rate. Several areas in the unincorporated County also grew rapidly. These include Eastvale (which incorporated in 2010), Temescal Canyon, the El Sobrante/Lake Matthews/Woodcrest area, Winchester, French Valley, and the unincorporated area north of Indio. Much of the growth in the City of Menifee occurred during this period while it was an unincorporated area. Currently, the growth in the County has tempered due to the economy. Between January 1, 2010 and January 1, 2011, the County population increased by approximately 1%, a rate close to the statewide average.

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

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

<u>CITY</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Banning	28,148	28,551	29,507	29,844
Beaumont	31,317	32,448	36,496	38,195
Blythe	21,627	21,346	20,873	20,158
Calimesa	7,423	7,504	7,853	7,941
Canyon Lake	10,994	11,143	10,528	10,647
Cathedral City	51,972	52,508	51,037	51,603
Coachella	40,317	41,043	40,464	41,502
Corona	146,698	148,770	151,854	153,649
Desert Hot Springs	25,939	26,584	25,852	27,383
Eastvale	-	-	-	54,303
Hemet	73,205	74,931	78,335	79,607
Indian Wells	5,000	5,099	4,941	5,010
Indio	80,962	82,325	75,122	77,165
Lake Elsinore	49,556	50,324	51,445	52,503
La Quinta	42,743	43,830	37,307	37,836
Menifee	-	67,819	77,267	79,444
Moreno Valley	182,945	186,515	192,654	195,216
Murrieta	99,576	100,835	103,085	104,459
Norco	27,143	27,189	27,066	27,060
Palm Desert	50,686	51,570	48,132	49,111
Palm Springs	47,019	47,653	44,385	45,002
Perris	53,340	54,387	67,879	69,781
Rancho Mirage	16,975	16,938	17,168	17,463
Riverside	296,191	300,769	302,814	306,779
San Jacinto	35,491	36,521	44,043	44,597
Temecula	99,873	102,713	99,611	101,657
Wildomar	-	31,374	32,006	32,543
TOTALS				
Incorporated	1,525,140	1,650,689	1,677,724	1,760,548
Unincorporated	<u>553,461</u>	<u>459,193</u>	<u>501,968</u>	<u>457,320</u>
County-Wide	<u>2,078,601</u>	<u>2,109,882</u>	<u>2,179,692</u>	<u>2,217,778</u>
California	37,883,992	38,255,508	37,223,900	37,510,766

Source: State Department of Finance, Demographic Research Unit.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2007 through 2011.

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

	Total Effective Buying Income⁽²⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
2007			
Riverside County	\$ 38,631,365	\$45,310	44.3%
California	\$814,894,437	\$48,203	47.9%
2008			
Riverside County	\$ 40,935,407	\$46,958	46.2%
California	\$832,531,445	\$48,952	48.8%
2009			
Riverside County	\$40,935,686	\$46,852	46.2%
California	\$832,528,809	\$48,915	48.7%
2010			
Riverside County	\$ 41,337,856	\$47,080	46.6%
California	\$844,822,042	\$49,736	49.7%
2011			
Riverside County	\$ 38,492,225	\$44,253	43.07%
California	\$801,393,028	\$47,117	46.78%

⁽¹⁾ Estimated.

⁽²⁾ Dollars in thousands.

Source: Survey of Buying Power, Sales & Marketing Management Magazine, 2007 and 2008, and Nielson Solution Center for 2009, 2010 and 2011.

Industry And Employment

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

RIVERSIDE-SAN BERNARDINO-ONTARIO PMSA ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY⁽¹⁾ (IN THOUSANDS)

<u>INDUSTRY</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>March 2012⁽²⁾</u>
Agriculture	16.4	15.9	14.9	14.8	15.4
Construction	112.5	90.7	67.9	59.5	55.0
Finance Activities	49.8	46.1	42.5	41.1	38.3
Government	225.3	229.9	228.4	224.3	228.4
Manufacturing:	118.5	106.9	88.8	84.6	87.6
Nondurables	36.5	34.3	30.6	29.6	31.1
Durables	82.1	72.5	58.1	55.0	56.5
Natural Resources and Mining	1.3	1.2	1.1	1.0	1.0
Retail Trade	175.6	168.6	156.2	154.6	154.3
Professional, Educational and other Services	446.2	441.3	419.0	414.9	442.1
Transportation, Warehousing and Utilities	69.5	70.2	66.8	66.5	68.4
Wholesale Trade	56.8	54.1	48.9	48.8	50.9
Information, Publishing and Telecommunications	<u>15.4</u>	<u>14.9</u>	<u>15.1</u>	<u>15.9</u>	<u>14.9</u>
Total, All Industries	1,287.3	1,239.7	1,149.7	1,126.0	1,156.3

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

⁽²⁾ Monthly totals, preliminary.

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

The following table sets forth the major employers located in the County as of 2011:

**COUNTY OF RIVERSIDE
CERTAIN MAJOR EMPLOYERS⁽¹⁾
(2011)**

<u>Company Name</u>	<u>Product/Service</u>	<u>No. of Local Employees⁽²⁾</u>
County of Riverside	County Government	17,702
March Air Reserve Base	Military Reserve Base	9,000
Stater Bros. Markets	Supermarkets	6,900
University of California, Riverside	University	5,790
Wal-Mart	Retail Store	5,360
Corona-Norco Unified School District	School District	4,686
Pechanga Resort & Casino	Casino & Resort	4,000
Riverside Unified School District	School District	3,796
Moreno Valley Unified School District	School District	3,500
Hemet Unified School District	School District	3,238

⁽¹⁾ Certain major employers in the County may have been excluded because of the data collection methodology used by Riverside County Economic Development Agency.

⁽²⁾ Includes employees within the County; includes, under certain circumstances, temporary, seasonal and per diem employees.

Source: County Economic Development Agency

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

**COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>March 2012</u>
County ⁽¹⁾	6.0%	8.5%	13.6%	14.7%	13.6%	12.8%
California ⁽¹⁾	5.3	7.2	11.4	12.4	11.7	11.0
United States ⁽²⁾	4.6	5.8	9.3	9.6	8.9	8.2

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

⁽²⁾ Data is seasonally adjusted.

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

Commercial Activity

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

The following table sets forth taxable transactions in the County for the years 2006 through 2010, the period for which data is currently available:

**COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(IN THOUSANDS)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores	\$ 1,080,385	\$ 1,171,013	\$ 1,121,543	\$ 1,293,271	\$1,391,174
General					
Merchandise Stores	3,250,377	3,272,665	3,081,989	2,855,733	2,947,905
Drug Stores	303,177	320,469	307,947	288,768	292,463
Food Stores	1,309,782	1,352,609	1,254,366	1,144,235	1,152,507
Packaged Liquor Stores	78,895	84,397	98,338	106,981	115,251
Eating and Drinking Places	2,316,422	2,388,039	2,340,554	2,266,853	2,317,486
Home Furnishing and Appliances	948,217	843,945	816,379	858,098	883,109
Building Materials & Farm Implements	2,738,153	1,961,911	1,435,337	1,128,595	1,232,145
Auto Dealers & Supplies	4,326,040	4,301,385	3,115,036	2,449,747	2,620,568
Service Stations	2,630,716	2,835,690	3,011,476	2,300,247	2,685,840
Other Retail Stores	<u>2,860,181</u>	<u>2,710,393</u>	<u>2,106,283</u>	<u>1,364,956</u>	<u>1,281,052</u>
Retail Stores Total	\$21,842,345	\$21,242,516	\$18,689,249	\$16,057,488	\$16,919,500
All Other Outlets	<u>7,973,892</u>	<u>7,781,093</u>	<u>7,314,346</u>	<u>6,170,390</u>	<u>6,233,280</u>
Total All Outlets	<u>\$29,816,237</u>	<u>\$29,023,609</u>	<u>\$26,003,595</u>	<u>\$22,227,878</u>	<u>\$23,152,780</u>

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

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 2007.

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
RESIDENTIAL					
New Single-Family	\$2,207,320	\$1,214,752	\$ 891,825	\$ 914,058	\$651,747
New Multi-Family	238,316	243,741	76,717	71,152	115,064
Alterations and Adjustments	<u>141,996</u>	<u>118,490</u>	<u>85,148</u>	<u>94,429</u>	<u>119,684</u>
Total Residential	\$2,587,832	\$1,576,983	\$1,053,690	\$1,079,639	\$886,495
NON-RESIDENTIAL					
New Commercial	\$ 682,331	\$ 539,944	\$ 94,653	\$ 191,324	\$152,160
New Industry	184,506	70,411	12,278	6,686	10,000
New Other ⁽¹⁾	240,765	138,766	107,334	98,105	99,898
Alterations & Adjustments	<u>350,539</u>	<u>292,694</u>	<u>162,557</u>	<u>243,265</u>	<u>297,357</u>
Total Nonresidential	\$1,458,141	\$1,041,815	\$376,822	\$ 539,380	\$559,415
TOTAL ALL BUILDING	<u>\$4,045,973</u>	<u>\$2,618,798</u>	<u>\$1,430,512</u>	<u>\$1,619,019</u>	<u>\$1,445,910</u>

⁽¹⁾ Includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings and non-residential alterations and additions.

Source: Construction Industry Research Board

**COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Single Family	9,763	3,815	3,424	4,031	2,676
Multi-Family	<u>2,690</u>	<u>2,104</u>	<u>784</u>	<u>526</u>	<u>1,073</u>
TOTAL	<u>12,453</u>	<u>5,919</u>	<u>4,208</u>	<u>4,557</u>	<u>3,749</u>

Source: Construction Industry Research Board

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

**COUNTY OF RIVERSIDE
COMPARISON OF MEDIAN HOUSING PRICES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2006	\$515,000	\$419,000	\$365,000	\$481,000
2007	535,000	395,000	355,000	487,000
2008	400,000	260,000	225,000	340,000
2009	320,000	190,000	150,000	270,000
2010	335,000	200,000	155,000	290,000
2011	315,000	195,000	150,000	280,000

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

Source: MDA DataQuick Information Systems.

The following table sets forth a comparison of home and condominium foreclosures recorded in Los Angeles County, Riverside County, San Bernardino County and Southern California for the years indicated.

**COUNTY OF RIVERSIDE
COMPARISON OF HOME FORECLOSURES**

<u>Year</u>	<u>Los Angeles</u>	<u>Riverside</u>	<u>San Bernardino</u>	<u>Southern California</u> ⁽¹⁾
2006	1,997	1,778	1,011	7,355
2007	12,466	12,497	7,746	46,086
2008	35,366	32,443	23,601	125,117
2009	29,943	25,309	19,757	100,106
2010	26,827	20,598	16,757	86,853
2011	25,454	17,381	14,181	77,003

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

Source: MDA DataQuick Information Systems.

Agriculture

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

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

The value of agricultural production in the County for 2006 through 2010 is presented in the following table.

**COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Citrus Fruits	\$ 107,897,000	\$ 121,387,100	\$ 135,759,800	\$ 101,652,000	\$140,501,000
Trees and Vines	191,321,200	189,286,500	173,678,000	191,682,600	164,994,000
Vegetables, Melons, Miscellaneous Field and Seed	213,643,300	234,854,700	266,414,900	221,286,700	292,002,200
Crops	68,611,700	94,492,000	123,545,400	69,699,800	81,328,300
Nursery	270,992,800	272,326,200	230,416,200	206,499,900	169,341,300
Apiculture	3,554,300	3,948,900	5,637,000	5,017,600	4,631,700
Aquaculture Products	<u>11,514,700</u>	<u>9,829,200</u>	<u>12,077,700</u>	<u>5,243,900</u>	<u>4,921,700</u>
Total Crop Valuation	\$ 867,535,000	\$ 926,124,600	\$ 947,529,000	\$ 801,082,500	\$857,720,200
Livestock and Poultry Valuation	<u>234,903,400</u>	<u>338,938,600</u>	<u>321,060,900</u>	<u>214,672,800</u>	<u>235,926,300</u>
Grand Total	<u>\$1,102,438,400</u>	<u>\$1,265,063,200</u>	<u>\$1,268,589,900</u>	<u>\$1,015,755,300</u>	<u>\$1,093,646,500</u>

Source: Riverside County Agricultural Commissioner

Transportation

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

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

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

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

Education

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

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

Environmental Control Services

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

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

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

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

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

Sewage. There are 18 wastewater treatment agencies in the County's Santa Ana River region and nine in the County's Colorado River Basin region. Most residents in rural areas of the County which are unsewered rely upon septic tanks and leach fields for sewage disposal. The State Water Resources Control Board is required by State law to develop statewide standards for small septic systems. Once such standards are adopted, the disposal methods used in the unsewered areas will be evaluated against the standards and upgraded, if necessary.

FINANCIAL INFORMATION

Budgetary Process and Budget

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

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

Fiscal Year 2011-12 Budget

The Board of Supervisors approved the budget for fiscal year 2011-12 on September 13, 2011. The adopted budget includes total general fund appropriations of approximately \$2.4 billion. Such appropriations are for primary County services including public protection, health and sanitation, and public assistance. Each year these three areas comprise approximately 90% of the County's total anticipated general fund expenditures.

The County anticipates the economy will continue to stabilize in fiscal year 2011-12 but does not expect additional revenue to be available to expand services. However, the County believes additional, minor revenue losses are likely, especially with respect to property taxes. For fiscal year 2011-12, approximately 39% of the County's general fund revenue is projected to consist of payments from the State and 21% will consist of payments from the Federal government. The County projects that discretionary revenue will decrease by \$15 million to \$577 million for fiscal year 2011-12.

The assessed valuation of taxable property is expected to decrease by approximately 1.5%, equating to a decrease of approximately \$9.4 million of property tax revenue, in fiscal year 2011-12. Sales tax receipts in fiscal year 2011-12 for the County from the 1/2 cent levy pursuant to Proposition 172 are budgeted at \$119 million. Any of this revenue in excess of the budgeted amount will be added to a public safety reserve for future budgetary needs. General sales tax receipts for the County are expected to be approximately \$25 million, a reduction of more than \$3 million from the prior year due to revenue loss associated with newly incorporated areas.

The multi-year budget plan adopted in prior fiscal years and generally followed in 2011-12 will incorporate additional direct cuts and labor savings of \$33 million and a \$28 million draw on reserves.

Mid-Year Developments and Adjustments

In April 2012, the County Executive Office released its Third Quarter Budget Report. Overall, most departments reported that they will end the year on target, and the County reported a modest net discretionary revenue increase of \$3.9 million from the originally budgeted amount. However, the Executive Office projects another notable decrease in discretionary revenue in 2012-13 due largely to a projected decrease in assessed valuation of approximately 2.5% in such fiscal year. Such decrease is primarily as a result of the completion of the appeals process with respect to declining commercial property values in prior fiscal years. In addition, the Executive Office anticipates additional costs for upcoming fiscal years, including a larger operating budget associated with the newly implemented public safety communications project, increased labor costs based on newly negotiated agreements with various labor unions, and the County's commitment to the State to expand correctional facilities.

Impacts of State Budget

Pursuant to Proposition 1A approved by the voters of the State in November 2004, the State may shift up to eight percent of local government property tax revenues to schools and community colleges during severe State financial hardship. Approximately \$36 million in fiscal year 2011-12 County revenue is subject to Proposition 1A. It should be noted that these

revenues may not be suspended until the State repays the revenue suspension in the amount of approximately \$38 million that occurred in fiscal year 2009-10 pursuant to Proposition 1A.

Disruptions in payments to the County from the State, whether temporary or permanent, will require further adjustments to the 2011-12 budget. Deferrals in State payments may jeopardize the County's ability to maintain core discretionary programs that could require suspension of such programs. Permanent cuts in State funding will require the County to reduce programs reliant on State funds, unless the County chooses to make corresponding reductions to discretionary funding for core County services.

The County is continuously monitoring developments at the State and local level, and may be required to make further adjustments to the 2011-12 Final Budget from time to time. See "STATE OF CALIFORNIA BUDGET INFORMATION" herein.

Final Budget Comparison

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

COUNTY OF RIVERSIDE
ADOPTED GENERAL FUND BUDGETS⁽¹⁾
FISCAL YEARS 2007-08, 2008-09, 2009-10, 2010-11 AND 2011-12
(IN MILLIONS)

	2007-08 <u>Budget</u>	2008-09 <u>Budget</u>	2009-10 <u>Budget</u>	2010-11 <u>Budget</u>	2011-12 <u>Budget</u>
<u>REQUIREMENTS</u>					
General Government	\$ 279.30	\$ 238.6	\$ 239.2	\$ 175.3	\$ 174.4
Public Protection	1,032.48	1,132.0	1,055.2	1,062.4	1,060.0
Public Ways and Facilities	6.79	2.1	2.2	0.0	0.0
Health and Sanitation	410.68	392.3	295.2	396.0	411.9
Public Assistance	721.38	791.1	815.5	780.0	802.9
Education	0.49	0.6	0.4	0.6	0.6
Recreation and Cultural	0.29	0.3	0.3	0.3	0.4
Debt Retirement-Capital Leases	14.82	22.3	6.8	6.8	5.0
Contingencies	32.15	34.8	30.0	20.0	20.0
Increase to Reserves	<u>8.92</u>	<u>5.0</u>	<u>(12.8)</u>	<u>17.5</u>	<u>2.4</u>
Total Requirements ⁽³⁾	<u>\$ 2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>
<u>AVAILABLE FUNDS</u>					
Use of Fund Balance and Reserves	\$ 33.43	\$ 107.1	\$ 112.8	\$ 107.8	\$ 90.1
Estimated Revenues:					
Property Taxes ⁽²⁾	262.61	287.2	244.9	222.4	214.9
Other Taxes ⁽²⁾	71.06	49.1	46.1	46.0	35.5
Licenses, Permits and Franchises	31.63	24.9	20.7	19.8	18.1
Fines, Forfeitures and Penalties	51.99	60.6	55.7	58.0	56.2
Use of Money and Properties	53.16	29.7	13.5	11.2	10.0
Aid from Other Governmental Agencies:					
State	938.46	991.8	962.0	921.7	936.3
Federal	444.70	465.4	511.1	501.2	506.7
Charges for Current Services	462.26	385.1	452.7	461.0	462.8
Other Revenues	<u>158.01</u>	<u>217.9</u>	<u>112.5</u>	<u>111.9</u>	<u>147.7</u>
Total Available Funds ⁽³⁾	<u>\$2,507.30</u>	<u>\$2,619.1</u>	<u>\$2,532.0</u>	<u>\$2,458.9</u>	<u>\$2,477.7</u>

⁽¹⁾ Prior to fiscal year 2010-11, State Controller identified an "Adopted" budget as a "Final" budget. Data source is the official budget documents submitted to the State Controller's Office. Figures do not reflect quarterly amendments or adjustments.

⁽²⁾ Due to reporting changes, Teeter Plan available funds were included with Property Taxes in the 2008-09 Budget, the 2009-10 Budget, the 2010-11 Budget and the 2011-12 Budget and included with Other Taxes in the 2007-08 Budget.

⁽³⁾ Column numbers may not add up to totals due to rounding.

Source: County Auditor-Controller

Riverside County Treasurer's Pooled Investment Fund

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2012, the portfolio assets comprising the PIF had a market value of \$5,001,811,731.51.

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, 2010, 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 73.50% of the funds on deposit in the County Treasury, while approximately 26.50% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2011 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The allocation of the investments in the Pooled Investment Fund as of March 31, 2012, was as follows:

	<u>% of Pool</u>
Federal Agency Securities	85.42
Cash Equivalents & Money Market Funds	4.70
Commercial Paper	3.00
Medium Term Notes	0.00
Municipal Notes	1.78
Certificates of Deposit	0.00
U.S. Treasury Bonds	3.01
Local Agency Obligations ⁽¹⁾	<u>2.09</u>
Total	100.00%
Book Yield:	0.49%
Weighted Average Maturity:	1.24 years

⁽¹⁾ Includes County obligations issued by the Riverside District Court Financing Corporation and the CalTrust Short Term Fund.
Source: County Treasurer-Tax Collector

As of March 31, 2012, the market value of the PIF was 100.09% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

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

Ad Valorem Property Taxes

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

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

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

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

The following tables describe the secured property tax roll and the unsecured property tax roll of the County for fiscal year 2000-01 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXES - LEVIES AND COLLECTIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

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
2000-01	\$1,106,323,882	\$40,719,497	3.68%	\$1,132,998,817	102.41%
2001-02	1,209,745,112	42,292,916	3.50	1,235,188,224	102.10
2002-03	1,348,190,139	44,478,022	3.30	1,388,639,880	103.00
2003-04	1,506,949,011	42,164,689	2.80	1,571,572,091	104.29
2004-05	1,747,034,222	55,557,116	3.18	1,797,065,686	102.86
2005-06	2,094,068,686	88,930,195	4.25	2,116,369,838	101.06
2006-07	2,559,448,076	180,175,146	7.04	2,532,293,674	98.94
2007-08	2,964,341,768	255,672,935	8.62	2,928,205,634	98.78
2008-09	3,029,936,136	222,218,035	7.33	3,146,419,870	103.84
2009-10	2,791,941,475	139,427,699	4.99	2,957,072,395	105.91
2010-11	2,698,915,858	95,454,538	3.54	2,826,336,496	104.72
2011-12	2,676,613,483	N/A	N/A	N/A	N/A

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

⁽²⁾ Under the Teeter Plan, participating agencies receive their full levy of current secured taxes regardless of delinquency rate, subject to roll corrections during the year. Prior year taxes are deposited to the Teeter Plan fund.

⁽³⁾ Includes current and prior years' redemptions, penalties and interest in current secured and unsecured taxes.

Source: County Auditor-Controller

UNSECURED PROPERTY TAX ROLL⁽¹⁾

Fiscal Year	Unsecured Property Tax Levy	Total Collections ⁽²⁾	Percentage of Total Collections to Original Levy
2000-01	\$44,069,979	\$42,217,300	95.80%
2001-02	47,725,432	45,099,982	94.50
2002-03	51,805,548	48,211,472	93.06
2003-04	56,479,231	54,911,981	97.23
2004-05	61,359,545	58,253,834	94.94
2005-06	67,010,790	65,220,783	97.88
2006-07	71,315,299	70,418,974	98.74
2007-08	79,265,231	75,566,558	95.33
2008-09	88,531,578	86,067,900	97.22
2009-10	88,118,784	88,409,527	100.33
2010-11	86,326,418	82,483,361	95.55
2011-12	86,326,418	[74,917,295] ⁽³⁾	[89.29] ⁽³⁾

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

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

⁽³⁾ Reflects partial year collections, through [October 2011].

Source: County Auditor-Controller

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

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

The following table describes the supplemental tax roll of the County for fiscal year 2001-02 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 2001-02 THROUGH 2011-12**

Fiscal Year	Tax Levy for Increased Assessments ^{(1),(2)(3)}	Refunds for Decreased Assessments ⁽¹⁾⁽³⁾	Net Supplemental Tax Levy	Collections ^{(1),(2)}
2001-02	\$ 68,229,225	\$ 2,080,315	\$ 66,148,910	\$ 58,791,150
2002-03	81,055,987	2,060,886	78,995,102	72,892,196
2003-04	107,873,487	2,072,831	105,800,656	92,039,986
2004-05	201,364,003	2,048,421	199,315,582	151,778,352
2005-06	334,571,225	1,818,236	332,752,989	248,929,219
2006-07	344,014,168	2,948,680	341,065,488	301,767,959
2007-08	171,506,667	9,019,397	162,487,270	214,671,863
2008-09 ⁽⁴⁾	60,817,712	46,478,150	14,339,562	74,316,444
2009-10	27,019,730	35,212,651	(8,192,922) ⁽⁵⁾	19,632,809
2010-11	34,612,092	27,686,887 ⁽⁶⁾	6,925,205	16,813,302
2011-12 ⁽⁶⁾	17,846,534	13,440,897	4,405,636	6,159,869

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

⁽²⁾ Includes current and prior years' taxes, redemption penalties and interest collected.

⁽³⁾ Tax levy amounts are shown net of minimum tax less than \$10 and refunds are shown net of refunds of negative supplemental taxes less than \$10.

⁽⁴⁾ Changes from prior years due to decrease in housing values and lower transaction volume. See discussion below, following the table of Assessed Valuation History by Category and Property Type.

⁽⁵⁾ The negative tax levy is a result of refunds exceeding the billed amounts.

⁽⁶⁾ From July 2011 through February 2012.

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

The following table sets forth the assessed valuation by category and property type for fiscal year 2007-08 through fiscal year 2011-12.

**COUNTY OF RIVERSIDE
 ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE⁽¹⁾
 FISCAL YEARS 2007-08 THROUGH 2011-12
 (IN MILLIONS)**

Category	2007-08	2008-09	2009-10	2010-11	2011-12
SECURED PROPERTY:					
Land.....	\$ 76,817	\$ 82,768	\$ 69,917	\$ 65,877	\$ 64,308
Structures.....	153,297	149,837	137,292	132,431	131,516
Personal Property	841	860	906	819	836
Utilities	2,807	3,154	2,907	3,018	3,614
Total Secured.....	\$233,762	\$236,529	\$211,022	\$202,145	\$200,274
UNSECURED PROPERTY:					
Land.....	\$ 9	\$ 16	\$ 2	\$ 14	\$ 29
Improvements.....	3,199	3,866	3,761	3,748	3,778
Personal Property	3,996	4,426	4,154	4,049	3,975
Total Unsecured ⁽²⁾	\$ 7,204	\$ 8,308	\$ 7,917	\$ 7,811	\$ 7,782
Grand Total.....	\$248,966	\$244,837	\$218,939	\$209,956	\$208,059

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

⁽²⁾ Represents total of categories set forth above; does not represent total tax roll values.

Source: County Auditor-Controller/County Assessor

Housing prices in the County declined in 2007 and 2008 and remained at the lower levels since 2009. See “Demographic and Economic Information-Building and Real Estate Activities” herein. These events are related to declines in the real estate market in general and the collapse of the subprime sector of the mortgage market that is impacting certain homeowners nationwide. In the State, the greatest impacts to date are in regions of the Central Valley and the Inland Empire, in which the County is located.

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

In response to the decline in the local housing market, for fiscal year 2008-09, the County Assessor proactively reviewed all residential properties and made applicable adjustments to bring the tax roll in line with current (depressed) values, without waiting for tax payers to file an appeal. The fiscal year 2008-09 and 2009-10 budgets incorporated these Proposition 8 reductions. The total fiscal year 2008-09 reductions of \$16.2 billion offset a majority of the value increases recorded during the prior year. For fiscal year 2009-10, the County Assessor reviewed the values of approximately 300,000 properties, including those reduced in the prior year, and reduced total valuation by approximately \$40 billion. This resulted in a net decline in assessed valuation from the prior year of approximately 10.5%. In fiscal year 2010-11, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which encompassed approximately 400,000 properties. This resulted in a net decline in assessed valuation from the prior fiscal year of approximately 4.25%. In fiscal

year 2011-12, the Assessor proactively reviewed all residential properties purchased after January 1, 1999, which resulted in a 1.5% decline in assessed valuation from the prior fiscal year.

Property Tax Appeals. The County has received assessment appeals applicable to fiscal year 2010-11 totaling approximately \$10.3 billion of assessed value. Successful appeals result in either a refund of taxes paid or a reduction to an unpaid tax bill. A total of \$887.7 million of assessed value, representing \$8.877 million in general purpose taxes, was reduced from the County tax roll for fiscal year 2009-10 and fiscal year 2010-11. Fifty percent of the fiscal year 2010-11 assessment appeals have been completed. The majority of the remaining fiscal year 2010-11 assessment appeals are expected to be completed by November 30, 2012.

The County cannot predict with certainty the outcome of the assessment appeals that have been filed but not resolved. It is expected that the impact of the assessment appeals on the fiscal year 2012-13 budget will be determined primarily by two components: (i) the remainder of the fiscal year 2010-11 assessment appeals still to be completed; (ii) a portion of the fiscal year 2011-12 and fiscal year 2012-13 assessment appeals being completed during fiscal year 2012-13.

Teeter Plan

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

Upon adopting the Teeter Plan in 1993, the County was required to distribute to participating local agencies, 95% of the then-accumulated secured roll property tax delinquencies and to place the remaining 5% in the tax losses reserve fund, as described below. Taxing entities that maintain funds in the County Treasury are all included in the Teeter Plan; other taxing entities may elect to be included in the Teeter Plan. Taxing entities that do not elect to participate in the Teeter Plan will be paid as taxes are collected. In fiscal year 2010-11, approximately 55% of all taxing entities participated in the Teeter Plan.

Pursuant to the Teeter Plan, the County is also required to establish a tax losses reserve fund to cover losses which may occur in the amount of tax liens as a result of special sales of tax defaulted property (i.e., if the sale price of the property is less than the amount owed). The amount required to be on deposit in the tax losses reserve fund is, at the election of the County, one of the following amounts: (1) an amount not less than 1% of the total amount of taxes and assessments levied on the secured roll for a particular year for entities participating in the Teeter Plan, or (2) an amount not less than 25% of the total delinquent secured taxes and assessments calculated as of the end of the fiscal year for entities participating in the Teeter Plan. The County's tax losses reserve fund will be fully funded, in accordance with the County's election to be governed by the first alternative, at \$14.8 million as of June 30, 2011. Accordingly, any additional penalties and interest that otherwise would be credited to the tax losses reserve fund are credited to the County's General Fund.

Funding for the County's on-going obligations under the Teeter Plan was completed through the sale, in October 2011, of County of Riverside Teeter Obligation Tax-Exempt Commercial Paper Notes, Series B (the "B Notes") in the amount of approximately \$171.3 million. The total amount of approximately \$171.3 million is comprised of approximately \$64.7 million representing fiscal year 2010-11 delinquent property taxes and approximately \$106.6 million representing prior years' delinquent property taxes. The Bank of Nova Scotia is the letter of credit provider of the B Notes and the County's General Fund is pledged to the repayment of the B Notes in addition to the pledge of the delinquent taxes in the event that delinquent taxes collected are not sufficient to make annual payment. The letter of credit will expire on November 5, 2012.

Largest Taxpayers

The following table shows the 25 largest taxpayers by individual tax levied in the County for fiscal year 2011-12.

**COUNTY OF RIVERSIDE
TWENTY-FIVE LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
SECURED AND UNSECURED ASSESSMENTS**

<u>TAXPAYER</u>	<u>TOTAL TAXES LEVIED</u>	<u>PERCENTAGE OF TOTAL TAX CHARGE</u>
Southern California Edison Company	\$23,446,942.30	0.83%
Verizon California Inc.	10,213,927.62	0.36
Inland Empire Energy Center, LLC	8,422,577.26	0.30
Federal National Mortgage Association	6,612,150.42	0.23
Southern California Gas Company	6,553,812.58	0.23
Wells Fargo Bank	3,104,806.58	0.11
Abbot Vascular Inc.	3,095,876.90	0.11
Walgreen Co.	3,015,242.90	0.11
Tyler Mall Ltd Partnership	2,880,987.58	0.10
Standard Pacific Corp.	2,872,677.34	0.10
Lowe's HIW Inc.	2,616,515.40	0.09
Ashby USA	2,489,779.40	0.09
Blythe Energy, LLC	2,462,725.50	0.09
Chelsea GCA Realty Partnership	2,454,238.36	0.09
Federal Home Loan Mortgage Corp.	2,425,075.80	0.09
Richmond American Homes of Maryland Inc.	2,345,048.08	0.08
Target Corp.	2,326,056.98	0.08
Costco Wholesale Corp.	2,306,008.70	0.08
WalMart Real Estate Business Trust	2,192,416.22	0.08
Pacific Bell Telephone Co. DBA AT&T California	2,188,606.38	0.08
KB Home Coastal Inc.	2,125,032.80	0.08
Deutsche Bank National Trust Company	2,061,692.28	0.07
Palm Desert Funding Co.	2,031,157.10	0.07
Health Care REIT	2,004,059.06	0.07
Watson Laboratories Inc.	<u>1,991,964.94</u>	<u>0.07</u>
<u>Total</u>	\$104,239,378.48	3.69%
 <u>Total Tax Charge for 2011-12</u>	 \$2,825,246,587.69	

Source: County Treasurer and Tax Collector

The 10 largest taxpayers in the County by assessed value for all properties, for the fiscal year 2011-12 are shown below.

**COUNTY OF RIVERSIDE
TEN LARGEST TAXPAYERS IN FISCAL YEAR 2011-12
BY ASSESSED VALUE**

<u>ASSEESSEE</u>	<u>ASSESSED VALUE</u>
Federal National Mortgage Association	\$ 406,311,651
Eisenhower Memorial Hospital	348,117,164
Abbott Vascular Inc.	300,813,032
Kaiser Foundation Hospitals	299,690,062
Walgreen Co.	265,725,430
Target Corp.	213,907,840
Wells Fargo Bank	211,650,832
Lowes HIW Inc.	210,879,208
Costco Wholesale Corp.	202,994,718
Kaiser Foundation Health Plan Inc.	<u>196,869,609</u>
Subtotal	\$ 2,656,959,546
All Others	<u>202,530,732,634</u>
Total	\$205,187,692,180 †

† Excludes State assessed property.
Source: County Assessor.

Other Taxing Entities

The County does not retain all of the property taxes it collects for its own purposes. In fact, the bulk of the funds collected are disbursed to other agencies. For fiscal year 2010-11, the County retained approximately 12.44% of the total amount collected (and is budgeted to retain 12.39% in fiscal year 2011-12). 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. Legislation enacted as part of the State's 2011 Budget Act eliminates redevelopment agencies, with formal dissolution to take place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

Redevelopment Agencies

The California Community Redevelopment Law (Health and Safety Code Section 33000 et seq.) authorized the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within the designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues on a portion of the taxes generated in a project area including: 1) on the "frozen" tax base; 2) for project areas adopted prior to January 1, 1994, local taxing authorities may receive an additional amount based on any negotiated agreements with redevelopment agencies to receive a share of tax increment proceeds; and, 3) for project areas adopted after January 1, 1994, local taxing authorities receive a pass-through payment based on statutory rules pursuant to section 33607.5 of the California Health and Safety Code. Legislation enacted as part of the State's 2011 Budget Act ("ABx1 26") eliminated redevelopment agencies, with formal dissolution having taken place on February 1, 2012. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

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

**COUNTY OF RIVERSIDE
COMMUNITY REDEVELOPMENT AGENCIES'
FROZEN BASE VALUE, FULL CASH VALUE INCREMENTS
AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 2000-01 THROUGH 2011-12**

Fiscal Year	Frozen Base Value	Full Cash Value Increments ⁽¹⁾	Total Tax Allocations ⁽²⁾
2000-01	\$10,966,072,778	\$20,127,612,843	\$203,253,963
2001-02	11,061,406,310	23,504,382,046	236,954,730
2002-03	11,061,415,310	26,977,389,195	271,878,884
2003-04	11,384,632,277	30,660,791,085	308,514,347
2004-05	12,271,092,108	34,974,969,456	352,904,769
2005-06	14,682,893,563	42,414,898,724	427,668,011
2006-07	14,555,513,591	52,411,876,802	529,173,451
2007-08	15,259,109,791	62,845,258,807	634,701,584
2008-09	15,257,041,079	66,803,157,176	673,622,251
2009-10	15,256,883,605	62,342,584,603	630,001,609
2010-11	15,980,487,099	58,188,212,570	586,318,387
2011-12	16,272,503,279 ⁽³⁾	56,587,373,841	594,154,174 ⁽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 available to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- ⁽³⁾ Based on County estimate of increment of assessed value for the community redevelopment agencies for fiscal year 2011-12.
- ⁽⁴⁾ Includes general purpose and debt.

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 had formed a redevelopment agency with project areas in 45 unincorporated communities. In accordance with ABx1 26, the County redevelopment agency dissolved on February 1, 2012 and the County's Board of Supervisors is acting as the successor agency to the County's redevelopment agency. At the time of its dissolution, the county redevelopment agency had a total land area of 82,334 acres, a base year assessed value, including State-owned land, of \$2,667,188,535, and a 2011-12 assessed value of \$ _____. In fiscal year 2011-12, the County received \$ _____ of pass-through payments from the County redevelopment agency. As a consequence of the dissolution of redevelopment agencies, the County will no longer receive pass-through payments from the County redevelopment agency, but these amounts are relatively modest and will be largely offset by the County's receipt of its tax allocation under the AB 8 formula. See "STATE OF CALIFORNIA BUDGET INFORMATION-Redevelopment Agencies" in the forepart of this Official Statement.

In fiscal year 2012-13, the County expects to receive approximately \$74 million in pass-through payments pursuant to agreements with various city redevelopment agencies. County Counsel has opined that pursuant to ABx1 26 the County's

negotiated pass-through agreements with these redevelopment agencies remain in full force and effect as enforceable obligations of the successor entity to each such redevelopment agency. Based on this opinion, no budget adjustments have been made as a result of the dissolution of such redevelopment agencies. However, there is uncertainty with respect to the interpretation of the provisions of ABx1 26 applicable to pass-through payments, and no court has yet interpreted these specific provisions. Furthermore, the Legislative Analyst's Office has asked the State legislature to adopt clarifying legislation which contradicts the County Counsel's interpretation. It is possible that an adverse judicial interpretation or the adoption of clarifying legislation would result in the County not receiving the pass-through payments but would instead receive a significantly lesser amount of tax revenues under the AB8 formula.

Financial Statements and Related Issues

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

The State Government Code requires every county to prepare an annual financial report. The County Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under the U.S. Single Audit Act of 1984 and State law, independent audits are required on all operating funds under the control of the Board of Supervisors and must be conducted annually. The County's financial statements for fiscal year 2010-11 were audited by Brown Armstrong Certified Public Accountants. See APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

The County adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* during fiscal year 2001-02. This statement affects the manner in which the County records transactions and presents financial information. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of "management's discussion and analysis" (MD&A). In addition, the reporting model established by GASB Statement No. 34 includes financial statements prepared using full accrual accounting for all of the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. The reporting model features a statement of net assets and a statement of activities. The statement of net assets is designed to display the financial position of the government. The County reports all capital assets, including infrastructure assets, in the government-wide statement of net assets and reports depreciation expense in the statement of activities. The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the County's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the County has recorded other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. For further information on GASB Statement No. 34 and other changes in significant accounting policies, see Note 1 of the Notes to Basic Financial Statements, June 30, 2011, which are included in APPENDIX B – "THE COUNTY OF RIVERSIDE AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011."

COUNTY OF RIVERSIDE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESERVED FUND BALANCES – GENERAL FUND
FISCAL YEARS 2006-07 THROUGH 2010-11

(In Thousands)

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
BEGINNING FUND BALANCE	\$ 446,918	\$ 570,964	\$ 481,776 ⁽¹⁾	\$ 372,121	\$ 386,486
REVENUES					
Taxes	301,573	309,295	274,480	229,631	221,807
Licenses, permits and franchises	25,803	24,525	19,840	16,724	18,187
Fines, forfeitures and penalties	81,148	90,788	107,147	112,813	93,528
Use of money and property – Interest	62,848	61,623	33,414	12,197	8,196
Use of money and property –					
Rents and concessions	2,805	2,578	3,157	3,936	3,669
Government Aid – State	893,390	905,998	908,334	820,432	856,327
Government Aid – Federal	430,606	473,731	472,210	504,605	490,088
Governmental Aid-Other	81,703	95,808	95,812	89,312	82,147
Charges for current services	319,198	358,767	364,649	367,249	369,780
Other revenues	<u>38,856</u>	<u>29,308</u>	<u>36,149</u>	<u>30,670</u>	<u>37,654</u>
TOTAL REVENUES	\$2,237,932	\$2,352,421	\$2,315,192	\$2,187,569	\$2,181,383
EXPENDITURES					
General government	\$ 119,365	\$ 145,290	\$ 146,816	\$ 130,516	\$ 109,146
Public protection	916,524	1,032,582	1,062,437	1,005,679	1,025,584
Public ways and facilities	4,405	4,717	4,378	-	-
Health and sanitation	341,467	368,753	382,588	333,068	345,649
Public assistance	644,912	704,404	719,328	712,353	731,017
Education	394	464	675	551	548
Recreation and cultural	203	206	230	312	364
Capital Outlay	8,811	8,670	22,746	31,018	8,321
Debt service	<u>29,751</u>	<u>26,132</u>	<u>22,501</u>	<u>21,876</u>	<u>24,829</u>
TOTAL EXPENDITURES	\$2,065,932	\$2,291,218	\$2,361,699	\$2,234,373	\$2,245,458
Excess (deficit) of revenues over (under) expenditures	172,000	61,203	(46,507)	(47,804)	(64,075)
OTHER FINANCING SOURCES (USES)					
Transfer from other reserves	\$ 89,449	\$ 104,892	\$ 99,825	\$ 168,833	\$ 106,047
Transfer to other funds	(146,214)	(269,961)	(185,719)	(132,682)	(93,217)
Capital Leases	<u>8,811</u>	<u>8,670</u>	<u>22,746</u>	<u>31,018</u>	<u>8,321</u>
Total other Financing Sources (Uses)	(47,954)	(153,399)	(63,148)	62,169	21,151
NET CHANGE IN FUND BALANCES	124,046	(92,196)	(109,655)	14,365	(42,924)
FUND BALANCE, END OF YEAR ⁽²⁾	570,964	478,768	372,121	386,486	343,562
Less:					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Reserved Fund Balance	88,233	84,466	91,196	90,374	-
Designated Fund Balance	<u>339,773</u>	<u>335,630</u>	<u>203,821</u>	<u>250,463</u>	<u>-</u>
UNDESIGNATED UNRESERVED FUND BALANCE	<u>\$ 142,958</u>	<u>\$ 58,672</u>	<u>\$ 77,104</u>	<u>\$ 45,649</u>	<u>\$189,236</u>

⁽¹⁾ Beginning fund balance 2008-09 does not equal prior year ending fund balance due adjustments to prior year revenue accrual and expenditures.

⁽²⁾ As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

**COUNTY OF RIVERSIDE
GENERAL FUND BALANCE SHEETS
AT JUNE 30, 2007 THROUGH JUNE 30, 2011**

(In Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS:					
Cash & Marketable Securities	\$283,080	\$216,816	\$150,728	\$122,902	\$160,887
Taxes Receivable	40,766	58,256	46,813	27,714	17,790
Accounts Receivable	60,621	48,196	31,150	8,468	12,771
Interest Receivable	14,673	9,384	3,315	2,091	1,119
Advances to Other Funds	37	0	0	0	3,692
Due from Other Funds	5,417	24,716	19,110	25,353	18,787
Due from Other Governments	252,411	239,844	250,144	263,240	276,656
Inventories	1,540	2,105	2,132	1,941	1,564
Prepaid items	0	0	3,720	888	277
Restricted Assets	<u>263,390</u>	<u>263,566</u>	<u>252,084</u>	<u>296,543</u>	<u>283,095</u>
Total Assets	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>
LIABILITIES:					
Accounts Payable	\$ 82,441	\$ 94,061	\$ 68,560	\$ 57,236	\$ 84,116
Salaries & Benefits Payable	70,585	83,753	88,184	46,376	50,374
Due To Other Funds	288	283	0	2,155	2,639
Due to Other Governments	41,432	40,991	47,579	35,161	34,550
Deferred Revenue	156,155	168,282	180,777	218,676	260,343
Deposits Payable	<u>70</u>	<u>121</u>	<u>1,975</u>	<u>3,050</u>	<u>2,054</u>
Total Liabilities	<u>\$350,971</u>	<u>\$387,491</u>	<u>\$387,075</u>	<u>\$362,654</u>	<u>\$434,076</u>
FUND BALANCE: ⁽²⁾					
Nonspendable					2,214
Restricted					98,552
Committed					50,097
Assigned					3,463
Unassigned					189,236
Reserved	\$ 88,233	\$ 84,466	\$ 91,196	90,374	
Unreserved	<u>482,731</u>	<u>394,302</u>	<u>280,925</u>	<u>296,112</u>	
Fund Balance	<u>\$570,964</u>	<u>\$478,768</u>	<u>\$372,121</u>	<u>\$386,486</u>	<u>\$343,562</u>
Total Liabilities and Fund Balance	<u>\$921,935</u>	<u>\$866,259</u>	<u>\$759,196</u>	<u>\$749,140</u>	<u>\$777,638</u>

⁽¹⁾ No activity to report.

⁽²⁾ As of June 30, 2011, the County's financial statements reported fund balance in accordance with GASB Statement No. 54, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Source: County Auditor-Controller.

Short-Term Obligations of County

In June 2011, the County issued its 2011-12 Tax and Revenue Anticipation Note (the "2011-12 TRAN") in the principal amount of \$250,000,000 to provide funds to meet the County's fiscal year 2011-12 general fund expenditures, including current expenses, capital expenditures and prepayment of pension plan contributions. \$125,000,000 of the 2011-12 TRAN remains outstanding and is due on June 29, 2012. The TRAN is payable from taxes, income, revenues, cash receipts and other moneys of the County attributable to the County's 2011-12 fiscal year which are legally available for the payment thereof. The County has issued tax and revenue anticipation notes annually for over twenty consecutive years with timely repayment. The County expects to issue a tax and revenue anticipation note in June 2012 to provide funds to meet the County's fiscal year 2012-13 general fund expenditures.

Long-Term Obligations of County

Since its formation in 1893, to the best knowledge of County officials, the County has never failed to pay the principal of or interest on any of its bonded indebtedness. As of April 5, 2012, the County had \$675,812,450 in direct general fund obligations and \$357,540,000 in pension obligation bond indebtedness, as reflected in the following table, and has no authorized but unissued general obligation debt. Set forth below is an estimated direct and overlapping debt report as of April 5, 2012.

**COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(AS OF APRIL 5, 2012)**

2011-12 Assessed Valuation: \$205,754,734,033 (includes unitary utility valuation)
 Redevelopment Incremental Valuation: 57,091,455,136
 Adjusted Assessed Valuation: \$148,663,278,897

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 4/1/12</u>
Metropolitan Water District	5.900%	\$ 11,596,155
Community College Districts	1,435-99.999	554,701,209
Unified School Districts	2,879-100.	1,978,936,030
Perris Union High School District	100.	53,032,260
Union School Districts	100.	56,208,493
City of Riverside	100.	15,915,000
Eastern Municipal Water District Improvement Districts	100.	42,780,000
Coachella County Water District Improvement Districts	100.	6,095,000
Riverside County Flood Control, Zone 3-B Benefit Assessment District	100.	2,380,000
San Geronio Memorial Hospital District	100.	107,885,000
Community Facilities Districts	94,268-100.	2,613,350,521
Riverside County 1915 Act Bonds	100.	7,389,942
City and Special District 1915 Act Bonds (Estimated)	100.	244,016,778
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		\$5,694,286,388

<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>	<u>100.</u>	<u>%</u>	<u>\$</u>
Riverside County General Fund Obligations	100.		\$ 675,812,450
Riverside County Pension Obligations	100.		357,540,000
Riverside County Board of Education Obligations	100.		5,055,000
School Districts General Fund and Lease Tax Obligations	2,879-100.		512,491,216
City of Corona General Fund Obligations	100.		64,415,000
City of Moreno Valley General Fund Obligations	100.		75,350,000
City of Murrieta General Fund Obligations	100.		12,770,000
City of Palm Springs Certificates of Participation and Pension Obligations	100.		120,858,620
City of Riverside Certificates of Participation	100.		206,595,000
City of Riverside Pension Obligations	100.		132,095,000
Other City General Fund and Special Tax Obligations	100.		113,013,800
Other Water District Certificates of Participation	98,511-100.		2,908,486
Other Special District Certificates of Participation	100.		3,180,000
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,282,084,572
Less: Riverside District Court Financing Corporation (100% supported from U.S. General Services Administration)			13,111,177
City of Corona Certificates of Participation supported by waste water revenues			2,395,000
City of Moreno Valley Community Facilities District Nos. 3 and 87-1 supported from tax increment revenues			9,515,000
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$2,257,063,395
GROSS COMBINED TOTAL DEBT			\$7,976,370,960 (1)
NET COMBINED TOTAL DEBT			\$7,951,349,783

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Ratios to 2011-12 Assessed Valuation:
 Overlapping Tax and Assessment Debt.....2.77%

Ratios to Adjusted Assessed Valuation:
Combined Gross Direct Debt (\$1,033,352,450).....0.70%
Combined Net Direct Debt (\$1,020,241,273).....0.69%
 Gross Combined Total Debt.....5.37%
 Net Combined Total Debt.....5.35%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/11: \$0

Source: California Municipal Statistics, Inc. The County has not verified the accuracy of the information provided.

Lease Obligations

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

As of March 31, 2012, the County's current outstanding lease obligations total \$674,601,248. The County's annual lease obligation is approximately \$73,450,060 and the maximum annual lease payment is \$83,774,702.

The following table summarizes the County's outstanding lease obligations and the respective annual lease requirements as of March 31, 2012.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS
(PAYABLE FROM THE COUNTY'S GENERAL FUND)
(As of March 31, 2012)

	<i>Final Maturity Year</i>	<i>Original Lease Amount</i>	<i>Obligations Outstanding</i>	<i>Annual Base Rental⁽¹⁾</i>
Riverside County Public Facilities Project 1985 Certificates of Participation – Type I	2015	\$ 148,500,000	\$ 50,400,000	\$ 12,537,973 ⁽²⁾
Riverside County Hospital Project, Leasehold Revenue Bonds:				
1993 Series A and B	2014	149,060,000	28,395,000	
1997 Series A	2026	41,170,073	41,170,073	
1997 Series B & C ⁽³⁾	2019	71,985,000	68,500,000	19,599,244 ⁽⁴⁾
County of Riverside 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue)	2020	8,800,000	5,200,000	886,000 ⁽⁵⁾
Riverside County Palm Desert Financing Authority Lease Revenue Bonds				
2003 Series A	2033	22,310,000	18,575,000	1,481,828
2008 Series A	2022	72,445,000	66,090,000	8,251,800
County of Riverside Certificates of Participation (Historic Courthouse Project):				
2003 Series A	2033	13,190,000	11,530,000	873,455
2005 Series B ⁽⁶⁾	2027	22,610,000	19,360,000	1,521,687
County of Riverside Court Financing Corporation (Bankruptcy Courthouse Acquisition Property)	2027	18,000,000	9,260,000	1,442,488
County of Riverside Certificates of Participation ⁽⁷⁾ (2009 Larson Justice Center Refunding)	2021	36,100,000	22,080,000	2,566,750
Riverside District Court Financing Corporation (United States District Court Project):				
Series 1999	2020	24,835,000	12,551,175	
Series 2002	2020	925,000	560,000	1,812,110 ⁽⁸⁾
County of Riverside Leasehold Revenue Bonds (Southwest Justice Center Project)				
2000 Series A	2032	17,945,000	4,300,000	2,304,710
2008 Series A ⁽⁹⁾	2032	78,895,000	78,895,000	4,067,037
County of Riverside Refunding Certificates of Participation (Capital Facilities Project) 2003 Series B ⁽¹⁰⁾	2018	8,685,000	2,470,000	401,540
County of Riverside Certificates of Participation (2005 Series A Capital Improvement and Family Law Court Refunding Project) ⁽¹¹⁾	2036	51,655,000	45,775,000	3,403,100
County of Riverside Certificates of Participation (2006 Series A Capital Improvement Projects)	2037	34,675,000	32,185,000	2,163,094
County of Riverside Certificates of Participation (2007A Public Safety Commission Project)	2022	111,125,000	58,385,000	6,206,830
County of Riverside Southwest Communities Financing Authority Lease Revenue Bonds, Series 2008 A	2038	15,105,000	14,860,000	1,154,355
County of Riverside Certificates of Participation ⁽¹²⁾ (2009 Public Safety Communication and Woodcrest Library Refunding Projects)	2040	45,685,000	45,530,000	1,911,518
County of Riverside Monroe Park Building 2011 Lease Financing	2020	5,535,000	5,170,000	616,293
County of Riverside Certificates of Participation (2012 County Administrative Center Refunding Project)	2031	33,360,000	33,360,000	248,248
TOTAL		<u>\$ 1,032,595,073</u>	<u>\$ 674,601,248</u>	<u>\$ 73,450,060</u>

⁽¹⁾ Annual base rental for fiscal year 2011-2012 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 January 23, 2012 was approximately 0.15%.

⁽³⁾ A portion of the 1997 Series B Bonds is being refunded with proceeds of the 2012 Bonds.

⁽⁴⁾ Total annual base rental for Riverside County Hospital Project, Leasehold Revenue Bonds.

⁽⁵⁾ Annual base rental estimated at assumed interest rate of 9%. The average interest rate for the twelve-month period ending January 24, 2012 was approximately 0.20%.

⁽⁶⁾ The 2005 Series B Historic Courthouse Refunding Project refunded the 1997 Historic Courthouse Project.

⁽⁷⁾ The 2009 Larson Justice Center Refunding Project Refunded the 1998 Larson Center Refunding Project.

⁽⁸⁾ Total annual base rental for Riverside District Court Financing Corporation (United States District Court Project).

⁽⁹⁾ The 2008 Series A refunded the 2000 Series B SWJC Project.

⁽¹⁰⁾ The 2003 Series B refunded the 1993 Master Refunding Project.

⁽¹¹⁾ 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).

⁽¹²⁾ The 2009 Public Safety Communication and Woodcrest Library Refunding Project refunded the 2007B Public Safety Communication Refunding Project and the 2006 Capital Appreciation Notes.

Source: County Executive Office.

Interest Rate Swap Agreements

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

Simultaneously with the issuance of the County's Leasehold Obligation Bonds (Southwest Justice Center Refunding) 2008 Series A, the County also entered into an amended and restated interest rate swap agreement with a notional amount of \$76,300,000. The interest rate swap agreement was novated in January 2012 to substitute Wells Fargo Bank, N.A. as the new counterparty (the "Counterparty"). Under the swap agreement the County has an obligation to pay the Counterparty a fixed rate of 5.155 percent and the County receives 64 percent of one month LIBOR from the Counterparty. The bonds and the related swap agreement mature on November 1, 2032. The Counterparty was rated Aa3 by Moody's, AA- by Standard & Poor's and AA- by Fitch as of January 2012. Downgrade provisions specify that if the long-term senior unsecured debt rating of the Counterparty is withdrawn, suspended or falls below BBB (in the case of S&P) or Baa2 (in the case of Moody's), the County may opt, in its sole discretion, to post collateral in lieu of terminating the swap agreement.

The swap agreement provides that if an "Insurer Event" occurs, whereby the insurer fails at any time to have one out of two of the following ratings: (i) a claims-paying ability rating of "A-" or higher from S&P, or (ii) a financial strength rating of "A3" or higher from Moody's, and only in the event that the County's ratings have also been downgraded to below the threshold level of Baa2 from Moody's and BBB from S&P, the County would be required, within one business day of receiving a notice from the Counterparty, to either (A) provide an alternate credit support document acceptable to the Counterparty from a credit support provider with a claims paying ability rating of at least "AA-" from S&P and a financial strength rating of at least "Aa3" from Moody's or an unenhanced rating on its unsecured unsubordinated long-term debt of at least "Aa-" from S&P and at least "Aa3" from Moody's, or (B) give notice to the Counterparty that it will thereafter be subject to the ISDA Credit Support Annex as both a Secured Party and a Pledgor in accordance with the terms of such ISDA Credit Support Annex. The County's regularly scheduled swap payments are insured by Assured Guaranty Corp. As of April 2, 2012, Assured Guaranty Corp. had a rating of "A-" by S&P and "Aa3" from Moody's. An explanation of the significance of the above ratings may be obtained from the applicable rating agency.

Employees

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

COUNTY OF RIVERSIDE REGULAR EMPLOYEES 2001 THROUGH 2011

<u>Year</u>	<u>Regular Employees⁽¹⁾</u>
2002	14,729
2003	14,889
2004	14,862
2005	14,852
2006	15,832
2007	17,584
2008	18,912
2009	18,013
2010	17,671
2011	17,759

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

County employees comprise 12 bargaining units, plus another 6 unrepresented employee groups. The bargaining units are represented by six labor organizations. The two largest of these organizations are Service Employees International Union, Local 721 ("SEIU") and the Laborers International Union of North America ("LIUNA"), which represent approximately 74% of all County employees in a variety of job classifications. Salary, benefits and personnel items for management, confidential and other unrepresented employees which are exempt from collective bargaining, are governed by a County Resolution and Ordinance for personnel matters.

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

Recently the County entered into long-term agreements with SEIU, LIUNA, RCDDAA, and LEMU; the County's agreements for these unions extends through Dec. 2016, June 2016, June 2015, and June 2017 for SEIU, LIUNA, RCDDAA and LEMU respectively. The County is currently in bargaining with RSA.

Retirement Program

General. The County provides retirement benefits to all regular County employees through its contract with California Public Employees' Retirement System ("PERS"), a multiple-employer public sector employee defined benefit pension plan. The retirement plan, as amended, provides coverage for eligible employees in the Miscellaneous Plan (herein defined) with PERS and Social Security, and coverage in lieu of Social Security for Safety members. PERS provides service and disability retirement benefits, annual cost-of-living adjustments and death benefits to PERS members and beneficiaries. The retirement benefits are based on years of service, age and the average monthly qualifying wages during the highest single year of employment. The benefit for 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 age 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 up to 2% per year after retirement.

Trial Court ("Courts") employees are also included among the employees covered under the County's PERS retirement plan contract, although the Courts left the County's employment jurisdiction in December 2006 and since transitioned into an agency of the State. The State is obligated to reimburse the County for the share of PERS costs associated with trial court employees, 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 regarding 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 4, 2010 (the “2010 PARC Report”) and included discussion and recommendations regarding pension reform for the County. See “– Retirement Program – Funding Status” and “– Retirement Program – Projected County Contributions and UAAL” herein for a description of the PARC Report.

In 2010, the County established a Pension Reform Advisory Committee (“PRAC”) to review pension reform options for the County. PRAC delivered its conclusions and recommendations to the Board of Supervisors in September 2010. The PRAC committee’s conclusions and recommendations included: (i) that current unfunded liability in the County’s pension resulted in part from the “pension contribution holidays” and County should avoid future pension funding holidays or deferral of regular pension payments, (ii) the County will seek pension reform in upcoming bargaining negotiations, (iii) pension reform for new hires will be limited to benefit options provided by PERS, (iv) pension reform for existing County employees should be viewed in terms of changes within total compensation, and (v) analyze legal limitations on pension reform. In April 2011, the Board of Supervisors approved the concept for a second tier level of benefits for new Miscellaneous and Safety employees. The County intends to implement a second tier of benefits immediately upon conclusion of collective bargaining and PERS approval, with a goal of substantial savings over the long term. It is anticipated that the second tier of benefits for new Miscellaneous and Safety employees will be 2% at age 60, and 2% at age 50, respectively.

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

The staff actuaries at PERS prepare an annual actuarial valuation which covers a fiscal year ending approximately 15 months before the actuarial valuation is prepared (thus, the actuarial valuation delivered to the County in October 2011 covered PERS’ fiscal year 2009-10). The actuarial valuation expresses the County’s required contribution rates in percentages of payroll, which is the percentage the County must contribute in the fiscal year immediately following the fiscal year in which the actuarial valuation is prepared (e.g., the County’s contribution rates derived from the actuarial valuation as of June 30, 2010, which was prepared in October 2011, is effective for the County’s fiscal year 2012-13). PERS rules require the County to implement the actuary’s recommended rates.

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

In April 2005, the PERS Board approved an employer rate stabilization policy with the following features: (i) in the calculation of the actuarial value of assets, market value asset gains and losses will be spread over 15 years instead of 3 years; (ii) the corridor limits for the actuarial value of assets will be changed from 90%-110% of market value to 80%-120% of market value; (iii) gains and losses will be amortized over a rolling 30-year period (amortization payment on gains and losses

had been 10% of the base); and (iv) the minimum employer contribution rate will be a percentage equal to the employer normal cost minus a 30-year amortization of surplus (but not less than 0%).

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

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

In 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% effective March 2011; (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.

In March 2012, the PERS Board lowered the discount rate assumption, from 7.75% to 7.50%. According to the County's actuary, Bartel & Associates ("Bartel"), the County's Miscellaneous Plan will incur an increase in the employer contribution rate of 0.6% of payroll for fiscal year 2013-14 and an increase of 1.3% of payroll for fiscal year 2014-15. The Safety Plan is estimated to incur an increase in the employer contribution rate of 1.0% of payroll for fiscal year 2013-14 and an increase of 2.2% of payroll for fiscal year 2014-15. 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 collective bargaining arrangements to pay a portion of the employees' required contribution to PERS (these payments by the County are referred to herein as the "County Offsets of Employee Contributions").

In fiscal year 2011-12, the County entered into collective bargaining agreements with SEIU, LIUNA, RCDDAA, and LEMU; as part of those agreements the parties agreed on a phase out of the County's obligation to pay the employee's required member contributions. Current Terms and Conditions of Employment were imposed on RSA in fiscal year 2011-12 as a result of the collective bargaining process, also phased out the County's obligation to pay employee's member contributions. The elimination of the County's obligation to pay employee's required member contributions is anticipated to produce significant annual savings. **Member contributions, including member contributions paid by the County, are not included in the required employer contribution rates prepared by PERS.**

Funding Status. The actuarial value of assets, the actuarial accrued liability and the funding status with respect to the Safety Plan and the Miscellaneous Plan are set forth under "– Historical Funding Status." In the actuarial valuation for the Miscellaneous Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 13.494% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$102.9 million for that fiscal year. In addition, the County will pay to PERS for the Miscellaneous Plan approximately \$15.1 million in County Offsets of Employee Contributions for fiscal year 2012-13, which will result in a total contribution by the County to PERS for the Miscellaneous Plan for fiscal year

2012-13 of approximately \$118.0 million. In the actuarial valuation for the Safety Plan as of June 30, 2010, the most recent PERS actuarial valuation report, the PERS actuary recommended an employer contribution rate of 22.459% be implemented as the required rate for fiscal year 2012-13, which the County anticipates will result in a contribution to PERS of approximately \$65.5 million for that fiscal year.

Contribution rates under the PERS Plans are expected to increase substantially over the next three years due to the significant investment losses during fiscal year 2008-09. While investment gains experienced in fiscal years 2009-10 and 2010-11 will offset some of the previous losses, an actuarial loss remains, requiring the County to pay the entire normal cost payment plus a portion of the UAAL that has resulted. It is also anticipated that employer contribution rates will increase as a result of the PERS Board approval of a lower discount rate of 7.5% down from 7.75%.

On February 17, 2005, the County issued its Taxable Pension Obligation Bonds, Series 2005A (the "2005 Pension Obligation Bonds"), the proceeds of which were used to fund approximately 90% of the County's estimated actuarial accrued liability as of February 17, 2005. The payment to PERS resulted in a net pension asset of \$396.9 million, \$311.2 million of which was applied to the County's UAAL for the Miscellaneous Plan and \$85.7 million of which was applied to the County's UAAL for the Safety Plan. According to Bartel, due to the fiscal year 2008-09 investment losses, the 2005 Pension Obligation Bonds have resulted in a net loss to the County of \$23.1 million as of February 15, 2012. The County believes that it is reasonable to expect that over the remaining 23 years of the bond's life, the transaction will produce savings. A liability management fund was established in connection with the 2005 pension obligation bonds. From 2006 to 2008 pursuant to recommendations set forth in the annual PARC reports the Board of Supervisors authorized the transfer of funds to PERS to reduce the County's PERS liability. In 2009 pursuant the PARC recommendations, the Board of Supervisors authorized the use of \$6 million from the Liability Management Fund to purchase 2005 Pension Obligation Bonds in the open market for the purpose of retiring such bonds. Of this amount, the County has purchased \$4.5 million worth of the 2005 Pension Obligation Bonds and by retiring them achieved a debt service savings of \$247,000. In 2010, liability management funds of \$8.3 million were transferred to PERS. In 2011, liability management funds of \$5.4 million were transferred to balance the fund used to close out the PERS prepayments made in July 2011. The effect of such prepayments on the County's UAAL, if any, will depend on a variety of factors, including but not limited to future investment performance.

Historical Funding Status. The following two tables, for the Safety Plan and the Miscellaneous Plan, respectively, set forth the UAAL and funded status as of the valuation dates from June 30, 2006 through June 30, 2010 and the total employer contributions made by the County for fiscal year 2008-09 through fiscal year 2012-13. The two tables are based on PERS Actuarial Reports for those years:

**HISTORICAL FUNDING STATUS
(Safety Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$ 61,861,506	95.0%	2008-09	\$46,983,428	\$17,839,488
2007	78,113,619	94.3	2009-10	51,419,807	19,286,741
2008	55,295,801	96.2	2010-11	53,117,897	21,222,703
2009	131,506,806	92.0	2011-12	60,423,159 ⁽²⁾	13,824,570 ⁽²⁾⁽³⁾
2010	184,737,814	89.8	2012-13	60,423,159 ⁽²⁾	2,122,700 ⁽²⁾⁽³⁾

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

⁽²⁾ Estimated amount; reflects Safety Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.

⁽³⁾ Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

**HISTORICAL FUNDING STATUS
(Miscellaneous Plan)**

Valuation Date June 30,	Unfunded Accrued Actuarial Liability	Funded Status	Affects County Contribution for Fiscal Year	County Contribution Amount ⁽¹⁾	County Offsets of Employee Contributions
2006	\$142,160,688	94.8%	2008-09	\$95,930,361	\$40,075,029
2007	135,212,288	95.5	2009-10	89,998,824	39,731,498
2008	175,248,079	94.8	2010-11	90,944,229	40,041,548
2009	389,195,847	89.7	2011-12	103,088,391 ⁽²⁾	38,187,252 ⁽²⁾⁽³⁾
2010	444,330,905	89.2	2012-13	103,088,391 ⁽²⁾	4,004,154 ⁽²⁾⁽³⁾

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

⁽²⁾ Estimated amount; reflects Miscellaneous Plan membership, cost of living adjustment and contribution rates as of fiscal year 2010-11.

⁽³⁾ Reductions from prior years due to staggered implementation of employee-paid retirement contributions beginning in fiscal year 2011-12.

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010 (UAAL and Funded Status) and the County (County Contribution Amount and County Offsets of Employee Contributions).

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

**SCHEDULE OF FUNDING PROGRESS
(Safety Plan)**

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$1,231,954,415	\$1,170,092,909	\$61,861,506	95.0%	\$189,606,339	32.6%
2007	1,369,534,165	1,291,420,546	78,113,619	94.3	214,634,238	36.4
2008	1,469,415,642	1,414,119,841	55,295,861	96.2	240,746,309	23.0
2009	1,642,544,731	1,511,047,925	131,506,806	92.0	265,237,512	49.6
2010	1,809,467,588	1,624,729,774	184,737,814	89.8	265,165,399	69.7

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

**SCHEDULE OF FUNDING PROGRESS
(Miscellaneous Plan)**

Valuation Date June 30,	Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b/a)	Annual Covered Payroll (c)	UAAL as a Percentage of Payroll ((a-b)/c)
2006	\$2,741,753,157	\$2,599,592,469	\$142,160,688	94.8%	\$659,274,265	21.6%
2007	3,029,360,507	2,894,148,219	135,212,288	95.5	754,117,986	17.9
2008	3,350,222,866	3,174,974,787	175,248,079	94.8	841,612,805	20.8
2009	3,790,232,824	3,401,036,977	389,195,847	89.7	841,103,683	46.3
2010	4,097,191,707	3,652,860,802	444,330,905	89.2	854,932,117	52.0

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

The following table shows the percentage of salary which the County was responsible for contributing to PERS from fiscal year 2008-09 through fiscal year 2012-13 to satisfy its retirement funding obligations.

SCHEDULE OF EMPLOYER CONTRIBUTION RATES

Valuation Date June 30,	Affects Contribution Rate for Fiscal Year:	Safety Plan	Miscellaneous Plan
2006	2008-09	19.033%	12.164%
2007	2009-10	18.605	11.999
2008	2010-11	19.335	12.165
2009	2011-12	21.286	13.112
2010	2012-13	22.459	13.494

Source: PERS Actuarial Reports for June 30, 2006 through June 30, 2010.

Projected County Contributions and UAAL. The County's projections with respect to the UAAL below reflect certain significant assumptions concerning future events and circumstances. The financial forecast represents the County's best estimate of projected results based on its judgment of the probable occurrence of future events. The assumptions set forth below are material to the development of the County's projections. Variations in the

assumptions may produce substantially different results. Actual results during the projection period may vary from those presented in the forecast, and such variations may be material.

The investment losses incurred by CalPERS in 2008 – 2009 impact the County's contribution rates beginning in fiscal year 2011-2012. The PERS actuary, in its June 30, 2010 actuarial valuation, stated that the County's contribution rate under the Safety Plan for the fiscal year 2012-13 will be 22.459%, which would result in an approximate 1.173% increase in the contribution rate from fiscal year 2011-12 and projected a 0.34% increase for fiscal year 2013-14. The PERS actuary, in its June 30, 2010 actuarial valuation, projected that the County's contribution rate under the Miscellaneous Plan for fiscal year 2012-13 will be 13.494%, which would result in an approximate 0.382% increase in the contribution rate from fiscal year 2011-12, and projected a 13.7% increase for fiscal year 2013-14. Due to the smoothing methodology used by PERS, the County expects similar rate increases through fiscal year 2014-15 followed by additional but less severe rate increases for the next 15 years.

The County's projected contribution rates are affected by the market rate of return in the PERS Plans. There currently exists a difference between the actuarial value and the market value of the assets in the PERS Plans. An actuarial valuation of assets differs from a market valuation of assets in that an actuarial valuation reflects so-called smoothing adjustments, which spread the impact of gains and losses over multiple years. When the market asset return in the PERS Plans differs from the actuarial assumed rate of 7.75% in any fiscal year, the actuarial practice of smoothing losses over several years impacts the contribution rate until such differences are fully realized by the actuarial valuation. For example, when the market rate of return is below the assumed rate, the PERS Plans will realize a loss for actuarial purposes. Any such actuarial loss will be smoothed in a manner that the PERS Plans will only be impacted by a pre-determined portion of that loss in one fiscal year, which will act to gradually increase contribution rates in succeeding fiscal years. For further details on the smoothing policy of PERS, see "– The County's PERS Contract" above. According to the PERS actuary, as of June 30, 2010, the funded status of the Miscellaneous Plan based on its market value was 70.4% and the funded status of the Safety Plan based on its market value was 70.7%.

Other Retirement Plans. The County also provides a Defined Benefit Pension Plan (the "Plan") to employees who are not eligible for Social Security or CalPERS retirement benefits through the County. This plan is subject to Internal Revenue Code Section 401(a), and is self-funded and self-administered. Participants in the Plan are required to contribute 3.75% of their compensation to the Plan. Based on the actuarial valuation of June 30, 2010, the County's current required contribution level is 0.38%. The County elected to contribute 1.36% to achieve a 90% funded ratio by June 30, 2012, so the County's contribution to the Plan was \$893,932 for fiscal year 2010-11 and is estimated to be \$588,239 for fiscal year 2011-12. The Plan's unfunded liabilities as of June 30, 2010 are approximately \$3,641,816.

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

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

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

The County of Riverside obtained an actuarial valuation of its Post-Employment Health Benefits obligations, calculated in accordance with GASB 45 standards as of July 1, 2011 (the "Health Benefits Valuation"), prepared by Aon Hewitt. Based on the combination of plans and contribution levels that the County offers, assuming an interest rate of 7.61%, the present value of benefits was estimated to be \$49.1 million, the accrued actuarial liability was estimated to be \$40.2 million and the annual normal cost was \$1.2 million. If the accrued actuarial liability of \$40.2 million were amortized over a 30-year period, the total annual required contribution (normal cost plus amortization amount) would have been \$2.5 million.

The Board of Supervisors took action on October 25, 2006 to set aside \$10 million as a contribution to an OPEB Trust. On November 7, 2007 the OPEB Trust was established with CalPERS and a payment of \$10.4 million was made to the trust. On June 26, 2009, the County contributed an additional \$2.2 million to the trust. The pre-funding of OPEB through the use of an OPEB Trust allows the County to use different actuarial assumptions to determine the actuarial value of assets and liabilities, including assuming a higher rate of return on assets held in the OPEB Trust. According to the Health Benefits Valuation, overall the actions of the Board have reduced the County's OPEB liability from \$237 million in 2006 to \$20.7 million most recently.

Medical Center

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

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

At June 30, 2011, RCRMC reflected unrestricted net assets of approximately \$92.9 million. RCRMC had a cash balance of approximately \$36.8 million as of June 30, 2011. In fiscal year 2010-11, RCRMC had an increase in net unrestricted assets of approximately \$5.4 million. RCRMC continued to experience a decline in patient collections in fiscal year 2010-11 as the poor economy affected the ability of patients to maintain insurance coverage. Amounts received by RCRMC in fiscal year 2010-11 for Medi-Cal days and Medi-Cal costs and unreimbursed costs are subject to future adjustment as a result of the Federal-State Medi-Cal Waiver (the "Waiver") that became effective in fiscal year 2005-06. Based on the State's reconciliation of the paid Medi-Cal days and Medi-Cal costs and unreimbursed costs for each public hospital in the State, RCRMC may receive additional payments from the State for fiscal year 2010-11 or may be required to reimburse the State for any overpayment received during such fiscal year. Such reconciliation is generally completed following the submission of cost reports by the State's public hospitals around January 1 of the following fiscal year.

For fiscal year 2011-12, the County anticipates contributing approximately \$10 million to RCRMC from general fund tobacco settlement revenues and \$5 million in redevelopment pass-through funds to support debt service on the main RCRMC facility and to offset operating expenses.

Insurance

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

The property insurance program provides insurance coverage for all risks subject to a \$50,000 per occurrence deductible; flood coverage is subject to a 2% of total value per unit per occurrence, with a \$100,000 minimum per occurrence and \$500,000 maximum per occurrence deductible within a 100-year flood zone and a \$25,000 deductible outside of a 100-year flood zone. Property in the County is categorized into four "towers" and each tower provides \$610 million in limits. Earthquake coverage (covering scheduled locations and buildings equal to or greater than \$1 million in value and lesser valued locations where such coverage is required by contract) has a sub-limit in each tower of \$82.5 million with an additional \$225 million excess rooftop limit combined for towers I through V. Earthquake is subject to a deductible equal to 5% of total value per building subject to a \$100,000 minimum. Boiler and machinery provides up to \$100 million in limits, with a \$5,000 deductible per event. The limits in each tower are shared with other counties on a per event basis. If a catastrophic event occurs and losses exceed the limits, the County would be responsible for such amounts.

The activities related to such programs are accounted for in internal service funds. Accordingly, estimated liabilities for claims filed or to be filed for incidents which have occurred through June 30, 2011 are reported in these funds. Where these funds have an unfunded liability, or insufficient reserves to cover all incurred but not reported claims, the County has developed a policy to manage the accumulated deficits at a reasonable level. Revenues of the internal service funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums and operating expenses. The combined cash balance in these funds as of June 30, 2011 was approximately \$144 million.

Litigation

There is no action, suit or proceeding known to the County be pending or threatened, restraining or enjoining the execution or delivery of the 2012 Bonds or in any way contesting or affecting the validity of the foregoing or any proceedings of the County taken with respect to any of the foregoing. Although the County may, from time to time, be involved in legal or administrative proceedings arising in the ordinary course of its affairs, it is the opinion of the County that any currently-pending or known threatened proceedings will not materially affect the County's finances or impair its ability to meet its obligations.