NEW ISSUE—FULL BOOK-ENTR

INSURE ...ATINGS: Moody's: Aaa; S&P: AAA
UNDERLYING RATINGS: Moody's: Aa3; S&P: AA-
(See "MISCELLANEOUS – Ratings, herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.

$58,386,109.30
RIVERSIDE COMMUNITY COLLEGE DISTRICT
(Riverside County, California)
2005 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: August 1, as shown below**

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Riverside Community College District (Riverside County, California) 2005 General Obligation Refunding Bonds (the "Bonds") are being issued under the laws of the State of California and pursuant to a resolution of the Board of Trustees of the Riverside Community College District (the "District"). The proceeds of the Bonds will be used to advance refund all or a portion of the outstanding principal amount of the District's General Obligation Bonds, Election of 2004, Series 2004A (the "Refunded Bonds"), which were authorized at an election of the registered voters of the District held on March 2, 2004, at which more than fifty-five percent of the persons voting on the proposition voted to authorize the issuance and sale of $350,000,000 principal amount of general obligation bonds of the District, and to pay costs of issuance associated with the Bonds.

The Bonds are general obligations of the District payable solely from the proceeds of *ad valorem* taxes. The Board of Supervisors of Riverside County is empowered and are obligated to levy *ad valorem* taxes, without limitation as to rate or amount, upon all property within the District subject to taxation by the District (except certain personal property which is taxable at limited rates), for the payment of the principal and Maturity Value of and interest on the Bonds when due.

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interest in the Bonds.

The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). Interest with respect to the Current Interest Bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2005. The Current Interest Bonds are issuable in denominations of $5,000 or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of delivery of the Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2005. The Capital Appreciation Bonds are issuable in denominations of $5,000 maturity value or any integral multiple thereof.

Payments of principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association, as the designated Paying Agent, Bond Registrar and Transfer Agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants (defined herein) who will remit such payments to the beneficial owners of the Bonds. (See "APPENDIX D – BOOK-ENTRY ONLY SYSTEM.")

The Current Interest Bonds are subject to optional redemption prior to their stated maturity dates as described herein. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity dates.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by FINANCIAL SECURITY ASSURANCE INC. ("Financial Security" or, the "Insurer"). (See "APPENDIX E – SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY.")

FSA®

Maturity Schedule
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed upon for the Underwriters by Nossaman, Guthner, Knox & Elliot, LLP, Irvine, California and for the District by Best Best & Krieger LLP, Riverside, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June 8, 2005.

UBS FINANCIAL SERVICES INC. PiperJaffray®

Dated: May 17, 2005

MATURITY SCHEDULE

$54,425,000.00 Current Interest Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Maturity (August 1)	Principal Amount	Interest Rate	Yield
2005	$ 970,000	3.00%	2.60%	2017	$3,570,000	5.00%	3.85%[1]
2006	1,820,000	4.50	2.64	2018	4,005,000	5.00	3.91[1]
2007	475,000	3.00	2.75	2019	4,475,000	5.00	3.96[1]
2008	1,260,000	5.00	2.84	2020	4,980,000	5.00	4.02[1]
2009	350,000	3.00	2.95	2021	5,525,000	5.00	4.05[1]
2009	1,145,000	4.50	2.95	2022	6,105,000	5.00	4.08[1]
2010	1,740,000	5.00	3.03	2023	6,735,000	5.00	4.11[1]
2011	700,000	3.50	3.20	2024	7,405,000	5.00	5.14[1]
2016	3,165,000	5.00	3.79[1]				

$3,961,109.30 Capital Appreciation Bonds

Maturity (August 1)	Denominational Amount	Yield to Maturity	Maturity Value
2011	$ 552,016.30	3.58%	$ 1,130,000
2012	876,061.55	3.76	2,015,000
2013	837,746.75	3.92	2,165,000
2014	797,239.70	4.06	2,315,000
2015	898,045.00	4.17	2,930,000

[1] Yield to call at par on August 1, 2015.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such other information or representation not so authorized should not be relied upon as having been given or authorized by the District.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. 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 District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced in this Official Statement, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

The Underwriters have provided the following sentence for inclusion in this Official Statement.

> "The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or the completeness of such information."

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

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security" or, the "Insurer") contained under the caption "THE BONDS – Bond Insurance" and "APPENDIX E – SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax-exempt status of the interest on the Bonds.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

District Administration

Dr. Salvatore G. Rotella, Chancellor
Dr. James L. Buysse, Vice Chancellor, Administration and Finance

PROFESSIONAL SERVICES

Underwriter

UBS Financial Services Inc.
San Francisco, California

Piper Jaffray & Co.
Hermosa Beach, California

Bond Counsel

Stradling Yocca Carlson & Rauth,
a Professional Corporation
San Francisco, California

District Counsel

Best Best & Krieger LLP
Riverside, California

Underwriters Counsel

Nossaman, Guthner, Knox & Elliot, LLP
Irvine, California

Paying Agent, Registrar, Transfer Agent and Escrow Agent

U.S. Bank National Association
Los Angeles, California

Verification Agent

Causey, Demgen & Moore, Inc.
Denver, Colorado

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$58,386,109.30
RIVERSIDE COMMUNITY COLLEGE DISTRICT
(Riverside County, California)
2005 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Riverside Community College District (Riverside County, California) 2005 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Riverside Community College District, located in Riverside, California, serves western Riverside County which encompasses 440 square miles. It contains the Riverside Unified, Alvord Unified, Corona/Norco Unified, Jurupa Unified, Moreno Valley Unified and Val Verde School Districts. The District was founded in 1916.

The District provides educational services on three campuses, Riverside City, Moreno Valley and Norco. The campuses served approximately 23,677 full-time equivalent students in 2001-02, 23,721 in 2002-03 and approximately 23,000 in 2003-04. Estimated enrollment for 2004-05 is 24,500 full-time equivalent students. There are approximately 2,773 persons employed by the District. The District offers a broad-based curriculum and basic transfer programs to four-year colleges and universities in California. The District also provides specialized programs leading directly to employment and to improving the skill and knowledge of those already employed in the work force. Such efforts include the District's nursing and automotive technology programs. In addition, the District provides a variety of educational and special interest non-credit courses through its Community Education Program. For more complete information concerning the District, including certain financial information, see "RIVERSIDE COMMUNITY COLLEGE DISTRICT" herein. Excerpts from the audited financial report for the fiscal year ended June 30, 2003 are attached hereto as APPENDIX B.

The District is governed by a five-member Board of Trustees (the "Board of Trustees"), each member of which is elected to a four-year term. Elections for positions to the Board of Trustees are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Chancellor appointed by the Board of Trustees who is responsible for day to day District operations as well as the supervision of the District's other key personnel. Dr. Salvatore Rotella.

Purpose of the Bonds

The proceeds from the sale of the Bonds will be used (i) to advance refund all or a portion of the District's outstanding General Obligation Bonds, Election of 2004, Series 2004A (the "Refunded Bonds"), (ii) to pay the debt service on the Refunded Bonds, including principal, due on and prior to August 1, 2014 and (iii) to pay all legal financial and contingent costs in connection with the issuance of the Bonds.

Concurrently with the issuance of the Bonds, the District will enter into an Escrow Agreement (the "Escrow Agreement") with U.S. Bank National Association (the "Escrow Agent"), pursuant to which the District will deposit in an escrow account for the benefit of the Refunded Bonds, cash and certain non-callable United States governmental obligations ("Federal Securities"), which, together with interest and earnings thereon, shall be sufficient to pay the debt service due on the Refunded Bonds on and before August 1, 2014, and the redemption price of the Refunded Bonds maturing on or after August 1, 2015 on the first optional redemption date for such bonds of August 1, 2014.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code and pursuant to resolution adopted by the Board of Trustees of the District. See "THE BONDS – Authority for Issuance."

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District payable solely from proceeds of *ad valorem* taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except upon certain personal property which is taxable at limited rates), for the payment of principal of (as defined below) of and interest on the Bonds. See "RIVERSIDE COMMUNITY COLLEGE DISTRICT" and "THE BONDS – Security and Sources of Payment."

Description of the Bonds

Current Interest and Capital Appreciation Bonds. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds mature on August 1 in the years indicated on the inside cover page hereof. The Capital Appreciation Bonds are payable only at maturity and will not pay interest on a current basis. The maturity value of a Capital Appreciation Bond is equal to its accreted value upon the maturity thereof (the "Maturity Value"), being composed of its initial principal amount (the "Denominational Amount") and the interest accreting thereon between the delivery date thereof and its respective maturity date.

Form, Registration and Denominations. The Bonds will be issued in fully registered form only, without coupons. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. See "THE BONDS – General Provisions" and "APPENDIX D – BOOK-ENTRY ONLY SYSTEM." In the event that the book-entry only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolution (described herein). Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in denominations of $5,000 principal amount or $5,000 Maturity Value, as applicable, or any integral multiple thereof.

Redemption. The Current Interest Bonds maturing on or after August 1, 2016 may be redeemed before maturity at the option of the District from any source of funds on August 1, 2015 or any date thereafter, as a whole or in part. The Capital Appreciation Bonds are not subject to redemption prior to maturity. See "THE BONDS – Redemption."

Payments. Interest on the Current Interest Bonds accrues from their initial date of delivery, and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing August 1, 2005. Principal on the Current Interest Bonds is payable on August 1 in the amounts and years as set forth on the inside cover page hereof. Each Capital Appreciation Bond accretes in value from its initial principal amount on the date of delivery to its Maturity Value on the maturity thereof at the Accretion Rate per annum set forth in APPENDIX F attached hereto, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2005, and is payable only at maturity according to the amounts set forth in the accreted value tables as shown in APPENDIX F. Payments of the principal and Maturity Value of and interest on the Bonds will be made by U.S. Bank National Association, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined in APPENDIX D) to the Beneficial Owners (defined in APPENDIX D) of the Bonds.

Bond Insurance. The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc. ("Financial Security" or, the "Insurer"). See "THE BONDS – Bond Insurance" and "RATINGS."

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy and truthfulness of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount, and the amount of original issue discount that accrues to the owner of the Bond is excluded from gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax. See "TAX MATTERS."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about June 8, 2005.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. "Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate relating to disclosure of annual financial information and notices of certain events executed by the District as of the date of issuance and delivery of the Bonds, as it may be amended from time to time in accordance with the terms thereof. See "LEGAL MATTERS – Continuing Disclosure" and "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth is located at 44 Montgomery Street, Suite 4200, San Francisco, California 94104. Certain matters will be passed upon for the Underwriters by Nossaman, Guthner, Knox & Elliot, LLP, Irvine, California and for the District by Best Best & Krieger

LLP, Riverside, California. U.S. Bank National Association has been appointed as Paying Agent for the Bonds. U.S. Bank National Association has also been appointed by the District as Escrow Agent with respect to the Refunded Bonds. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from Riverside Community College District, 4800 Magnolia Avenue, Riverside, California 92506, telephone: (909) 222-8800. The District may impose a charge for copying, mailing and handling.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than as contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. 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 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, 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 District. 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 District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") and pursuant to a resolution adopted by the Board of Trustees of the District on April 19, 2005 (the "Resolution").

Security and Sources of Payment

The Bonds are general obligations of the District, payable from *ad valorem* taxes. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal and Maturity Value of and interest on the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the District's 2005 General Obligation Refunding Bonds Debt Service Fund (as defined herein), which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Bonds and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. See "RIVERSIDE COMMUNITY COLLEGE DISTRICT – *Ad Valorem* Property Taxation" herein for information on the District's tax base.

The moneys in the Debt Service Fund, to the extent necessary to pay the principal and Maturity Value of and interest on the Bonds as the same becomes due and payable, shall be transferred by the County to the Paying Agent (as defined herein). The Paying Agent will in turn remit the funds to DTC for remittance of such principal, Maturity Value and interest to its Participants (as defined herein) for subsequent disbursement to the Beneficial Owners of the Bonds.

Bond Insurance

The following information has been provided by the Insurer for use in this Official Statement, and neither the District nor the Underwriters take any responsibility for the accuracy or completeness thereof. Reference is made to APPENDIX E for a specimen of the Insurer's policy with respect to the Bonds.

Bond Insurance Policy. Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security" or, the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc. Financial Security is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation, and of Dexia Credit Local, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2004, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,280,883,000 and its total unearned premium reserve was approximately $1,649,230,000 in accordance with statutory accounting principles. At December 31, 2004, Financial Security's total shareholder's equity was approximately $2,699,786,000 and its total net unearned premium reserve was approximately $1,342,057,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

General Provisions

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive certificates representing their interest in the Bonds.

Interest with respect to the Current Interest Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2005. Interest on the Current Interest Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Current Interest Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before July 15, 2005, in which event it shall bear interest from its date of delivery. The Current Interest Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Current Interest Bonds mature on August 1, in the years and amounts set forth on the inside cover page hereof.

The Capital Appreciation Bonds are payable only at maturity, and will not pay interest on a current basis. The Capital Appreciation Bonds accrete in value from the Date of Delivery at the accretion rates per annum set forth in APPENDIX F hereto, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2005. The Maturity Value of a Capital Appreciation Bond is its Accreted Value at its maturity date ("Maturity Value"). Interest with respect to each Capital Appreciation Bond is represented by the amount each Capital Appreciation Bond accretes in value from its initial principal amount on the Date of Delivery (the "Denominational Amount") to the date for which Accreted Value is calculated. The Accreted Value (the "Accreted Value") of a Capital Appreciation Bond is calculated by discounting on a 30-day month, 360 day year basis its Maturity Value on the basis of a constant interest rate (the "Accretion Rate") compounded semiannually on February 1 and August 1, of each year to the date for which an Accreted Value is calculated, and if the date for which Accreted Value is calculated is between February 1 and August 1, by pro-rating the Accreted Values to the closest prior or subsequent February 1 and August 1. See the maturity schedule on the inside cover page hereof and "APPENDIX F – ACCRETED VALUE TABLES."

The principal of the Current Interest Bonds and the Maturity Value of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America to the registered owner thereof, upon the surrender thereof at the principal corporate trust office of the Paying Agent. The interest on the Bonds shall be payable in lawful money of the United States of America to the person whose name appears on the bond registration books of the Paying Agent as the registered owner thereof as of the close of business on the 15th day of the month next preceding any Interest Payment Date (a "Record Date"), whether or not such day is a business day, such interest to be paid by check or draft mailed on such Interest Payment Date to such registered owner at such registered owner's address as it appears on such registration books or at such address as the registered owner may have filed with the Paying Agent for that purpose. The interest payments on the Bonds shall be made in immediately available funds (e.g., by wire transfer) to any registered owner of at least $1,000,000 of outstanding Bonds who shall have requested in writing such method of payment of interest on the Bonds prior to the close of business on the Record Date immediately preceding any Interest Payment Date.

Annual Debt Service on the Bonds

The following table summarizes the debt service requirements of the District for the Bonds, assuming no optional redemptions are made:

	Current Interest Bonds		Capital Appreciation Bonds		
Period Ending August 1	Annual Principal Payment	Annual Interest Payment(1)	Annual Principal Payment(2)	Annual Accreted Interest Payment(2)	Total Annual Debt Service
2005	$970,000.00	$391,614.79	--	--	$1,361,614.79
2006	1,820,000.00	2,630,925.00	--	--	4,450,925.00
2007	475,000.00	2,549,025.00	--	--	3,024,025.00
2008	1,260,000.00	2,534,775.00	--	--	3,794,775.00
2009	1,495,000.00	2,471,775.00	--	--	3,966,775.00
2010	1,740,000.00	2,409,750.00	--	--	4,149,750.00
2011	700,000.00	2,322,750.00	$552,016.30	$577,983.70	4,152,750.00
2012	--	2,298,250.00	876,061.55	1,138,938.45	4,313,250.00
2013	--	2,298,250.00	837,746.75	1,327,253.25	4,463,250.00
2014	--	2,298,250.00	797,239.70	1,517,760.30	4,613,250.00
2015	--	2,298,250.00	898,045.00	2,031,955.00	5,228,250.00
2016	3,165,000.00	2,298,250.00	--	--	5,463,250.00
2017	3,570,000.00	2,140,000.00	--	--	5,710,000.00
2018	4,005,000.00	1,961,500.00	--	--	5,966,500.00
2019	4,475,000.00	1,761,250.00	--	--	6,236,250.00
2020	4,980,000.00	1,537,500.00	--	--	6,517,500.00
2021	5,525,000.00	1,288,500.00	--	--	6,813,500.00
2022	6,105,000.00	1,012,250.00	--	--	7,117,250.00
2023	6,735,000.00	707,000.00	--	--	7,442,000.00
2024	7,405,000.00	370,250.00	--	--	7,775,250.00
Total	$54,425,000.00	$37,580,114.79	$3,961,109.30	$6,593,890.70	$102,560,114.79

(1) Interest payments on the Current Interest Bonds will be made semiannually on February 1 and August 1 of each year, commencing August 1, 2005.

(2) The Capital Appreciation Bonds are payable only at maturity on August 1 of the years indicated on the inside cover hereof, and interest on such Capital Appreciation Bonds is compounded semiannually on February 1 and August 1, commencing August 1, 2005.

See "DISTRICT FINANCIAL MATTERS – District Debt Structure" for a debt service schedule of all District outstanding general obligation bond debt.

Application and Investment of Bond Proceeds

The net proceeds from the sale of the Bonds shall be paid to the Escrow Agent to the credit of the escrow fund for the Refunded Bonds (the "Escrow Fund") established under the Escrow Agreement.

Pursuant to the Escrow Agreement, the amount deposited in the Escrow Fund shall be used to purchase certain Federal Securities, which, together with any available cash held uninvested in such fund and the interest and earnings on such securities and cash, shall be sufficient to pay the redemption price of the Refunded Bonds to be redeemed on August 1, 2014, as well as the debt service due on such Refunded Bonds on and before such date.

The sufficiency of the securities and cash on deposit in the Escrow Fund, together with realizable interest and earnings thereon, to pay the debt service and redemption prices, as applicable, on the above-referenced dates will be verified by Causey, Demgen & Moore, Inc. (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement, the Refunded Bonds, assuming the accuracy of the Verification Agent's computations, will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will also be defeased.

Surplus moneys, if any, in the Escrow Fund, when received by the District from the sale of the Bonds or following the redemption of the Refunded Bonds, shall be kept separate and apart in the Debt Service Fund and used only for payment of the principal and Maturity Value of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund and applied to the payment of the principal and Maturity Value of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Moneys in the Debt Service Fund are expected to be invested through Riverside County Pooled Investment Fund. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND" herein.

Redemption

Optional Redemption. The Current Interest Bonds maturing on or before August 1, 2015 are not subject to redemption prior to their fixed maturity date. The Current Interest Bonds maturing on or after August 1, 2016 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2015 or on any date thereafter, as a whole or in part, at a redemption price equal to the principal amount of Current Interest Bonds so redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity dates.

Selection of Bonds for Redemption. Whenever provision is made for the redemption of Bonds and less than all Bonds are to be redeemed, the Paying Agent, upon written instruction from the District, shall select Bonds for redemption as so directed and if not directed, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than forty-five days prior to the redemption date (i) to the respective Registered Owners thereof at the addresses appearing on the bond registration books of the Bond Registrar, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services may be given by facsimile transmission or overnight delivery service in lieu of by mail. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Moody's Municipal and Government 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attention: Called Bond Department; and Standard and Poor's J.J. Kenny Information Services' "Called Bond Record," 55 Water Street, 45th Floor, New York, New York 10041. "Securities Depositories" shall mean The Depository Trust Company, 55 Water Street, New York, New York 10041, Tel: (212) 855-1000 or Fax: (212) 855-7320.

The actual receipt by an Owner or by any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and neither failure to receive such notice nor any defect in such notice shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest thereon on the date fixed for redemption.

The notice or notices required for redemption will be given by the Paying Agent or its designee. A certificate by the Paying Agent that notice of call and redemption has been given to owners of Bonds and to the appropriate Securities Depositories and Information Services shall be conclusive as against all parties, and no Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Bondowner failed to actually receive such notice of call and redemption.

Payment of Redeemed Bonds. When notice of redemption has been given substantially as described above, and, when the amount necessary for the redemption of the Bonds called for redemption (principal, interest, and premium, if any) is set aside for that purpose in the Debt Service Fund, as described below, the Bonds designated for redemption in such notice will become due and payable on the date fixed for redemption thereof and upon presentation and surrender of said Bonds at the place specified in the notice of redemption with the form of assignment endorsed thereon executed in blank, said Bonds will be redeemed and paid at the redemption price thereof out of the Debt Service Fund. All unpaid interest payable at or prior to the redemption date will continue to be payable to the respective Owners, but without interest thereon.

Partial Redemption of Bonds. Upon the surrender of any Bond redeemed in part only, the Paying Agent will execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered. Such partial redemption is valid upon payment of the amount required to be paid to such Owner, and the County and the District will be released and discharged thereupon from all liability to the extent of such payment.

Effect of Notice of Redemption. If on the applicable designated redemption date, money for the redemption of the Bonds to be redeemed, together with interest to such redemption date, is held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof will have been given substantially as described above, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable.

Bonds No Longer Outstanding. When any Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, and, accrued interest with respect thereto to the date fixed for redemption, then such Bonds will no longer be deemed Outstanding and shall be surrendered to the Paying Agent for cancellation.

Transfer and Exchange

Any Bonds may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in San Francisco, California, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing or accreting interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the sixteenth day next preceding a date for which such Bond has been selected for redemption in whole or in part.

Defeasance

All or any portion of the outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) Cash: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District an amount of cash which together with amounts then on deposit in the Debt Service Fund is sufficient to pay all Bonds outstanding and designated for defeasance, including all principal, Maturity Value and interest and premium, if any; or

(b) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Debt Service Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds outstanding and designated for defeasance (including all principal, Maturity Value and interest represented thereby and prepayment premiums, if any) at or before their maturity date;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Government Obligations" means direct and general obligations of the United States of America (which may consist of obligations of the Resolution Funding Corporation that constitute interest strips), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, or "prerefunded" municipal obligations rated in the highest rating category by Moody's Investors Service or Standard & Poor's. In the case of direct and general obligations of the United States of America, Government Obligations shall include evidences of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances where (a) a bank or trust company acts as custodian and holds the underlying United States obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations; and (c) the underlying United States obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AAA" by Standard & Poor's or "Aaa" by Moody's Investors Service.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$58,386,109.30
Original Issue Premium	7,689,321.00
Total Sources	$66,075,430.30
Uses of Funds	
Escrow Fund	$57,686,473.93
Building Fund	7,581,784.29
Costs of Issuance [(1)]	807,172.08
Total Uses	$66,075,430.30

[(1)] Costs of issuance includes Underwriter's discount, insurance premium, legal fees, printing and expenses, demographics and filing fees.

RIVERSIDE COUNTY POOLED INVESTMENT FUND

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

The County Treasurer maintains one Pooled Investment Fund (the "PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of March 31, 2005, the portfolio assets comprising the PIF had a market value of $3,117,398,795.

State law requires that all operating moneys of the County, school districts, and certain special districts be held by the County Treasurer. On June 30, 2002, the Auditor-Controller performed an analysis on the County Treasury which resulted in the identification and classification of "mandatory" vs. "discretionary" depositors. Collectively, these mandatory deposits constituted approximately 86% of the funds on deposit in the County Treasury, while approximately 14% of the total funds on deposit in the County Treasury represented discretionary deposits.

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

All purchases of securities for the PIF are to be made in accordance with the County Treasurer's 2004 Statement of Investment Policy, which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss.

The investments in the Pooled Investment Fund as of March 31, 2005 were as follows:

	Market Value	% of Pool
Federal Agency Securities	$1,879,907,454	60.30%
Cash Equivalents & Money Market Funds	379,000,000	12.16
Commercial Paper	635,933,303	20.40
Negotiable Certificates of Deposit	150,000,000	4.81
Medium Term Notes	19,818,000	0.64
Municipal Bonds	30,955,038	0.99
Certificates of Deposit[1]	20,000,000	0.64
Local Agency Obligations[2]	1,785,000	0.06
Total	$3,117,398,795	100.00%
Weighted Average Yield:	2.63%	
Weighted Average Maturity:	0.71	

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

As of March 31, 2005, the market value of the PIF was 99.4% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

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

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

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

The information in this section concerning the funding of community college districts in the State of California is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax levied by the Counties for the payment thereof. See "THE BONDS — Security and Sources of Payment".

Major Revenues

General. California community college districts (other than Basic Aid Districts, as described below) receive, on average, approximately 52 percent of their funds from the State, 44 percent from local sources, and 4 percent from federal sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which is less than 3 percent), and other minor sources. Local funds include property taxes, student fees, and miscellaneous sources.

A community college district determines its revenue allocation using a program-based model. The model uses different factors to establish support levels for five different categories at the community college district: (1) Instruction and Instructional Administration: (2) Instructional Services, (3) Student Services; (4) Operation and Maintenance of Plants, and (5) Institutional Support. Different standards are used in each category to determine funding requirements. The target allocation is obtained by calculating the exact cost of funding the specific standards in each category, on a district by district basis. The aggregate total of the financial needs of the five categories establishes the amount of funding a district will receive. State general fund moneys, local property taxes, and certain other local revenues are allocated to the community college districts based on annual State apportionments of basic and equalization aid to community college districts for general purposes computed up to a base revenue per unit of full time equivalent students ("FTES"). Such apportionments will, generally speaking, amount to the difference between a district's base revenue and its local property tax allocation and student enrollment fees. Base revenue calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

The District's base revenue per credit unit of FTES for 2001-02, 2002-03 and 2003-04 were approximately $3,498, $3,547 and $3,601, respectively, and per non-credit unit of FTES for the same years were, excluding maintenance and operations appropriations, on average, approximately $1,798, $1,834 and $1,834, respectively. The District estimates, on average, that its respective base revenue per credit unit of FTES for 2004-05 will be $3,786 and that its base revenue per non-credit unit of FTES will be $1,834.

Local revenues are first used to satisfy District expenditures. The major local revenue source is local property taxes that are collected from within District boundaries. Student enrollment fees from the local community college district generally account for the remainder of local revenues for the District. Property taxes and student enrollment fees are applied towards fulfilling the District's financial need. Once these sources are exhausted, State funds are used. State aid is subject to the appropriation of funds in the State's annual budget. Decreases in State revenues may affect appropriations made by the legislature to the District. The sum of the property taxes, student enrollment fees, and State aid generally comprise the District's revenue limit.

"Basic Aid" community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic Aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid Districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is not a Basic Aid District.

A small part of a community college district's budget is from local sources other than property taxes and student enrollment fees, such as interest income, donations and sales of property. Every community college district receives the same amount of lottery funds per pupil from the State, however, these are not categorical funds as they are not for particular programs or students. The initiative authorizing the lottery does require the funds to be used for instructional purposes, and prohibits their use for capital purposes.

Budget Procedures. On or before September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by June 10 a proposed State budget is presented by the governor to the legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment. Since the enactment of such enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), no community college district in the State has sought an appropriation for an emergency apportionment.

The monitoring and evaluation process is designed to provide early detection and amelioration that will stabilize the financial condition of a district before an emergency apportionment is necessary. This is accomplished by (1) assessing the financial condition of districts through the use of various information sources and (2) taking appropriate and timely follow-up action to bring about improvement in a district's financial condition, as needed. A variety of instruments and sources of information are used to provide a composite of each district's financial condition, including quarterly financial status reports, annual financial and budget reports, attendance reports, annual district audit reports, district input and other financial records. In assessing each district's financial condition, the Chancellor will pay special attention to each district's general fund balance, spending pattern, and full-time equivalent student patterns. Those districts with greater financial difficulty will receive follow-up visits from the

Chancellor's Office where financial solutions to the district's problems will be addressed and implemented.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board ("GASB") has released Statement No. 35, which makes changes in the annual financial statements for, among other entities, school districts and community college districts, all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective on June 15, 2002 for the District, as well as for any other community college district with annual revenues of between $10 million and $100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

The following table shows the District's adopted general fund budgets for fiscal years 2002-03, 2003-04 and 2004-05, the District's audited actuals for fiscal years 2002-03 and 2003-04 and the District's projected totals for fiscal year 2004-05. For further information, see also "APPENDIX B – EXCERPTS FROM THE DISTRICT'S 2003-04 AUDITED FINANCIAL STATEMENTS."

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Comparison of Adopted General Fund Budgets for Fiscal Years 2002-03, 2003-04 and 2004-05
Audited Actuals for Fiscal Years 2002-03 and 2003-04
and Projected Totals for Fiscal Year 2004-05

	Adopted Budget 2002-03	Audited 2002-03	Adopted Budget 2003-04	Audited 2003-04	Adopted Budget 2004-05	Projected Totals 2004-05[1]
REVENUES:						
Revenue limit sources	$42,732,000	$36,350,595	$34,084,112	$30,333,522	$50,949,999	$52,826,938
Federal revenues	8,560,770	6,342,992	8,794,686	6,267,204	9,871,246	7,946,482
Other state revenues	19,251,275	17,155,611	15,996,013	16,127,922	15,733,471	19,032,892
Other local revenues	44,505,909	48,659,610	53,123,519	56,240,923	48,095,892	48,089,149
TOTAL REVENUES	115,049,954	108,508,808	111,998,330	108,969,571	124,650,608	127,895,461
EXPENDITURES:						
Current Expenditures						
Academic salaries	51,061,313	48,530,414	47,230,897	46,623,585	51,031,541	51,795,427
Classified salaries	27,681,511	25,402,269	26,861,020	24,989,242	28,857,238	26,371,436
Employee benefits	15,706,799	15,418,726	18,578,197	17,985,912	21,691,167	21,215,889
Books and supplies	3,089,751	2,641,007	2,513,046	2,305,144	3,200,937	2,849,487
Services and operating expenditures	14,597,137	13,725,188	14,222,910	12,221,723	17,243,864	14,865,938
Capital Outlay	4,628,423	4,446,114	4,066,034	3,152,046	4,635,652	3,919,683
TOTAL EXPENDITURES	116,764,934	110,163,718	113,472,104	107,277,652	126,660,399	120,017,860
Excess (Deficiency) of revenues over (under) Expenditures	(1,714,980)	(1,654,910)	(1,473,774)	1,691,919	(2,009,791)	7,877,601
Operating transfers in	2,332,294	2,810,089	1,893,060	2,903,167	983,860	994,933
Operating transfers out	(1,997,432)	(1,977,798)	(1,971,521)	(1,941,873)	(1,146,930)	(1,146,930)
Other sources	--	8,906	8,906	7,677	1,562,731	1,557,157
Other uses	(583,651)	(294,350)	(596,027)	(322,249)	(482,346)	(482,346)
TOTAL OTHER FINANCING SOURCES (USES)	(248,789)	546,847	(665,582)	646,722	917,315	922,814
Excess of revenues and other financing sources over (under) expenditures and other uses	(1,963,769)	(1,108,063)	(2,139,356)	2,338,641	(1,092,476)	8,800,415
Beginning Fund balance, July 1	8,799,966	8,799,966	7,691,903	7,691,903	10,030,544	10,030,544
Ending Fund Balance, June 30	$6,836,197	$7,691,903	$5,552,547	$10,030,544	$8,938,068	$18,830,959

[1] Projected totals as of April 21, 2005.
Source: The District.

Minimum Funding Guarantees for California Community College Districts Under Propositions 98 and 111

General. In 1988, California voters approved Proposition 98, an initiative that amended Article XVI of the State Constitution and provided specific procedures to determine a minimum guarantee for annual K-14 funding. The constitutional provision links the K-14 funding formulas to growth factors that are also used to compute the State appropriations limit. Proposition 111 (Senate Constitutional Amendment 1), adopted in June 1990, among other things, changed some earlier school funding provisions of Proposition 98 relating to the treatment of revenues in excess of the State spending limit and added a third funding "test" to calculate the annual funding guarantee. This third calculation is operative in years in which general fund tax revenue growth is weak. The amendment also specified that under Test 2 (see below), the annual cost of living adjustment ("COLA") for the minimum guarantee for annual

K-14 funding would be the change in California's per-capita personal income, which is the same COLA used to make annual adjustments to the State appropriations limit (Article XIII B).

Calculating Minimum Funding Guarantee. There are currently three tests which determine the minimum level of K-14 funding. Under implementing legislation for Proposition 98 (AB 198 and SB 98 of 1989), each segment of public education (K-12 districts, community college districts, and direct elementary and secondary level instructional services provided by the State) has separately calculated amounts under the Proposition 98 tests. The base year for the separate calculations is 1989-90. Each year, each segment is entitled to the greater of the amounts separately computed for each under Test 1 or 2. Should the calculated amount Proposition 98 guarantee (K-14 aggregated) be less than the sum of the separate calculations, then the Proposition 98 guarantee amount shall be prorated to the three segments in proportion to the amount calculated for each. This statutory split has been suspended in every year beginning with 1992-93. In those years, community colleges received less than was required from the statutory split.

Test 1 guarantees that K-14 education will receive at least the same funding share of the State general fund budget it received in 1986-87. Initially, that share was just over 40 percent. Because of the major shifts of property tax from local government to community colleges and K-12 which began in 1992-93 and increased in 1993-94, the percentage dropped to 33.0%.

Test 2 provides that K-14 education will receive as a minimum, its prior-year total funding (including State general fund and local revenues) adjusted for enrollment growth (ADA) and per-capita personal income COLA.

A third formula, established pursuant to Proposition 111 as "Test 3," provides an alternative calculation of the funding base in years in which State per-capita General Fund revenues grow more slowly than per-capita personal income. When this condition exists, K-14 minimum funding is determined based on the prior-year funding level, adjusted for changes in enrollment and COLA where the COLA is measured by the annual increase in per-capita general fund revenues, instead of the higher per-capita personal income factor. The total allocation, however, is increased by an amount equal to one-half of one percent of the prior-year funding level as a funding supplement.

In order to make up for the lower funding level under Test 3, in subsequent years K-14 education receives a maintenance allowance equal to the difference between what should have been provided if the revenue conditions had not been weak and what was actually received under the Test 3 formula. This maintenance allowance is paid in subsequent years when the growth in per-capita State tax revenue outpaces the growth in per-capita personal income.

The enabling legislation to Proposition 111, Chapter 60, Statutes of 1990 (SB 98, Garamendi), further provides that K-14 education shall receive a supplemental appropriation in a Test 3 year if the annual growth rate in non-Proposition 98 per-capita appropriations exceeds the annual growth rate in per-pupil total spending.

Proposition 98 and California Teachers' Association v. Gould. The application of Proposition 98 and other statutory regulations has become increasingly difficult to predict accurately in recent years. One major reason is that Proposition 98 minimum funding levels under the first test and the second test described above are dependent on State General Fund revenues. In prior fiscal years, the State made actual allocations to K-14 districts based on an assumption of State General Fund revenues at a level above that which was ultimately realized. In such years, the State has considered the amounts appropriated above the minimum as a loan to K-14 districts, and has deducted the value of these loans from future years' estimated Proposition 98 minimum funding levels. The State determined that there were loans to K-14 districts of $1.3 billion during fiscal year 1990-91 and $1.1 billion during fiscal year 1991-92, which loans were treated as being repaid during the respective subsequent fiscal year. The State further determined that "prepayments" of future Proposition 98 appropriations were made in fiscal years 1991-92 and 1992-93 in the amount of $1.0 billion and $0.8 billion, respectively, $1.0 billion during fiscal year 1992-93, $787 million during fiscal year 1993-94 and $8 million during fiscal year 1994-95. These "prepayments" have been combined into one loan totaling approximately $1.8 billion, with repayment to come from future years' Proposition 98 entitlements.

The validity of the loan characterization and repayment mechanism were challenged by the California Teachers' Association ("CTA"), which sought to void the obligation to repay the loan amounts.

On April 26, 1994, a Sacramento County superior court entered a judgment that K-14 districts are not obligated to repay the inter-year loans. The decision was appealed by the State, and pending such appeal the CTA and the State reached a settlement which became final on April 12, 1996. Pursuant to the settlement agreement, no new inter-year loans will be created; the existing loans are required to be repaid over an eight-year period, with K-14 schools contributing $825 million from funds allocated to education under Proposition 98, and the State contributing the balance of $938 million. The schools' contribution of $825 million will be counted toward the Proposition 98 guarantee in future years.

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, neither the District nor the Underwriters takes any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2004-05 Fiscal Year State Budget and Recent Developments Regarding State Finances. Since early 2001 the State has faced significant financial challenges, with an economic recession in 2001 and a sluggish recovery in 2002 and 2003 (with greatest impacts in the high technology, internet, and telecommunications sectors, especially in Northern California); weakened exports; and most particularly, large stock market declines between 2000 and 2002 (with attendant declines in stock option values and capital gains realizations). These adverse fiscal and economic factors have resulted in an erosion of State general fund tax revenues. The three largest State general fund tax sources are personal income, sales and use, and corporate taxes. The bulk of the revenue declines were from personal income taxes, principally from reduced capital gains realizations and stock option income. This revenue drop resulted in a shortfall between State revenues and anticipated spending demands during the past three fiscal years resulting in a total accumulated deficit of approximately $22 billion.

Two measures intended to address the existing cumulative budget deficit and to implement structural reform were both approved at the March 2, 2004, statewide primary election. The California Economic Recovery Bond Act (Proposition 57) authorizes the issuance of up to $15 billion of economic recovery bonds to finance the negative State general fund reserve balance as of June 30, 2004 and other general fund obligations undertaken prior to June 30, 2004. The first two series of economic recovery bonds, which were issued on May 11, 2004, provided approximately $8.339 billion of net proceeds to the State's general fund. A third series of economic recovery bonds in the principal amount of $2.974 billion was issued on June 16, 2004. The Balanced Budget Amendment (Proposition 58) requires the State to adopt and maintain a balanced budget and establish a reserve, and restricts future long-term deficit-related borrowing.

During the second half of 2003, the recovery of the California economy broadened and strengthened (although with continuing weakness in job growth) and, to some observers, the outlook for the California economy is for moderate growth in 2004 with further improvement in 2005. However, such anticipated revenue growth alone may not solve the State's budget problems and further structural reform to balance State revenue and expenditures may be necessary.

2004-05 Governor's Budget. The Governor signed the State 2004-05 Fiscal Year budget (the "2004-05 Budget") on July 31, 2004, although additional pending legislation is expected to affect final budget totals. The following information is adapted from the Legislative Analyst's budget analysis: The budget addresses revenue shortfalls through program savings, borrowing, local government contributions, and funding shifts, including (i) reducing funding for Proposition 98, higher education, corrections, state operations, and social services programs, (ii) using $11.3 billion of the $15 billion in economic recovery bonds authorized by voters in March 2004, (iii) assuming a diversion of $1.3 billion in revenues from local government in 2004-05 and in 2005-06, and (iv) using $1.2 billion in bond proceeds related to newly approved tribal gaming compacts to repay in 2004-05 transportation loans otherwise due in 2005-06.

The 2004-05 Budget provides total Higher Education funding of over $16.2 billion from all revenue sources, including approximately $11.1 billion from the General Fund and Proposition 98 resources. This total reflects a year-over-year increase over revised 2003-04 expenditures of $810 million (5.3 percent), including $260 million from General Fund and Proposition 98 sources. Funding for the California community colleges ("CCC") totals over $6.9 billion, including $5.0 billion from General Fund and Proposition 98 sources, of which nearly $3.3 billion is from the General Fund alone.

Although the 2004-05 Budget has been approved by the Legislature and the Governor, some have indicated that the budget relies heavily on borrowing and that a structural imbalance between revenue and spending remains and predict that budget deficits will continue. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during 2004-05 as budgeted. The full text of the proposed 2004-05 Budget may be found at the internet website of the California Department of Finance, www.dof.ca.gov, under the heading "California Budget", and the Legislative Analyst's Office's overview of the 2004-05 Budget may be found at www.lao.ca.gov. The Legislative Analyst's Office provides fiscal and policy information and advice to the State Legislature.

Governor's Proposed 2005-06 State Budget. On January 10, 2005, the Governor released his proposed budget for fiscal year 2005-06 (the "Proposed 2005-06 Budget"). The following information is adapted from the Overview of the Governor's Budget prepared by the Legislative Analyst's Office and dated January 12, 2005. California faces major challenges related to both a large shortfall in the 2005-06 budget and an ongoing structural imbalance between revenues and expenditures that will persist in subsequent years absent ongoing corrective actions. The Proposed 2005-06 Budget addresses the 2005-06 budget shortfall primarily through program savings in K-12 education, social services, transportation and employee compensation. The plan also relies on about $1.7 billion of the remaining Proposition 57 deficit-bond proceeds, and contains various other funding shifts and borrowing. It assumes some additional revenues from expanded tax auditing, but does not propose new tax increases. The Governor has also called the state legislature into special session to consider several structural reforms relating to the budget process, pensions, transportation funding, and Proposition 98 (K-14 education) funding.

The Proposed 2005-06 Budget authorizes total state spending in 2005-06 of $109 billion (excluding expenditures of federal funds and bond funds), representing an increase of 4.4% from 2004-05. General Fund revenues and transfers are projected to increase by 7.1% – from $78.2 billion to $83.8 billion – while expenditures are proposed to grow by 4.2% - from $82.3 billion to $85.7 billion. The Proposed 2005-06 Budget proposes to cover the $1.9 billion gap between General Fund revenues and expenditures primarily with $1.7 billion in proceeds from a new deficit-financing bond sale, leaving a 2005-06 year-end reserve of $500 million.

The Governor is proposing to hold Proposition 98 spending roughly at the 2004-05 State Budget rebased level. Legislation adopted in connection with the 2004-05 State Budget ("Chapter 213") suspended the Proposition 98 minimum guarantee for 2004-05, proposing a targeted suspension level of $2 billion less than would have otherwise been required absent suspension. Given the General Fund revenue growth assumed in the Proposed 2005-06 Budget, the state would have to provide an additional $1.1 billion in the current year to meet the Chapter 213 suspension target. By not providing this additional funding, the state generates savings of $1.1 billion in 2004-05. In addition, the lower funding level for 2004-05 results in a $1.2 billion lower guarantee for 2005-06. The Proposed 2005-06 Budget provides for total Proposition 98 funding of $50 billion ($5.1 billion of which is specified for CCC), an increase of 6.1% over the administration's current-year estimate.

The Governor's budget proposes a General Fund increase of $299 million, or 9.8 percent, for CCC. When combined with local property taxes, this results in a $359 million, or 7.5 percent, increase in Proposition 98 funding. These funding increases will support a COLA of 3.93 percent and enrollment growth of 3 percent (or 32,289 full-time equivalent students). The Proposed 2005-06 Budget assumes that student fees will remain at $26 per unit, which remains the lowest community college fee level in the country. The CCC budget also includes $20 million in one-time funding from the Proposition 98 Reversion Account to create new vocational curricula that link K-12 and community college classroom work.

The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to deal with changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during 2005-06 as budgeted.

Governor's May Revision to the Proposed 2005-06 State Budget. On May 13, 2005, the Governor released his May Revision to the Proposed 2005-06 Budget (the "May Revision"). On May 16, 2005, the Legislative Analyst's Office ("LAO") released its overview of the May Revision. LAO concluded that the administration's proposal to use the roughly $4 billion in new revenues for debt reduction and one-time purposes is sensible in light of the state's structural budget shortfall. The following summary is adapted from the LAO's Overview of the 2005-06 May Revision.

Relative to the Proposed 2005-06 Budget released in January, the May Revision projects about $4.2 billion in added revenues (including prior-year increases) from improved economic activity ($4 billion) and a net revenue gain related directly and indirectly to the state's tax amnesty program ($180 million). The administration proposes to use these additional revenues almost exclusively for one-time purposes. Specifically, the added revenues will be used (i) to reduce the amount of new or existing budgetary debt by $2.5 billion, primarily by eliminating the planned 2005-06 sale of deficit-financing bonds and prepaying one-half of the vehicle license fee "gap" loan, which is due in full to local governments in 2006-07 and (ii) to increase funding for certain programs by a net amount of $1.7 billion by restoring the Proposition 42 transfer of General Fund sales taxes to transportation special funds (which had been proposed in January and treated as a loan) and restoring funding for the senior citizens' property tax and renters' tax relief and by providing one-time funds for K-14 education.

After taking into account the higher revenues and other offsetting factors (including higher Proposition 98 funding requirements under current law), the May Revision reports a revised budget shortfall in the range of $6 billion (in comparison to the January budget's projected $8.6 billion budget shortfall). The May Revision proposes solutions to eliminate the $6 billion budget shortfall and to fund a $500 million reserve. The May Revision retains the majority of budget reductions proposed in January for education, social services and state employee compensation.

In the May Revision, the Governor proposes the same Proposition 98 funding level for the 2005-06 Fiscal Year as proposed in January, and $142 million less for Fiscal Year 2004-05. In the January budget, the 2004-05 Proposition 98 minimum guarantee was suspended, and the Governor provided $47.1 billion. The May Revision reflects property tax and attendance adjustments to the current-year funding level – reducing it by $142 million. Most of this reduction results from almost 26,000 in lower K-12 attendance. This spending level also establishes a lower base for calculating the 2005-06 Proposition 98 minimum guarantee. In addition, the Governor proposes to provide technical augmentations to 2003-04 ($16 million), and settle-up funding for prior-year Proposition 98 obligations ($252 million).

In the May Revision, the Governor reduces K-12 revenue limits by $307 million because of 32,000 fewer pupils, lower Public Employee's Retirement System costs, and lower unemployment insurance costs. These savings are redirected to fund an increased COLA for revenue limits ($80 million). The main ongoing policy change is $123 million for additional class size reduction in low performing schools ($52 million in one-time funds are also provided for this proposal). Even though total K-12 spending falls by $66 million in the May Revision, the attendance decline still results in an increase in Proposition 98 per pupil spending for Fiscal Year 2005-06 of $28 per pupil – from $7,374 per pupil in January to $7,402 per pupil in May. For community colleges, the May Revision provides $40 million for equalization and $14 million for growth and COLA.

The Governor proposes to use $252 million in one-time settle-up funds. These funds are spent on new K-12 program initiatives such as high school supplemental instruction for students at risk of failing the high school exit exam ($58 million), teacher recruitment and retention ($50 million), additional beginning teacher professional development ($30 million), career technical education ($30 million), and fruits and vegetables breakfast program ($18 million). The May Revision also proposes to expand community college nursing programs ($10 million).

Future Budgets. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures. The State budget will be affected by national and state economic conditions and other factors over which the District will have no control. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budget.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal and Maturity Value of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS – Security and Sources of Payment") Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, Propositions 98 and 111, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution ("Article XIIIA") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under 'full cash value,' or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIIIA

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

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. See "FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA – Major Revenues" herein.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution ("Article XIIIB"), as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after December 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986/87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that fifty percent of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by the Counties pursuant to Article XIIIA of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act, have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period. The current level of guaranteed funding pursuant to Proposition 98 is 34.55% of the State general fund.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

Proposition 111

On June 5, 1990, the voters of California approved the "Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIIIB spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth.

Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55 percent (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Property taxes may only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55 percent vote requirement would apply only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for a high school or elementary school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Kindergarten-University Public Education Facilities Bond Act of 2004

The Kindergarten-University Public Education Facilities Bond Act of 2004 ("Proposition 55") appeared on the March 2, 2004 ballot as Proposition 55 and was approved by California voters. This measure authorizes the sale and issuance of $12.3 billion in general obligation bonds for construction and renovation of K-12 school facilities ($10.0 billion) and higher education facilities ($2.3 billion).

K-12 School Facilities. Proposition 55 includes $5.26 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts will be required to pay for 50% of the costs with local revenues, unless qualified for hardship funding. In addition, $300 million of the $5.26 billion would be available for charter school facilities. Proposition 55 makes available $2.25 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts will be required to pay for 40% of the costs with local revenues. Proposition 55 directs a total of $2.44 billion to K-12 school districts which are considered critically overcrowded, specifically to schools that have large number of pupils relative to the size of the school site. $50 million will be available to fund joint-use projects.

Higher Education Facilities. Proposition 55 includes $2.3 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State's public higher education systems. The Governor and the Legislature will select the specific projects for funding by the funds available under the $12.3 billion bond issuance.

The table below shows the planned use of bond funds for the $12.3 billion bond issuance:

PROPOSITION 55
Use of Bond Funds
(In Millions)

K-12	
New construction projects	$5,260[1]
Modernization projects	2,250
Critically overcrowded schools	2,440
Joint Use	50
Subtotal, K-12	$10,000[2]
Higher Education	
Community Colleges	$920
California State University	690
University of California	690
Subtotal, Higher Education	$2,300
Total	$12,300

[1] Up to $300 million available for charter schools.
[2] Up to $20 million available for energy conservation projects.
Source: California Secretary of State.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments with in a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 1A, 39, 55, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

The information in this section concerning the operations of the District and the District's finances are provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "THE BONDS – Security and Sources of Payment."

General

The Riverside Community College District, located in Riverside, California, serves western Riverside County which encompasses 440 square miles. It contains the Riverside Unified, Alvord Unified, Corona/Norco Unified, Jurupa Unified, Moreno Valley Unified and Val Verde School Districts. The District was founded in 1916.

The District provides educational services on three campuses, the Riverside City campus and the Moreno Valley and Norco campuses which opened in 1991. The campuses served approximately 23,721 full-time equivalent students in 2002-03 and expects approximately 23,000 full-time equivalent students in 2003-04. Estimated enrollment for 2004-05 is 24,500 full-time equivalent students. There are approximately 2,773 persons employed by the District. The District offers a broad-based curriculum and basic transfer programs to four-year colleges and universities in California. While recognizing the importance of general education, the District also provides specialized programs leading directly to employment and to improving the skill and knowledge of those already employed in the work force. Such efforts include the District's highly successful nursing and automotive technology programs. In addition, the District provides a wide variety of educational and special interest non-credit courses through its Community Education program.

Administration

The District is governed by a five-member Board of Trustees, each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. Current members of the Board, together with their offices and the dates their terms expire, are listed below:

Name	Office	Term Expires
Mark A. Takano	President	December 2008
Jose Medina	Vice President	December 2006
Kathleen Daley	Secretary	December 2005
Mary Figueroa	Member	December 2008
Grace Slocum	Member	December 2006

Dr. Salvatore G. Rotella, the Chancellor of the District, is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. James L. Buysse is the Vice Chancellor, Administration and Finance.

Enrollment

The following table shows the District's full-time equivalent students ("FTES") for fiscal years 1998-89 through 2003-04 and projections of FTES for fiscal year 2003-04:

Year	FTES
1998-99	18,726
1999-00	20,182
2000-01	21,578
2001-02	23,677
2002-03	23,721
2003-04	23,423
2004-05[1]	24,500

[1] Projected.
Source: The District.

Labor Relations

The District employs 372 full-time certified professionals and 511 full-time classified employees and managers. In addition, the District employs 1,890 part-time faculty and staff. These employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted below:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Labor Relations Organizations

Labor Organization	Number of Employees In Organization	Contract Expiration Date
California School Employees Association	431	June 6, 2005
California Teachers Association	331	June 30, 2007

Source: The District.

Retirement Programs

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contribution to STRS was $3,572,802 in fiscal year 2002-03, $3,468,997 in fiscal year 2003-04, and is projected to be $4,269,700 in fiscal year 2004-05. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The District's contribution to PERS was $611,023 in fiscal year 2002-03, $2,256,154 in fiscal year 2003-04, and is projected to be $2,359,300 in fiscal year 2004-05. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS retirement boards. STRS has substantial statewide unfunded liability. Since this liability has not been broken down by each school district, it is impossible to determine the District's share.

Other Postemployment Benefits

The District has entered into an agreement whereby the District will continue to pay medical benefits for employees retiring at age 55 with ten or more years of service. These benefit payments will continue until the employee reaches age 65. In addition, the District has entered into agreements with former board members and various retired employees whereby the District will continue to pay medical benefits and life insurance for the remainder of their lives. On June 30, 2004, there were 38 retirees eligible to receive such benefits. The estimated future cost to the District at June 30, 2004 was approximately $2,200,000. This amount is calculated based on expected years until age 65 or a 15-year life expectancy times the current insurance rates. No actuarial evaluation has been performed.

Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as retirees' premiums are paid. During fiscal year 2003-04, expenditures of $458,214 were recognized for retirees' health care benefits.

Joint Powers Authorities

The District participates in three powers agreements with the following entities (each a "JPA"): the school's Excess Liability Fund, the Riverside Community College - County Superintendent Self-Insurance Program for Employees, and the Riverside Employers/Employees Plan for property and liability, workers' compensation and dental insurance. The relationship between the Riverside Community College District and the JPAs are such that the JPAs are not competent units of the Riverside Community College District for financial reporting purposes.

Based upon prior claims experiences, the District believes that it has adequate insurance coverage

DISTRICT FINANCIAL MATTERS

District Financial Statements

Excerpts from the audited financial statements of the District for Fiscal Year 2003-04 are attached hereto as APPENDIX B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board ("GASB") has released (i) Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted, and (ii) Statement No. 35, which makes changes in the required content and format of annual financial statements for public colleges and universities. These requirements became effective on June 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between $10 million and $100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The following table reflects the District's audited revenues, expenditures and fund balances for fiscal years 2000-01, 2001-02, 2002-03 and 2003-04 and projected totals for fiscal year 2004-05.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balances
for Fiscal Years 2000-01 through 2004-05

	Audited 2000-01	Audited 2001-02	Audited 2002-03	Audited 2003-04	Projected Totals 2004-05[1]
REVENUES:					
Revenue limit sources	$37,009,042	$4,657,450	$36,350,595	$30,333,522	$52,826,938
Federal revenues	3,623,634	36,626,313	6,342,992	6,267,204	7,946,482
Other state revenues	18,924,439	20,635,515	17,155,611	16,127,922	19,032,892
Other local revenues	41,240,694	44,240,433	48,659,610	56,240,923	48,089,149
TOTAL REVENUES	100,797,809	106,159,711	108,508,808	108,969,571	127,895,461
EXPENDITURES:					
Current Expenditures					
Academic salaries	38,184,781	45,680,433	48,530,414	46,623,585	51,795,427
Classified salaries	21,248,441	24,455,934	25,402,269	24,989,242	26,371,436
Employee benefits	11,184,140	12,473,866	15,418,726	17,985,912	21,215,889
Books and supplies	2,902,453	2,979,126	2,641,007	2,305,144	2,849,487
Services and operating expenditures	12,078,286	13,411,566	13,725,188	12,221,723	14,865,938
Capital Outlay	8,707,324	5,754,118	4,446,114	3,152,046	3,919,683
Debt service	--	1,642,023	--	--	--
Other outgo	--	--	--	--	--
TOTAL EXPENDITURES	94,305,425	106,397,066	110,163,718	107,277,652	120,017,860
Excess (Deficiency) of revenues over (under) Expenditures	6,492,384	(237,355)	(1,654,910)	1,691,919	7,877,601
Operating transfers in	1,138,500	106,889	2,810,089	2,903,167	994,933
Operating transfers out	(3,114,052)	(10,957,605)	(1,977,798)	(1,941,873)	(1,146,930)
Other sources	5,484	7,551	8,906	7,677	1,557,157
Other uses	(228,125)	(1,066,902)	(294,350)	(322,249)	(482,346)
TOTAL OTHER FINANCING SOURCES (USES)	(2,198,193)	(11,910,067)	546,847	646,722	922,814
Excess of revenues and other financing sources over (under) expenditures and other uses	4,294,191	(12,147,422)	(1,108,063)	2,338,641	8,800,415
Beginning Fund balance, July 1	16,653,197	20,947,388	8,799,966	7,691,903	10,030,544
Ending Fund Balance, June 30	$20,947,388	$8,799,966	$7,691,903	$10,030,544	$18,830,959

[1] Projected totals as of April 21, 2005.
Source: The District.

For the fiscal years ended June 30, 2003 and later, the District has implemented Government Accounting Standard Board Statements Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. The revised reporting format provides a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The following table reflects the District's financial data for fiscal years 2002-03 and 2003-04 under the revised reporting format:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statement of
Revenues, Expenditures and Changes in Net Assets
(Revised Reporting Format)

	Audited 2002-03	Audited 2003-04
OPERATING REVENUES		
Tuition and Fees	$10,932,020	$15,078,991
Less: Scholarship discounts and allowances	(2,346,340)	(4,069,168)
Net tuition and fees State	8,585,680	11,009,823
Grant and contracts, non-capital:		
Federal	18,564,139	18,339,011
State	7,637,282	6,752,882
TOTAL OPERATING REVENUES	34,787,101	36,101,716
OPERATING EXPENSES		
Salaries	75,008,752	73,233,641
Employee benefits	15,732,561	18,341,286
Supplies, materials and other operating expenses and services	31,073,081	29,200,527
Equipment, maintenance, and repairs	7,275,566	4,093,845
Depreciation	2,580,125	3,588,448
TOTAL OPERATING EXPENSES	131,670,085	128,457,747
OPERATING LOSS	(96,882,984)	(92,356,031)
NONOPERATING REVENUES (EXPENSES)		
State apportionments, non-capital	43,288,551	37,410,455
Local property taxes	36,203,933	41,450,278
State taxes and other revenues	3,680,699	3,468,096
Investment income, net	431,310	415,396
Interest expense on capital related debt	(540,210)	(610,740)
Interest income on capital asset-related debt, net	9,471	9,290
Other non-operating revenues	7,044,910	5,170,535
TOTAL NONOPERATING REVENUES	90,118,664	87,313,310
LOSS BEFORE OTHER REVENUES	(6,764,320)	(5,042,721)
OTHER REVENUES		
State revenues, capital	10,460,287	7,565,990
Local revenues, capital	1,259,111	992,531
Gain or sale of land	6,437,890	(19,202)
TOTAL OTHER REVENUES	18,157,288	8,539,319
NET INCREASE IN NET ASSETS	11,392,968	3,496,598
NET ASSETS, BEGINNING OF YEAR	92,281,863	103,674,831
NET ASSETS, END OF YEAR	$103,674,831	$105,384,169

Source: The District.

Ad Valorem Property Taxation

District property taxes are assessed and collected by the County at the same time and on the same tax rolls as are county, city and special district taxes. Assessed valuations are the same for both District and County taxing purposes.

The valuation of secured property is established as of January 1 and is subsequently equalized in August. Property taxes are payable in two installments due November 1 and February 1, respectively, and become delinquent on December 10 and April 10 for each respective installment. Taxes on unsecured property (personal property and leasehold) are due on August 31 of each year based on the preceding fiscal year's secured tax rate and become delinquent on October 31.

State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

All property is assessed using full cash value as defined by Article XIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, non-profit hospitals, and charitable institutions.

Future assessed valuation growth allowed under Article XIII A (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability of revenue from growth in tax bases to such entities may be affected by the establishment of redevelopment agencies which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is the part of the assessment roll containing State-assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all property not attached to land such as personal property or business property. Boats and airplanes are examples of unsecured property. Unsecured property is assessed on the "unsecured roll."

The following table represents the ten-year history of assessed valuations in the District:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Assessed Valuations
Fiscal Year 1995-96 through 2004-05

	Local Secured	Utility	Unsecured	Total
1995-96	$26,872,697,590	$62,104,416	$1,360,787,657	$28,295,589,663
1996-97	26,470,866,982	57,424,771	1,391,436,147	27,919,727,900
1997-98	26,694,497,936	57,968,901	1,337,056,171	28,089,523,008
1998-99	27,041,541,511	62,884,307	1,476,317,567	28,580,743,385
1999-00	28,634,366,244	61,269,509	1,662,276,925	30,357,912,678
2000-01	31,378,164,982	52,368,568	1,887,550,262	33,318,083,812
2001-02	34,441,981,474	52,420,492	2,191,458,212	36,685,860,178
2002-03	37,741,392,325	50,079,728	2,512,284,792	40,303,756,845
2003-04	41,739,002,603	42,700,414	2,424,297,600	44,206,000,617
2004-05	47,923,316,465	50,568,694	2,533,766,343	50,507,651,502

Source: California Municipal Statistics, Inc.

The following is an analysis of the District's assessed valuation (excluding utility and unsecured property) by land use.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Assessed Valuation and Parcels by Land Use
2004-05

	2004-05 Assessed Valuation [1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$332,502,037	0.69%	1,283	0.57%
Commercial	4,967,753,509	10.37	5,621	2.51
Vacant Commercial	592,314,321	1.24	4,169	1.86
Professional/office	1,495,651,584	3.12	812	0.36
Industrial	1,933,206,760	4.03	1,901	0.85
Vacant Industrial	20,744,115	0.04	190	0.08
Recreational	36,075,386	0.08	154	0.07
Government/Social/Institutional	12,814,274	0.03	283	0.13
Miscellaneous	5,346,660	0.01	255	0.11
Subtotal Non-Residential	$9,396,408,646	19.61%	14,668	6.55%
Residential:				
Single Family Residence	$29,357,463,516	61.26%	169,415	75.61%
Condominium/Townhouse	1,378,119,433	2.88	9,012	4.02
Mobile Home	181,774,093	0.38	3,994	1.78
Mobile Home Park	70,741,316	0.15	88	0.04
2+ Residential Units/Apartments	5,545,334,562	11.57	3,914	1.75
Vacant Residential	1,808,554,385	3.77	15,983	7.13
Subtotal Residential	$38,341,987,305	80.01%	202,406	90.33%
Other Vacant	$184,920,514	0.39%	6,999	3.12%
Total	$47,923,316,465	100.00%	224,073	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2004-05 secured assessed valuations. The District provides educational services to and its boundaries include portions of the County.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Largest 2004-05 Local Secured Taxpayers

	Property Owner	Land Use	2004-05 Assessed Valuation	% of Total [1]
1.	Tyler Mall LP	Shopping Center	$141,698,131	0.30%
2.	Watson Laboratories Inc.	Industrial	117,757,364	0.25
3.	Dairy Farmers of America Inc.	Industrial	109,840,314	0.23
4.	Lowes HIW Inc.	Industrial	103,056,309	0.22
5.	State Street Bank & Trust Co. of California	Commercial	101,259,689	0.21
6.	Metal Container Corp.	Industrial	92,338,599	0.19
7.	BRE Properties Inc.	Apartments	91,589,202	0.19
8.	Costco Wholesale Corp.	Industrial	82,148,170	0.17
9.	Dart Container Corp. of California	Industrial	78,272,590	0.16
10.	Kaiser Foundation Health Plan	Medical Buildings	76,148,227	0.16
11.	Teachers Insurance & Annuity Association	Industrial	69,146,759	0.14
12.	Wachovia Development Corp.	Industrial/Distribution	67,984,791	0.14
13.	Price REIT Inc.	Commercial	66,268,698	0.14
14.	Charter Communications Entertainment II	Communications	65,157,064	0.14
15.	UHS Corona Inc.	Hospital	59,748,967	0.12
16.	Walgreen Co.	Industrial/Distribution	57,778,082	0.12
17.	GTS Property Hollywood Inc.	Apartments	57,193,705	0.12
18.	California State Teachers Retirement System	Apartments	55,390,879	0.12
19.	Riverside Healthcare System	Hospital	52,394,989	0.11
20.	Centex Homes	Residential Development	51,819,140	0.11
			$1,596,991,669	3.33%

[1] 2004-05 Local Secured Assessed Valuation: $47,923,316,465.
Source: California Municipal Statistics, Inc.

Tax Rates

A representative tax rate area located within the District is Tax Rate Area 9-002. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in this tax rate area during the six-year period from 2000-01 through 2004-05.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Typical Tax Rate (TRA 9-002)

	2000-01	2001-02	2002-03	2003-04	2004-05
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
City of Riverside	.00000	.00000	.00000	.00000	.01092
Riverside Community College District	.00000	.00000	.00000	.00000	.01800
Riverside Unified School District	.00000	.00000	.05000	.04993	.04048
Metropolitan Water District	.00880	.00770	.00670	.00610	.00580
Total	1.00880%	1.00770%	1.05670%	1.05603%	1.07520%

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning December 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific 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 specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The County levies and collects all property taxes for property falling within its taxing boundaries.

Alternative Method of the Apportionment Teeter Plan

The Board of Supervisors of Riverside County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax levying or tax collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The *ad valorem* property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The District will receive 100% of the *ad valorem* property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by a resolution adopted by at least two thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax levying or tax collecting agency.

District Debt Structure

Short-Term Debt. The District issued $4,555,000 of Tax and Revenue Anticipation Notes dated July 6, 2004. The notes mature on July 6, 2005 and yield 1.6% interest. The notes were sold by the District to supplement its cash flow. The funds will be held with Riverside County Treasury.

Long-Term Debt. A schedule of changes in general long-term debt for the year ended June 30, 2004, is shown below:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF LONG TERM DEBT, AS OF JUNE 30, 2004

	Balance July 1, 2003	Additions and Adjustments	Deductions	Balance June 30, 2004
Notes payable				
Certificates of Participation - 2001 Series A	$885,000	--	$885,000	--
Certificates of Participation - 2001 Series B	10,100,000	--	505,000	$9,595,000[1]
Certificates of Participation - 2001 Series 1993	1,800,000	--	80,000	1,720,000[2]
Total notes payable	12,785,000	--	1,470,000	11,315,000
Other liabilities				
Compensated absences	1,089,652	$373,096	--	1,462,748
Load banking	449,755	244,228	164,284	529,699
Capital leases	2,384,512	--	103,095	2,281,417
Total other liabilities	3,923,919	617,624	267,379	4,273,864
Total long-term debt	$16,708,919	$617,624	$1,737,379	$15,588,864

(1) Refunded in fiscal year 2004-05 from proceeds of the Series 2004B Bonds (as defined below).
(2) Refunded in fiscal year 2004-05 from proceeds of the Prior Bonds (as defined below).
Source: The District.

Capital Leases. The District leases certain equipment under agreements which provide for title to pass upon expiration of the lease period. Future minimum lease payments for capital leases are as follows:

For the Year Ending June 30,	Lease Payments
2005	$278,438
2006	278,438
2007	278,438
2008	278,438
2009	278,438
2010-2014	1,392,182
2015-2017	765,704
Total	$3,550,076

General Obligation Bonds. On August 3, 2004 the District issued (i) its General Obligation Bonds, Election of 2004, Series 2004A in the aggregate principal amount of $55,205,000 (the "Prior Bonds") and (ii) its General Obligation Bonds, Election of 2004, Series 2004B in the aggregate principal amount of $9,795,000 (the "Series 2004B Bonds"). The Bonds are being issued to advance refund all or a portion of the Prior Bonds (the "Refunded Bonds"). The following table shows the annual debt service requirements of all the District's general obligation bonded debt, including the Refunded Bonds.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
General Obligation Bonds – Consolidated Debt Service Schedule

Period Ending (August 1)	Prior Bonds[1]	Series 2004B Bonds	2005 G.O. Refunding Bonds	Total Annual Debt Service
2005	$73,037.50	$3,941,128.13	$1,361,614.79	$5,375,780.42
2006	146,075.00	4,713,506.26	4,450,925.00	9,310,506.26
2007	146,075.00	1,601,006.26	3,024,025.00	4,771,106.26
2008	146,075.00	--	3,794,775.00	3,940,850.00
2009	146,075.00	--	3,966,775.00	4,112,850.00
2010	146,075.00	--	4,149,750.00	4,295,825.00
2011	646,075.00	--	4,152,750.00	4,798,825.00
2012	746,075.00	--	4,313,250.00	5,059,325.00
2013	896,275.00	--	4,463,250.00	5,359,525.00
2014	1,069,475.00	--	4,613,250.00	5,682,725.00
2015	44,475.00	--	5,228,250.00	5,272,725.00
2016	43,837.50	--	5,463,250.00	5,507,087.50
2017	48,087.50	--	5,710,000.00	5,758,087.50
2018	47,087.50	--	5,966,500.00	6,013,587.50
2019	51,087.50	--	6,236,250.00	6,287,337.50
2020	49,837.50	--	6,517,500.00	6,567,337.50
2021	53,587.50	--	6,813,500.00	6,867,087.50
2022	57,012.50	--	7,117,250.00	7,174,262.50
2023	60,175.00	--	7,442,000.00	7,502,175.00
2024	63,075.00	--	7,775,250.00	7,838,325.00
2025	60,712.50	--	--	60,712.50
2026	63,350.00	--	--	63,350.00
2027	70,725.00	--	--	70,725.00
2028	72,425.00	--	--	72,425.00
2029	73,850.00	--	--	73,850.00
Total	$5,020,637.50	$10,255,640.65	$102,560,114.79	$117,836,392.94

(1) Includes only the Prior Bonds that will not be refunded by the proceeds of the Bonds.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and effective as of April 1, 2005. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Bonded Debt

2004-05 Assessed Valuation:	$50,507,651,502	(Riverside County only)
Redevelopment Incremental Valuation:	7,743,690,599	
Adjusted Assessed Valuation:	$42,763,960,903	

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/05
Metropolitan Water District	3.200%	$13,382,080
Eastern Municipal Water District Improvement Districts	100.000	770,000
Riverside City Community College District	**100.000**	**65,000,000** (1)
Alvord Unified School District	100.000	48,830,000
Corona-Norco Unified School District	100.000	46,760,673
Jurupa Unified School District	100.000	56,317,972
Moreno Valley Unified School District	100.000	49,999,946
Riverside Unified School District	100.000	53,590,000
Cities of Corona and Riverside	100.000	24,330,000
Rubidoux Community Services District	100.000	55,000
Community Facilities Districts	Various	843,959,956
1915 Act Bonds	Various	50,265,000
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,253,260,627
Less: Moreno Valley Unified School District Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		14,645,000
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,238,615,627
OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Riverside County General Fund Obligations	41.202%	$259,486,181
Riverside County Board of Education Certificates of Participation	41.202	5,032,824
Corona-Norco Unified School District General Fund Obligations	100.000	35,150,000
Moreno Valley Unified School District Certificates of Participation	100.000	28,635,000
Val Verde Unified School District Certificates of Participation	100.000	65,185,000
Other Unified School District Certificates of Participation	100.000	60,260,000
City of Corona General Fund Obligations	100.000	58,795,000
City of Moreno Valley Certificates of Participation	99.878	17,004,230
City of Riverside General Fund and Pension Obligations	100.000	147,035,000
San Bernardino Valley Municipal Water District Certificates of Participation	0.057	3,363
TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT		$676,586,598
Less: Riverside County self-supporting obligations		8,643,398
San Bernardino Valley Municipal Water District Certificates of Participation		3,363
TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT		$667,939,837
GROSS COMBINED TOTAL DEBT		$1,929,847,225 (2)
NET COMBINED TOTAL DEBT		$1,906,555,464

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

Ratios to 2004-05 Assessed Valuation:
Direct Debt ($65,000,000) 0.13%
Total Gross Overlapping Tax and Assessment Debt 2.48%
Total Net Overlapping Tax and Assessment Debt 2.45%

Ratios to Adjusted Assessed Valuation:
Gross Combined Total Debt 4.51%
Net Combined Total Debt 4.46%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: $0

Source: California Municipal Statistics, Inc.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of such corporations.

The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of the same series and maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the Bond Owner will increase the Bond Owner's basis in the Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of the Bond is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar bonds).

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX A.

LEGAL MATTERS

Legality for Investment in California

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and, under provisions of the Government Code of the State, are eligible security for deposits of public moneys in the State.

Continuing Disclosure

The District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2004-05 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any). The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is included under the caption "APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The District has, in the past, failed to file certain of its required annual reports in a timely manner as required by its prior continuing disclosure obligations. The District has since filed such reports and is current with respect to all filings required under its existing continuing disclosure obligations.

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Legal Opinion

The legal opinion of Bond Counsel, approving the validity of the Bonds, will be supplied to the original purchasers of the Bonds without cost. A copy of the proposed form of such legal opinion is attached to this Official Statement as APPENDIX A.

MISCELLANEOUS

Ratings

The Bonds will be assigned ratings of "Aaa" and "AAA" by Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P"), a Division of McGraw-Hill Companies, respectively, based on the issuance by the Insurer of a municipal bond insurance policy with respect to the Bonds. The Bonds have been assigned ratings of "Aa3" and "AA-" by Moody's and S&P, respectively, without regard to the issuance of the Insurance Policy.

The ratings reflect only the views of the respective rating agency, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Investors Service, 99 Church Street, New York, NY 10007 and Standard & Poor's, a Division of McGraw-Hill Companies, 55 Water Street, 45th Floor, New York, NY 10041. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. The District undertakes no responsibility to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

Verification

Upon delivery of the Bonds, Causey, Demgen & Moore, Inc. (the "Verification Agent"), a firm of independent public accountants, will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to them by the Underwriter relating to (a) the adequacy of the maturing principal of and interest on the Federal Securities in the Escrow Fund to pay the redemption price of and interest on with respect to the Refunded Bonds and (b) the computations of yield of the Bonds and the Federal Securities in the Escrow Fund which support Bond Counsel's opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes.

Underwriting

UBS Financial Services Inc., as representative of itself and Piper Jaffray & Co. (together, the "Underwriters") has agreed, pursuant to a purchase contract among the District and the Underwriters (the "Purchase Contract"), to purchase all (but not less than all) of the Bonds for a purchase price of $65,268,258.22 (principal amount of the Bonds of $58,386,109.30, plus original issue premium of $7,689,321.00, less Underwriter's discount of $467,088.87, less $340,083.21 retained by the Underwriters to pay costs of issuance for related to the Bonds. The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the inside cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolutions providing for issuance of the Bonds, and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein about the District has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District.

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

This Official Statement and the delivery thereof have been duly approved and authorized by the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By: /s/ James L. Buysse
Vice Chancellor,
Administration and Finance

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

Upon issuance and delivery of the Bonds, Stradling Yocca Carlson & Rauth, Bond Counsel, proposes to render its final approving opinion with respect to the Bonds substantially in the following form:

June 8, 2005

Board of Trustees
Riverside Community College District

Members of the Board of Trustees:

We have examined a certified copy of the record of the proceedings relative to the issuance and sale of $58,386,109.30 Riverside Community College District 2005 (Riverside County, California) General Obligation Refunding Bonds (the "Bonds"). As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based on our examination as bond counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. Such proceedings and proofs show lawful authority for the issuance and sale of the Bonds pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and a resolution of the Board of Trustees of the District (the "Resolution").

2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.

3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

4. Interest on the Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. For purposes of the previous sentence, the stated redemption price at maturity includes the aggregate

sum of all debt service payments on Capital Appreciation Bonds. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

6. The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Code; such amortizable Bond premium reduces the Bondowner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bondowner realizing a taxable gain when a Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Bondowner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the District and others and are subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with all such requirements.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2003-04 AUDITED FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED
JUNE 30, 2004

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying financial statements of the business-type activities of Riverside Community College District (the "District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Contracted District Audit Manual* issued by the California Community College Chancellor's Office. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Riverside Community College District as of June 30, 2004, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2004 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ahern • Adcock •Devlin LLP
Certified Public Accountants

Linda S. Devlin

November 9, 2004

By: Linda S. Devlin, CPA

This section of the Riverside Community College District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2004. This is prepared in compliance with the reporting standards required for public colleges and universities.

New Accounting Standards

The Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in June 1999, which established a new reporting format for the annual financial statements. In November 1999, GASB released Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, which applies the new reporting standards of GASB Statement No. 34 to public colleges and universities. GASB then amended those statements in June 2001 with the issuance of GASB Statements No. 37 and No. 38. The District adopted and applied these new standards beginning in the 2002-03 fiscal year. In May 2002, GASB released statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District has adopted and applied the above standards.

The California Community College Chancellor's Office recommends that all state community college districts follow the new standards using the Business-Type Activity (BTA) model. The District has adopted the BTA reporting model for these financial statements to comply with the recommendation of the Chancellor's Office and to report in a manner consistent and comparable with other community college districts.

The following discussion and analysis provides an overview of the District's financial activities with emphasis on current-year data. As required by the aforementioned accounting principles, this report consists of three basic financial statements that provide information on the District as a whole: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

Financial Highlights

- The District's primary funding is received from the State of California. The State allocation is based on "Program-Based Funding" comprised of state apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During 2003-04, credit FTES and noncredit fees were 22,950 and 136, respectively, as reported on the second principal apportionment report. The State funded 21,948 credit and 136 noncredit of these FTES.

- The District ended the year with an unrestricted general fund balance of $7.0 million, an increase of $1.4 million. This increase in our ending balance was due primarily to reimbursement of certificate of participation debt service payments from general obligation bond proceeds and salary savings from vacant positions. The State Chancellor's Office and District board policy recommend that reserve levels of five percent be set aside for economic uncertainties. The District has exceeded this requirement.

- The primary expenditures for all funds of the District are for the salaries and benefits of our academic, classified, and administrative employees. These costs increased over the 2002–03 fiscal year by approximately $300,000. This modest increase reflects step and column increases in compensation. The state did not fund a Cost Of Living Adjustment (COLA), therefore, COLA was not funded as part of employee compensation packages in accordance with negotiated bargaining unit agreements. Additional costs for increases in benefits cost for retirement programs, medical, dental, workers' compensation, and the insurance benefits to retirees meeting certain contracted eligibility requirements are also reflected.

- The District has several construction projects in various stages of completion.

- The District provides student financial aid to qualifying students of the District. During the 2003–04 fiscal year, $13.3 million in direct grants and loans were provided to our students. Additionally, approximately $4.1 million of enrollment fee waivers were provided to our students.

Statement of Net Assets

The statement of net assets presents the assets, liabilities, and net assets of the District as of the end of the fiscal year using the accrual basis of accounting, which is comparable to that used by most private-sector institutions. Net assets – the difference between assets and liabilities – are one way to measure the financial health of the District. Net asset data allow readers to determine the resources available to continue the operations of the District.

The net assets of the District consist of three major categories:

- *Invested in capital assets, net of related debt* – The District's equity in property, plant and equipment.

- *Restricted net assets (distinguishing between major categories of restriction)* – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.

- *Unrestricted net assets* – The District can use them for any lawful purpose. Although unrestricted, the District's governing board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify those restrictions.

Condensed Statement of Net Assets
(in Thousands)

	June 30, 2004	June 30, 2003	Increase (Decrease) 2004-2003
ASSETS			
Currents assets			
Cash and short-term receivables	$ 30,677	$ 39,110	(8,433)
Inventory and other assets	118	233	(115)
Total current assets	30,795	39,343	(8,548)
Noncurrent assets			
Capital assets, net of depreciation	100,889	96,757	4,132
Total assets	$131,684	$136,100	$(4,416)
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	$ 5,502	11,154	$(5,652)
Deferred revenue	2,522	2,265	257
Claims liability	1,780	1,397	383
Amounts held in trust for others	907	900	7
Current portion of long-term debt	1,260	1,905	(645)
Total current liabilities	11,971	17,621	(5,650)
Long-term debt	14,329	14,804	(475)
Total liabilities	26,300	32,425	(6,125)
NET ASSETS			
Invested in capital assets	87,009	81,138	5,871
Restricted for expendable sources	11,499	14,748	(3,249)
Unrestricted	6,876	7,789	(913)
Total net assets	$105,384	$103,675	$ 1,709

This schedule has been prepared from the District's statement of net assets (page 14) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Fiscal Year 2004 Compared to 2003

Cash and short-term receivables consist primarily of funds held at various financial institutions and in the Riverside County Treasury. The changes in the cash position are explained in the statement of cash flows (page 18).

The District's financial position, as a whole, improved during the fiscal year ended June 30, 2004. Its total net assets increased $1.7 million or about 1.6 percent from the previous year due primarily to the increase in capital assets, net of depreciation. The District, however, continued to feel the effects of the suppressed economic climate in California which resulted in reduced levels of State support. Accounts receivable have increased $2.2 million over fiscal year 2002–03 primarily as a result of the State's decision to defer June apportionments to July. Accounts receivable from federal sources increased due to the increase in number and size of the federal programs managed by the District. Accounts payable have decreased by $5.6 million over fiscal year 2002–03 primarily due to a decreased level of State funded construction activity resulting from the completion of the Digital Library/Learning Resource Center Project. Finally, the District's Board has designated or reserved unrestricted net assets for such purposes as Federal and State grants, outstanding commitments on contracts, repair and replacement of equipment, capital outlay, insurance reserves, and general reserves for the ongoing financial health of the District.

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets presents the operating results of the District. The purpose of the statements is to present the revenues received by the District, both operating and nonoperating; and the expenses paid by the District, operating and nonoperating; and any other revenues, expenses, gains and losses received or spent by the District. State general apportionment funds, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles.

Changes in total net assets on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods or services provided in return for the operating revenues and to carry out the mission of the District. Total revenue was $132,654,112 and total expenses were $127,992,725.

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in Thousands)

	June 30, 2004	June 30, 2003	Increase (Decrease) 2004-2003
Operating revenues			
Tuition and fees	$ 11,010	$ 8,586	$ 2,424
Grants and contracts	25,092	26,201	(1,109)
Total operating revenues	36,102	34,787	1,315
Operating expenses			
Salaries and benefits	91,575	90,741	834
Supplies and maintenance	33,294	38,349	(5,055)
Depreciation	3,588	2,580	1,008
Total operating expenses	128,457	131,670	(3,213)
Loss on operations	(92,355)	(96,883)	4,528
Nonoperating revenues (expense)			
State apportionments	37,410	43,289	(5,879)
Property taxes	41,450	36,204	5,246
State revenues	3,468	3,681	(213)
Interest income	425	431	(6)
Interest expense	(611)	(540)	(71)
Other nonoperating revenues	5,171	7,054	(1,883)
Total nonoperating revenues (expenses)	87,313	90,119	(2,806)
Other revenues			
State and local capital income	8,558	11,719	(3,161)
Loss on disposal of assets	(19)	6,438	(6,457)
Total other revenues	8,539	18,157	(9,618)
Net increase in net assets	$ 3,497	$ 11,393	$(7,896)

This schedule has been prepared from the statement of revenues, expenses, and changes in net assets presented on page 16.

Fiscal Year 2004 Compared to 2003

Tuition and fees increased $2.4 million due to a State mandated enrollment fee increase from $11 per unit to $18 per unit, representing a 63.6 percent increase over the prior year.

Grant and contract revenues are related to student financial aid, as well as specific federal and state grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. Grants and contracts revenue decreased by $1.1 million primarily as a result of State reductions to the Partnership for Excellence and Part–Time Faculty Compensation programs.

The interest income is primarily the result of cash held with the Riverside County Treasurer. The interest expense relates to interest on loans and notes payable.

For the second year, the District is recording the depreciation expense related to capital assets. The detail of the changes in capital assets for the year is included in the notes to the financial statements as Note 4.

During 2003-04, the District completed the Digital Library/Learning Resource Center and started the Norco and Moreno Valley Early Childhood Studies Building projects and the Martin Luther King High Tech Center Remodel project. This activity resulted in a net decrease of $3.1 million to State and Local Capital over the prior year.

During fiscal year 2002–03, a portion of the District's La Sierra property was sold to the Riverside County Transportation Commission resulting in a gain on the sale of $6.4 million.

Statement of Cash Flows

The statement of cash flows provides additional information about the District's financial results by reporting its major sources and uses of cash. This information assists readers in assessing the District's ability to generate revenue, meet its obligations as they come due, its operating cash flows, and shows the cash flows from noncapital financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section deals with cash flows from investing activities. This section reflects the cash received and spent for short-term investments and any interest paid or received on those investments.

The statement of cash flows provides information about cash receipts and payments during the year. This statement also assists user in assessing the District's ability to meet its obligations as they come due and its need for external financing.

Statement of Cash Flows
(in Thousands)

	Year Ended June 30,	
	2004	2003
Cash provided by:		
Operating activities	$(94,430)	$(91,754)
Noncapital financing activities	86,609	89,275
Capital financing activities	(3,134)	6,994
Investing activities	1,160	123
Net increase (decrease) in cash	(9,795)	4,638
Cash, beginning of year	27,063	22,425
Cash, end of year	$ 17,268	$ 27,063

The primary operating receipts are student tuition and fees, federal and state grants, and contracts. The primary operating expense of the District is the payment of salaries and benefits to instructional and classified support staff.

While state apportionment and property taxes are the primary source of noncapital related revenue, the new GASB accounting standards require that this source of revenue is shown as nonoperating revenue as it comes from the general resources of the state and not from the primary users of the colleges' programs and services (students). The District depends upon this funding as the primary source of funds to continue the current level of operations.

District cash at June 30, 2004 decreased over the same time period as the prior year due to decreased state apportionment funding and a decreased level of state funded construction activity.

Capital Assets

At June 30, 2004, the District had $100.6 million invested in a broad range of capital assets including land, land improvements, buildings and improvements, and machinery and equipment (see below). This amount represents a net increase (including additions and deductions) of $3.85 million or 4.0 percent over last year.

Capital Assets at Year-End
(in Millions)

	June 30, 2004	June 30, 2003	Increase (Decrease) 2004-2003
Land	$ 29.21	$ 29.49	$ (0.28)
Land improvements	4.66	4.66	
Buildings and improvements	76.02	53.98	22.04
Machinery and equipment	13.47	10.73	2.74
Construction in progress	6.68	24.01	(17.33)
Accumulated depreciation	(29.44)	(26.12)	(3.32)
	$100.60	$ 96.75	$ 3.85

The cost of the Digital Library/Learning Resource Center and related equipment, totaling $26.1 million, was added to building and improvements and machinery and equipment during the fiscal year.

Costs related to the Moreno Valley and Norco Early Childhood Studies and Norco Phase III Building projects, and the Martin Luther King High Tech Center and Quad Remodel projects were added to construction in progress during the year to reflect the work completed through June 30, 2004.

Long-Term Debt

The District has several certificates of participation issued and outstanding. They are reflected as notes payable in the statement of net assets. Outstanding at June 30, 2004 are:

	Principal June 30, 2003	Current Year Repayment	Principal June 30, 2004
2001 issue – Series 1993	$ 1,800,000	$ 80,000	$ 1,720,000
2001 issue – Series B	10,100,000	505,000	9,595,000
2001 issue – Series A	885,000	885,000	
	$12,785,000	$1,470,000	$11,315,000

In addition to these notes, the District has $1,462,748 in compensated absences payable, $2,281,417 in lease obligations, and $529,699 in other long-term liabilities for load banking liability.

Subsequent to year-end, all certificates of participation were fully refunded using general obligation bond proceeds from Series A and Series B of Measure C.

District's Fiduciary Responsibility

The District is the trustee, or fiduciary for certain amounts on behalf of students, clubs, and donors, for student loans and scholarships. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities are excluded from the District's entry-wide financial statements because we cannot use these assets to finance operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

General Fund Budgetary Highlights

Over the course of the year, the District revises the annual operating budget as it attempts to address unexpected changes in revenues and expenditures.

The District's final revised budget for the unrestricted general fund anticipated that expenditures would exceed revenue by $1.0 million. The actual results for the year showed revenues exceeded expenditures by $1.4 million.

The excess was primarily the result of salary and benefits cost savings resulting from vacant positions, conservative fiscal spending practices employed by District staff in response to State funding reductions, and reduced debt service costs due to reimbursement from general obligation bond proceeds.

District-wide credit, Full-Time Equivalent Student (FTES) counts, as reported on the second interim report, declined by 558 FTES compared to the same reporting period in the prior year. Student enrollment is not fully funded through the apportionment process. Funded credit FTES increased by 129 FTES over the same reporting period in the prior year. Increased attention to enrollment management practices during the year resulted in a lowering of our unfunded credit FTES percentage from 7.2 percent in 2002-03 to 4.4 percent in 2003-04 as reported on the second interim report.

The District was able to maintain a reserve level in the general unrestricted fund within the guidelines established by the California State Chancellor's Office and the Riverside Community College District Board of Trustees.

Economic Factors Affecting the Future of Riverside Community College District

The District's financial health is directly affected by the economic well-being of the State of California. Funding for California's community colleges looked fairly bleak during 2003–04. The State reduced funding in a number of areas. Partnership for Excellence funding was cut by 25 percent, a $25 million reduction in funded credit FTES for concurrent enrollment occurred, no COLA was provided, and a significant increase in enrollment fees was passed along to students. On the expenditure side, cost pressures continued to mount in areas such as health and welfare benefits, and employee contributions to PERS. At the same time, demand for services remained strong.

The budget outlook is significantly improved for 2004–05. Community colleges will receive an estimated 10.25 percent of the combined K-12 and Community College Proposition 98 revenues, compared to 9.51 percent for 2002–03. Enrollment fees are increased 44 percent from $18 per credit unit to $26 per credit unit. Enrollment growth is funded at 3.0 percent system wide and $27 million is provided, system wide, for District's such as RCCD who were above their enrollment caps at P2 in 2003-04. COLA has been provided at 2.41 percent and Equalization funding has been provided at $80 million system wide.

We have built the 2004–05 General Fund Budget based upon the following assumptions:

- Serving credit FTES of 24,323, or 6.1 percent above our funding cap, with funded FTES of 22,928.
- Cost of Living Adjustment (COLA) of 2.41 percent for State apportionment funding.
- Step and column increases will cost approximately $800,000.
- No increase is anticipated for nonresident tuition revenue.
- Student enrollment fees are anticipated to increase by 53.9 percent due to a 44 percent increase in the rate per credit unit; however, the District will only retain 2.0 percent of this increase.
- Our PERS contribution rate will decrease slightly to 9.925 percent.
- We anticipate the hiring of 21 one-year temporary faculty positions.
- Part-time faculty costs are anticipated to increase by $1.92 million as a result of salary increases, Golden Handshake, and increased enrollment.
- We anticipate hiring new classified positions equating to 11 FTE.

- Health and welfare benefit costs are anticipated to increase by $1.6 million.

- Funds in the amount of $450,000 have been set aside for the establishment of campus administrative offices and a scheduling office to facilitate the evolution of the District into a three-college operation.

- In March 2004, the voters in Riverside Community College District's service area passed Measure C authorizing the sale of $350 million of general obligation bonds. In August 2004, the District issued the first two series of Measure C, Series A and B, in the amount of $65 million. The proceeds from this issuance will be used to fully refund outstanding certificates of participation (1993 Certificates and 2001 Certificates) and finance the acquisition, construction, modernization, and scheduled maintenance of school facilities.

- Our Digital Library/Learning Resource Center was completed in August 2003. The District has a number of major remodeling and construction projects ongoing in the 2004-05 fiscal year. These projects are funded using State Construction Act funds, Measure C funds or a combination of these two funding sources. These projects include two new Early Childhood Studies Buildings (Moreno Valley and Norco), remodeling and equipping the Martin Luther King High Tech Center (Riverside), building a Parking Structure (Riverside), remodeling the Athletic Field/Track (Riverside), building the Relocatable Swing Space (Riverside), planning, and working drawing phase of the Quad Modernization (Riverside), and the planning and working drawing portion of the Phase III build-out at the Norco and Moreno Valley campuses.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need any additional information, please contact the District at: Riverside Community College District, 4800 Magnolia Avenue, Riverside, California 92506.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statement of Net Assets

June 30, 2004

ASSETS	
Current assets	
Cash and cash equivalents	$ 17,268,398
Investments	1,535,192
Accounts receivable	11,873,203
Prepaid expenses	80,834
Stores inventory	36,872
Total current assets	30,794,499
Noncurrent assets	
Capital assets, net of depreciation	100,605,205
Land held for sale	284,000
Total noncurrent assets	100,889,205
Total assets	$131,683,704

The accompanying notes are an integral part of these financial statements.

LIABILITIES	
Current liabilities	
Accounts payable	$ 5,383,729
Accrued interest payable	118,403
Deferred revenue	2,521,676
Claims liability	1,779,919
Amounts held in trust on behalf of others	906,944
Compensated absences payable, current portion	365,676
Notes payable, current portion	605,000
Lease obligations, current portion	278,438
Other long-term liabilities, current portion	11,076
Total current liabilities	11,970,861
Noncurrent liabilities	
Compensated absences payable, noncurrent portion	1,097,072
Notes payable, noncurrent portion	10,710,000
Lease obligations, noncurrent portion	2,002,979
Other long-term liabilities, noncurrent portion	518,623
Total noncurrent liabilities	14,328,674
Total liabilities	26,299,535
Net assets	
Invested in capital assets, net of related debt	87,008,788
Restricted for:	
Debt service	1,123,609
Capital projects	10,375,364
Unrestricted	6,876,408
Total net assets	105,384,169
Total liabilities and net assets	$131,683,704

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2004

Operating revenues	
Tuition and fees	$ 15,078,991
Less: scholarship discount and allowance	(4,069,168)
Net tuition and fees	11,009,823
Grants and contracts, noncapital:	
Federal	18,339,011
State	6,752,882
Total operating revenues	36,101,716
Operating expenses	
Salaries	73,233,641
Employee benefits	18,341,286
Supplies, materials, and other operating expenses and services	29,200,527
Equipment, maintenance, and repairs	4,093,845
Depreciation	3,588,448
Total operating expenses	128,457,747
Operating loss	(92,356,031)
Nonoperating revenues (expenses)	
State apportionments, noncapital	37,410,455
Local property taxes	41,450,278
State taxes and other revenues	3,468,096
Investment income, net	415,396
Interest expense on capital-related debt	(610,740)
Interest income on capital asset-related debt, net	9,290
Other nonoperating revenue	5,170,535
Total nonoperating revenue (expense)	87,313,310
Loss before other revenues	(5,042,721)
Other revenues	
State revenues, capital	7,565,990
Local revenues, capital	992,531
Loss on disposal of assets	(19,202)
Total other revenues	8,539,319
Increase in net assets	3,496,598

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statement of Revenues, Expenses, and Changes in Net Assets

For the Year Ended June 30, 2004

Increase in net assets	$ 3,496,598
Net assets	
Beginning of year, as previously reported	103,674,831
Adjustment due to overstatement of equipment	(1,787,260)
Beginning of year, as corrected	101,887,571
End of year	$105,384,169

The accompanying notes are an integral part of these financial statements.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2004

Cash flows from operating activities	
Tuition and fees	$ 11,134,866
Federal grants and contracts	16,715,905
State grants and contracts	4,137,040
Payments to vendors and suppliers	(33,649,603)
Payments to (on behalf of) employees	(92,775,419)
Other payments	6,704
Net cash used in operating activities	(94,430,507)
Cash flows from noncapital financing activities	
State apportionments	34,257,075
Property taxes	41,423,265
Other state revenues	3,248,178
Other local revenues	7,680,903
Net cash provided by noncapital financing activities	86,609,421
Cash flows from capital financing activities	
State revenue, capital projects	7,565,990
Local revenue, capital projects	992,531
Proceeds from sale of capital assets	7,677
Acquisition and construction of capital assets	(9,534,947)
Principal paid on capital debt and leases	(1,573,095)
Interest paid on capital debt and leases	(601,429)
Interest income on capital asset-related debt	9,290
Net cash used in capital financing activities	(3,133,983)
Cash flows from investing activities	
Net change in investments	686,433
Investment income	474,050
Net cash provided by investing activities	1,160,483
Net decrease in cash and cash equivalents	(9,794,586)
Cash and cash equivalents	
Beginning of year	27,062,984
End of year	$ 17,268,398

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statement of Cash Flows

For the Year Ended June 30, 2004

Reconciliation of net operating loss to net cash used in operating activities	
Operating loss	$(92,356,031)
Adjustment to reconcile operating loss to net cash used in operating activities	
Depreciation expense	3,588,448
Changes in assets and liabilities	
Receivables	(4,291,777)
Inventory	(7,680)
Prepaid items	122,959
Accounts payable and accrued liabilities	(2,124,042)
Deferred revenue	177,872
Funds held for others	6,704
Compensated absences and load banking	453,040
Total adjustments	(2,074,476)
Net cash used in operating activities	$(94,430,507)

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Riverside Community College District (the "District") is a political subdivision of the State of California and provides educational services to the local residents of Riverside County (County). The District consists of one community college with three campuses located in Riverside, Norco, and Moreno Valley, California. While the District is a political subdivision of the state, it is not a component unit of the state in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 39. The District operates under a locally elected five-member Board of Trustees form of government.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Riverside Community College District, this includes general operations, child development services, food services, and student-related activities of the District. Additionally, the Riverside Community College District Development Corporation and the Riverside County Schools Financing Corporation are included in the reporting entity.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt, or the levying of their taxes. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although legally a separate entity, is reported in the financial statements as if it were part of the District's operations because the Board of Trustees of the component unit is essentially the same as the Board of Trustees of the District and because its purpose is to finance the construction of facilities to be used for the benefit of the District.

The Riverside County Schools Financing Corporation's financial activity is presented in the financial statements as the certificates of participation 2001 Capital Fund and the certificates of participation 1993 and 2001 Debt Service Fund. Certificates of participation issued by the corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Riverside County Schools Financing Corporation.

The Riverside Community College District Development Corporation is presented in the financial statements as R.C.C.D. Development Corporation Special Revenue Fund.

1. Summary of Significant Accounting Policies (Continued)

Joint Powers Agencies and Public Entity Risk Pools

The District is associated with four joint powers agencies (JPAs). These organizations do not meet the criteria for inclusion as component units of the District. Summarized financial information is presented in note 17 to the financial statements. The JPAs are the School Excess Liability Fund (SELF), the Riverside Community College—County Superintendent Self-Insurance Program for Employees (RCCCSSIPE), the Riverside Employers/Employees Plan (REEP), and Alliance of Schools for Cooperative Insurance Program (ASCIP).

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Colleges and Universities*, issued in June and November 1999, respectively. These statements provide a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The District uses the "business-type" activities reporting requirements of the statements that provide a comprehensive "one-look" at the District's financial activities. In May 2002, the GASB released Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2003-04 fiscal year as required. The District now follows the financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39.

Basis of Accounting – Measurement Focus

Entity-Wide Financial Statements

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows. All significant intra-agency transactions have been eliminated. The District has elected to apply all Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989, unless FASB conflicts with GASB. The District has not elected to apply FASB pronouncements issued after that date.

Exceptions to the accrual basis of accounting are as follows:

Summer session tuition and fees received before year-end are recorded as deferred revenue as of June 30 with the revenue being reported in the fiscal year in which the program is predominately conducted. Summer session expenditures through June 30 are recorded as current expenses.

1. Summary of Significant Accounting Policies (Continued)

The entity-wide financial statement of activities presents a comparison between operating revenues and operating expenses of the District. Revenues and expenses that are not classified as operating revenues or expenses are presented as nonoperating revenues and expenses. Nonoperating revenues and expenses include state apportionments, property taxes, interest and investment income, or expenses as these sources and uses of funds are derived from the general population and not from operations.

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Revenues – Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include state apportionments, property taxes, certain grants, entitlements, and donations. Revenue from state apportionments is generally recognized in the fiscal year in which it is apportioned from the state. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements.

State Apportionments

Certain current-year apportionments from the state are based on various financial and statistical information of the previous year. Any prior-year corrections due to the recalculation in February 2005 will be recorded in the year computed by the state; however, an estimate of the corrections has been included in the financial statements, and we anticipate any further correction to be immaterial.

Deferred Revenue

Deferred revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized. Certain federal and state grants received before the eligibility requirements are met are recorded as deferred revenue.

1. Summary of Significant Accounting Policies (Continued)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. Allocations of costs, such as depreciation and amortization, are recognized in the entity-wide financial statements although they are not allocated in individual funds within the District's financial records.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and money market funds with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Investments for which there are no quoted market prices are not material.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary services provided to students, faculty, and staff. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the District's grants and contracts. The District provides for an allowance for uncollectible accounts as an estimation of amounts that may not be received. This allowance is based upon management's estimates and analysis.

Prepaid Expenditures

Prepaid expenditures or expenses represent payments made to vendors for services that will benefit periods beyond June 30.

Inventory

Inventory consists primarily of food and supplies within the District's food service fund held for resale to the students and faculty of the colleges. Inventories are stated at cost, utilizing the first–in, first–out method. The cost is recorded as an expense as the inventory is consumed.

Capital Assets and Depreciation

Capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of $5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

1. Summary of Significant Accounting Policies (Continued)

When purchased, such assets are recorded as expenditures in the District's governmental funds and capitalized within the entity-wide financial statements. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated cost based on replacement cost or appraised value (assessed value at July 1, 2002). Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 50 years
Improvements	10 years
Equipment	3 to 8 years

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the entity-wide financial statements. The amounts have been recorded in the fund from which the employees have accumulated the leave and from which the amounts are paid. The noncurrent portion of the liability is monitored but not recorded within the governmental funds. The District also participates in and accrues "load banking" with eligible academic employees whereby the employee may teach extra courses in one period in exchange for time off in another period.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year-of-service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the entity-wide financial statements.

Net Assets

GASB Statements No. 34 and No. 35 report equity as "net assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of District obligations.

1. Summary of Significant Accounting Policies (Continued)

Invested in capital assets, net of related debt represents the District's total investment in capital assets, net of associated outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component invested in capital assets, net of related debt.

Restricted net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. The District generally uses restricted resources prior to unrestricted resources where appropriate.

Unrestricted net assets represent resources derived from student tuition and fees, state apportionments, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District, and may be used at the discretion of the Board of Trustees to meet current expenses for any purpose. Although the governing board may designate these funds for special purposes, the funds remain unrestricted.

Operating Revenues and Expenses

Operating revenues include all revenues from programmatic sources. Nonoperating revenues include state apportionments, state and local tax revenues, investment income, and gifts.

Classifications of Revenues and Expenses

The District has classified its revenues as either operating or nonoperating. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues, as defined by GASB Statement No. 35, including state apportionments, local property taxes, and investment income. Nearly all the District's expenses are from exchange transactions. Revenues and expenses are classified according to the following criteria:

Operating revenues include activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services for auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, and local grants and contracts, and federal appropriations; and (4) interest on institutional student loans.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as gifts and contributions and other revenue sources described in GASB Statement No. 35 such as state appropriations and investment income.

Operating expenses are necessary costs to provide the services of the District. Nonoperating expenses include interest expense and other expenses not directly related to the services of the District.

1. Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded in the period they become available to the District.

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and Stafford Loan programs, as well as other programs funded by the federal government. Financial aid to students is reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act of 1996, and the U.S. Office of Management and Budget's revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the related *Compliance Supplement*. During the year ended June 30, 2004, the District distributed $1,302,958 in direct lending through the U.S. Department of Education. These amounts have not been included as revenues or expenses within the accompanying financial statements as the amounts were passed directly to qualifying students.

2. Deposits and Investments

Policies and Practices

The District is considered to be an involuntary participant in an external investment pool since the District is required to deposit all receipts and collections of monies with their county treasurer. In addition, the District is authorized to maintain deposits with certain financial institutions that are federally insured up to $100,000. *California Government Code* Sections 16520 through 16522 require California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an agency's deposits.

2. Deposits and Investments (Continued)

Under provision of the District's investment policy and in accordance with Sections 53601 and 53602 of the *California Government Code*, the District may also make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash and Cash Equivalents

At year-end, the carrying amount of the District's deposits was $1,910,259. The bank balances totaled $2,516,972. The cash held in County Treasury is uncategorized and the fair value approximates carrying value as shown below. Deposits with the County Treasury are not categorized because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county. Of this amount, $416,240 is federally insured by the Federal Deposit Insurance Corporation. The balance of $1,494,019 was covered by pooled and/or pledged collateral but not necessarily held in the District's name (uncollateralized, Risk Category 3).

Cash in County Treasury	$15,358,139
Cash on hand and in bank	1,910,259
Total cash and cash equivalents	$17,268,398

Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the counterparty's trust department or agent in the District's name holds the securities. Category 3 includes uninsured and unregistered investments for which the securities are held by the financial institution's trust department or agent but not in the District's name.

2. Deposits and Investments (Continued)

The investments at June 30, 2004 are as follows:

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
INVESTMENTS					
Categorized					
Investment agreement with Scott Fetzer Financial Group			$ 185,240	$ 185,240	$ 185,240
AIG Matched Funding Corporation			937,168	937,168	937,168
	$ -	$ -	$1,122,408		
Uncategorized					
First American Treasury obligations				412,784	412,784
				$1,535,192	$1,535,192

3. Accounts Receivables

Receivables at June 30, 2004 consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

Federal government	
Categorical aid	$ 2,463,075
State government	
Categorical aid	6,383,488
Other state sources	343,030
Local government	
Interest	62,168
Property taxes	1,702,949
Foundation	118,738
Other local sources	799,755
	$11,873,203

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Reclassification	Balance June 30, 2004
Capital assets not being depreciated					
Land	$ 29,490,770			$(284,000)	$ 29,206,770
Construction in progress	24,008,933	$ 8,783,614	$26,115,051		6,677,496
Total capital assets not being depreciated	53,499,703	8,783,614	26,115,051	(284,000)	35,884,266
Capital assets being depreciated					
Land improvements	4,660,871				4,660,871
Buildings and improvements	53,982,506	22,039,893			76,022,399
Machinery and equipment	8,947,663	4,826,491	300,567		13,473,587
Total capital assets being depreciated	67,591,040	26,866,384	300,567	-	94,156,857
Total capital assets	121,090,743	35,649,998	26,415,618	(284,000)	130,041,123
Less accumulated depreciation					
Land improvements	4,092,562	73,687			4,166,249
Buildings and improvements	16,339,019	1,793,703			18,132,722
Machinery and equipment	5,689,577	1,721,058	$273,688		7,136,947
Total accumulated depreciation	26,121,158	3,588,448	273,688	-	29,435,918
Net capital assets	$ 94,969,585	$32,061,550	$26,141,930	$(284,000)	$100,605,205

Depreciation expense for the year was $3,588,448.

5. Land Held for Sale

During the current fiscal year, the District signed an agreement with the Riverside County Education Foundation for the option to purchase land owned by the District.

6. Short-Term Debt – Tax Anticipation Notes

The District issues tax anticipation notes in order to provide for operational expenses until property tax revenues are received. Short-term debt activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation note	$-0-	$5,000,000	$5,000,000	$-0-

7. Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenue from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. These operating transfers have been eliminated through consolidation within the entity-wide financial statements.

8. Accounts Payable

Accounts payable at June 30, 2004 consisted of the following:

Accrued salaries and benefits	$ 719,156
Apportionment	15,224
Other governmental entities	752,948
Other	3,896,401
Total	$5,383,729

9. Deferred Revenue

Deferred revenue at June 30, 2004 consisted of the following:

State categorical aid	$ 461,056
Summer enrollment fees	712,511
Theater subscriptions	306,911
Other local	1,041,198
Total	$2,521,676

10. Long-Term Debt

Long-Term Liabilities

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004	Due in One Year
Notes payable					
Certificates of participation – 2001 Series A	$ 885,000		$ 885,000		
Certificates of participation – 2001 Series B	10,100,000		505,000	$ 9,595,000	$ 525,000
Certificates of participation – 2001 Series 1993	1,800,000		80,000	1,720,000	80,000
Total notes payable	12,785,000	$ -	1,470,000	11,315,000	605,000
Other liabilities					
Compensated absences	1,089,652	373,096		1,462,748	365,676
Load banking	449,755	244,228	164,284	529,699	11,076
Capital leases	2,384,512		103,095	2,281,417	278,438
Total other liabilities	3,923,919	617,324	267,379	4,273,864	655,190
Total long-term debt	$16,708,919	$617,324	$1,737,379	$15,588,864	$1,260,190

Description of Debt

In December 1989, the District issued $6,820,000 of certificates of participation through the Riverside County School Financing Corporation and entered into a long-term lease arrangement to finance the acquisition of property and site improvements.

10. Long-Term Debt (Continued)

In August 1993, the District issued $14,485,000 of certificates of participation through the Riverside County Schools Financing Corporation and entered into a long-term lease arrangement to finance various site improvements throughout the District.

A portion of the above certificates were defeased as part of the certificates of participation 2001 issue. Funds from the issue have been deposited into an irrevocable escrow account for subsequent repayment of the certificates at the appropriate dates. The balance of funds in the escrow account approximated $9,800,000 at June 30, 2004.

In October 2001, the District issued $2,095,000 of certificates of participation (2001 Series A) to partially refund the 1989 certificates of participation. The certificates matured June 2004 and were paid in full.

In October 2001, the District issued $10,585,000 of certificates of participation (2001 Series B) to refund the 1989 and 1993 certificates of participation. The certificates mature through June 2018. At June 30, 2004, the balance outstanding was $9,595,000.

The outstanding liability for the 1993 issuance was $1,720,000 at June 30, 2004. These certificates mature through June 2018 bearing an interest from 5.25 percent to 5.8 percent.

The District has utilized a capital lease purchase agreement to purchase land. The current lease purchase agreement will be paid through 2017.

Certificates of participation – 2001 Series B

The certificates mature through 2018 as follows:

	Principal	Interest	Total
For the Year Ending June 30,			
2005	$ 525,000	$ 398,246	$ 923,246
2006	545,000	380,189	925,189
2007	560,000	361,192	921,192
2008	575,000	340,611	915,611
2009	605,000	318,108	923,108
2010 - 2014	3,450,000	1,143,007	4,593,007
2015 - 2018	3,335,000	310,626	3,645,626
	$9,595,000	$3,251,979	$12,846,979

10. Long-Term Debt (Continued)

Certificates of Participation – 2001 Series 1993

The certificates mature through 2018 as follows:

For the Year Ending June 30,	Principal	Interest	Total
2005	$ 80,000	$ 97,440	$ 177,440
2006	85,000	92,655	177,655
2007	90,000	87,580	177,580
2008	100,000	82,070	182,070
2009	105,000	76,125	181,125
2010 - 2014	620,000	225,850	845,850
2015 - 2018	640,000	77,140	717,140
	$1,720,000	$738,860	$2,458,860

Capital Leases

The Districts liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2003	$3,828,514
Payments	278,438
Balance, June 30, 2004	$3,550,076

The capital leases have minimum lease payments as follows:

For the Year Ending June 30,	
2005	$ 278,438
2006	278,438
2007	278,438
2008	278,438
2009	278,438
2010 - 2014	1,392,182
2015 - 2017	765,704
	3,550,076
Less amount representing interest	(1,268,659)
Present value of minimum lease payments	$ 2,281,417

10. Long-Term Debt (Continued)

Total debt service requirements are:

For the Year Ending June 30,	
2005	$ 1,379,124
2006	1,381,282
2007	1,377,210
2008	1,376,119
2009	1,382,671
2010 - 2014	6,831,039
2015 - 2017	5,128,470
Total notes payable and capital lease debt service requirements	$18,855,915

11. Restatement of Prior Year Net Assets

In the financial statements for the year ended June 30, 2003, an error was made in accounting for equipment. Certain equipment was included in both construction in progress as well as the fixed asset account - machinery and equipment. This error has been corrected and had the following effect on the net assets beginning balance:

Beginning net assets, as previously reported	$103,674,831
Adjustment due to overstatement of equipment	(1,787,260)
Beginning net assets, as corrected	$101,887,571

12. Postemployment Benefits

The District has entered into an agreement whereby the District will continue to pay medical benefits for employees retiring at age 55 with ten or more years of service. These benefit payments will continue until the employee reaches age 65. In addition, the District has entered into agreements with former board members and various retired employees whereby the District will continue to pay medical benefits and life insurance for the remainder of their lives. On June 30, 2004, there were 38 retirees eligible to receive such benefits. The estimated future cost to the District at June 30, 2004 is approximately $2,200,000. This amount is calculated based on expected years until either age 65 or a 15-year life expectancy times the current insurance rates. No actuarial evaluation has been performed.

Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as retirees' premiums are paid. During the year, expenditures of $458,214 were recognized for retirees' health care benefits.

13. Risk Management – Claims

Description

Some of the District's risk management activities are recorded in the Health and Liability Self-Insurance Fund and the Workers' Compensation Self-Insurance Fund. The purpose of the Health and Liability Self-Insurance Fund is to administer the employee life and health programs and property and liability program of the District on a cost-reimbursement basis. The funds account for the risk financing activities of the District but do not constitute a transfer of risk from the District.

Significant losses are covered by commercial insurance and/or coverage by joint powers authorities. The District maintained a self-insurance retention (SIR) of $70,000 for employee health risks, $100,000 for liability and property risks, and $250,000 for workers' compensation risks. There have been no significant reductions in insurance coverage for the District's insured programs or the Health Maintenance Organization programs used by the District.

Claims Liabilities

The District records an estimated liability for indemnity health care, workers' compensation, torts, and other claims against the District. Claims liabilities are based on estimates of the ultimate cost of the reported claims including future claim adjustment expenses and an estimate for claims incurred, but not reported based on historical experience. The estimated liabilities are calculated using historical experience and internal actuarial analysis.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2003 to June 30, 2004:

Liability balance, July 1, 2003	$ 1,397,374
Claims and changes in estimates	3,044,845
Claims payments	(2,662,300)
Liability balance, June 30, 2004	$ 1,779,919
Cash and investments available to pay claims at June 30, 2004	$ 1,726,270

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; injuries to students, campus visitors, or employees; natural disasters; medical claims of District employees; and employment-related liabilities. The District maintains Internal Service Funds to account for and finance its uninsured risks of loss.

13. Risk Management – Claims (Continued)

All funds of the District, with the exception of the Expendable Trust, the Riverside Community College District Development Corporation, the certificates of participation 1993 Debt Service Fund, and the certificates of participation 2001 Capital and Debt Service Funds, participate in the program and payments are made to the fund based on estimates of the amounts needed to fund prior year and current year claims and to establish a reserve for losses relating to catastrophes. That reserve was depleted at June 30, 2004 and is reported as the Internal Service Funds retained deficit in the amount of $74,153. This liability is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

14. Employee Retirement Systems

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the State Teachers' Retirement System (STRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

State Teachers' Retirement System

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the SRTS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

14. Employee Retirement Systems (Continued)

The STRS, a defined benefit pension plan, provides retirement, disability, and death benefits and depending on which component of the STRS the employee is in, post-retirement cost-of-living adjustments may also be offered. Employees in the DB Plan attaining the age of 60 with five years of credited California service (service) are eligible for "normal" retirement and are entitled to a monthly benefit of two percent of their final compensation for each year of service. Final compensation is generally defined as the average salary earnable for the highest three consecutive years of service. The plan permits early retirement options at age 55 or as early as age 50 with at least 30 years of service. While early retirement can reduce the two percent age factor used at age 60, service of 30 or more years will increase the percentage age factor to be applied. Disability benefits are generally the maximum of 50 percent of final compensation for most applicants. Eligible dependent children can increase this benefit up to a maximum of 90 percent of final compensation. After five years of credited service, members become 100 percent vested in retirement benefits earned to date. If a member's employment is terminated, the accumulated member contributions are refundable. The features of the CD Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half-time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution for fiscal year 2003-2004 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the DB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

Annual Pension Cost

The District's total contribution to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$3,468,997, \$3,572,802, and \$2,741,841, respectively, and equal 100 percent of the required contributions for each year. The State of California may make additional direct payments for retirement benefits to the STRS on behalf of all community colleges in the state. The revenue and expenditures associated with these payments, if any, have not been included in these financial statements.

14. Employee Retirement Systems (Continued)

CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The Riverside Community College District is part of a "cost-sharing" pool with CalPERS. Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of two percent of final compensation for each year of service credit. Retirement compensation is reduced if the plan is coordinated with Social Security. Retirement after age 55 will increase the percentage rate to a maximum of 2.5 percent at age 63 with an increased rate. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 "P" Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over $133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. CalPERS approved a school employer contribution rate of 10.42 for the fiscal year 2003-04.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2004, 2003, and 2002 were $2,256,154, $611,023, and $0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2002 actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense); (b) an overall growth in payroll of 3.75 percent annually; and (c) an inflation component of 3.50 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

14. Employee Retirement Systems (Continued)

On Behalf Payments

The State of California makes contributions to STRS and CalPERS on behalf of the District. These payments consist of State General Fund contributions to STRS which amounted to $958,590 (2.28 percent of salaries subject to STRS) and $0 (zero percent of salaries subject to PERS). A contribution to CalPERS was not required for the year ended June 30, 2004. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the California Community College's Annual Financial and Budget Report (CCFS-311). These amounts also have not been recorded in these financial statements.

15. Functional Expenses

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	$44,778,749	$ 1,672,565	$1,181,791		$ 47,633,105
Academic support	22,272,722	7,914,064	459,268		30,646,054
Student services	10,889,813	1,449,613	403,598		12,743,024
Plant operations and maintenance	4,849,713	2,465,224	164,536		7,479,473
Instructional support services	3,127,185	338,872	262,339		3,728,396
Community services and economic development	966,103	224,401	4,699		1,195,203
Ancillary services and auxiliary operations	4,677,942	2,059,457	87,298		6,824,697
Physical property and related acquisitions	12,700	31,402	1,530,316		1,574,418
Depreciation				$3,588,448	3,588,448
Financial aid awarded students		13,044,929			13,044,929
	$91,574,927	$29,200,527	$4,093,845	$3,588,448	$128,457,747

16. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of-funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all pending litigation for which insurance coverage is applicable is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2004. The District could have exposure should the insurance carrier deem a case to be not covered due to various circumstances.

Construction Commitments

As of June 30, 2004, the District had the following commitments with respect to the unfinished capital projects:

	Construction in Progress	Remaining Budget
Norco Early Childhood Center	$2,155,259	$ 196,141
Moreno Valley Early Childhood Center	1,078,195	1,029,305
Quad Modernization	402,108	16,208,958
Norco Phase III	304,495	17,454,487
Martin Luther King High-Tech Center	2,737,439	4,921,425
	$6,677,496	$39,810,316

17. Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the School Excess Liability Fund (SELF), the Riverside Community College—County Superintendent Self-Insurance Program for Employees (RCCCSSIPE), the Riverside Employers/Employees Plan (REEP), and Alliance of Schools for Cooperative Insurance Programs (ASCIP) Joint Powers Authorities (JPAs). The District pays annual premiums for its property liability, health, and workers' compensation coverage. The relationship between the District and the JPA is such that it is not a component unit of the District for financial reporting purposes.

17. Participation in Public Entity Risk Pools and Joint Powers Authorities (Continued)

The JPAs have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, transactions between the JPAs and the District are included in these statements. Audited financial statements are available from the respective entities.

The JPAs reported no long-term debt outstanding at June 30, 2004. The District's share of year-end assets, liabilities, or fund equity has not been calculated.

Current year condensed audited financial information is as follows:

A.	**Entity**	Schools' Excess Liability Fund (SELF)	Riverside Community Colleges – County Superintendent Self-Insurance Program for Employees (RCCCSSIPE)	Riverside Employers/ Employees Plan (REEP)	Alliance of Schools for Cooperative Insurance Programs (ASCIP)
B.	**Purpose**	Provides excess liability and workers' compensation insurance for its members.	Provided workers' compensation for its members from 1978-1995. Currently handles the runoff of existing claims for that period.	Provides dental insurance for its members.	Provides excess property and liability insurance for its members.
C.	**Participants**	Various educational districts statewide.	Various educational districts in Riverside County.	Various educational districts in Riverside County.	Various educational districts statewide.
D.	**Governing Board**	Representatives from each member district.	Representatives from each member district.	Representatives from each member district.	Representatives from each member district.

17. Participation in Public Entity Risk Pools and Joint Powers Authorities (Continued)

E. Condensed Audited Financial Information Follows	(SELF) June 30, 2003*	(RCCCSSIPE) June 30, 2003*	(REEP) June 30, 2003*	(ASCIP) June 30, 2003*
Assets	$ 139,052,615	$ 3,694,955	$ 7,043,261	$ 80,514,569
Liabilities	(107,855,085)	(1,852,279)	(5,521,710)	(56,501,953)
Fund equity	$ 31,197,530	$ 1,842,676	$ 1,521,551	$ 24,012,616
Revenues	$ 40,290,486	$ 585,224	$ 61,633,560	$ 37,434,559
Expenses	(56,733,282)	(1,112,304)	(60,858,190)	(33,661,727)
Distribution of equity		(500,000)		
Net increase (decrease) in fund equity	$(16,442,796)	$(1,027,080)	$ 775,370	$ 3,772,832

*Most recent information available

18. Bookstore Agreement

The District extended its 1999 agreement with Barnes and Noble College Bookstores, Inc. to operate and provide services for the District's bookstores for an additional two-year term from October 1, 2002 through September 30, 2004. Unless the termination provisions are exercised by the District's Board of Trustees, this agreement will automatically extend for additional one-year terms beginning on October 1, 2004. The District will receive the greater of (1) annual commission payments as listed in the table below, or (2) 9.1 percent of net income from sales for gross sales up to $6,000,000, 10.1 percent of net income from sales for gross sales between $6,000,000 and $7,500,000, and 12.1 percent of net income from sales for gross sales over $7,500,000. Anticipated receipts through September 30, 2004 are $131,250.

19. Foundation

The Riverside Community College District Foundation (the "Foundation"), whose purpose is to provide support to the District, is a separate not-for-profit 501c(3) organization. The Foundation has been determined to not be a component unit of the District. The Foundation received a separate audit report for the fiscal year ended June 30, 2004. A summary of their report is presented below:

Assets	$4,218,142
Liabilities	118,736
Net assets	$4,099,406
Changes in net assets	
Revenues	$1,466,191
Expenses	720,835
Increase in net assets	$ 745,356

20. Other Transactions

Related Party Transactions

During the year ended June 30, 1999, the District entered into an agreement with Riverside Community College District Foundation in which the Foundation is to reimburse the District $400,000 for a building purchased by the District to be utilized jointly by the District and the Foundation. The Foundation has reimbursed the District. Ownership of the building remains with the District and the Foundation will lease the property at a cost of $1 per year until November 30, 2008.

21. Subsequent Events

In an election on March 2, 2004, General Obligation Bonds Series 2004A "Series A Bonds" and Series 2004B (federally taxable) "Series B Bonds" were authorized. This election authorized the sale of $350,000,000 principal amount of general obligation bonds of the District.

Subsequent to year-end, Series A Bonds were issued in the aggregate principal amount of $55,205,000. Series A Bonds will be used to finance the acquisition, construction, and modernization of property and school facilities, to refund outstanding certificates of participation (1993 Financing Project) (the "1993 Certificates"), and to pay certain costs of the bond issue. Series B Bonds were issued in the amount of $9,795,000 and will be used to advance refund the District's outstanding certificates of participation (2001 Refunding Project) Series B (the "2001 Certificates"). Upon issuance of Series A and B Bonds, the District's certificates of participation were refunded.

The bonds will be general obligations of the District. The Riverside County Board of Supervisors is obligated to levy *ad valorem* taxes upon all property within the District subject to taxation by the District for the payment of interest and principal on the bonds when due.

21. Subsequent Events (Continued)

Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity. Series B Bonds are not subject to redemption prior to maturity.

The District issued $4,555,000 of tax and revenue anticipation notes dated July 6, 2004. The notes mature on July 6, 2005 and yield 1.6 percent interest. The notes were sold to supplement cash flow. Repayment requirements are a percentage of principal and interest and are to be deposited with the fiscal agent in certain months of 2005 until at the end of May 2005 the deposit equals all principal and interest due on the note.

22. Commitments

The District's future minimum rental commitments for the Dental Clinic and Hallmark Parkway buildings, accounted for as operating leases at June 30, 2004, are as follows:

Year ending June 30,	
2005	$ 60,544
2006	64,456
Total	$125,000

Rental expense paid during the current year was $38,800.

APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Riverside Community College District (the "District") in connection with the issuance of $58,386,109.30 2005 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution of the District adopted on April 19, 2005 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially the District, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission can be found at www.sec.gov/info/municipal/nrmsir.htm or www.sec.gov.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2004-05 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than thirty (30) days (nor more than sixty (60) days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repositories to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to each Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repositories of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided and listing all the Repositories to which it was provided.

(d) Any filing required under this Disclosure Certificate may be made by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 4. Content of Annual Reports. The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(a) State funding received by the District for the last completed fiscal year;

(b) enrollment of the District for the last completed fiscal year;

(c) outstanding District indebtedness;

(d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. principal and interest payment delinquencies,

2. non-payment related defaults,

3. modifications to rights of Bondholders,

4. optional, contingent or unscheduled bond calls,

5. defeasances,

6. rating changes,

7. adverse tax opinions or events affecting the tax-exempt status of the Bonds,

8. unscheduled draws on the debt service reserves reflecting financial difficulties,

9. unscheduled draws on the credit enhancements reflecting financial difficulties,

10. substitution of the credit or liquidity providers or their failure to perform, or

11. release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the District shall promptly file a notice of such occurrence with the Repositories or provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repositories. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(b).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon fifteen (15) days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repositories. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 8, 2005

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By___________________________________

Vice Chancellor,
Administration and Finance

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: RIVERSIDE COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: 2005 General Obligation Refunding Bonds

Date of Issuance: June 8, 2005

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by ____________.

Dated:_______________________

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By ______[form only; no signature required]__________

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the following provisions will govern the payment, transfer and exchange of the Bonds.

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least $1,000,000 in aggregate principal amount, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District, the County nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding any Bond Payment Date, the stated maturity of any of the Bonds or any date of selection of Bonds to be redeemed and ending with the close of business on the applicable Bond Payment Date, the close of business on the applicable stated maturity date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

APPENDIX E

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By ______________________________

By ______________________________
Authorized Officer

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER: Policy No.:

BONDS: Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language. the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________

Authorized Officer

SPECIMEN

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 560NY (CA 1/91)

BOND ACCRETED VALUE TABLE

Riverside Community College District
2005 General Obligation Refunding Bonds

Date	Capital Appreciation Serial Bonds 08/01/2005 12%	Capital Appreciation Serial Bonds 08/01/2006 12%	Capital Appreciation Serial Bonds 08/01/2007 12%	Capital Appreciation Serial Bonds 08/01/2008 12%	Capital Appreciation Serial Bonds 08/01/2009 12%	Capital Appreciation Serial Bonds 08/01/2010 12%	Capital Appreciation Serial Bonds 08/01/2011 12%	Capital Appreciation Serial Bonds 08/01/2012 12%	Capital Appreciation Serial Bonds 08/01/2013 12%
06/08/2005	4,913.20	4,374.25	3,893.05	3,464.80	3,083.65	2,744.45	2,442.55	2,173.85	1,934.75
08/01/2005	5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20
02/01/2006		4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30
08/01/2006		5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50
02/01/2007			4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15
08/01/2007			5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80
02/01/2008				4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90
08/01/2008				5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95
02/01/2009					4,716.95	4,198.05	3,736.25	3,325.25	2,959.45
08/01/2009					5,000.00	4,449.95	3,960.45	3,524.80	3,137.05
02/01/2010						4,716.95	4,198.05	3,736.25	3,325.25
08/01/2010						5,000.00	4,449.95	3,960.45	3,524.80
02/01/2011							4,716.95	4,198.05	3,736.25
08/01/2011							5,000.00	4,449.95	3,960.45
02/01/2012								4,716.95	4,198.05
08/01/2012								5,000.00	4,449.95
02/01/2013									4,716.95
08/01/2013									5,000.00
02/01/2014									
08/01/2014									
02/01/2015									
08/01/2015									
02/01/2016									
08/01/2016									
02/01/2017									
08/01/2017									
02/01/2018									
08/01/2018									
02/01/2019									

BOND ACCRETED VALUE TABLE

Riverside Community College District
2005 General Obligation Refunding Bonds

Date	Capital Appreciation Serial Bonds 08/01/2014 12%	Capital Appreciation Serial Bonds 08/01/2015 12%	Capital Appreciation Serial Bonds 08/01/2016 12%	Capital Appreciation Serial Bonds 08/01/2017 12%	Capital Appreciation Serial Bonds 08/01/2018 12%	Capital Appreciation Serial Bonds 08/01/2019 12%	Capital Appreciation Serial Bonds 08/01/2020 12%	Capital Appreciation Serial Bonds 08/01/2021 12%	Capital Appreciation Serial Bonds 08/01/2022 12%
06/08/2005	1,721.90	1,532.50	1,363.90	1,213.85	1,080.35	961.50	855.70	761.60	677.80
08/01/2005	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75	689.55
02/01/2006	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25	730.90
08/01/2006	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75
02/01/2007	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25
08/01/2007	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55
02/01/2008	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75
08/01/2008	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15
02/01/2009	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80
08/01/2009	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05
02/01/2010	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95
08/01/2010	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85
02/01/2011	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95
08/01/2011	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50
02/01/2012	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75
08/01/2012	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00
02/01/2013	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55
08/01/2013	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70
02/01/2014	4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80
08/01/2014	5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20
02/01/2015		4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30
08/01/2015		5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50
02/01/2016			4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15
08/01/2016			5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80
02/01/2017				4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90
08/01/2017				5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95
02/01/2018					4,716.95	4,198.05	3,736.25	3,325.25	2,959.45
08/01/2018					5,000.00	4,449.95	3,960.45	3,524.80	3,137.05
02/01/2019						4,716.95	4,198.05	3,736.25	3,325.25

BOND ACCRETED VALUE TABLE

Riverside Community College District
2005 General Obligation Refunding Bonds

Date	Capital Appreciation Serial Bonds 08/01/2014 12%	Capital Appreciation Serial Bonds 08/01/2015 12%	Capital Appreciation Serial Bonds 08/01/2016 12%	Capital Appreciation Serial Bonds 08/01/2017 12%	Capital Appreciation Serial Bonds 08/01/2018 12%	Capital Appreciation Serial Bonds 08/01/2019 12%	Capital Appreciation Serial Bonds 08/01/2020 12%	Capital Appreciation Serial Bonds 08/01/2021 12%	Capital Appreciation Serial Bonds 08/01/2022 12%
08/01/2019						5,000.00	4,449.95	3,960.45	3,524.80
02/01/2020							4,716.95	4,198.05	3,736.25
08/01/2020							5,000.00	4,449.95	3,960.45
02/01/2021								4,716.95	4,198.05
08/01/2021								5,000.00	4,449.95
02/01/2022									4,716.95
08/01/2022									5,000.00
02/01/2023									
08/01/2023									
02/01/2024									
08/01/2024									
02/01/2025									
08/01/2025									
02/01/2026									
08/01/2026									
02/01/2027									
08/01/2027									
02/01/2028									
08/01/2028									
02/01/2029									
08/01/2029									

BOND ACCRETED VALUE TABLE

Riverside Community College District
2005 General Obligation Refunding Bonds

Date	Capital Appreciation Serial Bonds 08/01/2023 12%	Capital Appreciation Serial Bonds 08/01/2024 12%	Capital Appreciation Serial Bonds 08/01/2025 12%	Capital Appreciation Serial Bonds 08/01/2026 12%	Capital Appreciation Serial Bonds 08/01/2027 12%	Capital Appreciation Serial Bonds 08/01/2028 12%	Capital Appreciation Serial Bonds 08/01/2029 12%
06/08/2005	603.25	536.90	477.80	425.25	378.45	336.85	299.80
08/01/2005	613.70	546.15	486.10	432.60	385.00	342.65	304.95
02/01/2006	650.50	578.95	515.25	458.55	408.10	363.25	323.25
08/01/2006	689.55	613.70	546.15	486.10	432.60	385.00	342.65
02/01/2007	730.90	650.50	578.95	515.25	458.55	408.10	363.25
08/01/2007	774.75	689.55	613.70	546.15	486.10	432.60	385.00
02/01/2008	821.25	730.90	650.50	578.95	515.25	458.55	408.10
08/01/2008	870.55	774.75	689.55	613.70	546.15	486.10	432.60
02/01/2009	922.75	821.25	730.90	650.50	578.95	515.25	458.55
08/01/2009	978.15	870.55	774.75	689.55	613.70	546.15	486.10
02/01/2010	1,036.80	922.75	821.25	730.90	650.50	578.95	515.25
08/01/2010	1,099.05	978.15	870.55	774.75	689.55	613.70	546.15
02/01/2011	1,164.95	1,036.80	922.75	821.25	730.90	650.50	578.95
08/01/2011	1,234.85	1,099.05	978.15	870.55	774.75	689.55	613.70
02/01/2012	1,308.95	1,164.95	1,036.80	922.75	821.25	730.90	650.50
08/01/2012	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75	689.55
02/01/2013	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25	730.90
08/01/2013	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55	774.75
02/01/2014	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75	821.25
08/01/2014	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15	870.55
02/01/2015	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80	922.75
08/01/2015	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05	978.15
02/01/2016	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95	1,036.80
08/01/2016	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85	1,099.05
02/01/2017	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95	1,164.95
08/01/2017	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50	1,234.85
02/01/2018	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75	1,308.95
08/01/2018	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00	1,387.50
02/01/2019	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55	1,470.75

BOND ACCRETED VALUE TABLE

Riverside Community College District
2005 General Obligation Refunding Bonds

Date	Capital Appreciation Serial Bonds 08/01/2023 12%	Capital Appreciation Serial Bonds 08/01/2024 12%	Capital Appreciation Serial Bonds 08/01/2025 12%	Capital Appreciation Serial Bonds 08/01/2026 12%	Capital Appreciation Serial Bonds 08/01/2027 12%	Capital Appreciation Serial Bonds 08/01/2028 12%	Capital Appreciation Serial Bonds 08/01/2029 12%
08/01/2019	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70	1,559.00
02/01/2020	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80	1,652.55
08/01/2020	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20	1,751.70
02/01/2021	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30	1,856.80
08/01/2021	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50	1,968.20
02/01/2022	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15	2,086.30
08/01/2022	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80	2,211.50
02/01/2023	4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90	2,344.15
08/01/2023	5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95	2,484.80
02/01/2024		4,716.95	4,198.05	3,736.25	3,325.25	2,959.45	2,633.90
08/01/2024		5,000.00	4,449.95	3,960.45	3,524.80	3,137.05	2,791.95
02/01/2025			4,716.95	4,198.05	3,736.25	3,325.25	2,959.45
08/01/2025			5,000.00	4,449.95	3,960.45	3,524.80	3,137.05
02/01/2026				4,716.95	4,198.05	3,736.25	3,325.25
08/01/2026				5,000.00	4,449.95	3,960.45	3,524.80
02/01/2027					4,716.95	4,198.05	3,736.25
08/01/2027					5,000.00	4,449.95	3,960.45
02/01/2028						4,716.95	4,198.05
08/01/2028						5,000.00	4,449.95
02/01/2029							4,716.95
08/01/2029							5,000.00

APPENDIX G

REGIONAL AND COUNTY INFORMATION FOR RIVERSIDE COUNTY

General

The District encompasses the central part of Riverside County (the "County"). Population centers include the cities of Palm Desert and Indio.

The County is the fourth largest county in the State of California (the "State"), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law city with its County seat located in the city of Riverside.

Population

The County's population in 2004 was approximately 1,776,700 persons. The County's 2004 population was approximately 15.0% greater than the 2000 population, representing an average annual compound growth rate of 2.83% for the last five years.

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

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

RIVERSIDE COUNTY
Population Of Cities Within The County And The State Of California
1980, 1990, 2000-2004

CITY	1980(1)	1990(1)	2000(1)	2001(2)	2002(2)	2003(2)	2004(2)
Banning	14,020	20,572	23,562	23,900	24,600	25,600	27,200
Beaumont	6,818	9,685	11,384	11,550	12,250	13,900	16,350
Blythe	6,805	8,448	20,465	20,800	21,250	21,300	21,950
Calimesa	--	--	7,139	7,200	7,300	7,400	7,350
Canyon Lake	--	0	9,952	10,150	10,400	10,600	10,650
Cathedral City	--	30,085	42,647	44,000	45,550	47,700	48,600
Coachella	9,129	16,896	22,724	23,300	24,350	27,000	27,650
Corona	37,791	75,943	124,966	129,500	134,300	138,200	141,800
Desert Hot Springs	5,941	11,668	16,582	16,750	16,950	17,300	17,700
Hemet	22,454	36,094	58,812	59,900	61,700	62,700	63,800
Indian Wells	1,394	2,647	3,816	4,140	4,360	4,430	4,430
Indio	21,611	36,850	49,116	50,400	52,300	54,900	59,100
Lake Elsinore	5,982	18,316	28,930	30,000	31,150	33,300	35,350
La Quinta	--	11,215	23,694	26,050	28,800	30,700	32,500
Moreno Valley	--	118,779	142,379	144,100	146,800	151,200	155,100
Murrieta	--	--	44,282	46,350	51,800	68,200	77,700
Norco	19,732	23,302	24,157	24,450	24,950	25,400	25,500
Palm Desert	11,081	23,252	41,155	42,000	43,000	44,300	44,800
Palm Springs	32,359	40,144	42,805	43,300	43,850	44,350	44,250
Perris	6,827	21,500	36,189	36,850	37,600	38,500	41,300
Rancho Mirage	6,281	9,778	13,249	13,800	14,400	15,100	15,500
Riverside	170,591	226,546	255,166	261,700	270,100	276,300	277,000
San Jacinto	7,098	16,210	23,779	24,550	25,350	26,250	26,700
Temecula	--	27,099	57,716	61,700	72,900	75,700	77,500
TOTALS							
Incorporated	385,914	785,027	1,124,666	1,156,400	1,206,000	1,260,400	1,299,800
Unincorporated	248,009	385,386	420,721	430,500	442,700	458,600	477,000
County-Wide	633,923	1,170,413	1,545,387	1,586,900	1,648,800	1,719,000	1,776,700
California	23,668,562	29,473,000	33,873,086	34,431,000	35,049,000	35,612,000	36,144,000

(1) As of January 1.
(2) U.S. Census count, as of April 1.
Source: State Department of Finance.

Employment

The County's civilian labor force reached an annual average level of 812,000 in 2004, an increase of 3.9% over the preceding year. The table below lists recent employment and unemployment figures for the County.

RIVERSIDE COUNTY
Civilian Labor Force, Employment And Unemployment
2000-2004

Annual Average	2000	2001	2002	2003	2004
Civilian Labor Force	681,600	711,200	749,800	781,600	812,000
Employment	645,200	672,500	702,300	732,300	764,900
Unemployment	36,400	38,700	47,500	49,300	47,100
Unemployment Rate	5.3%	5.4%	6.3%	6.3%	5.8%

March 2004 benchmark.
Source: State of California, Employment Development Department (www.calmis.ca.gov).

The following table represents the Annual Average Labor Force and Industry Employment for the County from 1999 through 2003. :

RIVERSIDE COUNTY
Annual Average Labor Force and Industry Employment
1999-2003

	1999	2000	2001	2002	2003
Total Farm	17,300	17,600	16,700	16,200	17,100
Natural Resources and Mining	500	500	500	500	500
Construction	43,700	48,400	53,400	55,000	59,800
Manufacturing	49,400	51,800	50,600	49,800	49,800
Wholesale Trade	12,400	13,500	15,000	16,300	16,600
Retail Trade	57,300	60,000	62,400	66,200	69,100
Transportation & Warehousing	9,100	9,000	9,200	9,100	9,500
Utilities	1,100	1,200	1,400	1,600	1,600
Information	5,500	5,800	6,300	6,600	6,500
Financial Activities	15,700	16,000	16,800	17,600	19,000
Professional and Business Services	37,900	42,200	42,500	46,500	50,900
Educational and Health Services	42,700	44,000	45,300	49,600	51,600
Leisure and Hospitality	54,500	55,400	57,300	59,200	60,700
Other Services	16,200	17,000	17,700	18,200	18,000
Government [(1)]	78,200	84,100	89,300	96,600	96,000
Total All Industries:	441,600	466,500	484,300	508,900	526,700

[(1)] Includes all civilian employees of federal, state and local governments activity in which the employee is engaged.
Source: State Employment Development Department, Labor Market Information Division.

The following table sets forth the major employers located in the County as of March 28, 2005:

COUNTY OF RIVERSIDE
Major Employers[1]

Name	*Employees*	*Type of business or entity*
County of Riverside	17,942	County government
University of California, Riverside	6,856	Higher education
Pechanga Resort & Casino	4,600	Casino and resort
March Air Reserve Base	3,901	Military base
Riverside Unified School District	3,869	Education
Kaiser Permanent Riverside Medical Center	3,025	Healthcare
Guidant Corp	3,000	Medical device manufacturer
Temecula Valley Unified School District	2,551	Education
Morongo Casino, Resort & Spa	2,500	Casino and resort
Hemet Unified School District	2,473	Education
City of Riverside	2,470	City Government
Fleetwood Enterprises Inc.	2,452	RV home manufacturer
Riverside Community Collage District	2,356	Higher education
Alvord Unified School District	2,000	Education
Riverside County Office of Education	2,000	Education

(1) The County itself does not directly maintain employment records, but relies upon a variety of independent surveys, as well as upon its own surveys to identify major employers.

Source: *The Business Press.*

Agriculture

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

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

The value of agricultural production in the County for 1999 through 2003 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	1999	2000	2001	2002	2003
Citrus Crops	$118,236,100	$114,572,900	$130,221,100	$95,402,300	$84,900,100
Tree and Vine Crops	224,383,600	177,390,100	191,579,100	183,138,900	216,566,200
Vegetable, Melon, Miscellaneous Crops	238,001,400	193,720,100	196,785,100	215,412,800	179,001,900
Field and Seed Crops	64,554,300	66,921,500	80,215,900	71,960,400	73,692,000
Livestock & Poultry Valuation	440,230,900	366,992,800	367,583,500	295,928,700	287,908,600
Nursery Stock Products	90,377,090	107,520,300	138,371,300	138,073,600	205,846,300
Apiculture	5,572,000	4,269,200	4,740,000	2,803,800	3,520,600
Aquaculture	16,006,800	17,174,700	15,412,400	15,757,600	15,931,600
Grand Total	$1,197,362,100	$1,048,561,600	$1,124,908,400	$1,063,478,100	$1,067,367,300

Source: Riverside County Agricultural Commissioner.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2000 through 2004 are shown in the following table.

RIVERSIDE COUNTY
Building Permit Valuations
2000-2004
(Dollars in Thousands)

	2000	2001	2002	2003	2004
Valuation ($000's)					
Residential	2,716,143	3,300,710	3,910,879	5,175,088	6,446,025
Non-Residential	766,914	656,897	716,379	899,068	1,319,473
Total	3,483,057	3,957,607	4,627,258	6,074,156	7,765,498
Units					
Single Family	13,629	16,576	20,551	25,294	29,251
Multiple Family	1,823	2,449	2,241	5,034	4,681
Total	15,452	19,025	22,792	30,328	33,932

Note: Totals may not add to sum because of rounding.
Source: Construction Industry Research Board.

Taxable Sales

The following table summarizes the annual volume of taxable transactions since 1999:

RIVERSIDE COUNTY
Taxable Sales
1999-2003
(In Thousands)

Type of Business	1999	2000	2001	2002	2003
Apparel Stores Group	$495,945	$538,578	$565,295	$610,388	$746,015
General Merchandise Stores	1,845,651	2,062,738	2,275,736	2,459,046	2,671,971
Specialty Stores Group	1,186,231	1,277,359	1,379,979	1,501,106	1,649,224
Food Stores	828,641	889,894	930,232	967,171	1,028,392
Eating and Drinking Group	1,233,274	1,364,808	1,465,467	1,559,215	1,713,632
Household Group	447,594	517,578	526,083	594,049	691,051
Building Materials Group	1,017,564	1,210,838	1,339,020	1,427,831	1,678,347
Automotive Group	3,145,417	3,812,690	4,148,261	4,563,779	5,198,391
Other Retail Stores Group	485,407	515,991	543,208	568,148	653,929
Total Retail Sales	10,685,724	12,190,474	13,173,281	14,250,733	16,030,952
Business & Personal Svcs	794,847	851,744	832,562	881,524	944,658
All Other Outlets	3,596,374	3,937,231	4,225,712	4,366,737	4,733,525
Total Taxable Sales	$15,076,945	$16,979,449	$18,231,555	$19,498,994	$21,709,135

Source: California Board of Equalization.

Effective Buying Income

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

RIVERSIDE COUNTY, STATE OF CALIFORNIA AND UNITED STATES
Estimated Annual Median Household Effective Buying Income and
Percent Of Households With Incomes Over $50,000
1999-2003

	Total Effective Buying Income[1]	Median Household Effective Buying Income	Percent of Households with Income over $50,000
1999			
Riverside County	$22,453,426	$35,145	31.7%
California	590,376,683	39,492	38.3%
United States	4,877,786,658	37,233	--
2000			
Riverside County	$25,144,120	$39,293	38.1%
California	652,190,282	44,464	44.3
United States	5,230,824,904	39,129	--
2001			
Riverside County	$23,617,301	$37,480	31.9%
California	650,521,407	43,532	41.9
United States	5,303,481,498	38,365	--
2002			
Riverside County	$25,180,040	$38,691	34.8%
California	647,879,427	42,484	40.5
United States	5,340,682,818	38,035	--
2003			
Riverside County	$27,623,743	$39,321	34.8%
California	674,721,020	42,924	41.2
United States	5,466,880,008	38,201	--

(1) Dollars in thousands.
Source: "Survey of Buying Power," Sales & Marketing Management Magazine.

Transportation

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

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

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

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

Education

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

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

Environmental Control Services

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

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

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

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