
OFFICIAL STATEMENT

\$8,800,000

County of Riverside
1990 Taxable Variable Rate
Certificates of Participation
(Monterey Avenue Project)

Evidencing the Proportionate Interests of the
Owners thereof in Base Rental to be Paid by the
COUNTY OF RIVERSIDE

to

DESERT FACILITIES CORPORATION

Dated June 20, 1990

Due: November 1, 2020

The Certificates will be delivered in fully registered form only in the denomination of \$100,000 or integral multiples thereof. The principal of the Certificates is payable upon the surrender thereof at the principal corporate trust office of Security Pacific National Bank, as trustee (the "Trustee"), in Los Angeles, California. Interest will be paid in arrears by check of the Trustee mailed by first class mail on each Interest Payment Date to the registered Owners of the Certificates as of the close of business on the third Business Day preceding such Interest Payment Date or, upon the request of a registered Owner of at least \$1,000,000 in aggregate principal amount of the Certificates, by wire transfer to an account designated in writing by such Owner on the third Business Day prior to such Interest Payment Date.

The Certificates will bear interest at the Adjustable Interest Rate determined on the Closing Date and weekly thereafter by The First Boston Corporation, as Remarketing Agent, and intended to maintain the value of the Certificates at par, payable on each Interest Payment Date. The term "Interest Payment Date" means the first Business Day of each month following the Closing Date so long as the Certificates bear interest at the Adjustable Interest Rate. The rate of interest borne by the Certificates may be established at the Fixed Interest Rate by the County at any time upon 30 days' advance notice to Certificate Owners, as described herein.

So long as the Certificates bear interest at the Adjustable Interest Rate, any Certificate will be purchased at 100% of the principal amount thereof, plus accrued interest, upon the demand of the registered owner thereof on any Business Day following the giving of seven days' notice, upon compliance with certain requirements regarding proper notice and tender of the Certificates to Security Pacific National Trust Company (New York) or its successor, as Tender Agent (the "Tender Agent").

THE CERTIFICATES ARE SUBJECT TO PREPAYMENT PRIOR TO MATURITY AS DESCRIBED HEREIN.

The Certificates are being delivered to finance the cost of acquisition of 18.39 acres within the County of Riverside in the Palm Springs area for future development. The Certificates evidence proportionate interests in a Sublease and Option to Purchase (the "Sublease"), including the right to receive payments of Base Rental thereunder, relating to the property described above.

The Certificates are limited obligations of the County of Riverside and are payable solely out of funds legally available for such purpose and funds drawn by the Trustee under an irrevocable Letter of Credit to be issued by:



The Sanwa Bank, Limited, Los Angeles Branch

The Letter of Credit has a stated Expiration Date of November 10, 1997, and may be replaced by an Alternate Letter of Credit at any time under the circumstances described herein.

The County has covenanted under the Sublease that as long as the Property is available for the County's use it will take such action as may be necessary to include all Base Rental payments in its annual budgets and make the necessary annual appropriations therefor. **THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE CONSTITUTES A DEBT OF THE COUNTY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR OTHERWISE OR A PLEDGE OF THE FAITH AND CREDIT OF THE COUNTY.**

The interest portion of the Base Rental to be paid by the County of Riverside under the Sublease and received by the Owners of the Certificates is subject to federal income taxes. In the opinion of O'Melveny & Myers, Special Counsel, such interest portion is exempt from personal income taxes of the State of California under present State income tax laws.

The Certificates will be offered when, as and if executed and received by the Underwriter, subject to the approval of legality by O'Melveny & Myers, Special Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Best, Best & Krieger, Riverside, California, for the County and Desert Facilities Corporation by the Riverside County Counsel, for The Sanwa Bank, Limited, Los Angeles Branch, by Baker & McKenzie, Los Angeles, California and for The Sanwa Bank, Limited by Masuda & Ejiri, Tokyo, Japan, as Japanese Counsel. It is anticipated that the Certificates will be available for delivery on or about June 20, 1990, in New York, New York.

The First Boston Corporation

The date of this Official Statement is June 18, 1990.

COUNTY OF RIVERSIDE

Board of Supervisors

A. Norton Younglove, Chairman
Fifth District

Walter P. Abraham
First District

Melba Dunlap
Second District

Kay S. Ceniceros
Third District

Patricia A. Larson
Fourth District

County Officials

Gary N. Cottrell
Chief Administrative Officer

R. Wayne Watts
Treasurer - Tax Collector

Anthony J. Bellanca, C.P.A.
Auditor-Controller

William Katzenstein
County Counsel

DESERT FACILITIES CORPORATION

Board of Directors

F. Thomas Kieley III
President

Patricia Anderson
Vice President

George Berkey
Director

Carmen Shelton
Director

(There is one current vacancy)

O'Melveny & Myers
Special Counsel

Security Pacific National Bank
Trustee

OFFICIAL STATEMENT

\$8,800,000

COUNTY OF RIVERSIDE
1990 TAXABLE VARIABLE RATE
CERTIFICATES OF PARTICIPATION
(Monterey Avenue Project)

Evidencing the Proportionate Interests of the
Owners thereof in Base Rental to be Paid by the

COUNTY OF RIVERSIDE

to

DESERT FACILITIES CORPORATION

INTRODUCTION

The purpose of this Official Statement, which includes the cover, back page and Appendices attached hereto, is to provide certain information concerning the sale and delivery of \$8,800,000 aggregate principal amount of 1990 Taxable Variable Rate Certificates of Participation (Monterey Avenue Project) (the "Certificates"). The Certificates are being executed and delivered to finance the acquisition of approximately 18.39 acres within the County of Riverside in the Palm Springs area (the "Property") for future development. The County will lease the Property (hereinafter referred to as the "Leased Property") to Desert Facilities Corporation, a California nonprofit public benefit corporation (the "Corporation") pursuant to a Ground Lease dated as of June 1, 1990 by and between the County and the Corporation (the "Ground Lease"). The Corporation will sublease the Leased Property to the County pursuant to a Sublease and Option to Purchase (the "Sublease"), dated as of June 1, 1990, among the County, the Corporation and The Sanwa Bank, Limited, Los Angeles Branch (the "Credit Bank").

The Certificates represent the proportionate interests of the registered owners thereof (the "Owners") in payments to be made by the County as base rental ("Base Rental") for the Leased Property pursuant to the Sublease. The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of June 1, 1990 (the "Trust Agreement"), between the County and Security Pacific National Bank, as trustee (the "Trustee").

Pursuant to an Assignment Agreement, dated as of June 1, 1990 (the "Assignment Agreement"), the Corporation has assigned to the Trustee, for the benefit of the Owners, substantially all of its rights under the Sublease, including its right to receive and collect Base Rental payments from the County under the Sublease and its right as may be necessary to enforce payment of Base Rental payments.

In general, the County is required under the Sublease to pay to the Trustee Base Rental payments which are equal to the principal and interest payable with respect to the Certificates

together with Additional Rental consisting of taxes and assessments, insurance premiums and other fees, expenses and costs provided for in the Sublease (see "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Sublease"). In the Sublease, the County covenants to take such action as may be necessary to include all Base Rental payments under the Sublease in its annual budget and make the necessary annual appropriations therefor. Such covenants of the County are deemed by the County to be and shall be construed to be ministerial duties imposed by law.

The County has arranged for an irrevocable direct-pay letter of credit (the "Letter of Credit") to be issued to the Trustee by the Credit Bank to support the payment of the County's obligations to make payments of Base Rental under the Sublease. Under the Trust Agreement, the Trustee is directed to draw upon the Letter of Credit in amounts sufficient to pay the principal of and interest with respect to the Certificates as they become due. The Trustee is also directed to draw upon the Letter of Credit in order to purchase Certificates optionally tendered for purchase or Certificates called for mandatory tender for purchase but, in either case, not remarketed.

For certain financial information with respect to the County, see "COUNTY FINANCIAL INFORMATION" herein. The audited financial statements for the County for its fiscal year ending June 30, 1989 are attached hereto as Appendix B. For a discussion of certain amendments to the Constitution of the State of California and their impact on the County, see "COUNTY FINANCIAL INFORMATION - Constitutional Limitations on Taxes and Appropriations" herein.

THE CERTIFICATES

General

The Trustee is authorized to execute and deliver the Certificates in an aggregate principal amount of \$8,800,000 evidencing proportionate interests in the Sublease, including the right to receive Base Rental payments thereunder. The Certificates will be delivered in fully registered form only. The Certificates are dated June 20, 1990, and interest with respect thereto is payable on the first Business Day of each calendar month thereafter, so long as the Certificates bear interest at the Adjustable Interest Rate.

Interest with respect to each Certificate shall accrue from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated between a Record Date and the close of business on the next succeeding Interest Payment Date, in which event interest with respect thereto shall be payable from such Interest Payment Date; or unless it is authenticated prior to the first Interest Payment Date for such Certificate, in which event it will bear interest from the Closing Date; provided, however, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto will be payable from the Payment Date to which interest has previously been paid or made

available for payment with respect to such Certificate. Prior to the Fixed Rate Date (hereinafter defined) interest on the Certificates will be payable at the Adjustable Interest Rate in effect from time to time. Interest with respect to the Certificates bearing interest at the Adjustable Interest Rate will be computed on the basis of a actual days elapsed and of a year consisting of 365 or 366 days, as appropriate.

Interest Rates - Adjustable Interest Rate

On the Closing Date, the Certificates will bear interest at the Adjustable Interest Rate. The Adjustable Interest Rate will be determined by the Remarketing Agent on the Closing Date and so long as the County has not elected to convert to the Fixed Interest Rate, on each Tuesday thereafter (or if any such Tuesday is not a Business Day, the immediately following Business Day), having due regard for prevailing financial market conditions, as the rate of interest which would be the interest rate which would enable the Remarketing Agent to then remarket such Certificates at 100% of the principal amount thereof plus accrued interest, if any, with respect thereto. The interest rate so determined will be the interest rate payable during the immediately succeeding Rate Adjustment Period. For purposes hereof "Rate Adjustment Period" means the period from and including the Closing Date and each Wednesday thereafter (or if such Wednesday is not a Business Day, the next succeeding Business Day) to and including the following Tuesday (or if the following Wednesday is not a Business Day, the day immediately preceding the next succeeding Business Day).

Interest with respect to the Certificates will be paid in arrears on each Interest Payment Date to the owner thereof as of the close of business on the Record Date, by check or draft of the Trustee, mailed to the Owner at his address as it appears on the Certificate Register or at such other address as is furnished to the Trustee in writing by the Owner; provided, however, that in the case of an owner of \$1,000,000 or more in aggregate principal amount of Certificates, upon written request of such owner to the Trustee specifying the account or accounts to which such payment will be made and received by the Trustee prior to the applicable Record Date, interest payments will be made by wire transfer of immediately available funds on such Interest Payment Date. The Certificates are payable as to principal upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California, or at the Delivery Office of the Tender Agent in New York, New York. The principal, premium, if any, and interest with respect to the Certificates will be payable in lawful money of the United States of America.

Conversion to Fixed Interest Rate

The County has the option, exercisable one time, to convert the interest payable with respect to the Certificates to the Fixed Interest Rate. In the event the County exercises its option to convert the Certificates to the Fixed Interest Rate, the Trustee is required to give notice of such conversion to the Owners of Certificates at least 30 days prior to the date on which such conversion will occur (the "Fixed Rate Date"). Any Owner desiring to retain his Certificate or Certificates on the

Fixed Rate Date must deliver a Non-Tender Notice to the Tender Agent in the form, at the time and in the manner required by the Trust Agreement. Owners not providing the Tender Agent with a Non-Tender Notice will be deemed to have tendered their Certificates as of the Fixed Rate Date to the Tender Agent. From and after the Fixed Rate Date, such Owners shall not be entitled to any payment other than the purchase price for such Certificates, which shall be an amount equal to the principal amount thereof plus accrued interest, if any, calculated as of the Fixed Rate Date.

Transfer and Exchange

Any Certificate may, in accordance with its terms, be transferred by the registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee, duly executed by the registered Owner or his duly authorized attorney.

Certificates may be exchanged at the Principal Corporate Trust Office of the Trustee or the Delivery Office of the Tender Agent, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

PURCHASE OF CERTIFICATES

Owners' Optional Demand for Purchase

Prior to the date upon which the term, including any renewals thereof, of the Letter of Credit or any Alternate Letter of Credit expires (the "Expiration Date"), any Certificate (or portion thereof in an Authorized Denomination) bearing interest at the Adjustable Interest Rate, except for Bank Certificates and any Certificate for which a notice of prepayment has been given pursuant to the Trust Agreement, will be purchased, on the demand of the Owner thereof, at a purchase price equal to 100% of the principal amount of the Certificate or portion thereof to be purchased, plus accrued interest, if any, with respect thereto to the date of such purchase (the "Purchase Date"), upon presentation to the Tender Agent at the Delivery Office at or before 10:00 a.m., New York City time, on or prior to any Business Day at least 7 days prior to the Purchase Date, of a properly completed Notice of Election and Assignment in the form printed on the Certificate. No later than 10:00 a.m., New York City time, on the Purchase Date, the Owner must deliver to the Tender Agent the Certificate or Certificates to be purchased duly endorsed in blank or accompanied by a separate written instrument of assignment executed in blank with a signature guarantee in a form satisfactory to the Tender Agent. Such presentation shall be deemed made on the Business Day of receipt of the Notice of Election and Assignment by the Tender Agent if received not later than 10:00 a.m., New York City time, on that Business Day and if received after 10:00 a.m., New York City time, such presentation shall be deemed made on the following Business Day. Any Notice of Election and Assignment once given shall be irrevocable.

Remarketing of Certificates by Remarketing Agent

Upon the delivery of a Notice of Election and Assignment to the Tender Agent by any Owner, the Remarketing Agent will offer for sale and use its best efforts to sell such Certificates or portions thereof at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the Purchase Date specified in such notice. The Remarketing Agent will not, however, remarket Certificates for which it receives notice from the County stating that the County will purchase such Certificates for retirement with funds drawn under the Letter of Credit. The Remarketing Agent may not remarket Certificates to the County or the Corporation.

Purchase of Certificates Delivered to Tender Agent

On the Purchase Date for any Certificate (or portion thereof in an Authorized Denomination), such Certificate or portion thereof will be purchased from the Owner thereof at a purchase price of 100% of the principal amount thereof plus accrued interest, if any, with respect thereto, but solely from the following sources of funds in the order of priority indicated, with neither the County nor the Tender Agent having any obligation to use funds from any other source:

(i) Proceeds of the sale of such Certificates by the Remarketing Agent;

(ii) Funds furnished to the Tender Agent representing moneys from a draw made under the Letter of Credit to purchase Certificates on behalf of the Credit Bank; and

(iii) Funds furnished to the Tender Agent representing moneys from a draw made under the Letter of Credit to purchase Certificates for retirement on behalf of the County pursuant to the Sublease.

Mandatory Tender for Purchase Upon Conversion to Fixed Interest Rate

The Certificates will be purchased from the Owners thereof on the Fixed Rate Date at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, with respect thereto, in accordance with and from the sources of funds specified in the previous paragraph, except that Certificates with respect to which the Tender Agent shall have received a Non-tender Notice from the Owners thereof shall not be purchased.

The Trustee is required to give notice of conversion to the Fixed Interest Rate by first class mail to all Owners of Certificates at least 30 days prior to the Fixed Rate Date.

Mandatory Tender for Purchase Prior to Expiration of Letter of Credit

Certificates bearing interest at the Adjustable Interest Rate will be purchased from the Owners thereof on the tenth day prior to the Expiration Date of the Letter of Credit or any

Alternate Letter of Credit, or if such day is not a Business Day, then the Business Day immediately preceding, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, if any, with respect thereto, from the sources of funds set forth under "Purchase of Certificates Delivered to Tender Agent" above, except that Certificates with respect to which the Tender Agent shall have received a Non-tender Notice from the Owners thereof shall not be purchased.

The Trustee is required to give notice of mandatory purchase prior to the Expiration Date by first class mail to the Owners of Certificates bearing interest at the Adjustable Interest Rate at least 30 days prior to the date fixed for mandatory purchase.

Any Owner may direct the Tender Agent not to effect the purchase of any Certificates owned by him and required to be purchased in connection with the Expiration Date by delivering to the Tender Agent on or before the twentieth day preceding the date fixed for purchase a Non-tender Notice in the form set forth in the Trust Agreement. Any such Non-tender Notice delivered to the Tender Agent will be irrevocable with respect to the Certificates for which such Non-tender Notice is delivered; but any such Non-tender Notice shall have no effect upon any subsequent prepayment of Certificates. Any Owner who delivers a Non-tender Notice will not have the right to exercise the optional demand for purchase of such Certificates between the date of the Non-tender Notice and the date fixed for mandatory purchase and the Tender Agent will not accept any optional tender of such Certificates. Owners not providing the Tender Agent with a Non-tender Notice as described above will be deemed to have tendered their Certificates as of the date fixed for purchase to the Tender Agent. From and after such date, said Owners will not be entitled to other than the purchase price for such Certificates calculated as of the date fixed for purchase.

PREPAYMENT OF CERTIFICATES

Mandatory Prepayment from Condemnation Awards or Insurance Proceeds

The Certificates are subject to mandatory prepayment on any date, in whole or in part, from proceeds of condemnation awards with respect to the Leased Property deposited in the Prepayment Portion Account in the Base Rental Fund pursuant to the Trust Agreement, at a prepayment price equal to the principal amount thereof together with accrued interest to the prepayment date, without premium. (See "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.")

Mandatory Sinking Fund Prepayment

Certificates bearing interest at the Adjustable Interest Rate are subject to mandatory prepayment, in part by lot, from moneys on hand in the Principal Account on November 1, 1993, and on each November 1 thereafter to and including the earlier of the Fixed Rate Date or November 1, 2020, at a prepayment price equal to the principal amount thereof, plus accrued interest to the prepayment date, without premium:

| <u>Prepayment Dates (November 1)</u> | <u>Principal Amount</u> | <u>Prepayment Dates (November 1)</u> | <u>Principal Amount</u> |
|--|-------------------------|--|-------------------------|
| 1993 | \$100,000 | 2007 | \$300,000 |
| 1994 | 100,000 | 2008 | 300,000 |
| 1995 | 100,000 | 2009 | 300,000 |
| 1996 | 100,000 | 2010 | 300,000 |
| 1997 | 100,000 | 2011 | 400,000 |
| 1998 | 100,000 | 2012 | 400,000 |
| 1999 | 100,000 | 2013 | 400,000 |
| 2000 | 100,000 | 2014 | 500,000 |
| 2001 | 200,000 | 2015 | 500,000 |
| 2002 | 200,000 | 2016 | 600,000 |
| 2003 | 200,000 | 2017 | 600,000 |
| 2004 | 200,000 | 2018 | 700,000 |
| 2005 | 200,000 | 2019 | 700,000 |
| 2006 | 200,000 | 2020 | 800,000 |

At its option, the County may purchase Certificates in the open market. The principal amount required to be prepaid on each such date shall be reduced by the principal amount of Certificates as purchased since the last preceding prepayment.

Certificates bearing interest at the Fixed Interest Rate will be subject to mandatory prepayment from moneys on hand in the Principal Account. The principal amount of the Certificates to be so prepaid and the Sinking Account Installment Dates on which they are to be prepaid shall be established as provided in the Sublease.

Optional Prepayment

Certificates are subject to prepayment without premium, at the option of the County, in whole or in part, on any Business Day, from amounts deposited with the Trustee by the County pursuant to its option to purchase all or any portion of the Property in accordance with the Sublease and from any other amounts available therefor, at a prepayment price equal to 100% of the Certificates to be prepaid plus accrued interest, if any, with respect thereto.

Selection of Certificates for Prepayment

Whenever less than all of the Certificates bearing interest at the Adjustable Interest Rate are to be prepaid, the Trustee shall select Certificates for prepayment, as nearly as practicable, pro rata from Certificates Outstanding. In the event, however, that less than all of the Certificates bearing interest at the Fixed Interest Rate are to be prepaid, the Trustee shall select Certificates in such manner so as to assure that, as nearly as practicable, the Base Rental payable with respect to such Certificates after such prepayment in each year shall be equal.

Procedure for and Notice of Redemption

The Trustee will cause notice of each prepayment to be given to the Owner of any Certificates designated for prepayment at the address which appears upon the registration books of the Trustee

by mailing a copy of the redemption notice at least 30 but not more than 45 days prior to the redemption date. The failure of any Owner to receive such notice or any defect in such notice will not affect the validity of the redemption of any Certificates.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Each Certificate represents proportionate interest in the Base Rental payments to be made by the County to the Trustee under the Sublease. The Corporation, pursuant to the Assignment Agreement, will assign substantially all of its rights under the Sublease, including its right to receive Base Rental payments from the County as well as its rights under the Sublease to enforce Base Rental payments, to the Trustee for the benefit of the Owners. The scheduled Base Rental payments will be equal in amount to the annual principal and interest represented by the Certificates.

THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE COUNTY FOR WHICH THE COUNTY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE COUNTY TO MAKE BASE RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE COUNTY, THE STATE OF CALIFORNIA, OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR OTHERWISE.

Base Rental Payments

The County agrees to pay from legally available funds Base Rental with respect to the Leased Property in the amounts calculated as set forth below, a portion of which shall constitute principal and a portion of which shall constitute interest. The obligation of the County to pay Base Rental will commence on the Closing Date.

The principal portion of the Base Rental payable will be due on November 1 in each year throughout the term of the Sublease. In order to secure its obligation to pay the principal portion of Base Rental due on any November 1, the County agrees to deposit with the Trustee, for application to the Base Rental Fund, an amount equal to such principal portion due in each Lease Year on the October 15 immediately preceding each such November 1. The amount of the principal portion of Base Rental due on each November 1 shall be determined as follows: The interest portion of the Base Rental payable by the County will be due and payable in arrears on the fifteenth day of each month. In order to secure its obligation to pay the interest portion of the Base Rental due in each Lease Year, the County has agreed to deposit with the Trustee for application to the Base Rental Fund by the fifteenth day of each month thereafter, an amount equal to the sum of (a) the interest paid, if any, with respect to the Certificates bearing interest at the Adjustable Interest Rate, and (b) the interest accrued, if any, with respect to Certificates bearing interest at the Fixed Interest Rate, during the prior month. All payments of the interest portion of the Base Rental paid by the County will be paid as and will constitute interest paid on the principal portion of the Base Rental payable by the County hereunder.

Base Rental payments will be assigned and are to be transmitted directly to the Trustee. The Trust Agreement requires that the interest portion of Base Rental paid by the County, the proceeds of liquidated damages with respect to the Leased Property, if any, attributable to the interest portion of Base Rental and any other amounts received in respect of interest shall be deposited by the Trustee in the Interest Portion Account of the Base Rental Fund. Amounts on deposit in the Interest Portion Account shall be used to pay interest with respect to the Certificates or to reimburse the Bank for draws on the Letter of Credit, as provided in the Trust Agreement.

The principal portion of Base Rental paid by the County, the proceeds of liquidated damages with respect to the Leased Property, if any, attributable to the principal portion of Base Rental and any other amounts received in respect of principal of the Certificates shall be deposited by the Trustee in the Principal Portion Account of the Base Rental Fund. Amounts on deposit in the Principal Portion Account shall be used to pay principal with respect to the Certificates or to reimburse the Bank for draws on the Letter of Credit, as provided in the Trust Agreement.

Any proceeds of insurance or awards in respect of taking under the power of eminent domain, any damages or amounts received by the Trustee with respect to the rental of the Leased Property after a default by the County pursuant to the Sublease, any amounts deposited by the County upon exercise of its option to purchase all or any portion of the Leased Property pursuant to the Sublease, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee in the Prepayment Portion Account of the Base Rental Fund. Amounts on deposit in the Prepayment Portion Account shall be used to pay the prepayment price with respect to the Certificates or to reimburse the Bank for draws on the Letter of Credit, as provided in the Trust Agreement.

The Letter of Credit

The County has arranged for the Letter of Credit to be delivered to the Trustee to support the payment of its obligations to make payments of Base Rental under the Sublease. Under the Trust Agreement, the Trustee is directed to draw upon the Letter of Credit in such amounts and at such times as provided in the Trust Agreement to pay principal and interest with respect to the Certificates. The County is required to cause the Credit Bank to be reimbursed for payments made to the Trustee under the Letter of Credit on any Interest Payment Date, Sinking Account Installment Date or Prepayment Date, on the date such payments are made by the Credit Bank. Under the Trust Agreement, the Trustee is also directed to draw upon the Letter of Credit in order to purchase Certificates optionally tendered for purchase or Certificates called for mandatory tender for purchase but, in either case, not remarketed. In the event of any such draw, the Credit Bank shall become the Owner of the Certificates purchased with the amount drawn.

The Credit Bank has agreed to issue the Letter of Credit to the Trustee for the account of the County. The Letter of Credit

shall be in an amount equal to the aggregate principal amount of the Certificates Outstanding plus 188 days' interest with respect thereto at the Maximum Interest Rate, calculated on the basis of a 360-day year. The Letter of Credit may not be amended except by an instrument in writing signed by the County, the Credit Bank and the Trustee. The term of the Letter of Credit shall commence on the Closing Date and shall terminate at the close of business on November 10, 1997, unless sooner terminated by the County or extended or renewed as provided in the Sublease. Upon the written request of the County, received by the Credit Bank at least 270 days before the expiry of the Letter of Credit, the Credit Bank shall, not more than 90 days after such receipt, notify the County whether or not the Credit Bank will extend the Expiration Date of the Letter of Credit for an additional term of at least one year and the terms and conditions of such extension.

Alternate Letter of Credit

The County may, at its option, at any time during the term of the Letter of Credit, provide for the delivery to the Trustee of an Alternate Letter of Credit with the consent of the Credit Bank. Notwithstanding the foregoing, the consent of the Credit Bank shall not be required if (i) the Credit Bank has notified the County that it will not extend the term of the Letter of Credit, (ii) the terms and conditions of any extension of the Letter of Credit offered by the Credit Bank are rejected by the County, (iii) either of the ratings on the Certificates supplied by Moody's or S&P is withdrawn or is downgraded below that rating which was in effect at the time the Certificates were issued, or (iv) the Credit Bank exercises its rights under the Sublease to require payment from the County to compensate the Credit Bank for certain increased costs or certain reductions in the Credit Bank's rate of return on its capital. An Alternate Letter of Credit shall have terms in all material respects the same as the Letter of Credit and shall have a term of at least one year in duration. On or prior to the date of the delivery of an Alternate Letter of Credit to the Trustee, the County shall furnish to the Trustee (i) an opinion of Independent Counsel stating that the delivery of such Alternate Letter of Credit to the Trustee is authorized under the Sublease and complies with the terms thereof, (ii) an opinion of counsel that such Alternate Letter of Credit is the legal, valid and binding obligation of such bank or other financial institution, (iii) written evidence satisfactory to the Trustee from Moody's, if the Certificates are then rated by Moody's or S&P, if the Certificates are then rated by S&P, or from both Moody's and S&P, in any case to the effect that such rating agency has reviewed the proposed Alternate Letter of Credit and that upon the substitution of the proposed Alternate Letter of Credit for the Letter of Credit the Certificates will have a rating at least equal to the original rating of the Certificates ("rating" as used herein means one of the generic rating categories of either Moody's or S&P), and (iv) evidence that all amounts payable to the Credit Bank hereunder have been paid.

Rental Abatement

Except to the extent of (i) amounts available in the Certificate Fund, (ii) amounts received in respect of liquidated damages, and (iii) amounts otherwise available to the Trustee for payments in respect of the Certificates, the amount of Base Rental payments shall be abated during any period in which by reason of a material defect in title or condemnation there is substantial interference with the use and right of possession by the County of the Leased Property or any portion thereof. The amount of such abatement shall be such that the resulting Base Rental payments represent fair consideration for the use and occupancy of the portion of the Leased Property not damaged or destroyed or taken; provided, however, that such abatement shall not result so long as there are amounts in the Certificate Fund available to make Base Rental payments when and as due. Such abatement shall continue for the period commencing with such taking or discovery of such title defect and ending with the restoration of the Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such taking or title defect, the Sublease shall continue in full force and effect.

BECAUSE ABATEMENT AFFECTS BASE RENTAL PAYMENTS DUE IN ANY GIVEN YEAR, OWNERS OF CERTIFICATES FACE A POTENTIAL RISK OF LOSS OF PRINCIPAL AND INTEREST IF BASE RENTAL PAYMENTS ARE ABATED AT THE TIME THEIR CERTIFICATES MATURE TO THE EXTENT THAT AMOUNTS IN THE CERTIFICATE FUND OR OTHER LEGALLY AVAILABLE FUNDS ARE INSUFFICIENT TO PAY SUCH PRINCIPAL AND INTEREST. SUCH REDUCED OR ABATED BASE RENTAL PAYMENTS, TOGETHER WITH OTHER MONEYS AVAILABLE TO THE TRUSTEE, MAY NOT BE SUFFICIENT, AFTER EXHAUSTION OF THE MONEYS ON DEPOSIT IN THE FUNDS LISTED ABOVE, TO PAY PRINCIPAL OF AND INTEREST ON THE CERTIFICATES IN THE AMOUNTS AND AT THE RATES SET FORTH THEREON. THE FAILURE TO MAKE SUCH PAYMENTS OF PRINCIPAL OR INTEREST WOULD NOT UNDER SUCH CIRCUMSTANCES CONSTITUTE A DEFAULT UNDER THE TRUST AGREEMENT, THE SUBLEASE OR THE CERTIFICATES.

No Acceleration Upon Default

In the event of a default under the Sublease, there is no available remedy of acceleration of the total Base Rental payments due over the term of the Sublease. The County will only be liable for Base Rental payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's Base Rental payments.

Covenant to Budget

The County has covenanted in the Sublease to include all Base Rental and Additional Rental in its annual budgets. Should the County default under the Sublease, due to failure by the Credit Bank to honor a draw on the Letter of Credit or otherwise, the Corporation may either terminate the Sublease and re-let or retain the Sublease and hold the County liable for all Base Rental and Additional Rental on an annual basis. Due to the nature and location of the Leased Property it may prove impossible for the Corporation to re-let the Leased Property to another lessee.

Action on Default

Should the County default, the Trustee, as an assignee of the Corporation, may exercise any and all remedies available to the Corporation pursuant to law and the Trustee is expressly authorized to exercise any or all of the rights set forth below in the section entitled "APPENDIX A - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS - The Sublease - Events of Default and Remedies."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Certificates are expected to be applied as shown below:

Sources:

| | |
|---------------|-------------|
| Bond Proceeds | \$8,800,000 |
| TOTAL | \$8,800,000 |

Uses:

| | |
|--|-------------|
| Underwriter's Discount | 94,600 |
| Costs of Issuance | 206,290 |
| Deposit to Construction Fund | 8,362,000 |
| Deposit to Certificate Fund | 112,110 |
| Deposit to Administrative Expense Fund | 25,000 |
| TOTAL | \$8,800,000 |

THE LEASED PROPERTY

Pursuant to the Sublease, the County will lease the Leased Property from the Corporation.

The Leased Property consists of approximately 18.39 acres of land with minor improvements in the Palm Springs area of the County. The County will utilize a portion of the Property for right of way for the construction of a freeway overpass and will hold the remainder of the property for future development. The Leased Property was acquired for a purchase price of \$8,100,000. The County will be reimbursed costs from the proceeds of the Certificates.

The County has determined that the fair rental value of the Leased Property is at least equal to Base Rental and Additional Rental to be paid under the terms of the Sublease.

THE CORPORATION

The Corporation was formed on September 30, 1977, and is a California nonprofit public benefit corporation organized and existing under the laws of the State. The purpose of the Corporation is to provide financial assistance to the County by financing the acquisition and construction of facilities and properties.

The Corporation functions as an independent entity and its policies are determined by a five-member Board of Directors. There is currently one vacancy on the Board. The directors of

the Corporation receive no compensation for work or service performed as Corporation directors. All staff work is done by the County staff or by consultants to the Corporation since the Corporation has no employees. The members of the Board of Directors are:

President and Director: Mr. F. Thomas Kieley III is an insurance agent with Curtis-Kieley General Insurance with offices in Palm Springs, California.

Vice President and Director: Mrs. Patricia Anderson, Associate Member of Children's Village, U.S.A. Mrs. Anderson has served on a committee called by Governor Goodwin Knight to initiate the California Youth Authority, has served at the Youth Guidance Center in San Francisco, and has served twice on the Riverside County Grand Jury.

Director: Mr. George Berkey, Chairman, George Berkey and Associates, Inc.; Vice-Chairman, Palm Desert Economic Development Committee; Director, Senior Palm Desert Center. Mr. Berkey is a former Chairman of the Palm Desert Planning Commission and a former member of the Riverside County Board of Supervisors.

Director: Mrs. Carmen Shelton, former owner of Shelton Draperies and Interiors in Indio. Mrs. Shelton is a past President of the Soroptomists of Coachella Valley Coordinating Council and the Family Counseling Services and is the founding President of the Girls' Club of Coachella Valley.

THE CREDIT BANK

The Sanwa Bank, Limited is the world's sixth largest bank and is one of Japan's leading commercial banks with a broad base of retail and corporate banking activities, as well as providing international and merchant banking services. The Credit Bank has been in existence for 57 years but traces its predecessors back over 300 years. The Credit Bank has 269 branches in Japan and offices in 47 cities around the world. It additionally has 35 branches and financial subsidiaries and affiliates around the world.

As of September 30, 1989, the Credit Bank reported assets of approximately \$375.0 billion and capital of approximately \$9.4 billion.*

The Credit Bank will provide without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of such person, a copy of its Annual Report for the year ended March 1989. Written requests should be directed to: The Sanwa Bank, Limited, Los Angeles Branch, 612 South Flower Street, H2-3, Los Angeles, California 90017.

* U.S. Dollar amounts represent the arithmetical results of translating Japanese yen in the Credit Bank's original accounting records to the U.S. dollars at the rate of 132.2 per \$1.00.

THE REMARKETING AGENT

Pursuant to the terms of the Trust Agreement, The First Boston Corporation has been appointed the remarketing agent (the "Remarketing Agent"). The Remarketing Agent undertakes, among other things, to use its best efforts to remarket all Certificates tendered for purchase. The Remarketing Agent may resign at any time upon thirty (30) days' written notice to the County, the Credit Bank and the Trustee, but such resignation will not be effective unless and until a successor Remarketing Agent is appointed. The Remarketing Agent may be removed at any time and a successor Remarketing Agent appointed at the direction of the County upon consultation with the Credit Bank.

COUNTY FINANCIAL INFORMATION

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

County Budget

The County is required by State law to adopt a final budget by the end of August in each year. The fiscal year 1990-91 Proposed Budget will be presented to the Board of Supervisors on July 17, 1990. Budget hearings will commence July 30 and will conclude no later than August 7, 1990. The Board will adopt the Final Budget on or before August 28, 1990. Preliminary estimates show a Proposed Budget amount for the General Fund of \$735 million, which represents an increase over the fiscal year 1989-90 Final Budget of approximately 16%. The Proposed Budget is based upon an estimated 15% increase in full cash value of real property within the County from fiscal year 1989-90, and an estimated available Fund Balance of \$17.1 million in the County's General Fund on July 1, 1990. The 1990-91 Proposed Budget is based on estimated funding for State-mandated programs, including approximately \$200 million of health and welfare costs. The County prepares its budget on a cash basis except for Aid from Other Governmental Agencies, Charges for Current Services, and Other Revenues, which are budgeted on a modified accrual basis.

The Final General Fund Budgets adopted by the County for fiscal years 1988-89 and 1989-90 and the Proposed General Fund for fiscal year 1990-91 are set forth below.

COUNTY OF RIVERSIDE
FINAL GENERAL FUND BUDGETS ADOPTED FOR
FISCAL YEARS 1988-89 AND 1989-90 AND
PROPOSED GENERAL FUND BUDGET FOR
FISCAL YEAR 1990-91
(In Millions)

| | Final 1988-89 Budget | Final 1989-90 Budget | Proposed 1990-91 Budget |
|--|-------------------------|-------------------------|----------------------------|
| REQUIREMENTS | | | |
| General Government..... | \$ 45.1 | \$ 55.9 | \$58.7 |
| Public Protection..... | 183.7 | 209.1 | 251.1 |
| Health and Sanitation..... | 84.8 | 95.1 | 116.3 |
| Public Assistance..... | 205.9 | 245.7 | 268.4 |
| Education..... | .4 | .4 | .3 |
| Recreation and Cultural..... | 3.1 | 3.7 | 4.3 |
| Debt Retirement - | | | |
| Capital Leases..... | 10.2 | 13.7 | 18.1 |
| Contingencies..... | 12.2 | 8.2 | 17.5 |
| TOTAL REQUIREMENTS..... | <u>545.4</u> | <u>631.8</u> | <u>734.7</u> |
| AVAILABLE FUNDS | | | |
| Beginning Unrestricted Fund Balance..... | \$ 13.4 | \$ 15.4 | \$ 17.1 |
| Estimated Revenues | | | |
| Property Taxes (1)..... | 116.9 | 133.8 | 151.1 |
| Other Taxes..... | 20.9 | 24.4 | 27.7 |
| Licenses, Permits and Franchises..... | 15.5 | 19.6 | 24.3 |
| Fines, Forfeitures and Penalties..... | 8.8 | 7.2 | 8.4 |
| Use of Money and Property..... | 10.9 | 14.2 | 15.8 |
| Aid from Other Governmental Agencies - | | | |
| State..... | 210.1 | 236.0 | 272.6 |
| Federal..... | 97.7 | 117.6 | 128.1 |
| Charges for Current Services..... | 48.0 | 60.4 | 79.3 |
| Other Revenue..... | 3.2 | 3.2 | 4.7 |
| Operating Transfers in (2)..... | .0 | .0 | 5.6 |
| Total Available Funds..... | <u>\$545.4</u> | <u>\$631.8</u> | <u>\$734.7</u> |

(1) Includes payments (including penalties) for property taxes paid in such year that were assessed in a prior year.

(2) Includes payments from other funds for capital lease debt retirement obligations.

Source: County Auditor-Controller.

Funding by the State of California

Approximately 37% of the County's General Fund Budget consists of payments from the State of California.

The Governor's Budget for the 1989-90 fiscal year, as introduced on January 10, 1989, proposed General Fund expenditures of approximately \$38.0 billion, Special Fund expenditures of \$8.1 billion, and a year-end balance in the Special Fund for Economic Uncertainties of \$872 million. The proposed Budget reflected the need for additional K-12 school district and community college district fund required by Proposition 98 and the need to restore the reserve to a prudent level. To achieve a balanced budget, the Governor's Budget proposed increased fees for higher education and reductions in a number of programs, including social service, health and welfare programs.

In May 1989, the State Department of Finance estimated that the State could receive an additional \$1.4 billion in revenues for the 1989-90 fiscal year above the estimates contained in the Governor's proposed budget. As a result, the budget situation for 1989-90 was markedly improved, and the final budget restored appropriations for certain programs. The final budget projected General Fund expenditures of approximately \$39.8 billion and Special Fund expenditures of \$7.0 billion. The year-end balance in the Special Fund for Economic Uncertainties (after appropriations of \$335.6 million for earthquake relief) was projected to be \$511.9 million at June 30, 1990. The total General Fund balance was estimated to reach \$814.6 million.

The Governor's budget for the 1990-91 fiscal year, introduced January 10, 1990, proposed General Fund expenditures of \$42.6 billion and Special Fund expenditures of \$7.9 billion. The year-end balance in the Special Fund for Economic Uncertainties was estimated at \$1,001.4 million, and reflects the replenishment of funds appropriated for earthquake relief from additional revenues to be generated by a short-term increase in the State sales tax. The Governor's Budget proposed increasing fees for higher education and freezing cost of living adjustments in health and welfare programs to close a projected \$1.7 billion budget gap.

In mid-May, 1990, the State Department of Finance reported that the State took in approximately \$550 million less in tax receipts during the 1989-90 fiscal year than projected, and that the State will end the year at June 30 with a reserve of \$86 million. In addition, the Department projected that tax collections for the 1990-91 fiscal year would be approximately \$1.1 billion less than originally budgeted, and that expenditures would be higher due to increased school enrollments and welfare recipients, bringing the total budget gap for the 1990-91 fiscal year to \$3.6 billion.

The Governor and the Legislature are currently discussing revisions to the Governor's Proposed Budget for 1990-91, including a package of spending cuts and revenue increases to

achieve a balanced budget which includes the proposed \$1.3 budget reserve.

Ad Valorem Property Taxes

Taxes are levied for each fiscal year, July 1 to June 30, inclusive, on taxable real and personal property which is situated in the County as of the preceding March 1. For assessment and collection purposes property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll.

Secured Property Taxes

The "secured roll" is that part of the assessment roll containing State-assessed property and property secured by a lien on real property which is sufficient, in the opinion of the Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments on November 1 and February 1 of the fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared to be tax-defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is declared to be subject to the Tax Collector's power of sale and may be subsequently sold within two years by the Tax Collector.

Unsecured Property Taxes

The "unsecured roll" is that part of the assessment roll containing property, such as business property on leased or rental premises, which is not secured by the underlying real property.

Property taxes on the unsecured roll are due as of the March 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% of the delinquent taxes per month begins to accrue beginning November 1 of the fiscal year. The County has four ways of collecting delinquent unsecured personal property taxes: (1) instituting a civil action against the taxpayer, (2) filing a certificate in the Office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's Office in order to obtain a lien on certain property of the taxpayer, and (4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental Roll Taxes

Legislation established the "supplemental roll" in 1984 which directs the 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.

Billings are made on a monthly basis and due on the date mailed. If mailed between 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 roll.

The following tables set forth, among other things, the secured and unsecured property tax levies on real property in the County, the delinquency rates of ad valorem taxes for fiscal years 1985-86 through 1989-90, a summary of supplemental roll activity for fiscal years 1984-85 through 1988-89 and a history of assessed valuation.

COUNTY OF RIVERSIDE
AD VALOREM PROPERTY TAXATION - LEVIES AND COLLECTIONS (1)
FISCAL YEARS 1985-86 THROUGH 1989-90
Secured Property Tax Roll

| <u>Fiscal Year</u> | <u>Secured Property Tax Levy June 30</u> | <u>Current Levy Delinquent June 30</u> | <u>Percentage Current Taxes Delinquent June 30</u> | <u>Total Collections (2)</u> | <u>Percentage Total Collections to Current Levy</u> |
|--------------------|--|--|--|----------------------------------|---|
| 1985-86 | 350,885,279 | 22,501,098 | 6.41 | 353,280,631 | 100.68 |
| 1986-87 | 395,750,300 | 21,513,315 | 5.44 | 401,446,017 | 101.44 |
| 1987-88 | 460,071,536 | 24,044,436 | 5.23 | 466,570,186 | 101.41 |
| 1988-89 | 529,541,515 | 25,114,882 | 4.74 | 536,052,244 | 101.23 |
| 1989-90 | 595,687,619 | 29,784,381 | 5.00 | 601,644,495 | 101.00 |

UNSECURED PROPERTY TAX ROLL

| <u>Fiscal Year</u> | <u>Unsecured Property Tax Levy June 30</u> | <u>Total Collections (2)</u> | <u>Percentage of Total Collections to Original Levy</u> |
|--------------------|--|----------------------------------|---|
| 1985-86 | 13,077,687 | 14,829,804 | 113.40 |
| 1986-87 | 16,843,427 | 18,373,239 | 109.08 |
| 1987-88 | 19,874,659 | 21,298,494 | 107.16 |
| 1988-89 | 20,948,193 | 22,744,642 | 108.58 |
| 1989-90(3) | 29,246,038 | 31,585,721 | 108.00 |

- 1) The Levy and Collection data reflect the 1% levy allowed under Article XIII A of the California Constitution and additional taxes levied for voter-approved debt. Taxes for the County, cities, schools, special districts and redevelopment agencies are included in the totals. The County receives a share of the 1% levy, which for the fiscal year 1988-89 is estimated to total approximately \$100 million.
- 2) Includes current and prior years' redemptions, penalties and interest.
- 3) The Levy and Collection History for the Property Tax Roll for fiscal year 1989-90 is estimated.

Source: County Auditor-Controller

**COUNTY OF RIVERSIDE SUMMARY OF SUPPLEMENTAL ROLL
AD VALOREM PROPERTY TAXATION
FISCAL YEARS 1984-85 THROUGH 1988-89**

| <u>Fiscal Year</u> | <u>Supplemental Roll Total Collections Tax Charge(net)(1) June 30th(1)(2)</u> | <u>Total Collection To Current Charge</u> |
|------------------------|---|---|
| 1984-85(3) | 8,643,842 | 46.84 |
| 1985-86(3) | 27,101,003 | 85.13 |
| 1986-87 | 24,099,776 | 88.38 |
| 1987-88 | 31,984,843 | 84.72 |
| 1988-89 | 34,571,769 | 82.81 |

- (1) These figures include tax levy and collections for all districts, including the County, cities, schools, special districts and redevelopment agencies. Of the \$28,628,378 collected in fiscal year 1988-89, the County General Fund received \$5,796,566 or approximately 20%.
- (2) Includes current and prior years' taxes, redemption penalties and interest.
- (3) Supplemental roll charges and collections are significantly lower in fiscal year 1984-85 due to delays in implementing the supplemental roll, which involved a new computer system. A significant portion of the charges and collections reported for fiscal year 1985-86 are attributable to activity of the previous year.

Source: County Auditor-Controller

**ASSESSED VALUATION HISTORY BY CATEGORY AND PROPERTY TYPE (1)
(IN MILLIONS)**

| CATEGORY | SECURED PROPERTY | | | | |
|-------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Fiscal Year 1985-86 | Fiscal Year 1986-87 | Fiscal Year 1987-88 | Fiscal Year 1988-89 | Fiscal Year 1989-90 |
| Land | \$10,371 | \$11,519 | \$13,220 | \$15,003 | \$17,609 |
| Structures | 16,972 | 19,185 | 22,228 | 24,973 | 29,302 |
| Personal Property | 260 | 279 | 320 | 437 | 476 |
| Utilities | 1,541 | 1,796 | 2,004 | 2,098 | 2,324 |
| Total Secured | \$29,144 | \$32,779 | \$37,772 | \$42,514 | \$49,711 |

| | UNSECURED PROPERTY | | | | |
|--------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | Fiscal Year 1985-86 | Fiscal Year 1986-87 | Fiscal Year 1987-88 | Fiscal Year 1988-89 | Fiscal Year 1989-90 |
| Land | \$ 5 | \$ 4 | \$ 6 | \$ 7 | \$ 12 |
| Improvements | 528 | 828 | 928 | 907 | 1,010 |
| Personal Property | 630 | 691 | 877 | 1,067 | 1,143 |
| Total Unsecured \$ | 1,163 | \$ 1,523 | \$ 1,811 | \$ 1,981 | 2,060 |
| Grand Total | \$30,307 | \$34,302 | \$39,583 | \$44,495 | \$51,876 |

ESTIMATED ALLOCATION OF LOCAL SECURED ROLL VALUE BY TYPE

| Type | Fiscal Year 1985-86 | Fiscal Year 1986-87 | Fiscal Year 1987-88 | Fiscal Year 1988-89 | Fiscal Year 1989-90 |
|--------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Residential | \$16,566 | \$18,605 | \$20,893 | \$23,441 | \$27,215 |
| Commercial | | | | | |
| Industrial | 6,751 | 7,806 | 9,769 | 10,508 | 11,719 |
| Agricultural | 1,896 | 1,947 | 2,109 | 2,020 | 2,032 |
| Vacant | 2,389 | 2,625 | 2,999 | 4,447 | 6,044 |
| Total | \$27,602 | \$30,983 | \$35,770 | \$40,416 | \$47,010 |

Source: County Assessor

- 1) Assessed Valuation is reported as of July 1st each year at 100% full taxable value. In California, 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.

Largest Taxpayers

The 15 largest taxpayers in the County as shown on the fiscal year 1989-90 tax roll and the approximate amounts of their property tax payments for all taxing jurisdictions within the County for such fiscal year are shown below. These 15 largest taxpayers paid a total of \$45,780,881 in property taxes in fiscal year 1989-90, or about 7.3% of the County's fiscal year 1989-90 tax levy.

COUNTY OF RIVERSIDE FIFTEEN LARGEST TAXPAYERS IN FISCAL YEAR 1989-90 SECURED AND UNSECURED ASSESSMENTS

| | <u>Nature of Business</u> | <u>Total Taxes Paid In Fiscal Year 1989-90</u> |
|--|---------------------------|--|
| General Telephone Company of California | Public Utility | \$ 10,336,661 |
| Southern California Edison Company | Public Utility | 5,936,392 |
| Rancho California Development Company | Development | 5,197,753 |
| Southern California Gas Company | Public Utility | 2,911,282 |
| Pacific Bell | Public Utility | 2,785,396 |
| Landmark Land Company of California, Inc. | Development | 2,587,348 |
| Corona Development Company | Development | 2,406,452 |
| Lusk Company | Development | 2,252,817 |
| Desert Springs Marriott Ltd., Partnership | Hotel/ Development | 2,100,400 |
| Great American Development Company | Development | 2,022,865 |
| Sunland Inland Empire Corp. | Development | 1,760,678 |
| Sunrise Desert Partners | Development | 1,606,873 |
| ASD | Development | 1,480,065 |
| American National Funding Corp | Hotel/ Development | 1,215,184 |
| Doan Stouffer | Hotel/ Development | 1,180,715 |
| | TOTAL: | <u>\$45,780,881</u> |

Source: County Treasurer/Tax Collector

Redevelopment Agencies

The California Community Redevelopment Law authorizes the redevelopment agency of any city or county to issue bonds payable from the allocation of tax revenues resulting from increases in assessed valuation of properties within designated project areas. In effect, local taxing authorities other than the redevelopment agency realize tax revenues only on the "frozen" tax base except for those instances where the affected taxing agencies have negotiated

agreements with redevelopment agencies to receive a share of tax increment proceeds. The following table summarizes the effects of such tax allocation.

**COMMUNITY REDEVELOPMENT AGENCY PROJECTS
IN THE COUNTY OF RIVERSIDE - FROZEN BASE VALUE,
FULL CASH VALUE INCREMENTS AND TOTAL TAX ALLOCATIONS
FISCAL YEARS 1982-83 THROUGH 1989-90**

| <u>Fiscal Year</u> | <u>Frozen Base Value</u> | <u>Full Cash Value Increments(1)</u> | <u>Total Tax Allocations(2)</u> |
|------------------------|------------------------------|--|-------------------------------------|
| 1982-83 | 1,368,383,879 | 899,323,734 | 9,928,090 |
| 1983-84 | 1,897,655,830 | 1,267,101,611 | 13,659,742 |
| 1984-85 | 2,628,348,768 | 1,808,184,155 | 19,225,287 |
| 1985-86 | 4,191,660,692 | 2,682,153,692 | 28,570,864 |
| 1986-87 | 4,459,638,366 | 3,619,517,156 | 37,892,618 |
| 1987-88 | 5,037,450,624 | 4,708,213,008 | 49,176,845 |
| 1988-89 | 5,663,597,652 | 5,845,177,342 | 60,992,585 |
| 1989-90 | 6,021,359,961 | 7,671,911,784 | 79,320,395 (3) |

-
- (1) Full cash value for all redevelopment projects (including County projects) above the "frozen" base year valuations. This data represents growth in full cash values generating tax revenues for use by the community redevelopment agencies.
- (2) Actual cash revenues collected by the County and subsequently paid to community redevelopment agencies, subject to debt limitation and certain negotiated agreements with taxing entities for a share of the property tax increment.
- (3) Of the total tax allocation in 1989-90, \$20,953,251 is attributable to amounts that would have accrued to the County's General Fund. Of this amount, \$7,603,000 is returned to the General Fund through negotiated agreements.

Source: County Auditor-Controller

The County has formed a redevelopment agency with project areas in 25 unincorporated communities encompassing a total land area of 31,136 acres. The base year assessed value, including State-owned land, is \$579.2 million. Tax increment revenue began accruing to the County Redevelopment Agency on July 1, 1987. The loss in tax revenue to the County General Fund as a result of the County Redevelopment Agency in fiscal year 1990-91 is estimated at \$1,005,000.

Constitutional Limitations on Taxes and Appropriations

Article XIII A of the California Constitution limits the taxing powers of California public agencies. Article XIII A provides that the maximum ad valorem tax on real property cannot exceed 1% of the full cash value of the property, and effectively prohibits the levying of any other ad valorem property tax for general purposes. However, on June 3, 1986, Proposition 46, an amendment to Article XIII A, was approved by the voters of the State of California. Proposition 46 creates a new exemption under Article XIII A permitting an increase in ad valorem taxes on real property in excess of 1% for bonded indebtedness to acquire or improve real property approved by two-thirds of the voters voting on the proposed indebtedness in an election conducted after July 1, 1978. Although the California Supreme Court has upheld the constitutional validity of Article XIII A, questions regarding the detailed interpretation and implementation of Article XIII A have been left for future decisions.

On November 4, 1986, California voters approved two initiative statutes known as Proposition 58 and Proposition 60, which provide exemptions from the requirement that property be reassessed when a change of ownership has occurred. Proposition 58 provides an exemption from property tax reassessment when property is transferred between parents and children and between spouses. The exemption applies to a primary residence and transfers of additional property up to \$1 million in value.

Proposition 60 allows homeowners, age 55 or older, to transfer the lower assessed value of their current home to another newly purchased home of equal or lesser value. For the exemption to apply, the new residence must be located in the same county and purchased within two years after the sale of the previous residence.

On November 8, 1988, California voters approved Proposition 90, which authorized county boards of supervisors to extend the benefits of Proposition 60 to the acquisition of a new residence located in a different county. On March 7, 1989, the Board of Supervisors of the County of Riverside adopted Ordinance No. 670 implementing the provisions of Proposition 90. Ordinance No. 670 became effective on April 6, 1989 and continues in effect until April 6, 1994 unless further extended. On November 28, 1989, the Board adopted Ordinance No. 670.1 amending the effective date of the provisions of Ordinance 670 to include replacement dwellings which were purchased or newly constructed in the County on or after November 9, 1988.

The passage of Proposition 58, Proposition 60 and Proposition 90 will result in decreased property taxes for the County. Although the extent of the decrease in revenues in future years is not known, the County does not anticipate that such decreased tax revenues will have an impact on the County's ability to repay the Certificates and the interest payable with respect thereto.

Article XIII B of the California Constitution limits the amount of appropriations of the State and of local governments to the amount of appropriations of the entity for the prior year, adjusted for changes in the cost of living, population and the services that the local government has financial responsibility for providing.

On June 7, 1988, Measure A, which provides that the current appropriation limit for Riverside County be increased sufficiently to provide full utilization of anticipated revenues through June 1992, was approved by the voters of the County with a 78% plurality. The County does not anticipate any difficulty in holding appropriations below the allowed limit for the fiscal year ending June 30, 1991, or in repaying the Certificates from revenues within the constitutionally allowed limit.

On November 4, 1986, California voters approved an initiative statute known as Proposition 62. This initiative (i) requires that any tax for general governmental purposes imposed by local governments be approved by resolution or ordinance adopted by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the electorate of the governmental entity, (ii) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (iii) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (iv) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (v) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governments, (vi) requires that any tax imposed by a local government on or after August 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988, (vii) requires that, in the event a local government fails to comply with the provisions of this measure, a reduction in the amount of property tax revenues allocated to such local government will occur in an amount equal to the revenues received by such entity attributable to the tax levied in violation of the initiative, and (viii) permits these provisions to be amended exclusively by the voters of the State of California.

Certain California appellate court decisions have held certain voting requirements of Proposition 62 unconstitutional. The County cannot predict the outcome of any appellate review of these or any other similar decisions. Consequently, the effect, if any, the initiative will have on the County is unclear. However, the County believes that the initiative will have no effect on the repayment of the Certificates.

Article XIII A, Article XIII B and Propositions 58, 60 and 62 were adopted pursuant to measures qualified for the ballot through California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiatives might

cause the County to receive increased or reduced revenues, as well as to increase or reduce expenditures.

Recent Litigation Regarding Property Tax Assessments and Allocation

In January 1989, the United States Supreme Court invalidated a property assessment system which was based upon the date of property acquisition, in Allegheny Pittsburgh Coal Company v. County Commission of Webster County, West Virginia. The Supreme Court was not presented with and did not decide the constitutionality of California's Article XIII A, which implements on a statewide basis a similar property tax assessment system. Currently, challenges to Article XIII A, which rely upon Allegheny Pittsburgh in support of their position, are pending in California courts claiming that Article XIII A's tax assessment system violates federal constitutional equal protection guarantees by taxing new property owners at higher rates than long-time owners. If Article XIII A is ultimately found to be unconstitutional, one possible outcome is that property assessments could be substantially reduced for those who purchased property after Article XIII A was adopted. In addition, the City of Rancho Mirage has filed a lawsuit against the County contesting the method of apportionment of property taxes. See "LITIGATION" herein. The County cannot predict whether these challenges to the present system of assessing and apportioning property taxes will be successful or when the ultimate resolution of these cases will occur.

Proposition 98

At the November 8, 1988 general election, California voters approved an initiative known as Proposition 98. This initiative amended Article XVI of the California Constitution to require that the State of California provide a minimum level of funding for public schools and community colleges. Commencing with the 1988-1989 fiscal year, moneys to be applied by the State for the support of school districts and community college districts shall not be less than the greater of: (i) the amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of such State general fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986-1987 or (ii) the amount required to ensure that the total allocations to school districts and community college districts from the State general fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes shall not be less than the total amount from these sources in the prior year, adjusted for increases in enrollment and adjusted for changes in the cost of living pursuant to the provisions of Article XIII B. The initiative permits the enactment of legislation, by a two-thirds vote, to suspend the minimum funding requirement for one year. As a result of Proposition 98, funds that the State might otherwise make available to the County may be allocated instead to satisfy such minimum funding level. The County cannot predict the

ultimate impact of Proposition 98 upon the County's finances. However, the County believes Proposition 98 will have no effect on the repayment of the Certificates.

Revisions to Article XIII B and Proposition 98

Following several weeks of negotiations between the Governor and the legislative leadership over budget reforms, on June 30, 1989 the Legislature enacted, with the Governor's support, Senate Constitutional Amendment 1, a proposed modification of the Constitution to alter the spending limit and the education funding provisions of Proposition 98. Senate Constitutional Amendment 1 was on the June 5, 1990 ballot as Proposition 111, and as approved by the voters, will take effect on July 1, 1990. Among a number of important provisions, Proposition 111 will recalculate spending limits for the State and local governments, allow greater annual increases in the limits, allow the averaging of two years' tax revenues before requiring action regarding excess tax revenues, reduce the amount of the funding guarantee in recession years for K-14 schools (but with a floor of 40.9 percent of General Fund tax revenues), remove the provision of Proposition 98 which included excess moneys transferred to K-14 schools in the base calculation for the next year, limit the amount of State tax revenues over the limit which would be transferred to K-14 schools, and exempt increased gasoline taxes and truck weight fees from the State appropriations limit. Additionally, Proposition 111 will exempt from the State appropriations limit funding for capital outlay.

Legislation Relating to Judicial Services

In 1987 the State legislature authorized implementation of the Trial Court Funding Act which provides a mechanism for the State to assume the responsibility of funding the operations of local municipal, justice and superior courts. The first full year of funding was 1989-90 during which Riverside County received \$13.8 million in new Trial Court revenues. According to the State Legislative Analyst, the intent of this legislation is to promote a uniform level of judicial services throughout the State and to relieve fiscal pressures on County governments which now have responsibility for funding these courts. In order to participate in the Trial Court Funding Act, the County Board of Supervisors and the presiding judges of the superior and municipal courts must inform the State in writing annually of their election to participate; the County has filed this notice with the State to participate in the Trial Court Program during fiscal years 1989-90 and 1990-91.

The Trial Court Funding Act, as enacted, has the following three major provisions: (i) funding is established as a specified block grant amount per judgeship; (ii) implementation requires that the State's appropriation limit be increased and the County's appropriation limit be decreased to reflect the State's assumption of financial responsibility for funding the Trial Courts; and (iii) implementation requires that cities which currently receive less than seven percent of the property tax

("No and Low Cities") revenues generated within their jurisdictional boundaries, within counties electing to participate in the trial court funding program, have their property tax revenues increased (from county property tax revenues) to the seven percent level over a seven-year period.

County management has analyzed the Trial Court Funding Act (SB612 and AB1197) to determine the fiscal impact on the County, using assumptions which they believe are reasonable. This analysis shows a significant increase in revenues (\$13.8 million in 1989-90) available to the County in the first full year, which would decrease as the amount of property taxes paid to cities increases over the next several years. However, the County is seeking mitigation of this transfer by offsetting it against County fire tax revenue used for municipal fire services (in No and Low Cities) and legislative amendments to the formulas established by AB 1197. In 1990-91, the County anticipates receiving \$14.5 million in additional revenue under the Trial Court Funding Act.

Financial Statements

See Appendix B for the audited financial statements of the County for the year ended June 30, 1989 (latest completed audit).

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 California Government Code requires every county to prepare an annual financial report. The Auditor-Controller prepares the "Annual Financial Report of the County of Riverside." Under federal revenue-sharing audit regulations, 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 the fiscal years ended June 30, 1983 through June 30, 1986 were audited by Deloitte Haskins & Sells. The County's financial statements for the fiscal years ended June 30, 1987 through June 30, 1989 were audited by Peat Marwick Main & Co. See "Appendix B - Combined Financial Statements of the County."

Funds and Account Groups accounted for by the County are categorized as follows:

Governmental Funds

General Fund
Special Revenue Funds
Debt Service Fund
Capital Projects Funds

Proprietary Funds

Enterprise Funds
Internal Service Funds

Fiduciary Funds

Agency Funds

Account Group

General Fixed Assets
General Long-Term Debt

The statements of revenues, expenditures and changes in unrestricted fund balances of the County's General Fund for fiscal years 1984-85 through 1988-89 are shown in the following table:

COUNTY OF RIVERSIDE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN UNRESTRICTED FUND BALANCES - GENERAL FUND
FISCAL YEARS 1984-85 THROUGH 1988-89

| | <u>1984-85</u> | <u>1985-86</u> | <u>1986-87</u> | <u>1987-88</u> | <u>1988-89</u> |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| BEGINNING UNRESTRICTED FUND BALANCE | \$ 26,474,291 | \$ 19,422,989 | \$ 16,061,494 | \$ 22,288,201 | \$ 29,177,350 |
| REVENUES | | | | | |
| Taxes | 81,609,106 | 97,450,508 | 113,396,280 | 127,784,402 | 137,969,490 |
| Licenses, permits and franchises | 10,940,321 | 11,905,919 | 14,042,729 | 17,926,129 | 16,242,203 |
| Fines, forfeitures and penalties | 5,463,052 | 5,261,786 | 6,079,069 | 6,457,499 | 6,694,066 |
| Use of money and property | 13,064,510 | 11,457,347 | 9,929,858 | 8,060,617 | 13,484,571 |
| Rents and concessions | 117,823 | 389,272 | 645,696 | 575,615 | 23,765 |
| Governmental Aid - State | 123,002,278 | 137,623,823 | 178,207,152 | 188,794,461 | 207,693,779 |
| Governmental Aid - Federal | 72,827,456 | 77,969,718 | 85,873,040 | 95,046,111 | 100,788,248 |
| Charges for current services | 22,006,447 | 31,394,951 | 37,244,747 | 46,691,565 | 54,242,416 |
| Other revenue | 2,410,271 | 454,651 | 2,948,969 | 4,803,797 | 2,750,078 |
| Total Revenues | <u>331,441,264</u> | <u>373,907,975</u> | <u>448,367,540</u> | <u>496,140,196</u> | <u>539,888,616</u> |
| EXPENDITURES | | | | | |
| General government | 31,337,878 | 37,996,599 | 44,262,838 | 40,180,385 | 41,302,032 |
| Public protection | 102,139,418 | 122,786,435 | 145,326,240 | 160,507,133 | 175,699,674 |
| Health and sanitation | 49,931,947 | 49,518,001 | 71,822,156 | 80,958,313 | 81,372,996 |
| Public assistance | 139,751,103 | 156,637,366 | 173,663,752 | 194,233,124 | 213,292,536 |
| Education | 256,758 | 311,075 | 308,168 | 357,883 | 350,830 |
| Recreation and cultural | 2,718,197 | 2,906,605 | 2,936,412 | 3,098,706 | 3,147,488 |
| Debt service and capital leases | 4,351,072 | 4,584,051 | 5,538,807 | 6,208,613 | 9,937,676 |
| Total Expenditures | <u>330,486,373</u> | <u>374,740,132</u> | <u>443,858,373</u> | <u>485,544,157</u> | <u>525,103,232</u> |
| Excess of revenues over expenditures | 954,891 | (832,157) | 4,509,167 | 10,596,039 | 14,785,384 |
| Changes in reserve for encumbrances | (5,394,365) | 2,977,993 | 2,774,793 | (1,291,403) | (2,628,534) |
| Changes in other reserves | (96,309) | (80,992) | (407,896) | (3,599,000) | 3,535,000 |
| Changes in reserves for contingency | (831,000) | (2,311,199) | 1,742,783 | 212,000 | (3,000) |
| Transfer to other funds | (2,951,332) | (3,115,140) | (2,392,140) | (2,069,640) | (4,554,665) |
| Residual equity transfer | 1,266,813 | 0 | 0 | 0 | 0 |
| Proceeds from capital lease obligation | 0 | 0 | 0 | 3,041,153 | 0 |
| ENDING UNSECURED FUND BALANCE | <u>\$ 19,422,989</u> | <u>\$ 16,061,494</u> | <u>\$ 22,288,201</u> | <u>\$ 29,177,350</u> | <u>\$ 40,311,535</u> |

Source: County of Riverside, Office of the Auditor/Controller

COUNTY OF RIVERSIDE
BALANCE SHEETS AT JUNE 30, 1985 THROUGH JUNE 30, 1989
GENERAL FUND

| | June 30, <u>1985</u> | June 30, <u>1986</u> | June 30, <u>1987</u> | June 30, <u>1988</u> | June 30, <u>1989</u> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| ASSETS: | | | | | |
| Cash and Marketable Securities | \$ 70,321,232(1) | \$ 8,767,646 | \$ 900,533 | \$ 9,618,450 | \$ 19,688,368 |
| Taxes Receivable | 10,840,626 | 10,692,627 | 10,557,477 | 10,292,924 | 10,920,575 |
| Accounts Receivable | 8,563 | 10,548 | 243,770 | 197,580 | 175,001 |
| Interest Receivable | 0 | 1,460,685 | 0 | 0 | 0 |
| Advances to Other Funds | 4,592,584 | 6,903,783 | 5,160,551 | 4,948,856 | 4,948,856 |
| Due from Other Funds | 6,356,426 | 10,979,040 | 43,118,812(2) | 72,362,507(2) | 38,677,404 |
| Due from Other Governments | 13,317,351 | 13,729,332 | 22,053,535(3) | 29,481,606(3) | 40,956,000 |
| Inventories | 374,482 | 435,349 | 453,710 | 693,077 | 828,260 |
| Total Assets | <u>\$105,811,264</u> | <u>\$52,979,010</u> | <u>\$82,488,388</u> | <u>\$127,595,000</u> | <u>\$116,194,464</u> |
| LIABILITIES AND FUND BALANCE: | | | | | |
| LIABILITIES: | | | | | |
| Accounts Payable | \$ 3,783,112 | \$ 4,092,323 | \$ 2,641,835 | \$ 9,110,180 | \$ 10,929,596 |
| Salaries and Benefits Payable | 3,630,788 | 4,392,431 | 8,475,461 | 9,810,815 | 9,980,109 |
| Due to Other Funds | 691,302 | 567,260 | 0 | 0 | 0 |
| Due to Other Governments | 0 | 596,833 | 0 | 0 | 3,322 |
| Deferred Revenue | 10,466,842 | 12,538,240 | 38,462,202(2) | 63,958,196(2) | 40,199,726(2) |
| Tax-exempt Commercial Paper Payable(1) | 52,500,000(1) | 0 | 0 | 0 | 0 |
| Total Liabilities | <u>\$ 71,072,044</u> | <u>\$22,187,087</u> | <u>\$49,579,498</u> | <u>\$ 82,879,191</u> | <u>\$ 61,112,753</u> |
| FUND BALANCE | | | | | |
| Reserved | \$ 15,316,231 | \$ 14,730,429 | \$ 10,620,689 | \$ 15,538,459 | \$ 14,770,176 |
| Unreserved | 19,422,989 | 16,061,494 | 22,288,201 | 29,177,350 | 40,311,535 |
| Total Fund Balance | <u>\$ 34,739,220</u> | <u>\$30,791,923</u> | <u>\$32,908,890</u> | <u>\$ 44,715,809</u> | <u>\$ 55,081,711</u> |
| Total Liabilities and Fund Balance | <u>\$105,811,264</u> | <u>\$52,979,010</u> | <u>\$82,488,388</u> | <u>\$127,595,000</u> | <u>\$116,194,464</u> |

(1) For the fiscal year ending June 30, 1985, the County repaid in early July the principal amount of tax and revenue anticipation notes borrowed the previous June. In subsequent years, the notes were paid on June 30.

(2) As a result of the financial audits for the fiscal years ending June 30, 1987, 1988 and 1989, an adjustment was made to the Due from Other Funds Account (revenues receivable) to reflect deposits in funds other than the General Fund which, when recognized, are transferred to the General Fund. The offsetting entry restricting the availability of these funds is reflected under Deferred Revenue.

(3) The increases in Due from Other Governments for the fiscal years ending on June 30 of 1987, 1988 and 1989 consist in large part of state reimbursements for social service programs which had not been received as of June 30 of the respective fiscal years.

Long-Term Obligations

During its 95 years of existence, to the best knowledge of County officials, the County has never defaulted on the payment of principal or interest on any of its indebtedness. As of May 1, 1990, the County had no direct general obligation bonded indebtedness. The County has no authorized but unissued debt.

The general obligation bonded debt of school districts and special districts under control of the Board of Supervisors is set forth in the debt statement below. Bonds issued by special districts include water, sanitation, hospital, fire protection, recreation and storm drainage districts.

Overlapping Debt

COUNTY OF RIVERSIDE
ESTIMATED DIRECT AND OVERLAPPING OBLIGATIONS
(As of May 1, 1990)

1989-90 Assessed Valuation: \$43,223,480,845 (after deducting \$7,660,890,836 redevelopment tax allocation increment; includes unitary utility valuation)

DIRECT AND OVERLAPPING BONDED DEBT:

| | <u>% Applicable Debt</u> | <u>Debt 5/1/90</u> |
|--|--------------------------|---------------------------|
| Riverside County General Fund Obligations | 100.% | \$448,556,000(1) |
| Riverside County Board of Education Obligations | 100. | 9,590,000 |
| Riverside County Flood Control and Water Conservation District, Zone #1 and Zone #4 | 100. | 17,325,000 |
| Metropolitan Water District | 4.373 | 31,335,168 |
| Community College, High School Districts and Authorities | Various | 10,457,096 |
| Unified School Districts and Authorities | Various | 97,535,611 |
| School Districts and Authorities | 100. | 5,284,000 |
| City of Riverside and City Authorities | 100. | 55,773,000 |
| City of Palm Springs and City Authorities | 100. | 87,537,000 |
| City of Cathedral City Authority | 100. | 12,130,000 |
| City of Indian Wells and City Authorities | 100. | 20,975,000 |
| City of Corona and City Authorities | 100. | 20,905,000 |
| Other Cities and City Authorities | 100. | 23,445,280 |
| Eastern Municipal Water District Certificates of Participation and Improvement Districts | 100. | 133,486,000 |
| Other Municipal Water Districts | Various | 16,640,935 |
| Coachella County Water District Improvement Districts | (2) | 30,238,349 |
| Rancho California Water District and Water Facilities Corporation | 100. | 119,030,000 |
| Other Water Districts | Various | 11,114,640 |
| Hospital Districts and Authorities | 100. | 22,855,000 |
| Community Facilities Districts | 100. | 407,205,000 |
| Other Special Districts | 100. | 7,874,324 |
| Riverside County 1915 Act Bonds | 100. | 63,954,000 |
| City and Special District 1915 Act Bonds (Estimated) | 100. | 219,809,685 |
| TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT | | <u>\$1,873,056,088(3)</u> |

(1) Excludes tax and revenue anticipation notes.

(2) All 100% except Coachella Valley County Water District I.D. #15

(3) Excludes revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

SHAPE OF AUTHORIZED AND UNSOLD BONDS:

| | |
|--|---------------|
| Metropolitan Water District..... | \$ 2,186,500 |
| Cities..... | \$ 865,000 |
| Temecula Unified School District..... | \$ 57,000,000 |
| Other School Districts..... | \$ 6,824,000 |
| Eastern Municipal Water District and I.D.'s..... | \$ 49,020,000 |
| Coachella Valley County Water District and I.D.'s..... | \$ 65,735,000 |
| Rancho California Water District..... | \$ 54,100,000 |
| Other Special Districts..... | \$ 16,845,000 |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/90: \$1,487,440

Source: California Municipal Statistics, Inc.

Lease Obligations

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

The table on the following page summarizes the County's outstanding lease rental obligations as of May 1, 1990.

COUNTY OF RIVERSIDE
SUMMARY OF LEASE RENTAL OBLIGATIONS

(Secured by a Pledge of the County's General Fund)

| ISSUE | Final Maturity Year | Original Issue Amounts | Bonds Outstanding As Of 5/1/90 | Annual Base Rental | Total Future Lease Payments As Of 5/1/90 |
|--|---------------------------|------------------------------|--------------------------------------|----------------------------|--|
| Riverside Civic Center Authority 1973 Hall of Records Additional Revenue Bonds | 1992 | \$ 9,990,000 | \$ 2,375,000 | \$ 850,640 | \$ 1,701,280 |
| Park Facilities Corporation 1974 Leasehold Mortgage Revenue Bonds | 1994 | 2,300,000 | 900,000 | 235,000 | 1,175,000 |
| Park Facilities Corporation 1975 Leasehold Mortgage Revenue Bonds | 2000 | 4,225,000 | 2,900,000 | 364,500 | 4,009,500 |
| Indio Civic Center Authority 1975 Library Lease Revenue Bonds(1) | 1995 | 1,300,000 | 625,000 | 131,000 | 655,000 |
| Palm Springs Civic Center Authority 1977 Lease Revenue Bonds | 1998 | 3,400,000 | 2,110,000 | 297,000 | 2,376,000 |
| Juvenile Facilities Corporation 1980 Leasehold Mortgage Bonds | 2010 | 5,950,000 | 5,530,000 | (1) | |
| Juvenile Facilities Corporation 1988 Certificates of Participation | 2019 | 12,485,000 | 12,360,000 | 1,117,377(2) | 28,272,663 |
| County of Riverside Asset Leasing Corporation Leasehold Revenue Bonds 1984 Series A | 1993 | 9,900,000 | 2,280,000 | 820,088(2) | 1,190,600 |
| Riverside General Hospital Certificates of Partici- pation, 1984 Series A | 1991 | 8,210,000 | 2,845,000 | 1,563,975(3) | 3,119,513 |
| Riverside County Public Facilities Project 1985 Certificates of Participation of (3) - Type I | 2015 | 148,500,000 | 147,800,000 | 13,646,800(4) | 373,042,800 |
| Type II | 2003 | 20,900,000 | 19,800,000 | 2,371,200(4) | 33,627,200 |
| County of Riverside Certificates of Participation 1987 Road Improvement Projects | 1992 | 3,420,000 | 2,180,000 | 832,450 | 2,494,800 |
| County of Riverside Equipment 1988A | 2000 | 51,255,000 | 50,363,368 | 4,273,228(2) | 64,937,071 |
| Riverside County Hospital Project Leasehold Revenue Bonds 1989 Series A | 2019 | 200,103,000 | 200,103,000 | 13,512,268(5) | 483,433,437 |
| County of Riverside Sublease to California Health Facilities Financing Authority, 1986 Series B Bonds | 2011 | <u>10,210,000</u> | <u>10,210,000</u> | <u>465,120(6)</u> | <u>20,602,276</u> |
| TOTAL: | | <u>\$492,148,000</u> | <u>\$462,381,368</u> | <u>\$44,480,646</u> | <u>\$1,020,637,140</u> |

- (1) A portion of the Juvenile Facilities Corporation's 1988 Certificate is held in escrow to redeem all outstanding 1980 Bonds on October 1, 1990.
- (2) Annual base rental for the 1989-90 Fiscal Year. The annual base rental varies due to the Debt Service requirement.
- (3) On August 14, 1986, the County issued \$103,710,000 1986 Cross-Over Refunding Certificates of Participation, Type I and Type II (Public Facilities Financing Project) (the "Cross-Over Certificates of Participation") bearing a fixed rate of interest to refund a portion of the 1985 Certificates of Participation on the "Cross-Over Date," currently scheduled to occur on August 15, 1991. The Cross-Over Certificates of Participation are not a current obligation of the County, since debt service is payable out of an escrow fund until the Cross-Over Date, at which time the County will redeem all but one Series of the 1985 Certificates of Participation and will become liable for such debt service on the Cross-Over Certificates of Participation.
- (4) Projected maximum annual base rental throughout the life of the variable rate certificates assuming an 8% interest rate. For Fiscal Year 1990-91, all but approximately \$10,967,000 of the annual base rental is payable from capitalized interest.
- (5) For Fiscal Year 1990-91, all but approximately \$660,000 of annual base rental is payable from capitalized interest.
- (6) For Fiscal Year 1990-91, all of the base rental is payable from capitalized interest.

Proposed Financings

The County will issue \$45,000,000 in 1990-91 Tax and Revenue Anticipation Notes, Series A, on or about July 2, 1990, to finance the seasonal cash flow requirements of the County for the fiscal year ending June 30, 1991. The County may issue an additional series of 1990-91 Tax and Revenue Anticipation Notes (Series B) in an amount not to exceed \$30,000,000 in the fall of 1990. The Notes of Series A and Series B, if issued, will mature June 28, 1991.

In the fall of 1990, the County expects to issue the second in a series of equipment financings to provide capital for major equipment purchases over the next 2 to 3 years. This financing may include approximately \$3 million for a new library headquarters building.

Several capital projects are contemplated in the five-year range. These include a new Hall of Justice in Indio and increased office space and parking in downtown Riverside.

Employees

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

| <u>As of December 31</u> | <u>Permanent(1)</u> |
|------------------------------|---------------------|
| 1984 | 6,841 |
| 1985 | 7,288 |
| 1986 | 7,670 |
| 1987 | 7,938 |
| 1988 | 8,574 |
| 1989 | 9,393 |
| 1990 | 9,806 (2) |

(1) Excludes temporary, seasonal, and Joint Training Partnership Act employees, which on May 1, 1990 totaled approximately 806.

(2) As of April 30, 1990.

Source: County Auditor-Controller

County employees are represented by nine bargaining units of three labor organizations. Currently, about 94% of all County employees are covered under negotiated agreements with one of the three organizations. The largest of these labor organizations is the Public Employees Association of Riverside County ("PERC"). PERC consists of seven bargain-

ing units that represent approximately 80% of all County employees in a variety of job classifications. The labor agreement between PERC and the County expires on June 26, 1991.

The County's law enforcement employees are represented by the Riverside Sheriffs' Association, and the employees of the District Attorney's Office are represented by the Deputy District Attorney's Association. The District Attorney's agreement will expire June 26, 1991 and the Sheriffs' agreement will expire June 29, 1990.

During the last six years there has been no major County employee work stoppage.

Self-Insurance

The County has self-insurance programs for public liability, medical malpractice, disability income, unemployment, and workers' compensation claims. Medical malpractice claims are self-insured to \$1 million for each occurrence or \$4 million a year on an aggregate basis by independent carriers on a "claims made" basis. The basis for medical malpractice excess insurance is "claims made." Workers compensation claims are self-insured to \$250,000 and insured by an independent carrier for the balance to \$5 million for each occurrence. Long-term disability income claims are self-insured for the first two years of any one claim and fully insured by an independent carrier for subsequent years. General liability and unemployment claims are self-insured.

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, 1989 are reported in these funds. County officials believe that assets of the internal service funds, together with funds to be provided in the future, will be adequate to meet all self-insured claims for general liability, unemployment, disability income, medical malpractice, and workers compensation claims as they come due and offset deficit fund balances that currently exist (estimated to be approximately \$11,086,389 as of June 30, 1989). No assurance can be given, however, that such assets and funds will be adequate to meet all self-insured claims that will become payable by the County. 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.

Retirement Program

The County participates in the Public Employees' Retirement System ("PERS") of the State of California. The retirement plan, as amended, provides simultaneous coverage of eligible employees with PERS and Social Security. The plan provides basic retirement benefits for service, disability or death. The retirement benefits are based on years of service and the average monthly qualifying wages during the highest 36 consecutive months of employment. The plan also provides for cost-of-living adjustments after retirement. On July 1, 1989, the plan covered approximately 9,000 active members.

PERS is funded by contributions from the County, which include contributions of both the County's share and its employees' share. As of July 1, 1989, the County's contributions to PERS for miscellaneous members totalled 13.057% of total salaries paid: 6.057% as the County's share plus 7.0% as the employees' share. The County contributes 28.368% of total salaries paid for Safety members (which include police and fire personnel); 19.368% as the County's share plus 7.0% as the employees' share. In fiscal year 1988-89, County contributions amounted to \$36,642,493 for all funds of which approximately \$29,075,818 came from the General Fund.

The County's contribution rates vary annually as a result of actuarial calculations, experience of the County's employees, benefits provided under the contract, and quadrennial changes in actuarial assumptions.

On July 1, 1990, for fiscal year 1990-91, the County's contribution to PERS will be changed to 13.069% for miscellaneous members and 27.276% for Safety members. This will amount to a cost change of plus 0.01% for miscellaneous members and minus 1.09% for Safety members.

As of June 30, 1989, PERS reported the following unfunded actuarial liability for the accounts of the County:

| <u>Benefit</u> | <u>Miscellaneous</u> | <u>Safety</u> |
|--------------------|----------------------|---------------|
| Current Service | 0 | \$5,211,650 |
| Death and Survivor | *(\$525,136) | *(\$419,204) |
| Prior Service | 0 | 0 |

* Negative (indicates surplus instead of unfunded actuarial liability)

A portion of the employer rate, expressed as a percent of payroll, is calculated to amortize the unfunded actuarial liability over a fixed period of time. For the \$5,211,650 unfunded actuarial liability in the Safety Current Service

account, the County is expected to pay a rate of 0.625% in fiscal year 1990-91, which is included in the total contribution rate of 27.276% described above. This liability is scheduled to be retired in the year 2011.

There was a surplus of \$10,111,788 in the County Miscellaneous Account as of June 30, 1989. This amount has been placed in a separate Surplus Account in the name of the County by PERS. The Surplus Account can be used to reduce Miscellaneous contributions, effective July 1, 1990, until the surplus is depleted. The contribution for miscellaneous members in fiscal year 1989-90 is estimated to be approximately \$27,000,000. We estimate that an additional surplus and interest of approximately \$3.5 million in the County Miscellaneous Account from June 30, 1988 will also be available and can be used in 1990-91 to reduce County expenditures.

General Economic Data

See Appendix C for general economic data with respect to the County.

STATE TAX EXEMPTION

In the opinion of O'Melveny & Myers, Special Counsel, the interest portion of the Base Rental to be received by the Owners of the Certificates is exempt from personal State of California income taxes under present State income tax laws.

CERTAIN LEGAL MATTERS

O'Melveny & Myers, Special Counsel, will render an opinion with respect to the validity and enforceability of the Sublease and the Trust Agreement and as to the validity of the Certificates. Copies of such approving opinion will be available at the time of delivery of the Certificates. Certain legal matters will be passed upon for the Underwriter by Best, Best & Krieger, Riverside, California, and for the County and the Corporation by the Riverside County Counsel.

LITIGATION

There is no action, suit or proceeding known to the County to be pending or threatened, restraining or enjoining the execution or delivery of the Certificates, the Ground Lease, the Sublease, the Assignment Agreement or the Trust Agreement 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.

There are a number of lawsuits and claims pending against the County, including a large number of claims, aggregating an amount in excess of \$5 billion, related to a

hazardous waste disposal site. In addition, the County is one of the defendants in certain lawsuits relating to the breach of the levee of the San Jacinto River in 1980, for which plaintiffs' claims aggregate in excess of \$25 million. In this lawsuit, the County has prevailed before both the State Trial Court and the State District Court of Appeal. The plaintiffs appealed the rulings to the California Supreme Court, and the lower courts' rulings were affirmed. The County is proceeding to secure the dismissal of the lawsuits on the basis of the Supreme Court's ruling, and expects to soon accomplish that result. In addition, the City of Rancho Mirage has filed a lawsuit against the County contesting the method of apportionment of property taxes as provided by statute and seeking damages in the amount of \$16 million. The County has filed a cross-complaint against the State and various state officials seeking indemnification for any losses resulting from this lawsuit. County Counsel is of the opinion that the existence of these lawsuits is not likely to have a material adverse effect on the County during the term of the Certificates.

The aggregate amount of the uninsured liabilities of the County and the timing of any anticipated payments of judgment which may result from suits and claims will not, in the opinion of County management, materially affect the County's finances or impair its ability to pay the Base Rental under the Sublease.

RATINGS

Standard & Poor's Corporation has assigned the Certificates its rating of "AA/A-1+" and Moody's Investors Service has assigned the Certificates its rating of "Aa1/VMIG 1", in each case based on the anticipated issuance by the Credit Bank of the Letter of Credit as security for the Certificates. Such ratings reflect only the view of such organizations and an explanation of the significance of each rating may be obtained from the respective rating agency. There is no assurance that such ratings will continue for any given period of time or that either or both of such ratings will not be revised downward or withdrawn entirely if, in the judgment of Standard & Poor's Corporation or Moody's Investors Service, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Certificates.

UNDERWRITING

The Certificates are being purchased by The First Boston Corporation (the "Underwriter"). The Underwriter has agreed to purchase the Certificates at a price of \$8,705,400 plus accrued interest. The purchase agreement relating to the

Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Certificates to certain dealers and others at prices lower than the offering prices stated on the cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MISCELLANEOUS

The references herein to the Sublease, Trust Agreement and Assignment Agreement are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to said documents. Copies of the documents mentioned under this heading are available from the Underwriter and following delivery of the Certificates will be on file at the offices of the Trustee in Los Angeles, California.

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the content thereof.

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

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

COUNTY OF RIVERSIDE

By /s/ Gary N. Cottrell

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are summaries of certain provisions contained in the Ground Lease, the Sublease, the Trust Agreement and the Assignment Agreement which are not summarized elsewhere in this Official Statement. Reference is made to said documents, copies of which may be obtained from the Trustee, for the complete text thereof. Capitalized terms used herein without definition shall have the meanings as set forth in the Sublease and the Trust Agreement.

The Ground Lease

Under the Ground Lease, the County will lease the Property to the Corporation for the nominal rental due under the Ground Lease. The Ground Lease will commence on the date of recordation and will terminate on the earlier of November 16, 2020 or the date of termination of the Sublease.

The Sublease

Simultaneously with the delivery of the Ground Lease, the Corporation will lease the Property to the County pursuant to the Sublease. Under the Sublease, the County will pay Base Rental for the right of the use and possession of the Property. Base Rental will be used to pay amounts designated as principal and interest with respect to the Certificates. The County also promises to pay Additional Rental which includes taxes and assessments levied upon the Property and, to the extent not paid out of the proceeds of the sale of the Certificates, the fees and expenses of the Trustee and the Tender Agent in connection with the Trust Agreement, any amounts due to the Remarketing Agent and to pay any Letter of Credit expenses due the Credit Bank under the Sublease and any other fees, costs or expenses incurred by the Corporation or others in connection with the execution, performance or enforcement of the Sublease or assignment thereof or the Trust Agreement or any transaction relating to such agreements. The Sublease is a triple net lease and the County is obligated accordingly to pay all expenses and other costs associated with the operation and possession of the Property.

During the term of the Sublease, the Trustee will hold the Corporation's rights in the Sublease and Ground Lease pursuant to the Assignment Agreement (other than the Corporation's rights to indemnification under the Sublease). Upon payment in full of the Certificates or provision for such payment having been made pursuant to the Trust

Agreement, or exercise of the County's option to purchase all of the leasehold interest of the Corporation and the Trustee in the Property, the Sublease will terminate and all right, title and interest in the Property will vest in the County or its designee without further action by the Corporation or the Trustee.

Eminent Domain. If any portion of the Property shall be taken under the power of eminent domain, the Sublease shall terminate as to such portion as of the day possession shall be so taken, or, if the County is the condemnor, the Sublease shall terminate as to such portion as of the date of entry of the interlocutory judgment. In the event of a taking by eminent domain, there shall be an abatement of Base Rental in accordance with the provisions of the Sublease. If less than a substantial portion of the Property shall be taken under the power of eminent domain, and the remainder is usable for County purposes, then there shall be an abatement of Base Rental only to the extent of the portion of the portion which is unusable and the Sublease shall continue in full force and effect and shall not be terminated by virtue of such taking. The County agrees to take such action as is reasonably necessary to obtain compensation for a taking by eminent domain at least equal to the proportionate amount of Outstanding Certificates relating to the Property or portion thereof so taken. If the County is the condemnor, the County agrees to obtain compensation for such taking at least equal to the proportionate amount of Outstanding Certificates relating to the Property or portion thereof so taken.

Assignment and Sublease. The Sublease provides that the County may not mortgage, pledge, assign or transfer any interest of the County in the Sublease by voluntary act or by operation of law or otherwise; provided, however, that the County may (i) sublease all or any portion of the Property, (ii) grant concessions to others involving the use of any portion of the Property, and (iii) assign its right to purchase the Property (see "Option to Purchase" below). The County will at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Sublease notwithstanding any subletting or granting of concessions which may be made.

Events of Default and Remedies. Events of default under the Sublease include (1) failure of the County to deposit with the Trustee any Base Rental or Additional Rental by the due date thereof, (2) breach by the County of any other terms, covenants or conditions contained in the Sublease or in the Trust Agreement and failure to remedy such breach within 30 days after written notice thereof given to the County by the Corporation or the Credit Bank, or (3) any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency or similar law or

any law providing for the appointment of a receiver, liquidator, trustee or similar official of the County or of all or substantially all of its assets, is instituted by or with the consent of the County, or is instituted without its consent and is not permanently stayed or dismissed within 60 days, or if the County makes any offer to the County's creditors to effect a composition or extension of time to pay the County's debts or asks, seeks or prays for a reorganization or to effect a plan of reorganization, or for a readjustment of the County's debts, or if the County shall make a general or any assignment for the benefit of the County's creditors.

Pursuant to California Civil Code Section 1951.4, even if the County has breached the Sublease and abandoned the Property, the Sublease shall continue in effect for so long as the Corporation does not terminate the County's right to possession, and the Corporation may enforce all of its rights and remedies under the Sublease, including the right to recover Base Rental as it becomes due. The Corporation has waived any rights it may have to terminate the Sublease or the County's right to possession on account of the County's default under the Sublease.

Option to Purchase. The County has the right and option under the Sublease to purchase all or any portion of the Property on any Business Day upon payment of the option price thereof so long as no event of default has occurred under the Sublease or the Trust Agreement. The option price with respect to the Property or any portion thereof shall equal the proportionate principal amount of Certificates Outstanding relating to the Property or portion thereof so purchased, plus the interest component attributable to such Certificates, to the date such Certificates are to be prepaid or paid in accordance with the Trust Agreement. The County may exercise its option by giving notice thereof to the Trustee not later than 15 days prior to the Business Day on which it intends to exercise its option and shall deposit with the Trustee an amount equal to the option price which amount shall be in addition to the Base Rental due under the Sublease on such date. The Certificates are subject to optional prepayment from such proceeds. See "PREPAYMENT OF CERTIFICATES" herein.

Amendments to Sublease. The Sublease may be amended only by a written instrument signed by the County and the Credit Bank and consented to in writing by the Trustee; provided, that the County may unilaterally amend the legal description of the Property so long as the County delivers to the Credit Bank and the Trustee simultaneously with such amendment a certificate stating that such amendment will not (i) legally or financially affect the County's obligations under the Sublease, (ii) result in a diminution of the fair rental value of the Property, or (iii) adversely affect the

rights of the Credit Bank. If any such amendment shall in any way affect the rights of the Corporation under the Sublease, such amendment shall not be effective until it is consented to in writing by the Corporation.

Trust Agreement

Funds and Accounts. Under the Trust Agreement, the Trustee will establish the funds and accounts therein described and invest, transfer and disburse moneys on deposit therein. The Trust Agreement establishes the Acquisition Fund, the Administrative Expense Fund, the Costs of Issuance Fund, the Certificate Fund, the Base Rental Fund and certain accounts in each of such funds.

Payments of Base Rental, the proceeds of liquidated damages with respect to the Property, any other amounts received in respect of interest on or principal of the Certificates, any proceeds of insurance or awards in respect of taking under the power of eminent domain, any damages or amounts received by the Trustee with respect to rental of the Property after a default by the County pursuant to the Sublease, any amounts deposited by the County upon exercise of its option to purchase all or any portion of the Property pursuant to the Sublease, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee in the appropriate account of the Base Rental Fund. Such funds shall be used to pay principal or interest or the prepayment price, as applicable, on the Certificates or to reimburse the Credit Bank for draws on the Letter of Credit as described below. Funds will be transferred in amounts sufficient to make such payments from the appropriate account of the Base Rental Fund to appropriate subaccounts of the Certificate Fund on the Business Day immediately preceding each Interest Payment Date, Sinking Account Installment Date or Prepayment Date, as applicable.

On the Business Day immediately preceding each Interest Payment Date, the Trustee will draw upon the Letter of Credit in an amount sufficient to pay interest due with respect to all Certificates on such Interest Payment Date. On the Business Day immediately preceding each Sinking Fund Installment Date, the Trustee will draw upon the Letter of Credit an amount sufficient to pay the principal due with respect to the Certificates on such Sinking Account Installment Date. On the Business Day immediately preceding each Prepayment Date, the Trustee will draw upon the Letter of Credit an amount sufficient to pay the principal and accrued interest due with respect to the Certificates on such Prepayment Date. Such funds will be deposited in the Letter of Credit Interest Subaccount of the Interest Account of the Certificate Fund, the Letter of Credit Principal

Subaccount of the Principal Account of the Certificate Fund, and the Letter of Credit Prepayment Subaccount of the Prepayment Account of the Certificate Fund, respectively, and shall be applied from the appropriate subaccount to pay the interest due on such Interest Payment Date, the principal due on such Sinking Account Installment Date and the principal and accrued interest due on such Prepayment Date.

Amounts received in respect of moneys on deposit in any fund or account shall, not less frequently than semiannually to the extent moneys are available, be deposited in the General Account of the Administrative Expense Fund.

The Trustee will deposit the sum of \$25,000 into the Administrative Expense Fund from the proceeds of the sale of the Certificates. The Trustee shall, to the extent of amounts available therein, disburse moneys in the General Account in the Administrative Expense Fund on such dates and in such amounts as are necessary to pay all expenses of the Corporation or the County (not otherwise paid or provided for out of the proceeds of the sale of Certificates) incidental to the issuance of the Certificates and the performance by the County and the Corporation of their respective obligations under the Sublease (including, without limitation, all payments of Additional Rental), the Ground Lease, the Assignment Agreement and the Trust Agreement.

At least fifteen days prior to the first Business Day of each February, May, August and November during the term of the Letter of Credit, the Trustee shall bill the County for the quarterly portion of the Credit Bank's Letter of Credit fee and shall deposit such amount in the Letter of Credit Fee Account in the Administrative Expense Fund. The Trustee shall transfer from such account to the Credit Bank, on the first Business Day of each February, May, August and November during the term of the Letter of Credit, an amount sufficient to pay the quarterly portion of the Credit Bank's Letter of Credit fee, calculated as provided in the Sublease.

The Trustee will deposit \$206,290 of the proceeds of the sale of the Certificates in the Costs of Issuance Fund. The Trustee will disburse money from the Costs of Issuance Fund on such dates and in such amounts as is necessary to pay Costs of Issuance, in each case in accordance with a payment request form. Any amounts remaining in the Costs of Issuance Fund on the 180th day following the Closing Date will be transferred to the General Account of the Administrative Expense Fund.

The Trustee will deposit the remainder of the proceeds of the sale of the Certificates into the Acquisition Fund.

The Trustee will disburse money from the Acquisition Fund to pay Acquisition Costs, in each case promptly after receipt of a written request of the County Representative. In no event (except for its own negligence or willful misconduct) is the Trustee responsible for the improper use of money properly disbursed pursuant to such requests. Amounts on hand in the Acquisition Fund after payment of all Acquisition Costs may be disbursed, on and after payment the 180th day following the issuance of the Certificates, to pay Costs of Issuance, upon receipt by the Trustee of a written request of the County Representative.

All amounts remaining in the Acquisition Fund after payment of all Acquisition Costs shall be transferred first to the Credit Bank to the extent of any amounts owing to the Credit Bank under the Sublease, and second to the General Account in the Administrative Expense Fund.

Surplus. After payment or prepayment or provision for payment or prepayment of all amounts due with respect to the Certificates, payment of all fees and expenses to the Trustee and the Tender Agent, and payment of any amounts owing to the Credit Bank, or satisfactory provision for such payments having been made, any amounts remaining in any of the funds or accounts and not required for such purposes shall be remitted to the County and used for any lawful purpose thereof. Any amount remaining in any of the funds or accounts established under the Trust Agreement after the payment or prepayment of all amounts due with respect to the Certificates shall be remitted to the County and used for any lawful purpose.

Events of Default and Remedies. Events of default under the Trust Agreement include (1) an event of default under the Sublease and (2) failure by the County to observe and perform any other covenant, condition or agreement on its part to be observed or performed under the Trust Agreement or Sublease (other than as described in clause (1) above) for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the County by the Trustee or to the County and the Trustee by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Trustee and the Owners shall not unreasonably withhold their consent to an extension of such time so long as corrective action is instituted by the County within such period and diligently pursued until the default is corrected.

The Trustee. The County or the Owners of a majority in aggregate principal amount of Certificates then Outstanding may by written request at any time and for any reason, with the written consent of the Credit Bank, remove the Trustee

and any successor thereto. The Trustee may at any time resign by giving written notice to the County, the Credit Bank, Moody's and S&P and by giving mailed notice to the Owners of its intention to resign and of the proposed date of resignation, which shall be a date not less than 60 days after mailing of such notice, unless an earlier resignation date and the appointment of a successor Trustee shall have been or are approved by the Owners of a majority in aggregate principal amount of all Certificates then Outstanding. Upon such removal or resignation, the County will appoint a successor or successors thereto, but any such successor must be a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$100,000,000, shall be a member of the Federal Deposit Insurance Corporation and must be subject to supervision or examination by a federal or state banking authority. Any removal or resignation of the Trustee will become effective upon acceptance of appointment by the successor Trustee.

Amendment. The Trust Agreement may be amended in writing by the County and the Trustee without the consent of any Owners but with the consent of the Credit Bank (i) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement; (ii) in regard to questions arising under the Trust Agreement which the County and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which will not adversely affect the interests of the Owners; (iii) for any other reason, provided that the County and the Trustee may rely in entering into any such modification or amendment upon an opinion of Independent Counsel stating that the foregoing requirements have been met with respect to such modification or amendment. The Trust Agreement may be amended for any other purpose with the consent of the parties thereto, the Credit Bank and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding. No amendment may impair the right of any Owner to receive such Owner's proportionate share of principal and interest in accordance with the terms of his or her Certificate.

No Liability of County for Trustee, Remarketing Agent or Tender Agent Performance. The County has no obligation or liability to the Owners or any other party with respect to the performance by the Trustee, the Tender Agent or the Remarketing Agent of any duty imposed upon it under the Trust Agreement, including the distribution of principal and interest to the Owners.

No Liability of Trustee for Base Rental by County. Except as provided in the Trust Agreement, the Trustee has no obligation or liability to the Owners with respect to the payment of the Base Rental by the County when

due, or with respect to the performance by the County of any other covenant made by it in the Sublease.

No Liability of County Except as Stated. Except for (i) the payment of Base Rental and Additional Rental when due in accordance with the terms of the Sublease, and (ii) the performance by the County of its obligations and duties as set forth in the Sublease and the Trust Agreement, the County has no obligation or liability to the Trustee or the Owners.

Assignment Agreement

Under the Assignment Agreement, the Corporation will sell, assign and transfer to the Trustee, for the benefit of the Owners, certain of its rights in the Ground Lease and the Sublease (excepting the Corporation's rights to receive payments of Additional Rental and indemnification) including the Corporation's right to receive Base Rental. The Trustee will accept such assignment for the purpose of securing such payments and rights of the Owners.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE COUNTY
FOR THE FISCAL YEAR ENDING JUNE 30, 1989**

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KPMG Peat Marwick

Certified Public Accountants

Orange County Office
Center Tower
650 Town Center Drive
Costa Mesa, CA 92626

Independent Auditors' Report

The Honorable Board of Supervisors
County of Riverside, California

We have audited the general purpose financial statements of the County of Riverside, California, as of and for the year ended June 30, 1989, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Riverside County Hospital or the financial statements of the Housing Authority of the County of Riverside, which statements reflect total assets constituting 93 percent and total revenues constituting 85 percent of the enterprise fund type. These statements were audited by other auditors whose reports thereon have been furnished to us and our opinion expressed herein, insofar as it relates to the amounts included for the Riverside County Hospital and the Housing Authority of the County of Riverside, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based upon our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the County of Riverside, California, at June 30, 1989, and the results of its operations and the changes in financial position of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining, individual fund, and individual account group financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the County of Riverside, California. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

As discussed in note 2 to the general purpose financial statements, beginning fund balances at June 30, 1988 have been restated to reflect a change in accounting for the County of Riverside Asset Leasing Corporation and the Riverside County Flood Control and Water Conservation District (component units).

December 22, 1989

KPMG Peat Marwick

COUNTY OF RIVERSIDE
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 1989

| ASSETS | GOVERNMENTAL FUND TYPES | | | |
|--|-------------------------|-------------------|--------------------|--------------------|
| | GENERAL | SPECIAL REVENUE | DEBT SERVICE | CAPITAL PROJECTS |
| Cash and investments (Note 4) | \$ 19,688,368 | 54,924,818 | 18,009,017 | 48,948,820 |
| Taxes receivable | 10,920,575 | 2,895,077 | 1,774,000 | |
| Accounts receivable, net | 175,001 | | | 2,231,384 |
| Interest receivable | | 822,000 | 1,551,419 | |
| Advances to other funds (Note 12) | 4,948,856 | 450,000 | 3,116,960 | |
| Due from other funds (Note 12) | 38,677,404 | 28,503,638 | | 23,535,918 |
| Due from other governments | 40,956,000 | 2,247,367 | | |
| Due from third-party payors | | | | |
| Inventories | 828,260 | 523,495 | | |
| Land, structures, improvements and equipment (Note 6) | | | | |
| Accumulated depreciation & amortization | | | | |
| Restricted assets (Note 5) | | | 101,477,058 | 100,811,103 |
| Amount available for retirement of long-term debt | | | | |
| Amount to be provided for retirement of long-term debt | | | | |
| TOTAL ASSETS | \$ 116,194,464 | 90,366,395 | 125,928,454 | 175,527,225 |
| LIABILITIES AND FUND EQUITY | | | | |
| LIABILITIES: | | | | |
| Accounts payable | \$ 10,929,596 | 8,058,162 | 153,000 | 4,483,509 |
| Salaries and benefits payable | 9,980,109 | 1,389,408 | | |
| Advances from other funds (Note 12) | | | | 831,000 |
| Due to other funds (Note 12) | | 716,398 | | 1,418,214 |
| Due to other governments | 3,322 | 827,198 | | 59 |
| Due to third party payors | | | | |
| Deferred revenue | 40,199,726 | 25,989,622 | 4,753,960 | 713,350 |
| Interest payable | | | 514,003 | 871 |
| Deposits payable | | | | |
| Accrued compensation payable (Note 9) | | | | |
| Loans payable (Note 9) | | | | |
| Deferred compensation payable (Note 7) | | | | |
| Bonds payable (Note 9) | | | | |
| Capital lease obligations (Note 8) | | | | |
| Estimated claims liability | | | | |
| TOTAL LIABILITIES | 61,112,753 | 36,980,788 | 5,420,963 | 7,447,003 |
| FUND EQUITY: | | | | |
| Investment in general fixed assets | | | | |
| Contributed capital | | | | |
| Retained earnings (deficit) | | | | |
| Fund balance: | | | | |
| Reserved (Note 11) | 14,770,176 | 2,195,295 | 120,507,491 | 105,702,176 |
| Unreserved: | | | | |
| Designated (Note 11) | 10,477,071 | | | |
| Undesignated | 29,834,464 | 51,190,312 | | 62,378,046 |
| TOTAL FUND EQUITY | 55,081,711 | 53,385,607 | 120,507,491 | 168,080,222 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 116,194,464 | 90,366,395 | 125,928,454 | 175,527,225 |

See accompanying notes to general purpose financial statements.

| PROPRIETARY FUND TYPES | | FIDUCIARY FUND TYPE | ACCOUNT GROUPS | | TOTAL (MEMORANDUM ONLY) |
|------------------------|-------------------|---------------------|----------------------|------------------------|-------------------------|
| ENTERPRISE | INTERNAL SERVICE | AGENCY | GENERAL FIXED ASSETS | GENERAL LONG-TERM DEBT | |
| 13,328,091 | 34,122,661 | 559,420,086 | | | 748,441,861 |
| 21,203,701 | 436,063 | | | | 15,589,652 |
| 58,702 | 78,000 | | | | 24,046,149 |
| | 175,000 | 100,000 | | | 2,510,121 |
| 5,233,369 | 94,800 | | | | 8,790,816 |
| 98,000 | 95,574 | 9,213,911 | | | 96,045,129 |
| 587,061 | | | | | 52,610,852 |
| 2,562,602 | 1,560,340 | | | | 587,061 |
| | | | | | 5,474,697 |
| 62,389,569 | 41,121,714 | 105,409 | 252,618,831 | | 356,235,523 |
| (23,030,706) | (18,017,085) | (3,971) | | | (41,051,762) |
| 99,561,480 | | | | | 301,849,641 |
| | | | | 120,507,491 | 120,507,491 |
| | | | | 260,763,074 | 260,763,074 |
| <u>181,991,869</u> | <u>59,667,067</u> | <u>568,835,435</u> | <u>252,618,831</u> | <u>381,270,565</u> | <u>1,952,400,305</u> |
| 13,926,195 | 1,340,225 | 81,904,644 | | | 120,795,331 |
| 5,650,401 | 1,099,284 | | | | 18,119,202 |
| 253,500 | 3,719,157 | 270,199 | | 3,716,960 | 8,790,816 |
| 261,938 | | 93,648,579 | | | 96,045,129 |
| 47,578 | 207 | 344,002,538 | | | 344,880,902 |
| | | 995,688 | | | 995,688 |
| | 96,395 | | | | 71,753,053 |
| 257,034 | | | | | 771,908 |
| 59,069 | | 14,603,763 | | | 14,662,832 |
| | | 262,254 | | 19,109,000 | 19,371,254 |
| 20,635,149 | 128,819 | | | 381,308 | 21,145,276 |
| | | 33,147,770 | | | 33,147,770 |
| 109,190,953 | 6,209,998 | | | 354,891,000 | 470,291,951 |
| 358,398 | 7,375,442 | | | 3,172,297 | 10,906,137 |
| | 36,801,389 | | | | 36,801,389 |
| <u>150,640,215</u> | <u>56,770,916</u> | <u>568,835,435</u> | <u>0</u> | <u>381,270,565</u> | <u>1,268,478,638</u> |
| | | | 252,618,831 | | 252,618,831 |
| 14,731,247 | 8,088,347 | | | | 22,819,594 |
| 16,620,407 | (5,192,196) | | | | 11,428,211 |
| | | | | | 243,175,138 |
| | | | | | 10,477,071 |
| | | | | | 143,402,822 |
| <u>31,351,654</u> | <u>2,896,151</u> | <u>0</u> | <u>252,618,831</u> | <u>0</u> | <u>683,921,667</u> |
| <u>181,991,869</u> | <u>59,667,067</u> | <u>568,835,435</u> | <u>252,618,831</u> | <u>381,270,565</u> | <u>1,952,400,305</u> |

COUNTY OF RIVERSIDE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1989

| | GENERAL | SPECIAL REVENUE |
|--|-------------------|--------------------|
| REVENUES ----- | | |
| Taxes | \$ 137,969,490 | 40,277,495 |
| Licenses, permits and franchises | 16,242,203 | 1,686,914 |
| Fines, forfeitures, and penalties | 6,694,066 | 2,845,612 |
| Revenues from use of money and property: | | |
| Interest | 13,484,571 | 4,651,724 |
| Rents and concessions | 23,765 | 2,456,063 |
| Aid from other governmental agencies: | | |
| State | 207,693,779 | 14,268,427 |
| Federal | 100,788,248 | 24,729,359 |
| Charges for current services | 54,242,416 | 24,620,991 |
| Other revenue | 2,750,078 | 1,829,458 |
| TOTAL REVENUES | 539,888,616 | 117,366,043 |
| EXPENDITURES ----- | | |
| Current: | | |
| General government | 41,302,032 | 10,232,269 |
| Public protection | 175,699,674 | 26,043,938 |
| Public ways and facilities | | 51,680,910 |
| Health and sanitation | 81,372,996 | |
| Public assistance | 213,292,536 | 26,113,165 |
| Education | 350,830 | 4,703,885 |
| Recreation and cultural services | 3,147,488 | 1,313,171 |
| Capital outlay | | |
| Debt service: | | |
| Principal retirement | 5,668,217 | 758,000 |
| Interest | 4,269,459 | |
| TOTAL EXPENDITURES | 525,103,232 | 120,845,338 |
| REVENUES OVER (UNDER) EXPENDITURES | 14,785,384 | (3,479,295) |
| OTHER FINANCING SOURCES (USES) ----- | | |
| Operating transfers in | | 72,000 |
| Operating transfers out | (4,554,665) | (131,000) |
| Proceeds from advances | | 600,000 |
| Proceeds from sale of land | | 915,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | (4,554,665) | 1,456,000 |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 10,230,719 | (2,023,295) |
| FUND BALANCE, JULY 1, 1988, AS RESTATED (Note 2) | 44,715,809 | 55,428,654 |
| Increase (decrease) in Reserve for Inventory | 135,183 | (19,752) |
| FUND BALANCE, JUNE 30, 1989 | \$ 55,081,711 | 53,385,607 |

| DEBT SERVICE | CAPITAL PROJECTS | TOTAL (MEMORANDUM ONLY) |
|---------------------|---------------------|--|
| 2,792,000 | | 181,038,985 17,929,117 13,300,883 |
| | 3,761,205 | |
| 8,485,588 | 15,538,438 | 42,160,321 2,479,828 |
| 94,000 | 9,441,426 | 231,497,632 125,517,607 |
| 2,183,550 | 14,484,097 | 95,531,054 |
| 438,905 | 906,057 | 5,924,498 |
| <u>13,994,043</u> | <u>44,131,223</u> | <u>715,379,925</u> |
| | | |
| 1,699,648 | | 53,233,949 201,743,612 51,680,910 81,372,996 239,405,701 5,054,715 4,460,659 54,742,495 |
| | 54,742,495 | |
| 8,193,783 | | 14,620,000 |
| 20,316,941 | | 24,586,400 |
| <u>30,210,372</u> | <u>54,742,495</u> | <u>730,901,437</u> |
| <u>(16,216,329)</u> | <u>(10,611,272)</u> | <u>(15,521,512)</u> |
| | | |
| 13,351,578 | 925,889 | 14,349,467 |
| (1,902,212) | (7,761,590) | (14,349,467) |
| | 12,485,000 | 13,085,000 915,000 |
| <u>11,449,366</u> | <u>5,649,299</u> | <u>14,000,000</u> |
| | | |
| (4,766,963) | (4,961,973) | (1,521,512) |
| 125,274,454 | 173,042,195 | 398,461,112 115,431 |
| <u>120,507,491</u> | <u>168,080,222</u> | <u>397,055,031</u> |
| ===== | ===== | ===== |

COUNTY OF RIVERSIDE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1989

| REVENUES | GENERAL FUND | | | SPECIAL REVENUE FUNDS | | |
|--|-----------------------|----------------------|--|-----------------------|--------------------|--|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| Taxes | \$138,419,390 | 137,969,490 | (449,900) | 39,048,926 | 40,277,495 | 1,228,569 |
| Licenses, permits and franchises | 16,846,826 | 16,242,203 | (604,623) | 353,000 | 1,686,914 | 1,333,914 |
| Fines, forfeitures, and penalties | 9,212,973 | 6,694,066 | (2,518,907) | 3,045,414 | 2,845,612 | (199,802) |
| Revenues from use of money and property: | | | | | | |
| Interest | 10,235,686 | 13,484,571 | 3,248,885 | 1,750,721 | 4,651,724 | 2,901,003 |
| Rents and concessions | 694,372 | 23,765 | (670,607) | 512,073 | 2,456,063 | 1,943,990 |
| Aid from other governmental agencies: | | | | | | |
| State | 218,726,624 | 207,693,779 | (11,032,845) | 25,741,137 | 14,268,427 | (11,472,710) |
| Federal | 104,754,806 | 100,788,248 | (3,966,558) | 42,331,959 | 24,729,359 | (17,602,600) |
| Charges for current services | 50,727,759 | 54,242,416 | 3,514,657 | 42,956,269 | 24,620,991 | (18,335,278) |
| Other revenue | 4,299,729 | 2,750,078 | (1,549,651) | 19,512,472 | 1,829,458 | (17,683,014) |
| TOTAL REVENUES | 553,918,165 | 539,888,616 | (14,029,549) | 175,251,971 | 117,366,043 | (57,885,928) |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 54,405,875 | 41,302,032 | 13,103,843 | 17,080,837 | 10,232,269 | 6,848,568 |
| Public protection | 191,649,794 | 175,699,674 | 15,950,120 | 31,056,203 | 26,043,938 | 5,012,265 |
| Public ways and facilities | | | | 103,062,564 | 51,680,910 | 51,381,654 |
| Health and Sanitation | 88,763,964 | 81,372,996 | 7,390,968 | | | |
| Public assistance | 223,491,929 | 213,292,536 | 10,199,393 | 45,471,449 | 26,113,165 | 19,358,284 |
| Education | 380,272 | 350,830 | 29,442 | 5,978,814 | 4,703,885 | 1,274,929 |
| Recreation and cultural services | 3,225,143 | 3,147,488 | 77,655 | 2,761,168 | 1,313,171 | 1,447,997 |
| Capital outlay | | | | | | |
| Debt service: | | | | | | |
| Principal retirement | 6,887,650 | 5,668,217 | 1,219,433 | | 758,000 | (758,000) |
| Interest | 7,971,735 | 4,269,459 | 3,702,276 | | | |
| Appropriation for Contingencies | 4,440,229 | | 4,440,229 | | | |
| TOTAL EXPENDITURES | 581,216,591 | 525,103,232 | 56,113,359 | 205,411,035 | 120,845,338 | 84,565,697 |
| REVENUES OVER (UNDER) EXPENDITURES | (27,298,426) | 14,785,384 | 42,083,810 | (30,159,064) | (3,479,295) | 26,679,769 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in/(out) | | (4,554,665) | (4,554,665) | (131,000) | (59,000) | 72,000 |
| Proceeds from advances | | | | | 600,000 | 600,000 |
| Proceeds from sale of land | | | | | 915,000 | 915,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | 0 | (4,554,665) | (4,554,665) | (131,000) | 1,456,000 | 1,587,000 |
| REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | \$(27,298,426) | 10,230,719 | 37,529,145 | (30,290,064) | (2,023,295) | 28,266,769 |
| FUND BALANCE, JULY 1, 1988, AS RESTATED | | 44,715,809 | | | 55,428,654 | |
| Increase (decrease) in Reserve for Inventory | | 135,183 | | | (19,752) | |
| FUND BALANCE, JUNE 30, 1989 | | \$ 55,081,711 | | | 53,385,607 | |

See accompanying notes to general purpose financial statements.

| CERTAIN DEBT SERVICE FUNDS | | | CERTAIN CAPITAL PROJECTS FUNDS | | | TOTAL (Memorandum Only) | | |
|----------------------------|------------------|--|--------------------------------|-------------------|--|-------------------------|--------------------|--|
| BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) |
| 1,803,000 | 1,803,000 | 0 | | | | 179,271,316 | 180,049,985 | 778,669 |
| | | | 742,406 | 3,761,205 | 3,018,799 | 17,199,826 | 17,929,117 | 729,291 |
| | | | | | | 13,000,793 | 13,300,883 | 300,090 |
| 90,000 | 90,000 | 0 | | 67,700 | 67,700 | 12,076,407 | 18,293,995 | 6,217,588 |
| | | | | | | 1,206,445 | 2,479,828 | 1,273,383 |
| | | | 12,803,948 | 9,303,426 | (3,500,522) | 257,271,709 | 231,265,632 | (26,006,077) |
| | | | 84,643 | | (84,643) | 147,171,408 | 125,517,607 | (21,653,801) |
| | | | 9,275,075 | 14,484,097 | 5,209,022 | 102,959,103 | 93,347,504 | (9,611,599) |
| | 426,000 | 426,000 | 4,099,202 | 900,937 | (3,198,265) | 27,911,403 | 5,906,473 | (22,004,930) |
| <u>1,893,000</u> | <u>2,319,000</u> | <u>426,000</u> | <u>27,005,274</u> | <u>28,517,365</u> | <u>1,512,091</u> | <u>758,068,410</u> | <u>688,091,024</u> | <u>(69,977,386)</u> |
| | | | | | | 71,486,712 | 51,534,301 | 19,952,411 |
| | | | | | | 222,705,997 | 201,743,612 | 20,962,385 |
| | | | | | | 103,062,564 | 51,680,910 | 51,381,654 |
| | | | | | | 88,763,964 | 81,372,996 | 7,390,968 |
| | | | | | | 268,963,378 | 239,405,701 | 29,557,677 |
| | | | | | | 6,359,086 | 5,054,715 | 1,304,371 |
| | | | | | | 5,986,311 | 4,460,659 | 1,525,652 |
| | | | 29,175,774 | 13,001,674 | 16,174,100 | 29,175,774 | 13,001,674 | 16,174,100 |
| 1,475,000 | 1,475,000 | 0 | | | | 8,362,650 | 7,901,217 | 461,433 |
| 1,118,000 | 1,118,000 | 0 | | | | 9,089,735 | 5,387,459 | 3,702,276 |
| | | | | | | 4,440,229 | 0 | 4,440,229 |
| <u>2,593,000</u> | <u>2,593,000</u> | <u>0</u> | <u>29,175,774</u> | <u>13,001,674</u> | <u>16,174,100</u> | <u>818,396,400</u> | <u>661,543,244</u> | <u>156,853,156</u> |
| <u>(700,000)</u> | <u>(274,000)</u> | <u>426,000</u> | <u>(2,170,500)</u> | <u>15,515,691</u> | <u>17,686,191</u> | <u>(60,327,990)</u> | <u>26,547,780</u> | <u>86,875,770</u> |
| | 59,000 | 59,000 | | | | (131,000) | (4,554,665) | (4,423,665) |
| | | | | | | | 600,000 | 600,000 |
| | | | | | | | 915,000 | 915,000 |
| <u>0</u> | <u>59,000</u> | <u>59,000</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(131,000)</u> | <u>(3,039,665)</u> | <u>(2,908,665)</u> |
| <u>(700,000)</u> | <u>(215,000)</u> | <u>485,000</u> | <u>(2,170,500)</u> | <u>15,515,691</u> | <u>17,686,191</u> | <u>(60,458,990)</u> | <u>23,508,115</u> | <u>83,967,105</u> |
| ===== | 2,176,000 | ===== | ===== | 12,458,472 | ===== | ===== | 114,778,935 | ===== |
| | | | | | | | 115,431 | |
| | <u>1,961,000</u> | | | <u>27,974,163</u> | | | <u>138,402,481</u> | |
| | ===== | | | ===== | | | ===== | |

COUNTY OF RIVERSIDE
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1989

| | ENTERPRISE FUNDS | INTERNAL SERVICE FUNDS | TOTAL (MEMORANDUM ONLY) |
|--|---------------------|------------------------------|-------------------------------|
| OPERATING REVENUES | | | |
| Care of patients | \$121,644,850 | | 121,644,850 |
| Less allowance and uncollectible accounts | 43,144,003 | | 43,144,003 |
| Patient care revenue-net | <u>78,500,847</u> | | <u>78,500,847</u> |
| Current services | 19,723,375 | 49,245,486 | 68,968,861 |
| Charges to County departments | | 2,119,000 | 2,119,000 |
| Charges to other governments | 23,332,285 | | 23,332,285 |
| Other | 1,897,138 | | 1,897,138 |
| TOTAL OPERATING REVENUES | <u>123,453,645</u> | <u>51,364,486</u> | <u>174,818,131</u> |
| OPERATING EXPENSES | | | |
| Cost of materials used | 4,922,437 | | 4,922,437 |
| Personal services | 62,049,301 | 8,623,316 | 70,672,617 |
| Communications | 58,405 | 377,020 | 435,425 |
| Insurance | 5,416,771 | 1,886,747 | 7,303,518 |
| Maintenance of building and equipment | 2,530,658 | 5,644,139 | 8,174,797 |
| Insurance claims | | 17,485,722 | 17,485,722 |
| Supplies | 13,916,764 | 4,166,523 | 18,083,287 |
| Purchased services | 1,028,991 | 1,809,094 | 2,838,085 |
| Depreciation and amortization | 4,467,208 | 4,006,358 | 8,473,566 |
| Rents and leases of equipment | 559,740 | 1,175,478 | 1,735,218 |
| Utilities | 1,384,167 | 20,724 | 1,404,891 |
| Public assistance | 18,359,336 | | 18,359,336 |
| Other | 1,358,278 | 2,314,450 | 3,672,728 |
| TOTAL OPERATING EXPENSES | <u>116,052,056</u> | <u>47,509,571</u> | <u>163,561,627</u> |
| OPERATING INCOME | <u>7,401,589</u> | <u>3,854,915</u> | <u>11,256,504</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Interest of invested funds | 418,081 | 1,666,675 | 2,084,756 |
| Interest expense | (1,076,888) | (1,695,407) | (2,772,295) |
| Miscellaneous revenue (expense) | (2,079,704) | 121,803 | (1,957,901) |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(2,738,511)</u> | <u>93,071</u> | <u>(2,645,440)</u> |
| NET INCOME | <u>4,663,078</u> | <u>3,947,986</u> | <u>8,611,064</u> |
| RETAINED EARNINGS (DEFICIT) JULY 1, 1988, -AS RESTATED (Note 2) | 11,479,329 | (8,662,182) | 2,817,147 |
| Equity transfer (Note 16) | 478,000 | (478,000) | 0 |
| RETAINED EARNINGS (DEFICIT) JUNE 30, 1989 (Note 3) | <u>\$16,620,407</u> | <u>(85,192,196)</u> | <u>\$11,428,211</u> |

See accompanying notes to general purpose financial statements.

COUNTY OF RIVERSIDE
 COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 1989

| | ENTERPRISE FUNDS | INTERNAL SERVICE FUNDS | TOTALS (MEMORANDUM ONLY) |
|---|---------------------|------------------------------|--------------------------------|
| WORKING CAPITAL PROVIDED: | ----- | ----- | ----- |
| Operations | | | |
| Net income | \$4,663,078 | \$3,947,986 | \$8,611,064 |
| Items not requiring working capital: | | | |
| Depreciation and amortization | 4,467,208 | 4,006,358 | 8,473,566 |
| Equity transfer in/(out) | 478,000 | (478,000) | 0 |
| Loss on sale of equipment | (9,406) | (1,741,482) | (1,750,888) |
| Total working capital provided by operations | 9,598,880 | 5,734,862 | 15,333,742 |
| Incurrence of capital lease obligation | 18,000 | 4 | 18,004 |
| Issuance of debt | 104,271,512 | 3,089,990 | 107,361,502 |
| Increase in contributed capital | 1,041,938 | 25,750 | 1,067,688 |
| Increase in long-term deferred income | | 51,880 | 51,880 |
| Proceeds of sales of fixed assets | | 679,272 | 679,272 |
| TOTAL PROVIDED | 114,930,330 | 9,581,758 | 124,512,088 |
| WORKING CAPITAL APPLIED: | | | |
| Increase in restricted assets | 99,886,230 | | 99,886,230 |
| Acquisition of fixed assets | 5,417,161 | 6,676,668 | 12,093,829 |
| Retirement of long-term debt | 2,016,366 | 285,897 | 2,302,263 |
| Decrease in contributed capital | | 593 | 593 |
| TOTAL APPLIED | 107,319,757 | 6,963,158 | 114,282,915 |
| INCREASE (DECREASE) IN WORKING CAPITAL | 7,610,573 | 2,618,600 | 10,229,173 |
| SUMMARY OF INCREASES (DECREASES) IN WORKING CAPITAL: | | | |
| Cash and investments | 5,613,416 | 7,982,617 | 13,596,033 |
| Accounts receivable, net of allowances for uncollectibles | 4,505,970 | 163,546 | 4,669,516 |
| Interest receivable | 671 | | 671 |
| Due from other funds | 2,418,674 | (103,000) | 2,315,674 |
| Due from other governments | 68,000 | (141,193) | (73,193) |
| Inventories | 175,278 | 382,711 | 557,989 |
| Accounts payable | (5,404,062) | 89,932 | (5,314,130) |
| Salaries and benefits payable | (268,820) | 18,152 | (250,668) |
| Due to other funds | (16,019) | 168,000 | 151,981 |
| Due to other governments | 5,000 | 41,793 | 46,793 |
| Due to third party payors | 512,465 | | 512,465 |
| Deferred revenue | | (38,748) | (38,748) |
| Estimated claims liability | | (5,945,210) | (5,945,210) |
| INCREASE (DECREASE) IN WORKING CAPITAL | \$7,610,573 | \$2,618,600 | 10,229,173 |

See accompanying notes to general purpose financial statements.

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COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements
June 30, 1989

(1) Summary of Significant Accounting Policies

General

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

Reporting Entity

The County reporting entity consists of all significant organizations, functions and activities over which the County exercises oversight responsibility through the County's elected officials. Oversight responsibility is determined on the basis of appointment of the governing board, designation of management, ability to significantly influence operations, accountability for fiscal matters and the scope of public service.

Included in the accompanying general purpose financial statements are those County-related entities that meet the criteria established by the National Council on Governmental Accounting, Statement 3, as adopted by the Governmental Accounting Standards Board ("GASB"). In analyzing the County's broad scope of operations, County management has determined that the following related entities are significantly influenced by the County of Riverside through the appointment of management or governing body, approval of budgets, and/or funding of operations and are therefore subject to inclusion in the County's Comprehensive Annual Financial Report ("CAFR"):

Riverside County Housing Authority
Riverside County Flood Control & Water Conservation District
Riverside County Park Facilities Corporation
Riverside County Juvenile Facilities Corporation
Riverside County Redevelopment Agency
Riverside County Asset Leasing Corporation
Riverside County Service Areas
Riverside Civic Center Authority - Hall of Records
Indio Civic Center Authority
Palm Springs Civic Center Authority

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The general purpose financial statements also include as Agency Funds numerous self-governed school and special districts for which cash and investments are held by the County Treasurer. The financial reporting for these governmental entities, which are independent of the County of Riverside, is limited to the total amount of cash and investments and other assets, and the related fiduciary responsibility of the County for disbursement of these assets. Activities of the school districts and special districts are administered by boards which are separately elected and which are independent of the County Board of Supervisors. The County Auditor/Controller makes disbursements upon the request of the responsible school and self-governed district officers.

Basis of Presentation

The financial resources and operations of the County are accounted for in funds and account groups.

A fund is defined as an independent fiscal and accounting entity with a self balancing set of accounts which is segregated for the purpose of carrying on specific activities. Account groups are used to establish accounting control and accountability for the County's general fixed assets and general long-term debt obligations. Account groups are not funds as they do not reflect available financial resources and related liabilities.

The accompanying general purpose financial statements include the following fund types and account groups:

Governmental Fund Types:

Governmental funds are used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is upon determination of changes in financial position. The following are the County's governmental fund types.

General Fund

The General Fund is available for any authorized purpose and is used to account for all financial resources except for those accounted for in other funds.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than those accounted for in Capital Projects Funds) that are restricted to expenditures for specified purposes. Special Revenue Funds also include general funds of certain governmental units or agencies included in the County's reporting entity as a result of the County's oversight responsibility.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by Proprietary Fund Types.

Proprietary Fund Types:

Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is upon determination of net income and capital maintenance. Following are the County's proprietary fund types.

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the periodic determination of net income is deemed important.

Internal Service Funds

Internal Service Funds are used to account for the goods or services furnished by one County department or agency to other departments or agencies of the County, or to other governments, on a cost reimbursement basis.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fiduciary Fund Types:

Agency Funds

Agency Funds are used to account for assets held by the County as agent for individuals, private organizations, boards, commissions and other governmental entities or funds not part of the County reporting entity, but for which the County acts in a fiduciary capacity. Agency funds are custodial in nature and do not involve measurement focus. The Development Agency Fund was established during fiscal year 1989 to account for fees collected from private developers. The fees will be used to finance additional County services and public buildings needed as the result of the new development.

Account Groups:

General Fixed Assets Account Group

The General Fixed Assets Account Group is used to account for all general fixed assets of the County other than those accounted for in Proprietary Funds.

General Long-Term Debt Account Group

General Long-Term Debt Account Group is used to account for the unmatured principal of general obligation bonds and other general long-term obligations that are not specific liabilities of Proprietary Funds.

Basis of Accounting

The County uses the modified accrual basis of accounting for the Governmental Fund Types (General, Special Revenue, Debt Service, and Capital Projects), and Agency Funds. Revenues are recognized when susceptible to accrual, i.e., measurable and available to finance operations of the current period. Secured and unsecured delinquent property taxes estimated to be collectible in future years are recorded as receivables and deferred revenue, with amounts expected to be collected within sixty days after year-end recognized as revenue, if material. Interest income, sales taxes and charges for services are accrued when earned or held by the intermediary collecting agency. Federal and state grants and subventions are recorded as revenue when determined to be available and the related eligible expenditures are incurred. Revenues which are not considered susceptible to accrual include fines, forfeitures and penalties, and licenses, permits, and franchises. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for interest on long-term debt obligations, which is recognized when payment is due.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Basis of Accounting

The accrual basis of accounting is used for Enterprise Funds and Internal Service Funds. Under this method of accounting, revenues are recognized when they are earned and become measurable and expenses are recorded when they are incurred. Enterprise fund unbilled health care services are included as accounts receivable in the accompanying combined balance sheet because such amounts are accrued as revenue when the services are provided.

For Governmental Funds, the County records accrued vacation and sick leave not expected to be paid until future years in the General Long-Term Debt Account Group. Such amounts applicable to the Proprietary Funds are accrued as liabilities in these funds.

Budgetary Data

In accordance with the provisions of Section 29000-29143 of the Government Code of the State of California (the "Government Code"), commonly known as the County Budget Act, the County prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are adopted for the General Fund, Special Revenue Funds, certain Debt Service Funds and certain Capital Projects Funds and are prepared on the modified accrual basis of accounting in accordance with generally accepted accounting principles. Annual budgets are not adopted for the County of Riverside Asset Leasing Corporation and the "other entities" included in the Debt Service and Capital Projects Funds and, accordingly, these funds are not included in the accompanying Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual -- All Governmental Fund Types (see note 14).

Expenditures are controlled by organization at the appropriation level for all budgets within the County, except for fixed asset expenditures, which are controlled by specific items. However, presenting the financial statements at this level is not feasible due to their excessive length. The budget document showing the legal level of control is available in the Auditor-Controller's Office. Therefore, for financial reporting purposes, budgetary control is presented at the functional level. There was no excess of expenditures over appropriations at the object level.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in the General, Special Revenue and Capital Projects Funds. Encumbrance accounting is utilized to assure effective budgetary control and accountability. Encumbrances outstanding at year-end represent the estimated amount of expenditures ultimately to result if the unperformed contracts in process at year-end are completed.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Budgetary Data (continued)

Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at that time are reported as a reservation of fund balance and reappropriated in the subsequent year (see note 11).

Amendments or transfers of appropriations between objects of expenditures within the same department or between departments within any fund must be approved by the Board. Supplemental appropriations necessary and normally financed by unanticipated revenue during the year must also be approved by the Board. There were numerous budget adjustments during the fiscal year that were not material to the general purpose financial statements. In most cases the adjustments were to increase appropriations and estimated revenue.

Budget amounts reported in the accompanying general purpose financial statements reflect amended amounts. Any deficiency of budgeted revenues and other financing sources over expenditures and other uses is financed by beginning available fund balances as provided for in the County Budget Act.

Property Taxes

All jurisdictions within California derive their taxing authority via State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed by the County Assessor and State Board of Equalization at 100% of full cash or market value (with some exceptions) pursuant to Article XIII A of the California State Constitution and statutory provisions. The total 1988-89 gross assessed valuation of the County of Riverside was \$43,813,091,056.

The property tax levy to support general operations of the various local government jurisdictions is limited to one percent (1%) of the full cash value of taxable property and distributed in accordance with statutory formulas. Amounts needed to finance the annual requirements of voter approved debt (approved by the electorate prior to June 30, 1978) are excluded from this limitation and are calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

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

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Property Taxes (continued)

Property taxes are levied on both real and personal property and are recorded as receivables at the date of levy. Secured property taxes are levied on or before the first business day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes which are delinquent and unpaid as of June 30 are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property is sold at public auction and the proceeds are used to pay the delinquent amounts due and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on March 1, and become delinquent, if unpaid, on August 31.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued on a first-in, first-out (FIFO) basis. Reported inventories of the Governmental Funds are offset with a corresponding reservation of fund balance because these amounts are not available for appropriations and expenditures (see note 11). Inventories of the Governmental Funds are accounted for as expenditures when the inventory items are purchased. Proprietary Funds use the consumption method.

Fixed Assets

Expenditures exceeding \$1000 for general fixed assets recorded in the General, Special Revenue and Capital Project Funds are capitalized at historical cost in the General Fixed Assets Account Group.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs, gutters, streets and sidewalks are not capitalized. Such infrastructure assets are of value only to the County; therefore, the purposes of stewardship and cumulative accountability for capital expenditures are satisfied

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Fixed Assets (continued)

without recording these assets in the General Fixed Assets Account Group. Depreciation is not provided on general fixed assets. Fixed assets of the Enterprise and Internal Service Funds are recorded at historical cost or estimated historical cost, less accumulated depreciation. Depreciation expense is provided using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|----------------------------|----------------|
| Buildings and Improvements | 20 to 40 years |
| Equipment | 3 to 10 years |

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized.

All fixed assets acquired through gifts or contributions are recorded at the estimated market value on the date of receipt.

Leases

The County leased various assets under both operating and capital lease agreements. For Governmental Fund Types, assets under capital leases and the related lease obligations are reported in the General Fixed Assets and General Long-Term Debt Account Groups, respectively. For Proprietary Fund Types, the assets and related lease obligations are recorded in the appropriate Enterprise or Internal Services Fund. (see note 8)

Self-Insurance

The County is self-insured for public liability, medical malpractice, property damage, disability income, unemployment and workers' compensation claims. The County records estimated liabilities for such claims filed or estimated to be filed for incidents which have occurred. The County supplements its self-insurance for long-term disability, medical malpractice and workers' compensation with insurance policies. All long-term disability payments exceeding the first two (2) years of coverage are paid by the carrier.

Medical malpractice utilizes a policy that provides annual coverage on a claims-incurred basis. Maximum coverage under the policy is \$5,000,000 for each claim and \$10,000,000 for total claims, subject to deductibles of \$1,000,000 for each claim. The maximum coverage under the workers' compensation policy is \$5,000,000 per claim subject to a \$250,000 deductible.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(1) Summary of Significant Accounting Policies (Continued)

Self-Insurance (continued)

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, 1989 are reported in these funds. County officials believe that assets of the Internal Service Funds, together with funds to be provided in the future, will be adequate to meet all self-insured claims for general liability, unemployment, disability income, medical malpractice, and workers' compensation claims as they come due, and will offset the retained deficit that currently exists. Revenues of these Internal Service Funds are primarily provided by other County funds and are intended to cover self-insured claim liabilities, insurance premiums, and operating expenses.

Vacation and Sick Leave Benefits

Accumulated unpaid vacation, compensatory time, and sick leave benefits are accrued in the General Long-Term Debt Account Group for the Governmental Funds because they will not be paid with current resources. Proprietary Funds record accumulated unpaid vacation, compensatory time and sick leave benefits as a liability of the fund.

Deferred Revenue

Deferred revenue consists, principally, of Federal and State financial assistance received prior to incurring the related reimbursable expenditures, various fees, and deposits, which will be recognized as revenue upon the occurrence of a specific event; and property taxes receivable, which are not expected to be collected within sixty days subsequent to year-end.

Total Columns on Combined Financial Statements

Total columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not purport to present financial position, results of operations, or changes in financial position of the County in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation because interfund eliminations have not been made.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(2) Accounting Changes

The County of Riverside Asset Leasing Corporation ("CORAL") was presented as an Internal Service Fund in the fiscal year 1987-88. In the current year, it is presented in the Capital Projects, Debt Service, Enterprise and Internal Service Funds, and the General Long-Term Debt Account Group. In addition the Flood Control District reclassified from a Special Revenue Fund to an Enterprise Fund.

The effects of the changes on the funds' balances or retained earnings of the related fund types at June 30, 1988 are as follows (in thousands):

| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Enter- prise</u> | <u>Internal Service</u> |
|--|----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Balance June 30, 1988 previously reported | \$ 55,446 | 6,815 | 13,469 | 11,207 | 278 |
| Changes in reporting presentation of: | | | | | |
| Flood Control | (272) | | | 272 | |
| CORAL | | 118,459 | 159,573 | | (8,940) |
| Balance June 30, 1988 as restated | <u>\$ 55,174</u> | <u>125,274</u> | <u>173,042</u> | <u>11,479</u> | <u>(8,662)</u> |

(3) Individual Fund Deficits

The following funds have fund deficits or accumulated deficits at June 30, 1989:

| | <u>Accumulated Deficit</u> |
|--------------------------------|--------------------------------|
| Enterprise Funds: | |
| Animal Spay and Neuter | \$ 224,666 |
| Waste Disposal | 2,155,202 |
| Internal Service Funds: | |
| Hospital Data Processing | 259,908 |
| Data Processing | 2,290,143 |
| Insurance | 11,086,389 |

The County plans to impose charges in future years which will be sufficient to eliminate these accumulated deficits.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(4) Cash and Investments

As provided for by the Government Code, the County maintains a cash and investment pool that is available for all funds of the County, as well as the funds of other agencies for which the County Treasury is the depository, for the purpose of increasing interest earnings through investment activities. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." Cash and investments are recorded at cost, which approximates market, except for assets of the Deferred Compensation Fund which are recorded at market value. Interest earned on the pooled funds is apportioned quarterly based on the average daily balance of each fund.

Aggregate cash and investments and restricted assets are recorded as follows (in thousands):

| | |
|----------------------|----------------|
| Cash and investments | \$ 748,442 |
| Restricted assets | <u>301,850</u> |
| | \$ 1,050,292 |
| | ===== |

Deposits

At June 30, 1989 the carrying amount of the County's deposits was \$223,884,000 which was maintained in various financial institutions. Of the balance in financial institutions, \$3,979,000 was covered by federal depository insurance and \$219,905,000 was collateralized according to State statutes which require depositories having public funds on deposit to maintain a pool of securities with the agent of the depository having a market value of a least 10 percent in excess of the total amount of all public funds on deposit. The County's deposits are considered to be in risk Categories 1 and 2. In accordance with the Governmental Accounting Standards Board Statement 3, the County's deposits are categorized in the following manner (in thousands):

| | | |
|--|---------------------------------------|---------------------------------|
| Category 1 - Insured or collateralized with securities held by the County or by its agent in the County's name. | Carrying <u>Amount</u> \$ 3,979 | Bank <u>Balance</u> 3,979 |
| Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. | <u>219,905</u> | <u>212,219</u> |
| Total | \$223,884 | 216,198 |
| | ===== | ===== |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(4) Cash and Investments (continued)

Investments

State statutes authorize the County to invest in obligations of the U.S. Treasury, federal agencies, a U.S. Government-sponsored enterprise, State of California, local government agencies, commercial paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers acceptances, repurchase agreements, and negotiable certificates of deposits issued by national and state licensed or chartered banks or federal or state savings and loan associations. In accordance with the Governmental Accounting Standard Board's Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements", the County's cash and investments are categorized separately below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured, or registered, or held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments held by counterparties in the County's name. Category 3 includes uninsured and unregistered investments held by the counterparties, or by its trust department or agent, but not in the County's name.

The County's investments are categorized as follows (in thousands):

| | <u>Category</u> | | | Carrying | Market |
|----------------------------|-------------------|---------------|---------------|------------------|----------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | <u>Amount</u> | <u>Value</u> |
| U.S. government securities | \$ 351,484 | 62,159 | 80,487 | 494,130 | 494,130 |
| Bankers' acceptances | 113,444 | - | 10,588 | 124,032 | 124,032 |
| Commercial paper | 99,286 | - | - | 99,286 | 99,286 |
| Corporate bonds | 731 | - | - | 731 | 731 |
| Repurchase agreements | 58,000 | - | 7,154 | 65,154 | 65,154 |
| | <u>\$ 622,945</u> | <u>62,159</u> | <u>98,229</u> | <u>783,333</u> | <u>783,333</u> |
| | ===== | ===== | ===== | | |
| Investment in Mutual Funds | | | | 43,075 | 43,003 |
| | | | | <u>\$826,408</u> | <u>826,336</u> |
| | | | | ===== | ===== |

Summary of Deposits and Investments

Following is a summary of the carrying amount of deposits and investments (in thousands):

| | |
|-------------|--------------------|
| Deposits | \$ 223,884 |
| Investments | <u>826,408</u> |
| | <u>\$1,050,292</u> |
| | ===== |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(5) Restricted Assets

The agreements authorizing the issuance of the County of Riverside Asset Leasing Corporation's ("CORAL") outstanding debt include certain covenants pertaining to the disposition of bond proceeds for construction, acquisition, and for bond redemption purposes.

The amount of cash restricted for such purposes at June 30, 1989 for each of the outstanding debt issues is as follows (in thousands):

| | Debt Service Fund-Bond Redemption | Capital Project-Fund -Acquisition & Construction | Enterprise Fund-Bond Redemption | Total |
|---|--|---|---------------------------------------|----------------|
| Hospital Series A | \$ | 4,203 | | 4,203 |
| 1985 ACES Types I,II | | 67,512 | | 67,512 |
| 1986 Cross-Over Refunding Types I,II | 101,477 | | | 101,477 |
| 1987 Road Improvements | | 2 | | 2 |
| 1988 A Equipment | | 29,094 | | 29,094 |
| Housing Authority Bond | | | 99,561 | 99,561 |
| Total | \$ 100,477 | 101,811 | 99,561 | 301,849 |
| | ===== | ===== | ===== | ===== |

At June 30, 1989, County management believes that CORAL is in compliance with all significant terms of its debt agreements.

(6) Changes in Fixed Assets

Following is a summary of changes in general fixed assets by class for the year ended June 30, 1989:

| | Balance at July 1, 1988 <u>As restated</u> | <u>Additions</u> | <u>Retirements</u> | Balance at June 30, 1989 |
|--------------------------------|--|-------------------|--------------------|-----------------------------|
| Land | \$ 19,571,765 | 693,591 | | 20,265,356 |
| Structures and improvements | 133,432,700 | 37,471,561 | | 170,904,261 |
| Equipment | 43,795,399 | 21,111,786 | 3,457,971 | 61,449,214 |
| Total | \$196,799,864 | 59,276,938 | 3,457,971 | 252,618,831 |
| | ===== | ===== | ===== | ===== |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(6) Changes in Fixed Assets (Continued)

The following is a summary of Proprietary Fund fixed assets by class as of June 30, 1989:

| | <u>Enterprise Funds</u> | <u>Internal Service Funds</u> |
|-----------------------------|-----------------------------|-----------------------------------|
| Land | \$ 6,563,046 | |
| Structures and improvements | 35,681,435 | 4,349,873 |
| Equipment | <u>20,145,088</u> | <u>36,771,841</u> |
| Total | <u>\$62,389,569</u> | <u>41,121,714</u> |

(7) Retirement Plans

Plan Description

The County of Riverside contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The total covered payroll for employees participating in the System for the year ended June 30, 1989 was \$223,900,234. The total payroll for the year was \$326,087,515.

All full-time, part-time and seasonal benefitted County employees are eligible to participate in the System. Temporary non-benefitted hourly employees do not participate in the system until 1000 hours. Benefits vest after five years of service. County public safety employees who retire at or after age fifty, with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount that varies from 2 per cent at age fifty to a maximum of 2.7 per cent at age sixty of the single highest year's salary for safety employees (in an amount that varies from 1.092 per cent at age fifty to a maximum of 2.418 per cent at age sixty three of the three highest years' salary for non-safety employees) for each year of credited service. The system also provides death and survivor's benefits. These benefit provisions and all other requirements are established by state statute and County ordinance.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized measure of the present value of pension benefits, adjusted for the effects of step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help assess the funding status of the system on a going-concern basis, assess progress made in

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(7) Retirement Plan (Continued)

Funding Status and Progress (Continued)

accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of an actuarial valuation performed as of June 30, 1988. Significant actuarial assumptions used in the valuation include (a) a rate of return on the investment of present and future assets of 8.5 per cent a year compounded annually, (b) projected salary increases of 5.50 per cent a year compounded annually, attributable to inflation, and across the board real salary increases, (c) additional projected salary increases of 1.50 per cent a year, attributable to seniority/merit, and (d) no post-retirement benefit increases.

The total excess funded pension benefit obligation applicable to the County employees was \$14,788,520, at June 30, 1988, as follows (reflects all plan amendments through June 30, 1989):

| | |
|---|-------------------------|
| Pension Benefit Obligation: | |
| Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits | \$170,517,608 |
| Current Employees: | |
| Accumulated employee contributions including allocated investment earnings | 113,061,608 |
| Employer-financed vested | 146,426,670 |
| Employer-financed non-vested | <u>13,528,979</u> |
| Total pension benefit obligation | <u>443,534,865</u> |
| Net assets available for benefits at cost (Market value is \$518,363,748) | <u>458,323,385</u> |
| Excess pension benefit obligation | \$(14,788,520) ===== |
| Changes in the pension benefit obligation from last year due to: | |
| Changes in benefit provisions | \$ 82,710 ===== |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(7) Retirement Plan (Continued)

Employee and Employer Contribution Obligations

The County makes the contributions required of County employees on their behalf and for their account. The rates are set by statute and therefore remain unchanged from year to year. The present rates are:

| <u>Category</u> | <u>Member Rates as a Percentage of Wages</u> |
|---|--|
| Local miscellaneous members | 7% |
| Local safety members with benefits under article 21252.01 | 9% |
| 21252.6 | 7% |

For employees who are covered by Social Security, a rate of zero is charged for the first \$133.33 per month. The County is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the PERS actuaries and actuarial consultants and adopted by the Board of Administration.

Actuarially Determined Contribution Requirements and Contributions Made

PERS uses the Entry Age Normal Actuarial Cost Method which is a projected benefit cost method. That is, it takes into account those benefits that are expected to be earned in the future as well as those already accrued.

According to this cost method, the normal cost for an employee is the level amount which would fund the projected benefit if it were paid annually from date of employment until retirement. PERS uses a modification of the Entry Age Cost method in which the employer's total normal cost is expressed as a level percentage of payroll. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends in the year 2000 for prior service benefits and in the year 2011 for current service benefits.

The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those used to compute the pension benefit obligation, as previously described. The contribution to the system for 1989 of \$36,642,493 was made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30,

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(7) Retirement Plan (Continued)

Actuarially Determined Contribution Requirements and Contributions Made (continued)

1988. The employer contribution consisted of (a) \$11,720,204 normal cost (5.235 per cent of current covered payroll) and (b) \$8,998,923 amortization of the unfunded actuarial accrued liability (4.019 per cent of current covered payroll). The County contributed employer contributions of \$20,719,127 (9.254 per cent of current covered payroll); and on behalf of employees contributed \$15,923,366 (7.112 per cent of current covered payroll).

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Ten year trend information may be found in the California Public Employees Retirement System Annual Report. Until ten years of data are available, as many years as are available will be presented.

Within the County's financial statement, three years of historical trend information are required; 1986-87 is the first year that this actuarial information was made available by PERS. Until three years of data are available, as many years as are available are presented. Therefore, the trend information for fiscal years 86/87 through 88/89 are summarized as follows:

| | <u>86-87</u> | <u>87-88</u> | <u>88-89</u> |
|--|--------------|--------------|--------------|
| Net assets available for benefits expressed as a percentage of the pension benefit obligation | 98.7 | 103.3 | N/A |
| Unfunded (assets in excess of) pension benefit obligation, expressed as a percentage of annual covered payroll | 2.6 | 6.6 | N/A |
| Employer contributions expressed as a percentage of annual covered payroll. These contributions were made in accordance with actuarially determined requirements | 10.5 | 9.3 | 9.3 |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(7) Retirement Plan (Continued)

Trend Information (continued)

The contribution rates for the year have decreased in all areas as reflected below:

| | <u>Riverside County</u> | | | | <u>Flood Control</u> | |
|------------------------------|-------------------------|-------------|---------------|---------------|----------------------|--------------|
| | <u>Misc.</u> | | <u>Safety</u> | | <u>87/8</u> | <u>88/9</u> |
| | <u>87/8</u> | <u>88/9</u> | <u>87/8</u> | <u>88/89</u> | | |
| Normal Cost | 6.660 | 6.042 | 18.702 | 17.225 | 6.237 | 6.195 |
| Unfunded Actuarial Liability | .629 | -6.042 | 4.790 | 3.065 | 2.503 | .783 |
| Total | <u>7.289</u> | <u>-0-</u> | <u>23.492</u> | <u>20.290</u> | <u>8.740</u> | <u>6.978</u> |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Deferred Compensation Plan

The County has made available to its eligible employees a deferred compensation plan, under the terms of Section 457 of the Internal Revenue Code, whereby employees may elect to defer a portion of their salary to be invested in individual savings accounts, until certain circumstances are met. These circumstances are termination by reason of death, disability, resignation, retirement, or an unforeseeable emergency. Such amounts represent a general liability of the County to its employees whose rights are equal to, but not greater than the rights of the general creditors with respect to such amounts. It is the opinion of the County's legal counsel that the County has no liability for losses under the deferred compensation plan, but does have the duty of due care that would be required of an ordinary prudent investor. Employees may contribute up to 25% of their annual compensation, not to exceed \$7,500 in any year, into the deferred compensation plan. Amounts accumulated by the County under the plan have been invested in several investment options at the direction of the employee. As of June 30, 1989, the County's deferred compensation plan has accumulated \$33,147,770 in assets, including investment earnings payable to its employees.

(8) Leases

Operating Leases

The County has entered into many operating leases, none of which contain noncancellable lease terms in excess of one year. Rent expense aggregated \$16,447,231 (principally for the General Fund) for the year ended June 30, 1989. Capital leases for governmental funds are recorded both as a capital expenditure and as an other

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(8) Leases (continued)

financing source at inception, with the liability recorded in the General Long-Term Debt Account Group and the asset recorded in the General Fixed Asset Account Group. Subsequent lease payments are accounted for in a manner consistent with the accounting treatment for payments of general obligation debt. Capital leases are secured by a pledge of the leased equipment.

The following is a schedule by years of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments as of June 30, 1989.

| <u>Year ending June 30:</u> | <u>Enterprise Funds</u> | <u>Internal Service Funds</u> | <u>General Long-Term Debt Account Group</u> |
|--|-----------------------------|---------------------------------------|---|
| 1990 | \$159,249 | 3,365,362 | 1,089,994 |
| 1991 | 112,897 | 2,716,894 | 911,033 |
| 1992 | 89,838 | 1,706,259 | 887,711 |
| 1993 | 78,848 | 495,378 | 551,510 |
| 1994 | 22,957 | 369,441 | 300,044 |
| Thereafter | | 78,146 | 41,212 |
| Total minimum payments | \$463,789 | 8,731,480 | 3,781,504 |
| Less amount representing interest | <u>105,391</u> | <u>1,356,038</u> | <u>609,207</u> |
| Present value of net minimum lease payments | <u>\$358,398</u> | <u>7,375,442</u> | <u>3,172,297</u> |

Changes to capital leases were as follows:

| | <u>Enterprise</u> | <u>Internal Service</u> | <u>General Long Term Debt</u> |
|------------------------|-------------------|-----------------------------|---------------------------------------|
| Balance, July 1, 1988 | \$3,965,620 | 9,412,640 | 4,876,201 |
| Additions | | | |
| Maturities | <u>3,607,222</u> | <u>2,037,198</u> | <u>1,703,904</u> |
| Balance, June 30, 1989 | <u>\$ 358,398</u> | <u>7,375,442</u> | <u>3,172,297</u> |

(9) Long-Term Obligations

Long-term obligations of the County consist of bonds, capital lease obligations (see Note 8) and other liabilities which are payable from the Debt Service, Enterprise and Internal Service Funds.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (continued)

General obligation bonds are not secured by collateral. Revenue for retirement of such bonds is provided from ad valorem taxes on property within the jurisdiction of the governmental unit issuing the bonds.

Joint Powers Authority (JPA) and not-for-profit corporation revenue bonds are secured by annual base rental lease payments payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

The CORAL Certificates of Participation are secured by annual base rental lease payments and by a pledge of leased equipment payable by various County departments for use of the facilities constructed or purchased from the bond proceeds.

The Housing Authority note payable is secured by a deed of trust. The Blythe Marina note payable dated February 21, 1966 was to be repaid with revenue derived from concessionaires facilities within the project over a period of twenty years. As revenues have not materialized as expected, minimal payments have been required on the note. This note is under renegotiation with the State of California.

On June 27, 1988, the County of Riverside Redevelopment Agency (the "RDA"), a Special Revenue Fund, agreed to reimburse the County of Riverside Asset Leasing Corporation ("CORAL") for a portion of the CORAL \$169,400,000 1985 Certificates of Participation (the "1985 Certificates"). The amount to be reimbursed by the RDA is determined by multiplying the ratio of the assessed property value of the RDA over the assessed unincorporated property value of the County times the amount of the 1985 Certificates outstanding. The terms of the reimbursement agreement call for annual payments to be made by the RDA to the CORAL Debt Service Fund over the life of the 1985 Certificates in an amount determined by applying the ratio described above to the annual lease payment made by the County to CORAL on the capital projects funded by the 1985 Certificates. If the RDA does not have available funds, such annual payments may be deferred, with interest accruing at a rate equal to that paid on the 1985 Certificates (see Note 12). No amount was paid in fiscal year 1989 by the RDA to CORAL and \$3,116,960 is due and unpaid at June 30, 1989. The comparable amount at June 30, 1988 was \$3,116,960 for a net change of \$0.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (continued)

A summary of long-term debt obligations follows (in thousands):

Internal Service Fund Debt

| | <u>Balance at June 30, 1989</u> |
|--|-------------------------------------|
| County of Riverside Asset Leasing Corporation certificates of participation, 4.2% to 9.5%: Date issued: November 8, 1984 through June 22, 1988 | |
| Road Department | \$2,302 |
| Automotive Maintenance | 2,781 |
| Data Processing | <u>506</u> |
| Maturing in installments through November 1, 2000 | \$5,589 |
| County of Riverside Asset Leasing Corporation leasehold revenue bonds, 7.5% to 8.4%: Date issued: January 25, 1984 | |
| Road Department | \$256 |
| Automotive Maintenance | 309 |
| Data Processing | <u>56</u> |
| Maturing in installments through June 1, 1993 | <u>621</u> |
| Total principal | \$6,210 |
| | ===== |

Enterprise Fund Debt

| | <u>Balance at June 30, 1989</u> |
|--|-------------------------------------|
| Housing Authority of the County of Riverside note payable, 7.38% Date issued: October 31, 1986 Original amount: \$1,839,060 Maturity date: November 1, 2006 | \$ 1,200 |
| Housing Authority of the County of Riverside note payable, 6.63% Date issued: November 27, 1984 Original amount: \$19,799,710 Maturity date: No set maturity date | 18,970 |
| Housing Authority of the County of Riverside bond payable, 6.4% to 7.75% Date issued: November 10, 1988 Original amount: \$99,500,000 Maturity date: October 1, 2018 | 101,339 |
| Blythe Marina note payable, 3.7% Date issued: April 22, 1963 Original amount: \$425,000 Maturity date: April 22, 2013 | 465 |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (continued)

Enterprise Fund Debt (continued)

| | | |
|---|--|-----------|
| County of Riverside Asset | | |
| Leasing Corporation - Waste Disposal | | |
| Certificate of participation, 4.2% to 9.5%: | | 2,997 |
| Date issued: November 8, 1984 through | | |
| June 22, 1988 | | |
| Maturing in installments through | | |
| November 1, 2000 | | |
| Leasehold revenue bonds, 7.5% to 8.4%: | | 220 |
| Date issued: January 25, 1984 | | |
| Maturing in installments through June 1, 1993 | | |
| County of Riverside Asset | | |
| Leasing Corporation - General Hospital | | |
| Certificate of participation, 4.2% to 9.5%: | | 4,027 |
| Date issued: November 8, 1984 through | | |
| June 22, 1988 | | |
| Maturing in installments through | | |
| November 1, 2000 | | |
| Leasehold revenue bonds, 7.5% to 8.4%: | | 607 |
| Date issued: January 25, 1984 | | |
| Maturing in installments through June 1, 1993 | | ----- |
| Total | | \$129,826 |
| | | ===== |

General Long-Term Debt Account Group

| | <u>Balance</u> | | | <u>Balance</u> |
|-----------------------------------|-----------------|---------------|----------------|-----------------|
| | <u>June 30,</u> | <u>Debt</u> | <u>Debt</u> | <u>June 30,</u> |
| | <u>1988</u> | <u>Issued</u> | <u>Retired</u> | <u>1989</u> |
| Riverside County Flood Control | | | | |
| District and Water Conservation | | | | |
| District General Obligation | | | | |
| Bonds, 4.6% to 10.25% | \$17,525 | | 1,475 | 16,050 |
| Date issued: August 15, 1974 | | | | |
| Original Amount: \$30,000 | | | | |
| Maturity date: June 30, 1992-2003 | | | | |
| Riverside County Flood Control | | | | |
| District and Water Conservation | | | | |
| District General Obligation | | | | |
| Bonds, 6.75% to 9.1% | 1,605 | | | 1,605 |
| Date issued: July 31, 1985 | | | | |
| Original Amount: \$1,839 | | | | |
| Maturity date: July 2, 1986-2000 | | | | |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (continued)

| | <u>Balance</u> <u>June 30,</u> <u>1988</u> | <u>Debt</u> <u>Issued</u> | <u>Debt</u> <u>Retired</u> | <u>Balance</u> <u>June 30,</u> <u>1989</u> |
|--|--|------------------------------|-------------------------------|--|
| Riverside County Park Facilities Corporation Leasehold Mortgage Bonds, 7% to 8% Date issued: August 15, 1974 Original Amount: \$6,525 Maturity date: June 30, 1995 | 4,375 | | 275 | 4,100 |
| Riverside County Juvenile Facilities Corporation Certificates of Participation Bonds, 5.25% to 7.80% Date issued: July 1, 1988 Original Amount: \$12,485 Maturity date: October 1, 2018 | | 12,485 | | 12,485 |
| Riverside County Juvenile Facilities Corporation Leasehold Mortgage Bonds, 8% to 10% Date issued: October 1, 1980 Original Amount: \$5,950 Maturity date October 10, 2010 | 5,680 | | 5,680 | |
| JPA Leasehold Revenue Bonds, 4.5% to 7.5% Palm Springs Date issued: February 1, 1977 Original Amount: \$3,400 Maturity date: August 1, 1989-98 | 6,995 | | 910 | 6,085 |
| Indio Civic Center Date issued: May 1, 1975 Original Amount: \$1,300 Maturity date: November 1, 1989-95 | | | | |
| Riverside Civic Center Authority Date issued: April 1, 1973 Original Amount: \$9,190 Maturity date: April 1, 1989-92 | | | | |
| County of Riverside Asset Leasing Corp. Certificate of participation, 4.2% to 9.5% Date issued: November 8, 1984 through June 22, 1988 | 319,544 | | 6,255 | 313,289 |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (Continued)

General Long-Term Debt Account Group (continued)

| | <u>Balance</u> <u>June 30,</u> <u>1988</u> | <u>Debt</u> <u>Issued</u> | <u>Debt</u> <u>Retired</u> | <u>Balance</u> <u>June 30,</u> <u>1989</u> |
|--|--|------------------------------|-------------------------------|--|
| Maturing in installments through November 1, 2000 County of Riverside Asset Leasing Corp. Leasehold revenue bonds, 7.5% to 8.4% Date issued: January 25, 1984 Maturing in installments through June 1, 1993 | 1,302 | | 25 | 1,277 |
| Total | <u>\$357,026</u> ===== | <u>12,485</u> ===== | <u>14,620</u> ===== | <u>354,891</u> ===== |

Debt Service Requirements to Maturity

Enterprise Fund debt, other than CORAL financed debt and the Housing Authority bonds, has no stated maturities and, accordingly, debt secured by means other than CORAL and the Housing Authority bonds has service requirements to maturity that are not known. A summary of General Long-Term debt, Housing Authority bonds, and CORAL secured Internal Service Fund and Enterprise Fund debt service requirements, including interest to maturity, as of June 30, 1989 follows (in thousands):

| | <u>Housing</u> <u>Authority</u> | <u>Flood</u> <u>Control</u> | <u>Total</u> <u>CORAL</u> | <u>Park</u> <u>Facilities</u> | <u>Juvenile</u> <u>Facilities</u> | <u>JPA's</u> |
|--------------------------|------------------------------------|--------------------------------|------------------------------|----------------------------------|--------------------------------------|-----------------------|
| 1990 | \$ 2,525 | 2,511 | 23,540 | 567 | 1,075 | 1,284 |
| 1991 | 2,670 | 2,428 | 28,075 | 572 | 1,117 | 1,270 |
| 1992 | 2,838 | 2,395 | 30,308 | 574 | 1,142 | 1,282 |
| 1993 | 3,031 | 2,278 | 31,090 | 574 | 1,139 | 1,269 |
| 1994 | 3,247 | 2,199 | 28,830 | 597 | 1,140 | 421 |
| There- after | 225,018 | 11,916 | 504,127 | 2,876 | 23,735 | 1,770 |
| Totals | <u>239,329</u> ----- | <u>23,727</u> ----- | <u>645,970</u> ----- | <u>5,760</u> ----- | <u>29,348</u> ----- | <u>7,296</u> ----- |
| Less interest | | | | | | |
| 137,990 | | 6,072 | 312,409 | 1,660 | 16,863 | 1,211 |
| Less related discount | 0 | 0 | 4,933 | 0 | 0 | 0 |
| Bonds Payable, net | <u>\$101,339</u> ===== | <u>17,655</u> ===== | <u>328,628</u> ===== | <u>4,100</u> ===== | <u>12,485</u> ===== | <u>6,085</u> ===== |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (Continued)

Debt Service Requirements to Maturity (Continued)

The following is the schedule of the CORAL debt by fund type and account group on an annual basis (in thousands):

| | Internal Service Funds | Enterprise Funds | General Long Term Debt Group | Total |
|---------------|---------------------------|---------------------|------------------------------------|----------------|
| 1990 | \$ 445 | 447 | 22,648 | 23,540 |
| 1991 | 531 | 533 | 27,011 | 28,075 |
| 1992 | 573 | 576 | 29,159 | 30,308 |
| 1993 | 588 | 591 | 29,911 | 31,090 |
| 1994 | 545 | 548 | 27,737 | 28,830 |
| Thereafter | <u>9,526</u> | <u>11,187</u> | <u>483,414</u> | <u>504,127</u> |
| Total | 12,208 | 13,882 | 619,880 | 645,970 |
| Less: | | | | |
| Interest | 5,905 | 5,936 | 300,568 | 312,409 |
| Discount | <u>93</u> | <u>94</u> | <u>4,746</u> | <u>4,933</u> |
| Bonds payable | <u>\$6,210</u> | <u>7,852</u> | <u>314,566</u> | <u>328,628</u> |
| | ===== | ===== | ===== | ===== |

Vacation and Sick Leave Benefits

The General Long-Term Debt Account Group reported \$19,109,000 for estimated liabilities for compensated absences at June 30, 1989. The comparable amount at June 30, 1988 was \$16,149,000 for a net increase of \$2,960,000.

Single Family and Multi-Family Mortgage Revenue Bonds and Special Assessment Bonds

Single Family Mortgage Revenue Bonds have been issued to provide funds to purchase mortgage loans secured by first trust deeds on newly constructed single-family residences. The purpose of this program is to provide low interest rate home mortgage loans to persons who are unable to qualify for conventional mortgages at market rates.

Multi-family Mortgage Revenue Bonds are issued to provide permanent financing for apartment projects located in the County to be partially occupied by persons of low or moderate income. These bonds do not constitute an indebtedness of the County. The bonds are payable solely from payments made on and secured by a pledge of the acquired mortgage loans and certain funds and other monies held for the benefit of the bondholders pursuant to the bond indentures. In the opinion of the County officials, these bonds are not payable from any revenues or asset of the County, and neither the full faith and credit nor the taxing authority of the County, the State or any political subdivision thereof is obligated for the payment of the

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(9) Long-Term Obligations (Continued)

Single Family and Multi-Family Mortgage Revenue Bonds and Special Assessment Bonds

principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Debt Account Group.

Various special districts in the County reporting entity have issued special assessment bonds, totaling \$83,502,285, to provide financing of improvements benefiting certain property owners. The County, including its special districts, is not liable for the payment of principal or interest on the bonds, which are obligations solely of the benefited property owners. Debt Service transactions relating to special assessment bonds are accounted for in the Agency Funds.

(10) Medi-Cal and Medicare Programs

The Hospital provides services to patients covered by various reimbursement programs. The principal programs are Federal Medicare, the State of California Medi-Cal and Legalized Indigent Medical Assistance (LIMA), and the County Medically Indigent Adult (MIA) and Indigent Adult (IA) programs.

Medi-Cal inpatient services are reimbursed at contractually agreed-upon rates. The Medicare program reimburses the Hospital through a prospective payment system for Medicare inpatient beneficiaries, which utilizes fixed pre-established payment rates for diagnostic-related groups. Normal billing rates for services rendered to patients covered by such programs are included in gross patient revenues, with differences between such billing rates and the estimated amounts to be received from such programs being recorded as deductions from revenues, i.e. contractual adjustments.

At June 30, 1989, the fiscal year's MIA and IA program appropriations were exhausted. The accounts receivable that qualify for reimbursement under these programs for which no other reimbursement source exists have been included in the allowance for uncompensated care and totaled approximately \$15,300,000 at June 30, 1989.

The Hospital has recorded a receivable due from the State of California, as the State subvention to the County for unreimbursed medical costs of Immigration Reform Control Act (IRCA) beneficiaries covered by the LIMA program. In order to participate in this program, the County agrees to undertake the responsibility for the provision, administration, and reimbursement for health care services to all indigent County residents pursuant to County standards of care adopted under the appropriate sections of the Welfare and Institutions Code. The Hospital began to participate in the LIMA program effective October 1, 1987.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(11) Fund Balance

The following is a summary of reserved fund balances which are not available for appropriation and expenditure (in thousands):

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> |
|--------------|-------------------------|-------------------------------------|----------------------------------|--------------------------------------|
| Reserved: | | | | |
| Encumbrances | \$ 8,438 | | | |
| Inventories | 828 | 523 | | |
| Advances | 4,952 | | | |
| Imprest cash | 202 | 92 | | |
| Debt service | | | 120,507 | |
| Construction | | | | 105,702 |
| Other | <u>350</u> | <u>1,580</u> | | |
| Total | \$ <u>14,770</u> | <u>2,195</u> | <u>120,507</u> | <u>105,702</u> |
| | ===== | ===== | ===== | ===== |

See note 1 for information regarding the reserves for encumbrances and inventories. Other reserves are for a variety of amounts including miscellaneous receivables, loans to special districts and deposits with others.

At June 30, 1989 the General Fund unreserved fund balance includes \$10,477,071 that has been designated for use by the Building & Safety Department. The amount designated is the result of building permit fees collected but the related expenditures have not yet occurred.

(12) Interfund Receivables and Payables

The following is a summary of individual interfund receivables and payables at June 30, 1989:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|----------------------------|---------------------------------|-------------------------------|
| General Fund: | \$ <u>38,677,404</u> | |
| Special Revenue Funds: | | |
| Road | 23,021,279 | 398 |
| Community Services | 3,519,750 | |
| Flood Control | 837,000 | 716,000 |
| County Service Areas | 666,964 | |
| Other Special Revenues | <u>458,645</u> | |
| Total Special Revenue Fund | \$ <u>28,503,638</u> | <u>716,398</u> |

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(12) Interfund Receivables and Payables (Continued)

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|-----------------------------------|---------------------------------|-------------------------------|
| Capital Project Funds: | | |
| Public Facilities Improvements | 7,249,571 | |
| Correctional Facilities | 16,286,347 | |
| County of Riverside Asset Leasing | | 1,418,214 |
| Total Capital Project Funds | <u>\$ 23,535,918</u> | <u>1,418,214</u> |
| Enterprise Funds: | | |
| Animal Spay and Neuter | 20,876 | |
| Waste Disposal | 5,212,493 | |
| County Service Areas | | 18 |
| Flood Control | | 51,920 |
| Total Enterprise Funds | <u>\$ 5,233,369</u> | <u>210,000</u> |
| Internal Service Funds: | | |
| Data Processing | 5,800 | |
| Flood Control Equipment | 89,000 | |
| Total Internal Service Funds | <u>\$ 94,800</u> | <u>261,938</u> |
| Agency Funds | | |
| Special Districts | | 3,800,000 |
| Departmental Trusts | | 15,098,025 |
| Development | | 11,868,517 |
| Public & Grants | | 45,465,513 |
| Payroll Deductions | | 352 |
| Property Tax Assessments | | 17,416,172 |
| Total Agency Funds | | <u>93,648,579</u> |
| Total | <u>\$96,045,129</u> | <u>96,045,129</u> |

Advances recorded in the general long-term debt account group represent advances due from the Redevelopment Agency (a special revenue fund) to the County of Riverside Asset Leasing Corporation (CORAL). Such amounts have not been expended or recorded as a CORAL liability because the County does not expect to pay the advance within the coming year.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(12) Interfund Receivables and Payables (Continued)

The General, Special Revenue, Internal Service and Agency Funds make advances to other funds to assist in meeting their cash flow requirements. Advances at June 30, 1989 consist of the following:

| | <u>Advances To Other Funds</u> | <u>Advances From Other Funds</u> |
|-----------------------------------|------------------------------------|--------------------------------------|
| General Fund: | <u>\$ 4,948,856</u> | |
| Special Revenue Funds: | | |
| Community Service | 350,000 | |
| Road | <u>100,000</u> | |
| Total Special Revenue Funds | <u>450,000</u> | |
| Capital Project Funds: | | |
| Public Facility Improvements | | <u>831,000</u> |
| Debt Service Funds: | | |
| County of Riverside Asset Leasing | <u>3,116,960</u> | |
| Enterprise Fund: | | |
| Animal Spay & Neuter Clinic | | <u>253,500</u> |
| Internal Service Funds: | | |
| Hospital Data Processing | | 175,000 |
| Road Equipment | | 100,000 |
| Automotive Maintenance | | 1,500,000 |
| Data Processing | 175,000 | 1,650,000 |
| Printing Services | | 150,000 |
| Supply Service | | <u>144,157</u> |
| Total Internal Service Funds | <u>175,000</u> | <u>3,719,157</u> |
| Agency & Trust Funds: | | |
| Departmental Trust | | 50,000 |
| Public & Grant Trusts | <u>100,000</u> | <u>220,199</u> |
| Total Agency & Trust Funds | <u>100,000</u> | <u>270,199</u> |
| General Long-Term Debt | | 3,716,960 |
| Total | <u>\$ 8,790,816</u> | <u>8,790,816</u> |

(13) Segment Information

The County has four enterprise fund segments which record the activities of the hospital, housing authority, waste disposal, and animal spay and neuter services, and the operations of the Blythe Marina, County Service areas, and Flood control.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(13) Segment Information

Segment information as of and for the year ended June 30, 1989 is as follows (in thousands):

| | <u>Hospital</u> | <u>Waste Disposal</u> | <u>Housing Authority</u> | <u>All Other</u> | <u>Total</u> |
|------------------------|-----------------|---------------------------|------------------------------|----------------------|----------------|
| Operating revenues net | \$ 80,292 | 16,259 | 24,413 | 2,490 | 123,454 |
| Operating expenses: | | | | | |
| Depreciation expenses | 2,306 | 1,042 | 1,119 | | 4,467 |
| Other | <u>72,434</u> | <u>14,091</u> | <u>22,768</u> | <u>2,292</u> | <u>111,585</u> |
| Operating income | \$ 5,552 | 1,126 | 526 | 198 | 7,402 |
| Non-Operating revenue | | | | | |
| (expenses) | <u>(554)</u> | <u>(2,754)</u> | <u>383</u> | <u>186</u> | <u>(2,739)</u> |
| Net income (loss) | \$ 4,998 | (1,628) | 909 | 384 | 4,663 |
| Property: | | | | | |
| Additions | \$ 1,754 | 667 | 2,755 | 241 | 5,417 |
| Retirements | \$ 9 | | | | 9 |
| Contributions | \$ | 1,039 | | 2 | 1,041 |
| Net working capital | \$ 21,313 | (1,308) | 1,418 | (1,265) | 22,616 |
| Total assets | \$ 43,921 | 11,026 | 124,168 | 2,977 | 181,992 |
| Long-term liabilities | \$ 4,975 | 3,217 | 121,509 | 484 | 130,185 |
| Total fund equity | \$ 26,666 | 1,199 | 1,898 | 1,589 | 31,352 |

(14) Budget/Actual Reconciliation

Budgets are not adopted for all funds included in the Debt Service and Capital Project Fund Types. The differences in the excess of revenues and other financing sources over (under) expenditures and other uses between the Combined Statement of Revenue, Expenditures and Changes in Fund Balance and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance--Budget and Actual is attributable to this entity difference as shown on the following page.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(14) Budget/Actual Reconciliation (Continued)

| | Debt Service | Capital Project |
|---|-----------------|--------------------|
| Fund balances, June 30, 1989 all funds | \$120,507,491 | 168,080,222 |
| Less fund balances, June 30, 1989 unbudgeted funds | (118,546,491) | (140,106,059) |
| Fund balances, June 30, 1989 budgeted funds | \$ 1,961,000 | 27,974,163 |

(15) Commitments and Contingencies

Lawsuits and Other Claims

The County of Riverside has been named as a defendant in numerous lawsuits and claims arising in the normal course of operations. In the aggregate, these claims seek monetary damages in significant amounts. To the extent the outcome of such litigation has been determined to result in probable financial loss to the County, such loss has been accrued in the accompanying general purpose financial statements. In the opinion of County Counsel the ultimate outcome of these claims will not materially affect the operations of the County.

In addition to the aforementioned claims, the County has also been named as a defendant in a large number of lawsuits arising from a hazardous waste disposal site within the County. In the aggregate these suits seek damages of approximately \$775,000,000, of which the County's maximum liability would be \$20,000,000. A preliminary hearing has been scheduled in April of 1990 to give 24 test plaintiffs an opportunity to present their evidence to the court. While the total amount claimed is significant, the outcome of these matters and the ultimate liabilities, if any, are uncertain; therefore only a minor amount in relation to the size of the claims has been accrued in the accompanying general purpose financial statements. It is the opinion of County Counsel and outside counsel that the plaintiffs have not experienced any significant compensable damages as a result of the disposal site operation.

Federal Grant Revenue

Compliance examinations for the year ended June 30, 1989 identified certain items of noncompliance with Federal grants and regulations. The total amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, however, County management does not expect such amounts to be material to the general purpose financial statements.

COUNTY OF RIVERSIDE

Notes to General Purpose Financial Statements

(15) Commitments and Contingencies (Continued)

Commitments

At June 30, 1989, CORAL entered into various noncancellable construction contracts with outside contractors, of which \$3,228,510 will be payable upon future performance under the contracts.

(16) Equity Transfers

The Flood Control Internal Service Fund transferred \$478,000 of equity to a newly created Flood Control Enterprise Fund.

(17) Subsequent Events

On July 1, 1989, CORAL issued leasehold revenue bonds totaling \$195,905,000 and capital appreciation bonds totaling \$4,197,532 at interest rates ranging from 6.25% to 7.40% due from June 1999 to June 2019. The proceeds are intended to finance the construction of the Riverside General Hospital-University Medical Center. Bonds are payable from revenue consisting of lease payments by the County of Riverside to CORAL.

On July 1, 1989, the County issued \$47 million of Tax and Revenue Anticipation Notes, due June 30, 1990. The notes bear interest at a rate of 6.25% per annum. The notes, in accordance with California law, are general obligations of the County, but are payable only out of the taxes, income, revenues, cash receipts, and other monies of the County attributable to the fiscal year 1989-90 and legally available for payment thereof. Proceeds from the notes will be used for fiscal year 1989-90 General Fund expenditures, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness of the County.

THE COUNTY OF RIVERSIDE

**RIVERSIDE COUNTY
GENERAL ECONOMIC DATA**

Introduction

Riverside County was organized in 1893 from territory in San Bernardino and San Diego Counties and encompasses 7,177 square miles. The County is bordered on the north by San Bernardino County, on the east by the State of Arizona, on the South by San Diego and Imperial Counties and on the west by Orange and Los Angeles Counties. There are 21 incorporated cities in Riverside County.

Organization

Riverside County is a general law County divided into five supervisorial districts on the basis of registered voters and population. The County is governed by a five-member Board of Supervisors, elected by district. Members serve alternating four-year terms and the chairman is elected by the Board members.

County administration includes appointed and elected officials, boards, commissions and committees which assist the Board of Supervisors.

The County provides a wide range of services to residents, including police and fire protection, medical and health services, education, library services, judicial institutions and public assistance programs.

Some municipal services are provided by the County on a contract basis to incorporated cities within its boundaries. These services are designed to allow cities to contract for municipal services such as police and fire protection without incurring the cost of creating city departments and facilities. Services are provided to the cities at cost by the County.

Geography

Three distinct geographical areas characterize Riverside County: the western valley area, the higher elevations of the mountains, and the deserts. The western valley, which includes the San Jacinto mountains and the Cleveland National Forest, experiences the mild climate typical of Southern California. The eastern desert areas experience warmer and dryer weather conditions.

Source: County of Riverside

The Following Table Demonstrates The Growth In Median Household Income For The County And Two Cities In The County:

ESTIMATED MEDIAN HOUSEHOLD INCOME

| | <u>Year 1988</u> | | <u>Year 1989</u> | |
|------------------|-------------------------|--------------------------------------|--------------------------|--------------------------------------|
| | Median Household Income | Percent Of Households Over \$ 25,000 | Median Households Income | Percent Of Households Over \$ 25,000 |
| Palm Springs | \$28,805 | 54% | \$30,765 | 57% |
| Riverside | \$30,264 | 56% | \$32,486 | 58% |
| Riverside County | \$25,278 | 50% | \$27,476 | 54% |

Source: Donnelley Marketing Information Services - Market Profile Analysis.

Population

According to the California Department of Finance, the County's population is estimated at 1,110,021 as of January 1, 1990, reflecting a 8.36% increase over January 1, 1989. Population rose 80% from 1950 to 1960, and 50% from 1960 to 1970. The 1980 U.S. Census shows the County's population to be 633,923, a 39% increase over the 1970 population. The table below shows a 40 year history of the County's population growth.

The largest population centers are the cities of Riverside, Moreno Valley, Corona, Palm Springs, Indio, Hemet, Cathedral City and Temecula. The areas of most rapid population growth continue to be those more populated and industrialized cities in the western and central regions of the County and the southwestern unincorporated region of the County between Sun City and Rancho California. The area between Palm Springs and Indio also is a rapidly developing area accounting for a large portion of increased property values. The county's population is projected to exceed 1,300,000 by the 1995-96 fiscal year.

ANNUAL POPULATION

January 1

| CITY | 1950 | 1960 | 1970 | 1980 | 1990 |
|--------------------|---------------|----------------|----------------|----------------|----------------|
| Banning | 7,034 | 10,250 | 12,034 | 14,020 | 20,973 |
| Beaumont | 3,152 | 4,288 | 5,484 | 6,818 | 9,968 |
| Blythe | 4,089 | 6,023 | 7,047 | 6,805 | 8,413 |
| Cathedral City | | | | | 31,753 |
| Coachella | 4,854 | | 8,353 | 9,129 | 14,969 |
| Corona | 10,223 | 13,336 | 27,519 | 37,791 | 69,980 |
| Desert Hot Springs | | | 2,738 | 5,941 | 11,221 |
| Hemet | 3,386 | 5,416 | 12,252 | 22,454 | 35,660 |
| Indian Wells | | | 760 | 1,394 | 2,720 |
| Indio | 5,300 | 9,745 | 14,459 | 21,611 | 36,003 |
| Lake Elsinore | | | 3,530 | 5,982 | 15,971 |
| La Quinta | | | | | 11,827 |
| Moreno Valley | | | | | 114,903 |
| Norco | | | 14,511 | 19,732 | 25,342 |
| Palm Desert | | | | 11,081 | 20,659 |
| Palm Springs | 7,660 | 13,468 | 20,936 | 32,359 | 32,083 |
| Perris | 1,807 | 2,950 | 4,228 | 6,827 | 18,884 |
| Rancho Mirage | | | | 6,281 | 9,268 |
| Riverside | 46,764 | 84,332 | 140,489 | 170,591 | 218,499 |
| San Jacinto | | 2,553 | | 7,098 | 15,310 |
| <u>TOTALS:</u> | | | | | |
| Incorporated | 94,269 | 152,361 | 274,340 | 385,914 | 724,406 |
| Unincorporated | <u>75,777</u> | <u>153,830</u> | <u>182,576</u> | <u>248,009</u> | <u>385,615</u> |
| <u>County-Wide</u> | 170,046 | 306,191 | 456,916 | 633,923 | 1,110,021 |

NOTE: On December 1, 1989, Temecula was incorporated as a city. Temecula is included under "unincorporated" on this chart. The population in Temecula is estimated at 32,000.

Source: California State Department of Finance and County of Riverside.

Industry and Employment

The County is a part of the **Riverside-San Bernardino-Ontario Primary Metropolitan Statistical area** ("PMSA") which includes all of Riverside and San Bernardino counties. In addition to varied manufacturing employment, the PMSA has large and growing commercial and service sector employment, as reflected in the table below:

RIVERSIDE, SAN BERNARDINO, ONTARIO PMSA
LABOR MARKET SURVEY
(In Thousands)

| INDUSTRY | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Agriculture | 20.2 | 22.6 | 22.7 | 23.7 | 23.3 | 23.4 |
| Construction | 26.4 | 37.9 | 45.6 | 52.6 | 51.9 | 65.2 |
| Finance, Insurance & Real Estate | 19.8 | 22.0 | 24.5 | 26.9 | 26.6 | 28.7 |
| Government | 108.1 | 118.4 | 122.0 | 124.2 | 124.3 | 137.7 |
| Manufacturing: | | | | | | |
| Nondurables | 18.2 | 19.5 | 21.5 | 24.6 | 24.4 | 25.6 |
| Durables | 40.7 | 46.5 | 54.3 | 58.7 | 59.0 | 62.8 |
| Subtotal | 58.9 | 66.0 | 75.8 | 83.3 | 83.4 | 88.4 |
| Mining | 1.2 | 1.3 | 1.2 | 1.2 | 1.2 | 1.4 |
| Retail Trade | 105.1 | 112.6 | 126.8 | 139.8 | 136.6 | 142.2 |
| Services | 104.7 | 118.8 | 135.1 | 148.4 | 147.9 | 159.3 |
| Transportation & Public Utilities | 26.0 | 29.3 | 31.4 | 31.7 | 31.4 | 33.0 |
| Wholesale Trade | <u>16.8</u> | <u>19.7</u> | <u>21.3</u> | <u>22.0</u> | <u>22.0</u> | <u>26.7</u> |
| TOTAL | 487.2 | 548.6 | 606.4 | 653.8 | 648.6 | 794.40 |

* Estimated

Overall, in the past six years, through 1989, total employment rose 63.1%, while population increased 39.3% in Riverside County. As of January 1, 1990, unemployment in the PMSA was 5.7%, compared to 5.3% for the United States.

Source: California State Department of Finance

Industry and Employment (Continued)

The following table sets forth those employers located in the County that employ more than 500 employees:

| COMPANY NAME | LOCATION | PRODUCT/SERVICE | NUMBER OF EMPLOYEES |
|-----------------------------|---|-----------------------------|---------------------|
| Marriott Corporation | County-wide | Hotels/Resorts | 3,420 |
| Rohr Industries, Inc. | Riverside, Moreno Valley | Aerospace/Aircraft SubContr | 3,250 |
| Landmark Land Company | Moreno Valley, Beaumont Coachella Valley | Development/Resorts | 2,500 |
| Fleetwood Enterprises, Inc | Riverside, Rubidoux | Mobil Homes/Rvs | 1,923 |
| Dayton Hudson Corporation | County-wide | Department Store | 1,900 |
| The Vons Company | County-wide | Supermarket | 1,900 |
| American Stores | County-wide | Supermarket | 1,860 |
| Stater Brothers | County-wide | Supermarket | 1,800 |
| K-Mart | County-wide | Department Store | 1,777 |
| GTE California | County-wide | Phone Company | 1,500 |
| Sunworld International | Indio | Growers, Packers | 1,500 |
| Deutsch Company | Hemet, Banning | Electronic Connectors | 1,229 |
| Pacific Enterprises | County-wide | | 1,229 |
| The Press Enterprise | County-wide | Newspaper | 1,170 |
| Fred's Centre Brands | Riverside, Moreno Valley Hemet, Corona | Frozen Foods | 950 |
| Bourns, Incorporated | Riverside, Romoland | Electronic Components | 800 |
| Consolidated Freightways | Mira Loma, Hemet, Indio | Trucking | 740 |
| El Toro Company | Riverside | Irrigation Equipment | 720 |
| Royal Citrus Company | Riverside | Growers, Packers | 700 |
| Skyline Corporation | Hemet, San Jacinto | Rvs/Manufactured Housing | 700 |
| Sunrise Company | Coachella Valley | Growers, Packers | 675 |
| Bank of America | County-wide | Banking | 631 |
| Pacific Bell | Riverside, Corona | Phone Company | 612 |
| Yeager Construction Company | Riverside, Corona Thousand Palms, Norco | Construction | 550 |
| Riverside Medical Clinic | Riverside, Moreno Valley Corona, Jurupa | Health Care | 504 |

Source: Riverside Press-Enterprise. 1989.

Industry and Employment (Continued)

The major health care and public sector employers in the County are as follows:

| COMPANY | LOCATION | SERVICE | NUMBER OF EMPLOYEES |
|---|------------------|--|---------------------|
| <u>Health Care</u> | | | |
| Desert Hospital | Palm Springs | Hospital | 1,652 |
| Eisenhower Medical Center | Rancho Mirage | Hospital | 1,650 |
| Riverside General Hospital | Riverside | Hospital | 1,489 |
| Hemet Valley Hospital | Hemet | Hospital | 1,200 |
| Riverside Community Hospital | Riverside | Hospital | 1,100 |
| Parkview Community Hospital | Riverside | Hospital | 623 |
| <u>Public Service</u> | | | |
| Riverside County (Excluding Riverside General Hospital) | County-wide | County Government | 7,534 |
| University of California, Riverside | Riverside | University | 3,774 |
| Riverside Unified School District | Riverside | School, K-12 | 2,431 |
| City of Riverside | Riverside | City Government | 2,200 |
| Corona-Norco Unified School District | Corona-Norco | School, K-12 | 1,900 |
| United States Postal Service | County-wide | Federal Government | 1,464 |
| Desert Sands Unified School District | Desert Sands | School, K-12 | 1,390 |
| Moreno Valley Unified School District | Moreno Valley | School, K-12 | 1,329 |
| Jurupa Unified School District | Jurupa | School, K-12 | 1,200 |
| California Rehabilitation Ctr-Norco | Norco | State Correctional Inst | 1,200 |
| Coachella Valley Unified School District | Coachella Valley | School, K-12 | 1,150 |
| Riverside Community College | Riverside | Junior College | 1,024 |
| Palm Springs Unified School District | Palm Springs | School, K-12 | 991 |
| Alvord Unified School District | Riverside | School, K-12 | 950 |
| Hemet Unified School District | Hemet | School, K-12 | 900 |
| <u>Military</u> | | | |
| March Air Force Base | Riverside | United States Air Force Defense Facility | 1,276 |
| Fleet Analysis | Corona | Weapons and Test System Analysis | 950 |

Source: The Riverside Chamber of Commerce, Keep Riverside Ahead (KRA), October 1988

Commercial Activity

Commercial activity has proven to be an important factor in the County's economy. Between 1984 and 1989, taxable retail sales rose approximately 50% while total taxable sales rose approximately 55%.

Much of the County's commercial activity is concentrated in central business districts or in small neighborhood commercial centers in the cities. There are six conventional regional shopping centers: Riverside Plaza, Tyler Mall (Riverside), Palm Springs Mall, Indio Fashion Mall, Hemet Valley Mall, Palm Desert Town Center, and Canyon Springs Mall. There are over 20 area centers distributed throughout the cities and over 17 in other areas of the County. In addition, all major retail auto dealers are represented.

The County is served by a number of major banks. They include (number of branches in parenthesis): Security Pacific National Bank (29), Bank of American National Trust and Savings Association (27), First Interstate Bank of California (10), and Wells Fargo Bank (6). There are savings and loan associations in the County, with Great American Federal and California Federal having the largest number of branch offices.

Source: County of Riverside

Sales

The following table sets forth taxable transactions in the County for the years 1984 through June 30, 1989:

**RIVERSIDE COUNTY
TAXABLE SALES TRANSACTIONS
(In Thousands)**

(Six Months)

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989* |
|--|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
| Apparel Stores | \$ 162,057 | \$ 179,457 | \$ 195,899 | \$ 217,639 | \$ 262,428 | \$ 152,361 |
| General Merchandise Stores | 437,948 | 562,936 | 511,636 | 631,426 | 678,815 | 333,634 |
| Drug Stores | 83,248 | 91,036 | 101,321 | 110,426 | 129,454 | 67,600 |
| Food Stores | 451,104 | 476,971 | 523,108 | 516,791 | 544,908 | 304,572 |
| Package Liquor Stores | 52,038 | 54,740 | 54,912 | 63,938 | 66,403 | 33,385 |
| Eating and Drinking Places | 444,494 | 488,347 | 543,532 | 603,764 | 651,868 | 365,692 |
| Home Furnishing and Appliances | 152,561 | 169,128 | 186,467 | 216,742 | 256,814 | 131,386 |
| Building Materials & Farm Implements | 391,645 | 432,828 | 530,930 | 627,312 | 766,539 | 394,423 |
| Service Stations | 430,919 | 460,025 | 394,750 | 459,971 | 516,933 | 298,723 |
| Automobile, Boat, Motorcycle, Plane Dealers & Parts Outlet | 743,589 | 816,528 | 1,403,610 | 1,080,157 | 1,228,343 | 370,042 |
| Miscellaneous | <u>305,135</u> | <u>242,404</u> | <u>622,462</u> | <u>335,605</u> | <u>384,282</u> | <u>562,882</u> |
| TOTAL All OUTLETS | \$4,873,946 | \$5,401,764 | \$6,688,895 | \$ 6,735,948 | \$7,549,881 | \$ 4,261,440 |

*Due to slow sales reporting by retail establishments following the October 17, 1989 earthquake, the State Board of Equalization (SBOE) has to date been able to provide disaggregated data only through the second quarter of 1989.

Source: State Board of Equalization

Building Activity

The following tables provide a six-year summary of building permit valuations and number of new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 1984. The high for single family building permits occurred in 1989. Moreno Valley, Temecula and Coachella Valley are centers of economic activity and are currently experiencing high rates of growth in housing.

RIVERSIDE COUNTY BUILDING PERMIT VALUATIONS (In Thousands)

| | 1984 | 1985 | 1986 | 1987 | 1988 |
|---------------------|----------------|----------------|----------------|----------------|----------------|
| Residential | \$1,240,812 | \$1,004,567 | \$1,386,559 | \$1,591,488 | \$3,174,324 |
| Non-residential | 235,011 | 383,221 | 247,579 | 437,707 | 515,215 |
| Improvement Permits | <u>354,305</u> | <u>382,643</u> | <u>511,854</u> | <u>306,240</u> | <u>453,876</u> |
| TOTAL | \$1,830,128 | \$1,770,431 | \$2,145,992 | \$2,335,435 | \$4,143,415 |

Information regarding building permit valuations during 1989 for improvements in incorporated areas of Riverside County was not available. However, residential and non-residential permit valuations for the unincorporated area were 2,431,529,000 and 762,137,000 respectfully.

Source: County of Riverside, Department of Building and Safety

RIVERSIDE COUNTY NUMBER OF NEW DWELLING UNITS CONSTRUCTED OR IMPROVED

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Single Family | 12,805 | 8,667 | 11,973 | 14,053 | 15,496 | 19,378 |
| Multi-Family | <u>7,398</u> | <u>7,920</u> | <u>8,963</u> | <u>3,975</u> | <u>2,169</u> | <u>2,837</u> |
| TOTAL | 20,203 | 16,587 | 20,936 | 18,028 | 17,665 | 22,215 |

Source: County of Riverside, Department of Building and Safety

Agriculture

Agriculture remains a leading source of income in the County. The County ranked fifth among the 58 California counties in 1989 in terms of total value of agricultural production and fifth in terms of total crop production. Principal crops are grapes, grapefruit, cotton, alfalfa, dates and lemons. The value of County agricultural crops and products has exceeded one billion dollars in each of the last two years.

Three areas in the County account for the major portion of agricultural activity: the Alessandro District 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. While the County is one of the nation's leading citrus producers, its expanding dairy industry is increasing in importance.

The value of agricultural production in the County for 1985 through 1989 is presented in the table below:

RIVERSIDE COUNTY VALUE OF AGRICULTURAL PRODUCTION

| | 1985 | 1986 | 1987 | 1988 | 1989 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| Citrus Fruits | \$ 155,183,700 | \$ 162,621,200 | \$ 145,650,500 | \$ 177,529,900 | \$ 144,633,100 |
| Trees and Vines | \$ 155,160,900 | \$ 172,103,700 | \$ 162,855,000 | \$ 219,401,700 | \$ 175,450,700 |
| Vegetables, Melons, Miscellaneous | \$ 114,062,200 | \$ 139,104,000 | \$ 165,476,500 | \$ 203,192,600 | \$ 185,787,300 |
| Field and Seed Crops | \$ 74,979,800 | \$ 76,051,000 | \$ 80,249,000 | \$ 83,696,700 | \$ 77,614,300 |
| Nursery | \$ 44,985,400 | \$ 49,235,700 | \$ 54,134,300 | \$ 68,231,600 | \$ 61,579,400 |
| Apiary | \$ 1,805,000 | \$ 2,679,000 | \$ 1,028,400 | \$ 1,896,300 | \$ 1,710,000 |
| Aquaculture Products | \$ 1,398,700 | \$ 3,150,000 | \$ 2,795,600 | \$ 3,346,700 | \$ 3,364,000 |
| Total Crop Valuation | \$ <u>547,575,700</u> | \$ <u>604,944,600</u> | \$ <u>612,189,300</u> | \$ <u>757,295,500</u> | \$ <u>650,138,800</u> |
| Livestock and Poultry Valuation | \$ 389,505,100 | \$ 385,025,900 | \$ 358,551,800 | \$ 415,435,900 | \$ 442,642,300 |
| Grand Total | \$ <u>937,080,800</u> | \$ <u>989,970,500</u> | \$ <u>970,741,100</u> | \$ <u>1,172,731,400</u> | \$ <u>1,092,781,100</u> |

Source: Riverside County Agricultural Commissioner

Transportation

Easy access to job opportunities in the County and nearby Los Angeles, Orange and San Diego counties is important to the County's employment picture. Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, and the western-most portion links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of San Bernardino County. Interstate 15 and 215 extend north, and then east, to Las Vegas, and south to San Diego. The Pomona Freeway (U.S. 60) provides an alternate (to I-10) east-west link to Los Angeles County.

Currently the County is served by the Southern California Rapid Transit District, providing inter-community and metropolitan bus service. Transcontinental bus service is provided by Greyhound Lines and Continental Trailways.

Local bus service is provided by the Riverside Transit Agency within the City of Riverside and Moreno Valley to Hemet. The City of Riverside also has a city-operated mini-bus system as does the City of Corona. Sunline provides local bus service throughout Coachella Valley, including the cities of Palm Springs and Indio. Freight service to major west coast and national markets is provided by three transcontinental railroads -- Santa Fe, Union Pacific, and Southern Pacific. Truck service is provided by several common carriers, making available overnight delivery service to major California cities.

The County seat 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. Five major airlines schedule commercial flight service at Palm Springs Municipal Airport. Commuter service operates at Blythe (County-operated). Major County-operated, general aviation airports include those in Thermal, Hemet and Rancho California. A new general aviation airport, the French Valley airport, located four miles northeast of Rancho California, became operational April 28, 1989, replacing the Rancho California Airport. Riverside, Corona and Banning Municipal airports serve general aviation needs only. There is also a military airport at March Air Force Base.

Education and Community Services

Public school education is available through eight elementary school districts, two high school districts, 14 unified (Grades K-12) school districts, and five community college districts. In 1988, total enrollment in the County for K-12 was approximately 186,710. Approximately 85% of all students enrolled in Grades K-12 attend schools in the unified districts, the three largest being Riverside Unified School District, Corona-Norco Unified School District, and Moreno Valley Unified School District.

There are four two-year community colleges strategically located in the communities of Riverside, San Jacinto, Coachella Valley, and Palo Verde. There are also two four-year colleges (California Baptist and La Sierra campus of Loma Linda University) and one of the nine general campuses of the University of California located in the City of Riverside. Several research facilities are located on the university campus. The university provides a sizeable and stable source of area employment.

There are 14 hospitals in the County with a total of more than 2,224 hospital beds.

Environmental Control Services

Water Supply: The County obtains a large part of its water supply from groundwater sources. As in most areas of Southern California, this groundwater resource is not entirely sufficient to meet demand and is supplemented by imported water. At the present time the means used are aqueducts, including the Colorado River Aqueduct, the All American Canal, and the California State Water Project. The two largest water districts in the County, the Western Municipal Water District and the Eastern Municipal Water District, were formed for the primary purpose of supplying supplemental water to the cities and agencies within their areas.

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

Sewage: There are ten wastewater collection and treatment agencies in the west County area, eight in the central County area, eleven in the Coachella Valley area and six in the Palo Verde area. Most residents in the rural unsewered areas of the County rely upon septic tanks and leach fields as an environmentally acceptable method for sewage disposal.

CONTENTS

| | Page |
|--|------|
| INTRODUCTION | 1 |
| THE CERTIFICATES | 2 |
| General | 2 |
| Interest Rates — Adjustable Interest Rate | 3 |
| Conversion to Fixed Interest Rate | 3 |
| Transfer and Exchange | 4 |
| PURCHASE OF CERTIFICATES | 4 |
| Owners' Optional Demand for Purchase | 4 |
| Remarketing of Certificates by Remarketing Agent | 5 |
| Purchase of Certificates Delivered to Tender Agent | 5 |
| Mandatory Tender for Purchase Upon Conversion to Fixed Interest Rate | 5 |
| Mandatory Tender for Purchase Prior to Expiration of Letter of Credit | 5 |
| PREPAYMENT OF CERTIFICATES | 6 |
| Mandatory Prepayment from Condemnation Awards or Insurance Proceeds | 6 |
| Mandatory Sinking Fund Prepayment | 6 |
| Optional Prepayment | 7 |
| Selection of Certificates for Prepayment | 7 |
| Procedure for and Notice of Redemption | 7 |
| SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES | 8 |
| Base Rental Payments | 8 |
| The Letter of Credit | 9 |
| Alternate Letter of Credit | 10 |
| Rental Abatement | 11 |
| No Acceleration Upon Default | 11 |
| Covenant to Budget | 11 |
| Action on Default | 12 |
| ESTIMATED SOURCES AND USES OF FUNDS | 12 |
| THE LEASED PROPERTY | 12 |
| THE CORPORATION | 12 |
| THE CREDIT BANK | 13 |
| THE REMARKETING AGENT | 14 |
| COUNTY FINANCIAL INFORMATION | 14 |
| County Budget | 14 |
| Funding by the State of California | 16 |
| Ad Valorem Property Taxes | 17 |
| Secured Property Taxes | 17 |
| Unsecured Property Taxes | 17 |
| Supplemental Roll Taxes | 18 |
| Largest Taxpayers | 21 |
| Redevelopment Agencies | 21 |
| Constitutional Limitations on Taxes and Appropriations | 23 |
| Recent Litigation Regarding Property Tax Allocation | 25 |
| Proposition 98 | 25 |
| Revisions to Article XIII B and Proposition 98 | 26 |
| Legislation Relating to Judicial Services | 26 |
| Financial Statements | 27 |
| Long-Term Obligations | 31 |
| Overlapping Debt | 32 |
| Lease Obligations | 33 |
| Proposed Financings | 35 |
| Employees | 35 |
| Self-Insurance | 36 |
| Retirement Program | 37 |
| General Economic Data | 38 |
| STATE TAX EXEMPTION | 38 |
| CERTAIN LEGAL MATTERS | 38 |
| LITIGATION | 38 |
| UNDERWRITING | 39 |
| RATINGS | 39 |
| MISCELLANEOUS | 40 |
| APPENDIX A—SUMMARY OF PRINCIPAL LEGAL DOCUMENTS | A-1 |
| APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR FISCAL YEAR ENDING JUNE 30, 1989 | B-1 |
| APPENDIX C—RIVERSIDE COUNTY GENERAL ECONOMIC DATA | C-1 |

\$8,800,000

County of Riverside

1990

Taxable Variable Rate
Certificates of Participation
(Monterey Avenue Project)



OFFICIAL STATEMENT

The First Boston Corporation

Dated June 18, 1990

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

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

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

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