NEW ISSUE – BOOK ENTRY ONLY

SERIES A BONDS RATINGS: Moody's: "Aaa"; S&P: "AAA"
SERIES B BONDS 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 certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series A 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 Series A Bonds and the Series B 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" with respect to tax consequences relating to the Bonds.

$55,205,000
RIVERSIDE COMMUNITY COLLEGE DISTRICT
Riverside County, California
Election of 2004, General Obligation Bonds, Series 2004A

$9,795,000
RIVERSIDE COMMUNITY COLLEGE DISTRICT
Riverside County, California
Election of 2004, General Obligation Bonds, Series 2004B
(Federally Taxable)

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

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.

The Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004A (the "Series A Bonds") and Series 2004B (Federally Taxable) (the "Series B Bonds" and with the Series A Bonds, the "Bonds") were authorized at an election of the registered voters of the Riverside Community College District (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 (the "Authorization"). The Series A Bonds are issued in the aggregate principal amount of $55,205,000 (the "Series A Bonds") and are being issued to finance the acquisition, construction and modernization of property and school facilities and to refund the District's outstanding Certificates of Participation (1993 Financing Project) (the "1993 Certificates"). The Series B Bonds are issued in the aggregate principal amount of $9,795,000 (the "Series B Bonds") are being issued to advance refund the District's outstanding Certificates of Participation (2001 Refunding Project) Series B (the "2001 Certificates").

The Bonds are general obligations of the District. The Board of Supervisors of Riverside County is empowered and is 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 interest on and principal of the Bonds when due.

Interest with respect to the Bonds accrues from the date of delivery, and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2005. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof.

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 of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). Purchasers will not receive certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be made by U.S. Bank National Association, as the 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 "THE BONDS – Book-Entry Only System").

The Series A Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein.

The Series B Bonds are not subject to redemption prior to maturity.

Payment of the principal at the stated maturity of and interest with respect to the Series A Bonds will be guaranteed by a Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation simultaneously with the execution and delivery of the Series A Bonds. See "THE BONDS - The MBIA Insurance Corporation Insurance Policy" herein.

MBIA

MATURITY SCHEDULES
(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. Best Best & Krieger LLP, Riverside, California is acting as Disclosure Counsel to the District. Certain legal matters will be passed upon by the Underwriters by Kutak Rock LLP, Denver, Colorado. The Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York on or about August 3, 2004.

Piper Jaffray & Co.

UBS Financial Services, Inc.

Dated: July 14, 2004

MATURITY SCHEDULE
RIVERSIDE COMMUNITY COLLEGE DISTRICT
Riverside County, California
Election of 2004, General Obligation Bonds, Series 2004A and Series 2004B

$55,205,000 SERIES 2004A BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(1)	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(1)
2011	$500,000	4.000%	3.300%	76886PAA1	2019	$2,190,000	5.000%	4.330%	76886PAJ2
2012	620,000	4.000	3.450	76886PAB9	2020	2,500,000	5.250	4.410	76886PAK9
2013	795,000	4.000	3.650	76886PAC7	2021	2,835,000	5.250	4.400	76886PAL7
2014	1,000,000	4.000	3.750	76886PAD5	2022	3,200,000	5.250	4.480	76886PAM5
2015	1,180,000	4.250	3.950	76886PAE3	2023	3,600,000	5.250	4.560	76886PAN3
2016	1,395,000	5.000	4.070	76886PAF0	2024	4,025,000	5.250	4.650	76886PAP8
2017	1,640,000	5.000	4.170	76886PAG8	2025	4,485,000	5.250	4.730	76886PAQ6
2018	1,905,000	5.000	4.250	76886PAH6	2026	4,980,000	5.250	4.800	76886PAR4

$18,355,000 5.50% Term Bonds due August 1, 2029 – Yield: 4.76% CUSIP(1) 76886PAS2

$9,795,000 SERIES 2004B BONDS

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP(1)
2005	$3,750,000	4.500%	2,340%	76886PAT0
2006	4,500,000	3.500	2.960	76886PAU7
2007	1,545,000	3.625	3.490	76886PAV5

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc.

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

"The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its 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 FRONT 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 MBIA Insurance Corporation ("MBIA") contained under the caption "THE BONDS – The MBIA Insurance Corporation Insurance Policy, "MBIA", "MBIA Information", Financial Strength Ratings of MBIA" and Appendix E - "Form of Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by the Insurer and the Insurer 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.

SPECIAL SERVICES

Bond Counsel
Stradling, Yocca, Carlson & Rauth
A Professional Corporation
San Francisco, California

Disclosure Counsel

Best Best & Krieger LLP
Riverside, California

Paying Agent
U.S. Bank National Association
Los Angeles, California

Verification Agent
Causey Demgen & Moore
Denver, Colorado

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INTRODUCTION

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 by the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

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, Election of 2004, General Obligation Bonds, Series 2004A (the "Series A Bonds") and the Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004B (Federally Taxable) (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

The Series A Bonds are issued in the aggregate principal amount of $55,205,000 (the "Series A Bonds"). The Series B Bonds are issued in the aggregate principal amount of $9,795,000 (the "Series B Bonds").

The District

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, 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. Anticipated full-time equivalent student enrollment for 2004-05 is 24,089. There are approximately 1,641 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 Board of Trustees. The governing board of the District is called the Board of Trustees (the "Board"). The Board includes five voting members elected by the voters of the District. The Trustees serve four year terms.

Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by the Superintendent/President. The Superintendent/President is appointed by the Board. Dr. Salvatore Rotella is the District's Superintendent/President.

Purpose of the Bonds

On August 24, 1993, the District caused the execution and delivery of its $14,485,000 Certificates of Participation (1993 Financing Project) (the "1993 Certificates") to refinance certain outstanding obligations of the District and to finance the acquisition and construction of capital improvements.

On October 31, 2001, the District caused the execution and delivery of its $10,585,000 Certificates of Participation (2001 Refunding Project) Series B (the "2001 Certificates") to advance refund a portion of the 1993 Certificates and to refund on a current basis the District's Certificates of Participation (1989 Financing Project).

The Series A Bonds. The net proceeds of the Series A Bonds will be used to (i) finance the acquisition, construction and modernization of property and school facilities as authorized in a list submitted to the voters of the District and (ii) currently refund the outstanding 1993 Certificates.

The Series B Bonds. The net proceeds of the Series B Bonds will be used to advance refund the outstanding 2001 Certificates, as defined above, as authorized in a list submitted to the voters of the District.

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Education Code and pursuant to resolutions adopted by the Board of Trustees of the District and Board of Supervisors of Riverside County (the "County"). See "THE BONDS - Authority for Issuance."

Security and Sources of Payment for the Bonds

The Bonds are general obligations of the District and shall not be obligations of the County or the State of California. 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, for the payment of principal of and interest on the Bonds (except certain personal property which is taxable at limited rates). For more complete information regarding the District's financial condition and taxation of property within the District, see "RIVERSIDE COMMUNITY COLLEGE DISTRICT" and "THE BONDS - Security and Sources of Payment" herein.

Description of the Bonds

Form and Registration. 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 "Book-Entry Only System." If 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. See "THE BONDS - Discontinuation of Book-Entry Only System; Payment to Beneficial Owners."

Denominations. Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or Maturity Value, as applicable, or any integral multiple thereof.

Optional Redemption. The Series A Bonds maturing on or after August 1, 2015 may be redeemed before maturity at the option of the District from any source of funds, on August 1, 2014, or on any date thereafter as a whole or in part. The Series B Bonds may not be redeemed before maturity. See "THE BONDS – Redemption" herein.

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on each February 1 and August 1 (each a "Bond Payment Date"), commencing February 1, 2005. Principal on the

Bonds is payable on August 1, commencing August 1, 2005, in the amounts and years as set forth on the inside cover page hereof.

Payments of the principal of and interest on the Bonds will be made by U.S. Bank National Association, Los Angeles, California, as the paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the beneficial owners of the Bonds.

Municipal Bond Insurance

Payment of the principal at the stated maturity of and interest with respect to the Series A Bonds will be guaranteed by a Financial Guaranty Insurance Policy to be issued by MBIA Insurance Corporation. See "THE BONDS – The MBIA Insurance Corporation Insurance Policy" herein. **Payment of the principal at the stated maturity of and interest on the Series B Bonds is not guaranteed by MBIA Insurance Corporation.**

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 certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Series A 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 Series A Bonds and the Series B 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" with respect to tax consequences relating to the Bonds.

Professionals Involved in the Offering

U.S. Bank National Association will serve as Trustee for the Bonds. The Bonds will be delivered subject to approval as to their validity by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain legal matters will be passed upon for the District by Disclosure Counsel, Best Best & Krieger LLP, Riverside, California and for the Underwriters by Kutak Rock LLP, Denver, Colorado.

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 DTC in New York, New York on or about August 3, 2004.

This Official Statement and any continuing disclosure documents of the District are intended to be made available through *The Bond Buyer,* Secondary Market Disclosure, 395 Hudson Street, 3rd Floor, New York, New York 10014.

Copies of documents referred to herein and information concerning the Bonds are available from Riverside Community College District, 4800 Magnolia Avenue, Riverside, CA 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. 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

General

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 Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year commencing February 1, 2005 (the "Bond Payment Dates"). Each 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 15th 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 January 15, 2005, in which event it shall bear interest from the Date of Delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on August 1, in the years and amounts and bear interest at the rates set forth on the inside front cover page hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date, at his address as it appears on such registration books or at such other address as he or she may have filed with the Paying Agent for that purpose on or before the Record Date. The Owner of a Bond in an aggregate Principal Amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. The principal, and redemption premiums, if any, payable on the Bonds shall be payable upon maturity or earlier redemption, as applicable, upon surrender at the principal office of the Paying Agent. The interest, principal and redemption premiums, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

Authority for Issuance

The Bonds are issued pursuant to the provisions of Chapter 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California (the "Act'), commencing with Section 15264 *et seq.,* Article XIIIA of the California Constitution and pursuant to resolutions adopted by the Board of Trustees of the District on April 22, 2004, and by the Board of Supervisors of the County on June 22, 2004 (collectively, the "Resolution"). The District received authorization at an election held on March 2, 2004, by more than fifty-five percent of the votes cast by eligible voters within the District, to issue not to exceed $350,000,000 of general obligation bonds (the "Authorization"). The Bonds represent the first series of bonds sold within the Authorization.

The election was conducted pursuant to California State Proposition 39 of November 2000, which amended Article XIIIA of the California Constitution to permit the approval of general obligation bonds of a school district by 55% of more of the votes cast on the measure, subject to certain accountability features (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS-Article XIIIA of the California Constitution" herein).

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 interest on, principal of and Maturity Value 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 General Obligation Bonds, Series 2004A Debt Service Fund and the District's General Obligation Bonds, Series 2004B Debt Service Fund (together, the "Debt Service Funds"), which shall be segregated and maintained by the County. The Series 2004A Debt Service Fund shall be irrevocably pledged to the payment of the principal, Maturity Value and interest when due on the Series A Bonds and the Series 2004B Debt Service Fund shall be irrevocably pledged to the payment of the principal, Maturity Value and interest when due on the Series B Bonds. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and will maintain the Debt Service Funds pledged to the repayment of the respective series of Bonds, the Bonds are not a debt of the County. See "RIVERSIDE COMMUNITY COLLEGE DISTRICT - Ad Valorem Property Taxation" herein for certain information about property taxation within the District tax base.

The moneys in the Debt Service Funds, to the extent necessary to pay the principal of the respective series of Bonds as the same become due and payable, shall be transferred by the Treasurer-Tax Collector of the County (the "County Treasurer") to the Paying Agent which, in turn, shall pay such moneys to DTC to pay the principal of and Maturity Value the respective series of Bonds. DTC will thereupon make payment of principal of and Maturity Value the Bonds to the DTC Participants who will thereupon make payments of principal and Maturity Value to the Beneficial Owners of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the respective annual tax rates.

The MBIA Insurance Corporation Insurance Policy

The following information under this caption and the captions "-MBIA", "-MBIA Information", and "-Financial Strength Ratios of MBIA" has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of MBIA's insurance policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the District to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment), Accreted Value and interest on, the Series A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series A Bonds. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Series A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of, or interest on the Series A Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Series A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series A Bonds or presentment of such other proof of ownership of the Series A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series A Bonds in any legal proceeding related to payment of insured amounts on the Series A Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Series A Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA

MBIA Insurance Corporation ("MBIA") is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and MBIA set forth under the heading "The MBIA Insurance." Additionally, MBIA makes no representation regarding the Series A Bonds or the advisability of investing in the Series A Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Information

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

(1) The Company's Annual Report on Form 10-K for the year ended December 31, 2003; and

(2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Series A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004) are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, MBIA had admitted assets of $9.9 billion (unaudited), total liabilities of $6.2 billion (unaudited), and total capital and surplus of $3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2004 MBIA had admitted assets of $10.3 billion (unaudited), total liabilities of $6.5 billion (unaudited), and total capital and surplus of $3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series A Bonds. MBIA does not guaranty the market price of the Series A Bonds nor does it guaranty that the ratings on the Series A Bonds will not be revised or withdrawn.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage by the California Insurance Guaranty Association, established pursuant to Article 14.2 (commencing with Section 1063) of Chapter of Part 2 of Division 1 of the California Insurance Code.

Annual Debt Service

Series A Bonds. The following table summarizes the annual debt service requirements of the District for the Series A Bonds:

Year Ending August 1	Annual Principal Payment	Annual Interest Payment[(1)]	Annual Total
2005		$2,855,882.85	$2,855,882.85
2006		2,871,837.50	2,871,837.50
2007		2,871,837.50	2,871,837.50
2008		2,871,837.50	2,871,837.50
2009		2,871,837.50	2,871,837.50
2010		2,871,837.50	2,871,837.50
2011	$500,000.00	2,871,837.50	3,371,837.50
2012	620,000.00	2,851,837.50	3,471,837.50
2013	795,000.00	2,827,037.50	3,622,037.50
2014	1,000,000.00	2,795,237.50	3,795,237.50
2015	1,180,000.00	2,755,237.50	3,935,237.50
2016	1,395,000.00	2,705,087.50	4,100,087.50
2017	1,640,000.00	2,635,337.50	4,275,337.50
2018	1,905,000.00	2,553,337.50	4,458,337.50
2019	2,190,000.00	2,458,087.50	4,648,087.50
2020	2,500,000.00	2,348,587.50	4,848,587.50
2021	2,835,000.00	2,223,587.50	5,058,587.50
2022	3,200,000.00	2,074.750.00	5,274,750.00
2023	3,600,000.00	1,906,750.00	5,506,750.00
2024	4,025,000.00	1,717,750.00	5,742,750.00
2025	4,485,000.00	1,506,437.50	5,991,437.50
2026	4,980,000.00	1,270,975.00	6,250,975.00
2027	5,515,000.00	1,009,525.00	6,524,525.00
2028	6,105,000.00	706,200.00	6,811,200.00
2029	6,735,000.00	370,425.00	7,105,425.00
Total	**$55,205,000.00**	**$56,803,095.35**	**$112,008,095.35**

(1) Interest payments on the Series A Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2005, through and including August 1, 2029.

Series B Bonds. The following table summarizes the annual debt service requirements of the District for the Series B Bonds:

Year Ending August 1	Annual Principal Payment	Annual Interest Payment[(1)]	Annual Total
2005	$3,750,000.00	$380,132.61	$4,130,132.61
2006	4,500,000.00	213,506.26	4,713,506.26
2007	1,545,000.00	56,006.26	1,601,006.26
Total	**$9,795,000.00**	**$649,645.13**	**$10,444,645.13**

(1) Interest payments on the Series B Bonds will be made semiannually on February 1 and August 1 of each year, commencing February 1, 2005, through and including August 1, 2007.

Application and Investment of Bond Proceeds

The Series A Bonds. The proceeds from the sale of the Series A Bonds will be used by the District to (i) finance the acquisition, construction and modernization of property and school facilities, (ii) refund the outstanding 1993 Certificates, and (iii) pay certain costs of issuance of the Series A Bonds.

A portion of the proceeds from the sale of the Series A Bonds shall be paid to the County to the credit of the Riverside Community College District General Obligation Bond Building Fund (the "Building Fund"). Any premium received by the County from the sale of the Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the Riverside Community College District General Obligation Bond Debt Service Fund (the "Series A Bonds Debt Service Fund") for the Series A Bonds and used only for payment of principal and interest, as appropriate, on the Series A Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Series A Bonds are being issued shall be transferred to the Series A Bonds Debt Service Fund and applied to the payment of principal and interest, as appropriate, on the Series A Bonds. If, after payment in full of the Series A Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Moneys in the Building Fund are expected to be invested in any one or more investments generally permitted to school districts under the laws of the State of California or as permitted by the Resolution, including guaranteed investment contracts. Moneys in the Building Fund and the Series A Bonds Debt Service Fund are expected to be invested through the Riverside County Treasury Pool. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND" herein.

A portion of the proceeds from the sale of the Bonds shall be paid to the Escrow Agent to the credit of the "Riverside Community College District Series A Bonds Escrow Fund" (the "Series A Bonds Escrow Fund") to currently refund and defease the outstanding $1,720,000 of the 1993 Certificates and to provide for their prepayment on October 1, 2004.

Pursuant to the Escrow Agreement (Series A Bonds), the amount deposited in the Series A Bonds Escrow Fund shall be used to purchase certain defeasance securities, which, together with any available cash held uninvested in such account and the interest and earnings on such securities and cash, shall be sufficient to pay the interest represented by the 1993 Certificates being redeemed to and including the first optional redemption date of October 1, 2004 and the redemption price thereof.

The sufficiency of the securities and cash on deposit in the Series A Bonds Escrow Fund, together with realizable interest and earnings thereon, to pay the interest and redemption price, as applicable of the 1993 Certificates, will be verified by Causey Demgen & Moore (the "Verification Agent"). As a result of the deposit and application of funds so provided in the Escrow Agreement (Series A Bonds), the 1993 Certificates being redeemed, assuming the accuracy of the Verification Agent's computations, will be defeased and the obligation of the District to make lease payments with respect to the 1993 Certificates will also be defeased.

Surplus moneys, if any, in the Series A Bonds Escrow Fund, when received by the District from the sale of the Series A Bonds or following the redemption of the 1993 Certificates shall be kept separate and apart in the Debt Service Fund and used only for payment of the principal of and interest on the Series A Bonds.

The Series B Bonds. The proceeds from the sale of the Series B Bonds will be used by the District to (i) refund the 2001 Certificates and (ii) pay certain costs of issuance of the Series B Bonds.

Any premium received by the County from the sale of the Series B Bonds shall be kept separate and apart in the fund hereby created and established and to be designated as the Riverside Community College District Taxable General Obligation Bond Debt Service Fund (the "Series B Bonds Debt Service Fund") for the Series B Bonds and used only for payment of principal and interest, as appropriate, on the Series B Bonds. Any excess proceeds of the Series B Bonds not needed for the authorized purposes for which the Series B Bonds are being issued shall be transferred to the Series B Bonds Debt Service Fund and applied to the payment of principal and interest, as appropriate, on the Series B Bonds. If, after payment in full of the Series B Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

The proceeds from the sale of the Series B Bonds shall be paid to the Escrow Agent to the credit of the "Riverside Community College District Series B Bonds Escrow Fund" (the "Series B Bonds Escrow Fund") to defease $9,595,000 the outstanding principal balance represented by the 2001 Certificates and to provide for their prepayment on October 1, 2011.

Pursuant to the Escrow Agreement (Series B Bonds), the amount deposited in the Series B Bonds Escrow Fund shall be used to purchase certain defeasance securities, which, together with any available cash held uninvested in such account and the interest and earnings on such securities and cash, shall be sufficient to pay the principal and interest represented by the 2001 Certificates being redeemed to and including the first optional redemption date of October 1, 2011 and on October 1, 2011 the redemption price thereof.

The sufficiency of the securities and cash on deposit in the Series B Bonds Escrow Fund, together with realizable interest and earnings thereon, to pay the interest and redemption price, as applicable, will be verified by the Verification Agent. As a result of the deposit and application of funds so provided in the Escrow Agreement (Series B Bonds), the 2001 Certificates being redeemed, assuming the accuracy of the Verification Agent's computations, will be defeased and the obligation of the District to make lease payments with respect to the 2001 Certificates will also be defeased.

Surplus moneys, if any, in the Series B Bonds Escrow Fund, when received by the District from the sale of the Series B Bonds or following the redemption of the 2001 Certificates shall be kept separate and apart in the Series B Bonds Debt Service Fund and used only for payment of the principal of and interest on the Series B Bonds.

Redemption

Optional Redemption. The Series A Bonds maturing on or before August 1, 2014 are not subject to redemption prior to their fixed maturity dates. The Series A Bonds maturing on or after August 1, 2015, may be redeemed prior to their respective stated maturity dates at the option of the District, from any source of funds, on August 1, 2014 or on any date thereafter as a whole, or in part, at a redemption price equal to 100% of the principal amount of the Series A Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption.

The Series B Bonds are not subject to redemption prior to their fixed maturity dates.

Mandatory Redemption. The Series A Bonds maturing on August 1, 2029, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2027, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
2027	$5,515,000
2028	6,105,000
2029 (maturity)	6,735,000

The Series B Bonds are not subject to mandatory sinking fund redemption.

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, (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 will be given by registered mail, facsimile transmission or overnight delivery service. 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; Mergent/FIS, Inc., 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, 711 Stewart Avenue, Garden City, New York 11530, Tel: (516) 227-4039 or Fax: (516) 227-4190.

The actual receipt by the owner of any Bond (hereinafter referred to as "Bondowner") or of any Information Service or Securities Depository of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of interest 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 Bondowner 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.

When notice of redemption has been given, substantially as described above, and when the amount necessary for the payment of principal of and premium, if any, together with interest accrued thereon to the date fixed for redemption, is set aside for the purpose in the Debt Service Fund, the Bonds designated for redemption shall 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, such Bonds shall be redeemed and paid at said redemption price out of the Debt Service Fund, and no interest will accrue on such Bonds called for redemption after the redemption date specified in such notice, and the owners of said Bonds so called for redemption after such redemption date shall look for the payment of such Bonds and the premium thereon only to said Debt Service Fund.

Book-Entry Only System

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 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.*

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 each series 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 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 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.

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 panted 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, initially located in Los Angeles, California. 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 of Bonds, 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, initially located in Los Angeles, 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 interest at the same rate and maturing on the same date.

Neither the District, the County nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 15th day of the month preceding the maturity date for such Bonds.

Defeasance

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

(a) Cash. By irrevocably depositing 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) United States Obligations. By irrevocably depositing with an independent escrow agent selected by the District noncallable United States Obligations (as defined below) together with cash, if required, in such amount as will, in the opinion of an independent certified public account, 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 and interest represented thereby and prepayment premiums, if any), at or before their maturity date;

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

United States Obligations shall mean direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) 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 wherein (a) a bank or trust company acts as custodian and hold 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:

The Series A Bonds

SOURCES	
Principal	$55,205,000.00
Plus Net Original Issue Premium	2,892,934.70
Total Sources	$58,097,934.70
USES	
Deposit to Building Fund	$55,205,000.00
Deposit to 1993 Certificates Escrow Fund	1,783,339.70
Deposit to Debt Service Fund	190,738.04
Deposit to Costs of Issuance Fund(1)	918,856.96
Total Uses	$58,097,934.70

(1) Includes the Underwriters' discount, premium for the MBIA Insurance Corporation Insurance Policy and other miscellaneous expenses.

The Series B Bonds

SOURCES	
Principal	$9,795,000.00
Plus Net Original Issue Premium	131,706.00
Total Sources	$9,926,706.00
USES	
Deposit to 2001 Certificates Escrow Fund	$9,799,535.26
Deposit to Debt Service Fund	3,527.70
Deposit to Costs of Issuance Fund(1)	123,643.04
Total Uses	$9,926,706.00

(1) Includes the Underwriters' discount and other miscellaneous expenses.

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by the District. 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 herein by reference is correct as of any time subsequent to its date.

The County Treasurer maintains one Pooled Investment Fund ("PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of May 31, 2004, the portfolio assets comprising the PIF had a market value of $2,680,314,959.

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 90% of the funds on deposit in the County Treasury. In addition, the Auditor-Controller determined that 18 districts, constituting approximately 86% of the total funds on deposit in the County Treasury, while approximately 14% of the total funds on deposit represented discretionary deposits.

While State law permits other governmental jurisdictions, with the prior consent of the County Board of Supervisors (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 made in accordance with the County Treasurer's 2004 Statement of Investment Policy (the "Policy Statement") which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal and liquidity sufficient to meet daily cash flow needs prior to achieving a reasonable rate of return on the investment. Investments are not authorized in reverse-repurchase agreements except for an unanticipated and immediate cash flow need that would otherwise cause the Treasurer to sell portfolio securities prior to maturity at a principal loss. Furthermore, the County Treasury is not engaged in any security lending agreement on the portfolio, and there is no contemplation of entering into a security lending agreement in the foreseeable future.

The investments in the Pooled Investment Fund as of May 31, 2004 were as follows:

Federal Agency Securities	$2,172,126,685.00	81.04%
Cash Equivalents and Money Market Funds	256,000,000.00	9.55%
Commercial Paper	170,497,074.00	6.36%
Negotiable Certificates of Deposit	50,000,000.00	1.87%
Medium Term notes	19,876,200.00	0.74%
Certificates of Deposit (1)	10,000,000.00	0.37%
Local Agency Obligations(2)	1,815,000.00	0.07%
Total	$2,680,314,959.00	100%

Yield Based Upon Book Value	1.45%
Weighted Average Maturity	0.89

(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 the March Joint Powers Redevelopment Agency.

As of May 31, 2004, the market value of the PIF was 99.66% 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, Section 53844 requires that the investment income be credited to the specific fund from which the investment was made.

The Board has established an Investment Oversight Committee ("IOC") 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+" 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 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 only from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "THE BONDS-Security and Sources of Payment" herein.

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 fund requirements. The target allocation is obtained by calculating the exact cost of finding 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 \$3,728 and that its base revenue per noncredit unit of FTES will be \$1,871.

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.

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 believe to be reliable; however, the District takes no responsibility as to the accuracy or completeness thereof and have not independently verified such information.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through the following State of California sources. The references to internet websites shown below are shown for reference and convenience only. The information contained within the websites may not be current and has not been reviewed by the District or the Underwriters and is not incorporated herein by reference.

(a) The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(b) The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

(c) The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

(d) The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products".

2003-2004 State Budget. The 2003-04 budget, as passed by the Legislature on July 29, 2003 (the "2003-04 Budget"), authorizes total spending of $98.8 billion. Of this amount, $70.8 billion is from the General Fund, $20.5 billion is from special funds, and $7.5 billion from bond funds. It addresses an enormous General Fund shortfall through a combination of program savings, borrowing, new revenues, funding shifts and deferrals.

The following table shows the measures enacted in the Governor's 2003-04 Budget which comprise the Governor's overall solution to close the $38.2 billion budget shortfall that he has predicted:

	Amount (in millions)	Percentage of Solution
Cuts/Savings	$17,589.6	44.6%
Fund Shifts	4,357.0	11.1
Transfers	4,446.3	11.3
Loans/Borrowing	2,326.2	5.9
Deficit Financing	10,675.4	27.1
Total	$39,414.5*	100.0%

Note: Numbers may not add due to rounding
Source: Governor's Budget 2003-04.
*General Fund reserve increased by $1.7 billion since May Revision

The 2003-04 Budget appropriates $2.7 billion in General Fund support for California community colleges in 2003-04. The 2003-04 Budget reduces community college funding by a net of $81.8 million, which is offset by a rise in student fees from $11 per unit to $18 per unit.

Significant features of the 2003-04 Budget for community colleges include:

Enrollment Increases: $57.9 million for enrollment growth of 1.5 percent, or 15,500 full time students.

Student Fee Increases: $90.7 million in new fee revenue, resulting from an increase in student fees from $11 per unit to $18 per unit.

Financial Aid Increases: A shift of $38 million from the Partnership for Excellence to financial aid programs, intended to encourage and assist students in applying for and receiving financial aid as a way to mitigate the impact of the fee increase on needy students.

Concurrent Enrollment Program Decreases: A reduction of $25 million from "concurrent enrollment" programs which enroll high school students in community college courses, and restrictions on future funding for this program.

$200 Million in Costs Deferred to 2004-05: Allows community colleges to "defer" $200 million in costs incurred in 2003-04 until 2004-05. In this way, community colleges are able to increase their programmatic costs by $200 million without a corresponding increase in their Proposition 98 appropriations in 2003-04. In effect, community colleges will receive a $200 million loan from 2004-05 funds.

Governor's Proposed 2004-05 Budget. On January 9, 2004, the Governor released his proposed budget for fiscal year 2004-05 (the "Governor's Proposed 2004-05 Budget") in which he addressed the State's budget problems. The Governor proposed a four-part economic recovery plan consisting of (i) voter approval of an Economic Recovery Bonds Act to refinance a portion of the State inherited debt; (ii) a budget for 2004-05 which will move towards structure balance; (iii) a Constitution amendment to require a balanced budget with prudent future reserves; and (iv) improving the State's business and job climate in order to revitalize the State's economy and improve revenue growth over time.

The Governor's Proposed 2004-05 Budget includes: (i) $7.3 billion in program reductions and related costs savings in the current and budget years combined; (ii) $12.3 billion derived from proceeds for a sale of proposed Economic Recovery Bonds to offset a portion of the budget problem; (iii) $2.6 billion of other loans and additional borrowing which includes a proposed sale of $930 million in pension obligation bonds and $947 million in Proposition 98 settle up obligations for 2002-03 and 2003-04 being deferred to after 2005-06; (iv) $1.3 billion ERAF shift from local governments to schools; and (v) $1.6 billion transfers/other revenues and funds which includes one-time shifts of approximately $685 million of transportation funds to the General Fund in 2003-04 and $350 million in new federal funds.

The Governor's Proposed 2004-05 Budget proposes a total spending decrease by 2.5 percent reflecting decreases in some areas and increases in others. The Governor's Proposed 2004-05 Budget puts spending on most programs at or below what would be required to maintain current service levels in 2004-05.

According to the Governor, the Governor's Proposed 2004-05 Budget recognizes maintaining the level for support of schools. The Governor's Proposed 2004-05 Budget proposed that schools and community colleges receive a $1 billion increase in property taxes allocated to schools, but that no additional State funding would be added for fiscal year 2004-05. The Governor's Proposed 2004-05 Budget suggests the passage of legislation which would allow for the level of Proposition 98 appropriations be rebased by approximately $2 billion less than would otherwise be required for 2004-05.

2004-05 May Revision

On May 13, 2004, Governor Schwarzenegger released his 2004-2005 May Revision (the "May Revision") to the proposed 2004-05 State Budget. The May Revision proposes about $17 billion in solutions to cover the shortfall that remains after taking into account both new State budget resources and the offsetting cost increases related to higher caseloads, court decisions and erosion of savings related to the proposed mid-year spending reductions. As shown in the following table:

- About $5.4 billion of the solutions are related to program reductions and savings. These include the suspension of Proposition 98, reductions in higher education, elimination of social services cost-of-living adjustments (COLAs), and savings related to employee compensation and contracting.

- About $2.7 billion of the solution is related to the use of $11.3 billion of voter approved Proposition 57 bonds in place of the previously authorized $8.6 billion statutory bond. Another $1.3 billion is related to lower annual debt service related payments on the Proposition 57 bonds in 2004-05.

- Other loans and borrowing account for $3.8 billion in savings. These include the proposed pension obligation bond, the Proposition 98 settlement loan from education, an increase in the vehicle license fee (VLF) "gap" loan form local governments, and the Proposition 42 loan form transportation.

- The remainder is related to various fund shifts, transfers, and revenues. This category includes student fee increases along with assumed increases in federal funds.

Allocation of May Revision Proposed Solutions*

	2003-04 and Prior	***2004-05***	***Two-Year Total***
Program reductions and savings	$1.4	$4.0	$5.4
Economic Recovery Bonds: proceed amounts	0.7	2.0	2.7
Reduced debt service	--	1.3	1.3
Other loans and borrowing	1.6	2.2	3.8
Fund shifts, transfers and revenues	0.3	2.4	2.7
Local government-related	--	1.4	1.4
Totals	**$4.0**	**$13.2**	**$17.2**

*Details may not total due to rounding, amounts shown are in billions

Community Colleges

For the current year, the May Revision would provide an additional $28.4 million for scheduled maintenance, repairs and instructional equipment and materials. For the budget year, the May Revision increases Proposition 98 General Fund support for California Community Colleges (CCC) by an additional $620.4 million from the January level. Most of this amount ($492.6 million) is related to the reduction in local property tax revenue due to the Governor's proposed deal with local governments. The remaining $127.8 million General Fund augmentation for CCC includes the following major proposals:

- Provide a 2.14 percent COLA for apportionments and selected categorical programs, for an augmentation of $105.1 million.

- Return equalization funding to $80 million. This is the level originally proposed in January, although in an April Finance Letter the Governor had proposed reducing this amount to $59.8 million.

- Increase apportionment funding by $18.4 million to reflect lower estimates of fee revenue and higher estimates of fee waivers.

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.

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE DISTRICT, THE COUNTY, THE UNDERWRITERS OR THE OWNERS OF THE BONDS TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE BONDS. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, NEITHER THE DISTRICT NOR THE UNDERWRITERS ASSUME ANY RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH OR REFERRED TO HEREIN OR INCORPORATED BY REFERENCE HEREIN.

Recent Events. In November 2003, Governor Arnold Schwarzenegger issued an executive order repealing increases in the State's vehicle license fee, which was a significant revenue generating feature in former Governor Davis' 2003-04 State Budget. In late November 2003, the Governor proposed $2 billion by midyear spending cuts touching nearly all parts of state government-except funding for K-14 public education and prisons-to help close a perceived $24 billion budget shortfall over the next 18 months. On December 12, 2003, the Governor signed the California Economic Recovery Bonds Act into law. This bill authorized, based upon voter approval obtained at the March 2, 2004 election, the issuance of up to $15 billion of bonds to finance the 2004-05 year-end General Fund deficit and the cost of other General Fund obligations existing prior to June 30, 2004. On December 12, 2003, the Governor signed into law a companion bill to the California Economic Recovery Bonds Act, which requires the State to maintain a balanced budget, prohibits long-term deficit borrowing subsequent to the issuance of the California Economy Recovery Bonds, and creates a "rainy day fund" into which is to be deposited, beginning fiscal year 2006-07, 1% of General Fund revenues, with this set aside being increased each year until this fund has an $8 billion balance. This companion bill also became effective based upon voter approval at the March 2, 2004 election.

In response to a perceived inability of the State to resolve structural budget imbalances and a projected $29.5 billion increase in the State's projected general fund shortfalls as a result of the repeal of the vehicle license fee increase, Moody's cut the State's general obligation bond rating to Baa1 from A3. In December 2003, each of the three major rating agencies maintained a negative outlook on the State. Moody's recently upgraded the States' credit rating to A3 from Baa1. In addition, Moody's changes its outlook on the State to positive from stable in connection with the upgrade. S&P continues to rate the state at BBB.

State Lottery. In the November 1984 general election, the voters of the State approved a constitutional amendment establishing a State lottery (the "State Lottery"), the net revenues of which are used to supplement money allocated to public education. This amendment prohibited the use of funds derived from the State Lottery for non-instructional purposes, such as the acquisition of real property, the construction of facilities or the financing of research. State Lottery net revenues (gross revenues less prizes and administration expenses) are allocated by computing an amount per ADA or full-time equivalent ("FTE"). This figure is derived by dividing the total net revenues figure by the total ADA for grade K-12 and community colleges, and by the total FTE for the University of California system and the California State University and College system. Each entity receives an amount equal to its total ADA and FTE, as applicable, multiplied by the per ADA or FTE figure. Although the allocation formula is established, the exact amount of future State Lottery revenues is impossible to predict.

Economic Conditions in California

In the early 1990s, an economic recession and a State budget imbalance resulted in K-14 school districts receiving no increase in per-student funding from the State. Per-student spending was essentially frozen during this period, with no cost-of-living adjustments. In recent years increase in State revenues have improved the funding for K-14 school districts. The economy in the State now has slowed and the State is experiencing severe budget shortfalls. Reduced State revenues and budget shortfalls could have an adverse financial impact on the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA

General. 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.

County of Orange v. Orange County Assessment Appeals Board No. 3. In a ruling issued on December 27, 2001, in County of Orange v. Orange County Assessment Appeals Board No. 3, Case No. OOCC03385, the Orange County Superior Court held that the Orange County assessor violated the 2% annual inflation adjustment provision of Article XIIIA when the assessor tried to "recapture" the taxable value of a single family residential property by increasing its assessed value by approximately 4% in a single year. The assessor had not increased the assessed value of the property during a year when the market value of the property was determined by the assessor to have declined below its taxable value pursuant to Article XIIIA. In the following year, the assessor established the taxable value of the property by determining that its then current market value was greater than if the 2% annual inflation adjustment had been applied in the previous year. The assessor enrolled the property at a taxable value that recaptured the foregone 2% inflation adjustment from the previous year, resulting in a one-year increase of approximately 4%. The State Board of Equalization has approved this methodology from increasing assessed values in similar circumstances.

On March 26, 2004, the Court of Appeal of the State of California Fourth Appellate District reversed the Orange County Superior Court and ruled that the intent of the drafters of Proposition 13, as amended by Proposition 8, was that the inflation factor should be calculated against the original purchase price. The taxpayer in question has filed an appeal with the Supreme Court and the District does not know when the matter will be heard.

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.

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.

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, normality 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

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

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, 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 school 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 County 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.

Propositions 98 and 111

On November 8, 1988, 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, and (b) the amount actually appropriated to such districts from the 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 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 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.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

a. <u>Annual Adjustments to Spending Limit</u>. 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. <u>Treatment of Excess Tax Revenues</u>. "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 are 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 exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), 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. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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) 40.9% 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 capital 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.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 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 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 only from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "THE BONDS-Security and Sources of Payment" herein.

Introduction

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. Anticipated enrollment for 2004-05 is 24,089 full-time equivalent students. There are approximately 1,852 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.

The District is governed by a five member Board of Trustees whose members are individually elected to four-year terms. Current members of the Board, together with their office and the date of their term expiration, are listed as follows:

Name	**Office**	**Term Expires**
Mary Figueroa	President	December 2004
Grace Slocum	Vice President	December 2006
Mark A. Takano	Secretary	December 2004
Kathleen Daley	Member	December 2005
Jose Medina	Member	December 2006

Dr. Salvatore G. Rotella, the President/Superintendent 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 President, Administration and Finance.

Enrollment

The following table sets forth the District's full-time equivalent attendance ("FTE") history for each of the last five completed fiscal years and the estimated FTE expected for fiscal years 2003-04 and 2004-05.

Fiscal Year	**Full-Time Equivalent Students**
1998-99	18,726
1999-2000	20,182
2000-01	21,578
2001-02	23,677
2002-03	23,721
2003-04	23,000(1)
2004-05	24,089(1)

(1) Projected.
Source: The District.

Employee Relations

The District currently employs 1,355 full-time and part-time certificated employees as well as 503 classified, management and supervisory employees.

The District's collective bargaining units are with the California School Employees Association ("CSEA"), which represents 420 employees and the California Teachers Association ("CTA") which represents 341 employees. The District approved its current contract with CTA on June 16, 2004. This contract will be in place until June 30, 2007. The District's Contract with CSEA expires on June 6, 2005.

Retirement Programs

The District participates in the State of California Teachers Retirement System (STRS) which provides benefits to certificated personnel. The District contributed $3,572,802 to the STRS in Fiscal Year 2002-03 and budgeted $3,100,000 for Fiscal Year 2003-04. The District also participates in the State of California Public Employees' Retirement System (PERS) which provides benefits to classified personnel. The District contributed $611,023 to PERS for Fiscal Year 2002-03 and has budgeted $1,923,038 for Fiscal Year 2003-04.

Insurance

The District participates in three powers agreements (JPA), the school's Excess Liability Fund (SELF), the Riverside Community College - County Superintendent Self-Insurance Program for Employees (RCCCSSIPE), and the Riverside Employers/Employees Plan (REEP) 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.

Ad Valorem Property Taxation

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

Taxes are levied for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property and real property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments on November 1 and March 1 of the calendar year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent installment. Property on the secured roll with delinquent taxes is sold to the State on or about June 30 of the calendar year. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and is then subject to sale by the County Treasurer-Tax Collector. Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent if they are not paid by August 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. See "-Tax Levies, Collections and Delinquencies" herein.

All property is assessed using full cash value as defined by Article XIIIA 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 XIIIA (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 that 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 represents the ten-year history of assessed valuations in the District.

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Assessed Valuations
(Before Redevelopment Adjustments)

	Local Secured	Utility	Unsecured	Total Before Rdv. Increment
1994-95	$26,991,261,586	$47,953,668	$1,337,687,110	$28,376,902,364
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

Source: California Municipal Statistics, Inc

The following table is an analysis of the District's assessed valuation by land use:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
2003-04 Assessed Valuation by Land Use

	2003-04 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural	$ 319,461,219	0.77%	1,249	0.57%
Commercial	4,393,306,480	10.53	5,515	2.50
Vacant Commercial	557,584,502	1.34	4,068	1.84
Professional/Office	1,322,584,326	3.17	801	0.36
Industrial	1,699,065,769	4.07	1,864	0.84
Vacant Industrial	20,097,792	0.05	162	0.07
Recreational	33,211,681	0.08	149	0.07
Government/Social/Institutional	12,531,533	0.03	262	0.12
Miscellaneous	5,019,261	0.01	235	0.11
Subtotal Non-Residential	$8,362,862,563	20.04%	14,305	6.48%
Residential:				
Single Family Residence	$25,901,793,377	62.06%	167,952	76.08%
Condominium/Townhouse	1,159,644,028	2.78	8,725	3.95
Mobile Home	177,602,995	0.43	3,839	1.74
Mobile Home Park	67,467,860	0.16	86	0.04
2+ Residential Units/Apartments	4,736,141,999	11.35	3,888	1.76
Vacant Residential	1,216,030,818	2.91	15,014	6.80
Subtotal Residential	$33,258,681,077	79.68%	199,504	90.37%
Other Vacant	$117,458,963	0.28%	6,945	3.15%
Total	$41,739,002,603	100.00%	220,754	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
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 roll is developed 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 Treasurer-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 November 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.

Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county's taxing boundaries.

Tax Rates

A representative tax rate area located within the District is Tax Rate Area 9-002. The table below summarizes the total ad valorem rates levied by all taxing entities in this tax rate area during the five year period from 1999-2000 through 2003-04.

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

	1999-00	2000-01	2001-02	2002-03	2003-04
General	1.00000	1.00000	1.00000	1.00000	1.00000
Riverside Unified School District	.00000	.00000	.00000	.050000	.04993
Metropolitan Water District	.00890	.00880	.00770	.00670	.00610
Total	1.00890	1.00880	1.00770	1.05670	1.05603

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the twenty largest locally secured taxpayers in the District in terms of their 2003-04 secured assessed valuations:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Twenty Largest Secured Taxpayers
2003-04 Assessed Valuations

	Property Owner	Primary Land Use	2003-04 Assessed Valuation	% of Total(1)
1.	Tyler Mall LP	Shopping Center/Mall	$142,410,201	0.34%
2.	Watson Laboratories Inc.	Industrial	121,157,425	0.29
3.	Dairy Farmers of America Inc.	Industrial	102,074,104	0.24
4.	Metal Container Corp.	Industrial	99,613,797	0.24
5.	State Street Bank & Trust Co. of California	Industrial	94,846,282	0.23
6.	Riverside Healthcare System	Hospital	94,669,360	0.23
7.	Kaiser Foundation Health Plan Inc.	Office Building	75,869,754	0.18
8.	Lowes HIW Inc.	Industrial	75,745,492	0.18
9.	Dart Container Corp. of California	Industrial	72,943,145	0.17
10.	Costco Wholesale Corp.	Industrial	68,830,919	0.16
11.	Teacher Insurance & Annuity Association of America	Industrial	67,552,559	0.16
12.	Price Reit Inc.	Shopping Center	65,892,459	0.16
13.	Charter Communications Entertainment II	Communications	60,178,663	0.14
14.	Rohr Inc.	Industrial	57,501,724	0.14
15.	GTS Property Hollywood Inc.	Apartments	56,100,000	0.13
16.	Lyon Corona Pointe	Apartments	55,799,880	0.13
17.	California State Teachers Retirement System	Apartments	54,359,183	0.13
18.	Pepsi Bottling Group	Industrial	47,977,096	0.11
19.	Millar Refrigerated Service Atlanta II Inc.	Industrial	46,292,218	0.11
20.	Homart Newco Two Inc.	Shopping Center	44,677,419	0.11
	Total		$1,505,101,926	3.61%

Source: California Municipal Statistics, Inc.
(1) 2003-04 Local Secured Assessed Valuation: $41,739,002,603.

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, beginning in the first year of such levy in fiscal year 2004-05. 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.

Comparative Financial Statements

The following table reflects the District's revenues, expenditures and fund balance from fiscal year 1999-2000 through 2002-03:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Summary of General Fund Revenues, Expenditures and Changes in Fund Balances
Audited Actuals for Fiscal Years 1990-00 through 2002-03

	Audited Actuals 1999-00	Audited Actuals 2000-01	Audited Actuals 2001-02	Audited Actuals 2002-03
REVENUES:				
Revenue limit sources	$31,478,235	$37,009,042	$4,657,450	$36,350,595
Federal revenues	2,792,476	3,623,634	36,626,313	6,342,992
Other state revenues	12,627,755	18,924,439	20,635,515	17,155,611
Other local revenues	36,924,442	41,240,694	44,240,433	48,659,610
TOTAL REVENUES	$83,822,908	$100,797,809	$106,159,711	$108,508,808
EXPENDITURES:				
Current Expenditures				
Academic salaries	$32,285,974	$38,184,781	$45,680,433	$48,530,414
Classified salaries	18,301,989	21,248,441	24,455,934	25,402,269
Employee benefits	8,504,392	11,184,140	12,473,866	15,418,726
Books and supplies	2,283,674	2,902,453	2,979,126	2,641,007
Services and operating expenditures	10,684,026	12,078,286	13,411,566	13,725,188
Capital Outlay	3,707,473	8,707,324	5,754,118	4,446,114
Debt service – principal	-	-	1,642,023	-
Debt service – interest and other	-	-		-
Other outgo	200,556	-	-	-
TOTAL EXPENDITURES	$75,968,084	$94,305,425	$106,397,066	$110,163,718
Excess (Deficiency) of revenues over (under) Expenditures	7,854,824	6,492,384	(237,355)	(1,654,910)
Operating transfers in	-	1,138,500	106,889	2,810,089
Operating transfers out	(2,914,134)	(3,114,052)	(10,957,605)	(1,977,798)
Other sources	39,613	5,484	7,551	8,906
Other uses	(165,265)	(228,125)	(1,066,902)	(294,350)
TOTAL OTHER FINANCING SOURCES (USES)	(3,039,786)	(2,198,193)	(11,910,067)	546,847
Excess of revenues and other financing sources over (under) expenditures and other uses	4,815,038	4,294,191	(12,147,422)	(1,108,063)
Beginning Fund balance, July 1	11,838,159	16,653,197	20,947,388	8,799,966
Ending Fund Balance, June 30	$16,653,197	$20,947,388	$8,799,966	$7,691,903

Source: Audited Financial Statements of the District.

District Budget. The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures plus the ending fund balance cannot exceed revenue plus the carry-over fund balance from the previous year. The California State Department of Education impose a uniform budgeting format for school districts operating within the State. The following is the District's adopted budget for the 2003-04 Fiscal Year:

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Adopted Budget
2003-04 Fiscal Year

Revenues	
Revenue Limit Sources	$34,084,112
Federal Revenues	8,794,686
State Income	15,996,013
Local Income	53,123,519
Total Revenues	$111,998,330
Expenditures	
Academic Salaries	$47,230,897
Classified Salaries	26,861,020
Employee Benefits	18,578,197
Books & Supplies	2,513,046
Services & Operating Exp.	14,222,910
Capital Outlay	4,066,034
Total Expenditures	$113,472,104
Excess (Deficiency of Rev. Over Expenditures)	(1,473,774)
Other Financing Sources (OutGo)	(665,582)
Net Increase/(Decrease in Fund Balance)	(2,139,356)
Beginning Balance July 1	7,691,903
Ending Balance, June 30	$5,552,547

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. 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. 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.

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Notes payable					
Certificates of Participation – 2001 Series A	$1,490,000	$ -	$605,000	$885,00	$885,000
Certificates of Participation – 2001 Series B*	10,585,000	-	485,000	10,100,000	505,000
Certificates of Participation – 2001 Series 1993*	1,875,000	-	75,000	1,800,000	80,000
Total Notes payable	$13,950,000		$1,165,000	$12,785,000	$1,470,000
Other Liabilities					
Compensated absences	943,387	146,265	-	1,089,652	322,029
Load banking	445,031	223,506	218,782	449,755	9,843
Capital leases	2,480,180	-	95,668	2,384,512	103,097
Total Other Liabilities	3,868,598	369,771	314,450	3,923,919	434,969
Total Long-Term Debt	$17,818,598	$369,771	$1,479,450	$16,708,919	$1,904,969

*to be prepaid with a portion of the proceeds of the Bonds.

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

In August 1993, the District issued the 1993 Certificates in the principal amount of $14,485,000 and entered into a long-term arrangement to finance various site improvements throughout the District.

A portion of the 1993 Certificates were defeased by the 2001 Certificates. Funds from the issue have been deposited into an irrevocable escrow account for subsequent repayment of the certificates of the appropriate dates. The balance of funds in the escrow account approximated $9,800,000 at June 30, 2003.

In October 2001, the District issued $2,095,000 of certificates of participation (2001 Refunding Project) Series A to partially refund the 1989 Certificates of Participation. The certificates mature through June 2004 bearing an interest rate of 4.80 percent. At June 30, 2003, the balance outstanding was $885,000.

In October 2001, the District issued the 2001 Certificates in the principal amount of $10,585,000 to refund the 1989 and a portion of the 1993 Certificates. The certificates mature through June 2018. At June 30, 2003, the balance outstanding was $10,100,000.

The outstanding liability for the 1993 issuance was $1,800,000 at June 30, 2003. The 1993 Certificates mature through June 2018 bearing an interest rate from 5.2 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.

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 as of April 27, 2004. 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 table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

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. The second column shows the percentage of each overlapping agencys' 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 the third column, 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 Debt
as of April 27, 2004

2003-04 Assessed Valuation:	$44,206,000,617
Redevelopment Incremental Valuation:	6,709,719,463
Adjusted Assessed Valuation:	$37,496,281,154

OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/04	
Metropolitan Water District	3.047%	$ 13,634,563	
Eastern Municipal Water District Improvement Districts	100.	1,445,000	
Alvord Unified School District	100.	49,970,000	
Corona-Norco Unified School District	100.	48,450,673	
Jurupa Unified School District	100.	57,462,972	
Val Verde Unified School District	100.	57,000,000	
City of Corona	100.	4,705,000	
Community Facilities Districts	Various	732,222,250	
1915 Act Bonds	Various	50,224,047	
Other Special Districts	Various	259,394	
TOTAL GROSS OVERLAPPING TAX AND ASSESSMENT DEBT		$1,015,373,899	
Less: Moreno Valley Unified School District Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		15,630,000	
TOTAL NET OVERLAPPING TAX AND ASSESSMENT DEBT		$ 999,743,899	
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Riverside County General Fund Obligations	41.674%	$272,166,519	
Riverside County Board of Education Certificates of Participation	41.674	5,484,298	
Riverside City Community College District Certificates of Participation	**100.**	**12,200,000**	(1)
Corona-Norco Unified School District General Fund Obligations	100.	35,150,000	
Moreno Valley Unified School District Certificates of Participation	100.	30,870,000	
Val Verde Unified School District Certificates of Participation	100.	62,445,000	
Other Unified School District Certificates of Participation	100.	61,995,000	
City of Corona General Fund Obligations	100.	60,985,000	
City of Moreno Valley Certificates of Participation	99.874	17,647,736	
City of Riverside General Fund Obligations	100.	59,250,000	
San Bernardino Valley Municipal Water District Certificates of Participation	0.050	3,338	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$618,196,891	
Less: Riverside County self-supporting obligations		9,095,997	
San Bernardino Valley Water District Certificates of Participation		3,338	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$609,097,556	
GROSS COMBINED TOTAL DEBT		$1,633,570,790	(2)
NET COMBINED TOTAL DEBT		$1,608,841,455	

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

Ratios to 2003-04 Assessed Valuation:
Total Gross Overlapping Tax and Assessment Debt 2.30%
Total Net Overlapping Tax and Assessment Debt........................2.26%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($12,200,000) 0.03%
Gross Combined Total Debt..4.36%
Net Combined Total Debt 4.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: $0

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, interest on the Series A 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 Series A Bonds and Series B Bonds is exempt from State of California personal income tax. Bond Counsel notes that, with respect to corporations, interest on the Series A Bonds may be included as an adjustment in the calculation of alternative minimum taxable income which may affect the alternative minimum tax liability of corporations. In addition, the difference between the issue price of a Series A Bond (the first price at which a substantial amount of the Series A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series A Bond constitutes original issue discount. 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 Series A Bond. The amount of original issue discount that accrues to the owner of the Series A 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.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Series A Bonds (and original issue discount) 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 Series A Bonds to assure that interest on the Series A Bonds (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 the interest on the Series A Bonds (and original issue discount) to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The District has covenanted to comply with all such requirements.

The amount by which a Bondowner's original basis for determining loss on sale or exchange in the applicable Series A 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 Series A 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 Series A Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series A Bond to the Owner. Purchasers of the Series A Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Bond premium.

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 Series A 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 on the Series A Bonds (and original issue discount) for federal income tax purposes with respect to any Series A 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 Series A 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 Series A Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series A 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 Series A Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series A Bonds.

A copy of the proposed form of opinions 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 270 days following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2003-04 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 field by the District with the Municipal Securities Rulemaking Board (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 never defaulted on any prior continuing disclosure obligation.

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.

There are a number of lawsuits and claims pending against the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the finances of the District.

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. Copies of the proposed forms of such legal opinions are attached to this Official Statement as APPENDIX A.

VERIFICATION OF MATHEMATICAL ACCURACY

Upon the delivery of the Bonds, Causey Demgen & Moore, independent certified public accountants (the "Verification Agent") will deliver a report stating that the firm has reviewed the mathematical accuracy of certain computations relating to the adequacy of the securities and the interest thereon to pay when due the principal and interest with respect to the 1993 and the 2001 Certificates and the prepayment premium with respect thereto when they become due and payable

MISCELLANEOUS

Ratings

The Series A Bonds have been assigned ratings of "AAA" and "Aaa" by Standard & Poor's, a Division of the McGraw-Hill Companies ("S&P") and Moody's Investors Service ("Moody's"), respectively, based on the issuance by the Insurer of its Municipal Bond Insurance Policy. In addition, the Bonds, including the Series B Bonds, have received underlying ratings of "AA-" and "Aa3" by S&P and Moody's, respectively. 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 10007-2796 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.

Underwriting

Piper Jaffray & Co. and UBS Financial Services Inc. (the "Underwriters") have agreed, pursuant to a purchase contract between the District and the Underwriters (the "Purchase Contract"), to purchase all of the Series A Bonds for a purchase price of $57,179,077.74 (consisting of the principal amount of Series A Bonds of $55,205,000.00, plus net original issue premium of $2,892,934.70, less $918,856.96 to be used by the Underwriters to pay costs of issuance (including Underwriters' discount and municipal bond insurance premium) for the Series A Bonds. In addition, the Underwriters will distribute $1,783,339.70 directly to the Escrow Agent for the repayment of the 1993 Certificates.

The Underwriters have agreed pursuant to the Purchase Contract, to purchase all of the Series B Bonds for a purchase price of $9,803,062.96 (consisting of the principal amount of the Series B Bonds of $9,795,000.00, plus net original issue premium of $131,706.00, less $123,643.01 to be used by the Underwriters to pay costs of issuance for the Series B Bonds (including Underwriters' discount). In addition, the Underwriters will distribute $9,799,535.26 directly to the Escrow Agent for the repayment of the 2001 Certificates.

The purchase contract related to the Bonds 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 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 Resolution 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 or 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 believe, 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/ Dr. Salvatore G. Rotella
President

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

FOR THE SERIES A BONDS

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

[DATE OF CLOSING]

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 $55,205,000 Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004 consisting of the Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004A (the "Series A Bonds") and the Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004B (the "Series B Bonds", together with the Series A 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 Chapter 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, commencing with Section 15264 *et seq.*, a fifty-five percent vote of the qualified electors of the Riverside Community College District (the "District") voting at an election held on March 2, 2004, a resolution of the Board of Trustees of the District (the "District Resolution") and a resolution of the Board of Supervisors of Riverside, California (together with the District Resolution, the "Resolution").

2. The Series A 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 Series A 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 Series A Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a Series A Bond (the first price at which a substantial amount of the Series A Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Series A Bonds constitutes original issue discount. 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 Series A 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 Series A 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 Series A 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 Series A Bond is sold by the Bondowner for an amount equal to or less (under certain circumstances) than the original cost of the Series A Bond to the Bondowner. Purchasers of the Series A 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 Series A 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 Series A 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 Series A Bonds.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Series A 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 Series A 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 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series A Bonds. The District has covenanted to comply with all such requirements.

The rights of the owners of the Series A 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

FOR THE SERIES B BONDS

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

[DATE OF CLOSING]

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 $9,795,000 Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004 consisting of the Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004A (the "Series A Bonds") and the Riverside Community College District, Riverside County, California, Election of 2004, General Obligation Bonds, Series 2004B (the "Series B Bonds", together with the Series A 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 Chapter 1.5 of Part 10 of Division 1 of Title 1 of the Education Code of the State of California, commencing with Section 15264 *et seq.*, a fifty-five percent vote of the qualified electors of the Riverside Community College District (the "District") voting at an election held on March 2, 2004, a resolution of the Board of Trustees of the District (the "District Resolution") and a resolution of the Board of Supervisors of Riverside County, California (together with the District Resolution, the "Resolution").

2. The Series B 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. Interest on the Series B Bonds is exempt from State of California personal income tax.

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 permits certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Series B Bonds.

The rights of the owners of the Series B 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 2002-03 AUDITED FINANCIAL STATEMENTS

vtd

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

VALUE THE DIFFERENCE

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 the Riverside Community College District, as of and for the year ended June 30, 2003, 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 opinions 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 the Riverside Community College District as of June 30, 2003, 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.

The Management's Discussion and Analysis on pages 4 through 9 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003, 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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As discussed in the Notes to the basic financial statements, the accompanying financial statements reflect certain changes required as a result of the implementation of GASB Statement No. 34, "Basic Financial Statements and Management's Discussions and Analysis – for State and Local Governments", and Statement No. 35, "Basic Financial Statements and Management's Discussions and Analysis – for Colleges and Universities" for the year ended June 30, 2003. This results in a change to the format and content of the basic financial statements.

Our audit was conducted for the purpose of forming opinions 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.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
October 24, 2003

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, 2003. This is prepared in compliance with the new reporting standards required for public colleges and universities.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*," which established a new reporting format for annual financial statements of governmental entities. In November 1999, GASB issued Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,*" which applies these new reporting standards to public colleges and universities such as the Riverside Community College District.

The new accounting standard resulted in an adjustment to the beginning net asset balance of the District in the amount of $68,712,503. The adjustments were necessary to bring the District's fund financial statements to a full accrual basis with the capitalization and depreciation of our capital assets and the recording of our long-term obligations. The components of this adjustment are included in the notes to the financial statements.

USING THIS REPORT

As required by the newly adopted accounting principles, the annual report consist of three basic financial statements that provide information on the District's activities as a whole: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The focus of the Statement of Net Assets is designed to be similar to bottom line results for the District. This statement, for the first time, combines and consolidates current financial resources (net short-term spendable resources) with capital assets and long-term obligations. The Statement of Revenues, Expenses, and Changes in Net Assets focuses on the costs of our operational activities (which are supported mainly by the Program-Based Funding described below). This approach is intended to summarize and simplify the user's analysis of the cost of various services to students and to the public. The Statement of Cash Flows provides an analysis of the sources and uses of cash within the operations of the District. The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

The following discussion and analysis provides an overview of the District's financial activity.

FINANCIAL HIGHLIGHTS

- The District's primary funding source is "Program-Based Funding" received from the State of California. Program-Based Funding is 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 the fiscal year 2002-03, Factored Credit FTES were 23,508. Non-Credit FTES were 213 as reported on the second interim reports. The State funded these FTES based upon 21,819 Credit FTES and 136 Non-Credit FTES.

- The District ended the year with an Unrestricted General Fund balance of $5.6 million; a decrease of $.6 million. This planned reduction in our ending balances was due primarily to mid-year budget cuts from our State funding sources. The State Chancellor's Office and District Board Policy recommends 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 2001-02 fiscal year by approximately $3.8 million. This increase reflects step and column increases in the compensation packages, the hiring of new grant funded positions, and the filing of vacant positions. Additional cost for increases in benefit costs for retirement programs, medical, dental, and 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. Construction of our Digital Library and Library Resource Center was completed in August of 2003.

- The District provides student financial aid to qualifying students of the District. During the 2002-03 fiscal year, over $13 million in direct grants and loans was provided to our students. Additionally, approximately $2.3 million of enrollment fee waivers were provided to our students.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Condensed financial information is as follows:

NET ASSETS
AS OF JUNE 30, 2003

(In Thousands)

ASSETS	
Current Assets	
Cash and short-term receivables	$ 39,110
Inventory and other assets	233
Total Current Assets	39,343
Noncurrent Assets	
Capital assets (net of depreciation)	96,757
Total Assets	136,100
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	11,154
Deferred revenue	2,265
Claims liability	1,397
Amounts held in trust for others	900
Current portion of long-term debt	1,905
Total Current Liabilities	17,621
Long-term Debt	14,804
Total Liabilities	32,425
NET ASSETS	
Invested in capital assets	81,138
Restricted for expendable sources	14,748
Unrestricted	7,789
Total Net Assets	103,675
Total Liabilities and Net Assets	$ 136,100

This schedule has been prepared from the District's Statement of Net Assets (page 10) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

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 12).

Many of the unrestricted net assets have been designated by the Board or by contracts for such purposes as Federal and State grants, outstanding commitments on contracts, and general reserves for the ongoing financial health of the District.

OPERATING RESULTS
FOR THE YEAR ENDED JUNE 30, 2003

(In Thousands)

Operating Revenues	
Tuition and fees	$ 8,586
Grants and contracts	26,201
Total Operating Revenues	34,787
Operating Expenses	
Salaries and benefits	90,741
Supplies and maintenance	38,349
Depreciation	2,580
Total Operating Expenses	131,670
Loss on Operations	(96,883)
Nonoperating Revenues and (Expenses)	
State apportionments	43,289
Property taxes	36,204
State revenues	3,681
Interest income	431
Interest expense	(540)
Other nonoperating revenues	7,054
Total Nonoperating Revenue	90,119
Other Revenues	
State and local capital income	11,719
Gain on sale of land	6,438
Total Other Revenues	18,157
Net Increase in Net Assets	$ 11,393

This schedule has been prepared from the Statement of Revenues, Expenses, and Changes in Net Assets presented on page 11.

Grant and contract revenues relate 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.

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 first time, 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 5.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

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

(In Thousands)

Cash Provided by (Used in)	
Operating activities	$ (91,754)
Noncapital financing activities	89,275
Capital financing activities	6,994
Investing activities	123
Net Increase in Cash	4,638
Cash, Beginning of Year	22,425
Cash, End of Year	$ 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.

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.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenue by $1,549,007, the actual results for the year showed a deficit of only $648,143.

The deficit was the result, primarily, of reductions in State funding for both general purposes and several of our categorical programs such as Partnership for Excellence, Matriculation, and Basic Skills funding. Along with these reductions in funding, we also saw increases in our employee health insurance costs, workers' compensation insurance, and other operating costs.

District-wide student enrollment continues to increase at each of our three campuses. The increased student enrollment, however, was not fully funded through our apportionment funding process. Approximately 8.9 percent of our Full Time Equivalent Students (FTES), the primary measure of our apportionment funding, was not funded by the State for the 2002-03 fiscal year.

In spite of the above conditions, we were able to maintain a reserve level in the General Unrestricted Fund within the guidelines set 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

We have built the 2003-04 General Fund Budget based upon the following assumptions:

- Serving credit FTES of 22,459, or 2.5 percent above our funding cap, with funded credit FTES of 21,911.
- No Cost of Living Adjustment (COLA) for State apportionment funding.
- Step and column increases will cost approximately $780,000.
- Non resident tuition is anticipated to increase 6.02 percent.
- Student enrollment fees are anticipated to increase by 55.8 percent; however, the District will only retain 2.0 percent of this increase.
- Our PERS contribution rate will increase to 10.42 percent - a cost of approximately $1.4 million.
- We anticipate the hiring of five new faculty positions.
- Health and welfare benefit costs are anticipated to increase $1.01 million.
- Our Digital Library Resource Center was completed in August 2003. We have various remodeling and construction projects ongoing in the 2003-04 fiscal year.

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 financial information, contact the District at: Riverside Community College District, at 4800 Magnolia Avenue, Riverside, California 92506.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2003

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 2,461,697
Investments	26,822,912
Accounts receivable	9,612,776
Student loans receivable	212,354
Prepaid expenses	203,793
Stores inventory	29,192
Total Current Assets	39,342,724
Noncurrent Assets:	
Capital assets, net of depreciation	96,756,845
Total Noncurrent Assets	96,756,845
TOTAL ASSETS	136,099,569
LIABILITIES	
Current Liabilities:	
Accounts payable	11,043,696
Accrued interest payable	109,092
Deferred revenue	2,265,417
Claims liability	1,397,374
Amounts held in trust on behalf of others	900,240
Compensated absences payable - current portion	322,029
Notes payable - current portion	1,470,000
Lease obligations - current portion	103,097
Other long-term liabilities - current portion	9,843
Total Current Liabilities	17,620,788
Noncurrent Liabilities:	
Compensated absences payable - noncurrent portion	767,623
Notes payable - noncurrent portion	11,315,000
Lease obligations - noncurrent portion	2,281,415
Other long-term liabilities - noncurrent portion	439,912
Total Noncurrent Liabilities	14,803,950
TOTAL LIABILITIES	32,424,738
NET ASSETS	
Invested in capital assets, net of related debt	81,137,578
Restricted for:	
Debt service	1,409,933
Capital projects	13,337,876
Unrestricted	7,789,444
Total Net Assets	103,674,831
TOTAL LIABILITIES AND NET ASSETS	$ 136,099,569

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2003

OPERATING REVENUES	
Tuition and Fees	$ 10,932,020
Less: Scholarship discount and allowance	(2,346,340)
Net tuition and fees	8,585,680
Grants and Contracts, noncapital:	
Federal	18,564,139
State	7,637,282
TOTAL OPERATING REVENUES	34,787,101
OPERATING EXPENSES	
Salaries	75,008,752
Employee benefits	15,732,561
Supplies, materials, and other operating expenses and services	31,073,081
Equipment, maintenance, and repairs	7,275,566
Depreciation	2,580,125
TOTAL OPERATING EXPENSES	131,670,085
OPERATING LOSS	(96,882,984)
NONOPERATING REVENUES (EXPENSES)	
State apportionments, noncapital	43,288,551
Local property taxes	36,203,933
State taxes and other revenues	3,680,699
Investment income, net	431,310
Interest expense on capital related debt	(540,210)
Interest income on capital asset-related debt, net	9,471
Other nonoperating revenue	7,044,910
TOTAL NONOPERATING REVENUES	90,118,664
LOSS BEFORE OTHER REVENUES	(6,764,320)
OTHER REVENUES	
State revenues, capital	10,460,287
Local revenues, capital	1,259,111
Gain on sale of land	6,437,890
TOTAL OTHER REVENUES	18,157,288
NET INCREASE IN NET ASSETS	11,392,968
NET ASSETS, BEGINNING OF YEAR	92,281,863
NET ASSETS, END OF YEAR	$ 103,674,831

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

STATEMENT OF CASH FLOWS – DIRECT METHOD
FOR THE YEAR ENDED JUNE 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	$ 8,449,898
Federal grants and contracts	19,316,755
State grants and contracts	6,677,775
Payments to vendors and suppliers	(38,604,420)
Payments to/(on behalf of) employees	(87,192,781)
Other payments	(401,719)
Net Cash Used by Operating Activities	(91,754,492)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State apportionments	43,933,324
Property taxes	34,527,997
Other State revenues	4,995,405
Other local revenues	5,818,647
Net Cash Provided by Noncapital Financing Activities	89,275,373
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
State revenue, capital projects	13,467,094
Local revenue, capital projects	311,100
Proceeds from sale of capital assets	6,553,890
Acquisition and construction of capital assets	(11,555,421)
Principal paid on capital debt and leases	(1,260,668)
Interest paid on capital debt and leases	(531,765)
Interest income on capital asset-related debt	9,471
Net Cash Provided by Capital Financing Activities	6,993,701
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments and related fees	(284,223)
Investment income	407,245
Net Cash Provided by Investing Activities	123,022
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,637,604
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	22,425,380
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 27,062,984

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

STATEMENT OF CASH FLOWS – DIRECT METHOD, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$ (96,882,984)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	2,580,125
Changes in assets and liabilities:	
Receivables	5,444,184
Inventory	(6,743)
Prepaid items	(179,720)
Accounts payable and accrued liabilities	(1,314,635)
Deferred revenue	(1,143,989)
Fund held for others	(401,719)
Compensated absences	150,989
TOTAL ADJUSTMENTS	5,128,492
Net cash used by operating activities	$ (91,754,492)
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:	
Cash in banks	$ 2,461,697
Cash with county treasurer	24,601,287
TOTAL CASH AND CASH EQUIVALENTS	$ 27,062,984

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Financial Reporting Entity**

The Riverside Community College District (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. 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.

B. **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 a legally 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.

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 14 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 Programs (ASCIP).

C. **Basis of Presentation**

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including statements No. 34, *Basic Financial Statements – and Management's Discussions and Analysis – for State and Local Governments* and No. 35, *Basic Financial Statements and Management's Discussions and Analysis of Public 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 now follows the "business-type" activities reporting requirements of the statements that provides a comprehensive "one-look" at the District's financial activities.

D. **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.

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.

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 Non-Exchange 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.

Non-exchange 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.

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 combined balance sheet and revenue is recognized. Certain Federal and State grants received before the eligibility requirements are met are recorded as deferred revenue.

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.

E. 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 one year or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

F. 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.

G. 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 the 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.

H. Prepaid Expenditures

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

I. Inventory

Inventory consists primarily of food and supplies within the District's food services 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.

J. 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.

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.

K. 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 who have accumulated the leave are paid. The noncurrent portion of the liability is monitored but not recorded within the governmental funds.

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.

L. Accrued Liabilities and Long-Term Obligations

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

M. Net Assets

GASB Statements No. 34 and No. 35 reports 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.

Invested in capital assets, net of related debt – This represents the District's total investment in capital assets, net of 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 – Restricted expendable net assets include resources that the District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets – 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.

N. 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.

Classification of Revenues – 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 appropriations, 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 – 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 of 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 – 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. 34, 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.

O. Estimates

The preparation of the 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 accompanying notes. Actual results may differ from those estimates.

P. 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.

Q. **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 Amendments 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, 2003, the District distributed $423,496 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.

NOTE 2 - CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2003, the District has implemented GASB Statement No. 34, *"Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,"* GASB Statement No. 35, *"Basic Financial Statements – and Management's Discussion and analysis – for Public Colleges and Universities,"* GASB Statement No. 36, *"Receipt Reporting for Certain Shared Nonexchange Revenues,"* GASB Statement No. 37, *"Basic Financial Statements for State and Local Governments: Omnibus,"* and GASB Statement No. 38, *"Certain Financial Statement Note Disclosures."* As a result, the financial statements for the first time include 1) a Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations, 2) financial statements prepared using full accrual accounting for all of the District's activities, and 3) a change from the fund financial statements to focus on the entity-wide financial statements. These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

In connection with the implementation of GASB Statements No. 34 and 35, the following adjustments have been made to reflect the cumulative effect of this accounting change:

Capitalization of nondepreciable assets	$ 43,090,473
Capitalization of depreciable assets, net of accumulated depreciation	44,860,810
Recording of long-term obligations	(17,818,598)
Interest on long-term obligations that was paid in current period, but recognized in prior period	(117,537)
Reclassification of agency funds	(1,302,645)
Total Adjustments	68,712,503
Fund balances, retained earnings, and due to student organizations reported on June 30, 2002	23,569,360
Net Asset Balance July 1, 2002	$ 92,281,863

NOTE 3 - DEPOSITS AND INVESTMENTS

A. 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 16520-16522 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.

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.

B. Deposits

At year-end, the carrying amount of the District's deposits was $2,461,697. The bank balances totaled $2,527,633. Of this amount, $316,224 is federally insured by the Federal Deposit Insurance Corporation. The balance of $2,211,409 was covered by pooled and/or pledged collateral, but not necessarily held in the District's name (uncollateralized, Risk Category 3).

C. 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. 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.

The investments at June 30, 2003, are as follows:

	Bank Balance - Category			Carrying	Market
	1	2	3	Amount	Value
INVESTMENTS					
Categorized					
Investment agreement with					
Scott Fetzer Financial Group	$ -	$ -	$ 185,240	$ 185,240	$ 185,240
AIG Matched Funding Corporation	-	-	235,104	235,104	235,104
	$ -	$ -	$ 420,344		
Uncategorized					
First American Treasury Obligations				1,801,281	1,801,281
Deposits in county treasurer				24,601,287	24,613,788
Total Investments				$26,822,912	$26,835,413

NOTE 4 - ACCOUNTS RECEIVABLES

Receivables at June 30, 2003, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

Federal Government	
Categorical aid	$ 839,969
State Government	
Categorical aid	3,714,817
Other State sources	123,112
Local Government	
Interest	120,822
Property taxes	1,675,936
Foundation	400,000
Other local sources	2,738,120
Total	$ 9,612,776
Student receivables	$ 212,354

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Capital Assets Not Being Depreciated				
Land	$ 29,606,770	$ -	$ 116,000	$ 29,490,770
Construction in progress	13,483,703	11,501,687	976,457	24,008,933
Total Capital Assets Not Being Depreciated	43,090,473	11,501,687	1,092,457	53,499,703
Capital Assets Being Depreciated				
Land improvements	4,660,871	-	-	4,660,871
Buildings and improvements	53,006,049	976,457	-	53,982,506
Machinery and equipment	10,734,923	-	-	10,734,923
Total Capital Assets Being Depreciated	68,401,843	976,457	-	69,378,300
Total Capital Assets	111,492,316	12,478,144	1,092,457	122,878,003
Less Accumulated Depreciation				
Land improvements	4,022,789	69,773	-	4,092,562
Buildings and improvements	15,116,384	1,222,635	-	16,339,019
Machinery and equipment	4,401,860	1,287,717	-	5,689,577
Total Accumulated Depreciation	23,541,033	2,580,125	-	26,121,158
Net Capital Assets	$ 87,951,283	$ 9,898,019	$ 1,092,457	$ 96,756,845

Depreciation expense for the year was $2,580,125.

NOTE 6 - INTERFUND TRANSACTIONS

A. **Interfund Receivable/Payables (Due To/Due From)**

Interfund receivable and payable balances consist of amounts owed between funds as a result of the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions recorded in the accounting system, and (3) payments between funds occur. These interfund transactions have been eliminated through consolidation within the entity-wide financial statements.

B. Operating Transfers

Operating transfers between District governmental funds are used to (1) move revenues 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.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2003, consisted of the following:

Accrued salaries and benefits	$ 2,372,688
Apportionment	3,168,604
Construction	1,496,989
Other	4,005,415
Total	$ 11,043,696

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2003, consisted of the following:

State categorical aid	$ 408,227
Summer enrollment fees	587,468
Theater subscriptions	343,734
Other local	925,988
Total	$ 2,265,417

NOTE 9 - LONG-TERM DEBT

A. Long-Term Liabilities

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

	Balance Beginning of Year	Additions	Deductions	Balance End of Year	Due in One Year
Notes payable					
Certificates of Participation - 2001 Series A	$ 1,490,000	$ -	$ 605,000	$ 885,000	$ 885,000
Certificates of Participation - 2001 Series B	10,585,000	-	485,000	10,100,000	505,000
Certificates of Participation - 2001 Series 1993	1,875,000	-	75,000	1,800,000	80,000
Total Notes Payable	13,950,000	-	1,165,000	12,785,000	1,470,000
Other Liabilities					
Compensated absences	943,387	146,265	-	1,089,652	322,029
Load banking	445,031	223,506	218,782	449,755	9,843
Capital leases	2,480,180	-	95,668	2,384,512	103,097
Total Other Liabilities	3,868,598	369,771	314,450	3,923,919	434,969
Total Long-Term Debt	$17,818,598	$369,771	$1,479,450	$16,708,919	$1,904,969

B. 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.

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, 2003.

In October 2001, the District issued $2,095,000 of certificates of participation (2001 Series A) to partially refund the 1989 Certificate of Participation. The certificates mature through June 2004 bearing an interest rate of 4.80 percent. At June 30, 2003, the balance outstanding was $885,000.

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, 2003, the balance outstanding was $10,100,000.

The outstanding liability for the 1993 issuance was $1,800,000 at June 30, 2003. These certificates mature through June 2018 bearing an interest rate from 5.2 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.

C. Certificates of Participation - 2001 Series A

The certificates mature through 2004 as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 885,000	$ 30,975	$ 915,975

D. Certificates of Participation - 2001 Series B

The certificates mature through 2018 as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 505,000	$ 416,574	$ 921,574
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
2009-2013	3,300,000	1,297,399	4,597,399
2014-2018	4,090,000	473,943	4,563,943
Total	$ 10,100,000	$ 3,668,154	$ 13,768,154

E. Certificates of Participation - 2001 Series 1993

The certificates mature through 2018 as follows:

Year Ending June 30,	Principal	Interest	Total
2004	$ 80,000	$ 101,880	$ 181,880
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
2009-2013	585,000	314,795	899,795
2014-2018	780,000	118,320	898,320
Total	$ 1,800,000	$ 894,740	$ 2,694,740

F. Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

Balance, July 1, 2002	$ 4,106,952
Payments	278,438
Balance, June 30, 2003	$ 3,828,514

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2004	$ 278,438
2005	278,438
2006	278,438
2007	278,438
2008	278,438
2009-2013	1,392,190
2014-2017	1,044,134
Total	3,828,514
Less: Amount Representing Interest	1,444,002
Present Value of Minimum Lease Payments	$ 2,384,512

NOTE 10 - 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, 2003, there were 43 retirees eligible to receive such benefits. The estimated future cost to the District at June 30, 2003, is approximately $2,600,000. 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 $401,393 were recognized for retirees' health care benefits.

NOTE 11 - RISK MANAGEMENT - CLAIMS

A. 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.

B. 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 estimates for claims incurred, but not reported based on historical experience. The estimated liabilities are calculated using historical experience and internal actuarial analysis.

C. 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, 2002 to June 30, 2003:

Liability Balance, July 1, 2002	$ 1,070,337
Claims and changes in estimates	3,226,667
Claims payments	(2,999,617)
Liability Balance, June 30, 2002	1,297,387
Claims and changes in estimates	2,858,017
Claims payments	(2,758,030)
Liability Balance, June 30, 2003	1,397,374
Cash and investments available to pay claims at June 30, 2003	$ 2,236,712

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.

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 $369,092 at June 30, 2003, and is reported as the Internal Service Funds retained earnings. 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.

NOTE 12 - 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).

A. STRS

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 Plan (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 STRS Executive Office, 7667 Folsom Boulevard, Sacramento, California 95851.

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 rate for fiscal year 2002-2003 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 CB 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 contributions to STRS for the fiscal years ended June 30, 2003, 2002, and 2001, were $3,572,802, $2,741,841, and $2,285,559, 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.

B. CalPERS

Plan Description

All full-time classified employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that act 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 2.0 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. The District's contribution rate to CalPERS for fiscal year 2002-2003 was 2.894 percent beginning with the first pay period ending in July 2002; CalPERS then lowered the rate to 2.771 percent beginning with the first pay period ending in February 2003. On May 16, 2003, CalPERS approved a school employer contribution rate of 10.42 percent beginning with the first pay period that ends in July 2003.

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2003, 2002, and 2001, were $611,023, $0, and $0, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2001, 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 3.5 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.

C. **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 $1,937,258 (4.475 percent of salaries subject to STRS) and $19,777 (.092 percent of salaries subject to PERS). A contribution to CalPERS was not required for the year ended June 30, 2003. 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.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. **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 the 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, 2003.

B. 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 litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2003.

C. Construction Commitments

As of June 30, 2003, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Digital Library/Library Resource Center - Construction	$ 93,629	08/28/03
Digital Library/Library Resource Center - Equipment	1,686,509	12/31/03
	$ 1,780,138	

NOTE 14 - 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) JPAs. The District pays annual premiums for its property liability, health, and worker's 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.

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, 2003. 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.
E. **Condensed Audited Financial Information Follows**	June 30, 2002*	June 30, 2002*	June 30, 2002*	June 30, 2002*
Assets	$ 112,123,757	$ 3,813,433	$ 7,341,648	$ 62,924,849
Liabilities	(64,483,431)	(943,677)	(6,595,467)	(42,685,065)
Fund Equity	$ 47,640,326	$ 2,869,756	$ 746,181	$ 20,239,784
Revenues	25,828,579	318,608	60,861,490	21,725,981
Expenses	(11,022,709)	(190,241)	(61,799,245)	(20,001,553)
Distribution of equity	-	(500,000)	-	-
Net Increase (Decrease) in Fund Equity	$ 14,805,870	$ (371,633)	$ (937,755)	$ 1,724,428

* Most recent information available.

NOTE 15 - BOOKSTORE AGREEMENT

The District has entered into an agreement with Barnes and Noble College Bookstores, Inc. to operate and provide services for the District's bookstores for a three-year period beginning October 1, 1999. The District has the option to extend the agreement for one or more additional periods of up to two years through September 30, 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 2004 are as follows:

Contract Year	Amount
2004	$ 525,000

NOTE 16 - FOUNDATION

The Riverside Community College District Foundation, whose purpose is to provide support to the District is a separate, not-for-profit 501(C)(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, 2003. A summary of their report is presented below:

	Operating Fund	Endowed Scholarship Fund	Total All Funds
ASSETS	$ 2,190,803	$ 1,563,247	$ 3,754,050
LIABILITIES	400,000	-	400,000
NET ASSETS	$ 1,790,803	$ 1,563,247	$ 3,354,050
CHANGES IN NET ASSETS			
Revenues	1,274,056	63,682	1,337,738
Expenses	973,787	-	973,787
INCREASE IN NET ASSETS	$ 300,269	$ 63,682	$ 363,951

NOTE 17 - OTHER TRANSACTIONS

Related Party Transactions

During the year ended June 30, 1999, the District entered into an agreement with Riverside Community College 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 until December 31, 2003, to reimburse the District. Ownership of the building will remain with the District, and the Foundation will lease the property at a cost of $1.00 per year until November 30, 2008.

NOTE 18 - SUBSEQUENT EVENTS

The District issued $5,000,000 of Tax and Revenue Anticipation Notes dated July 3, 2003. The notes mature on July 6, 2004, and yield .90 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that a percentage of principal and interest be deposited with the Fiscal Agent each month beginning February 2004, until 100 percent of principal and interest due is on account in May 2004.

APPENDIX C

FORM OF 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 $65,000,000 Election of 2004, General Obligation Bonds, Series 2004A and Series 2004B (the "Bonds"). The Bonds are being issued pursuant to a resolution of the District adopted April 22, 2004 (the "District Resolution") and a resolution adopted by the Board of Supervisors of Riverside County (the "County") on June 22, 2004 (collectively, 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 Bond and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In additional 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 any of the original underwriters 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 270 days after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2003-04 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(f).

(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 late 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.

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) assessed valuation for real property located in the District for last completed fiscal year;

(e) tax delinquencies, to the extent the County is no longer on the Teeter Plan; and

(f) 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 form 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 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 wavier, 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 wavier 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 wavier 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 Underwriters, the Holder sand 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 liabilities, 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 fling 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 insure solely to the benefits of the District, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: August 1, 2004

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By:__________________________________
Vice President

EXHIBIT A

NOTICE OF REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: RIVERSIDE COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2004, General Obligation Bonds, Series 2004A and 2004B

Date of Issuance: August 3, 2004

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: ____
Vice President

APPENDIX D

INFORMATION REGARDING THE COUNTY OF RIVERSIDE

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

Population

According to the State Department of Finance, Demographic Research Unit, the County's population was estimated at 1,705,500 as of January 1, 2003, reflecting a 3.4% increase over January 1, 2002. Population rose 84.6% from 1980 to 1990 and 30.12% from 1990 to 2000.

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

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

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

CITY	1980	1990	1999(1)	2000(1)	2001(1)	2002(1)	2003(1)
Banning	14,020	20,570	25,300	23,500	23,900	24,650	25,500
Beaumont	6,818	9,685	10,850	11,350	11,500	12,200	13,800
Blythe	6,805	8,428	20,950	20,050	20,800	21,250	21,200
Calimesa	-	-	7,650	7,075	7,175	7,275	7,325
Canyon Lake	-	-	11,850	9,925	10,100	10,350	10,500
Cathedral City	-	30,085	36,750	42,300	43,950	45,450	47,300
Coachella	9,129	16,896	22,200	22,150	23,300	24,300	26,750
Corona	37,791	76,095	117,300	123,700	129,300	134,000	137,000
Desert Hot Springs	5,941	11,668	15,400	16,550	16,700	16,900	17,200
Hemet	22,454	36,094	61,100	58,500	59,800	61,500	62,200
Indian Wells	1,394	2,647	3,410	3,670	4,130	4,350	4,400
Indio	21,611	36,793	44,500	48,650	50,300	52,200	54,500
Lake Elsinore	5,982	18,285	29,300	28,700	29,950	31,100	33,050
La Quinta	-	11,215	21,750	23,050	26,000	28,750	30,450
Moreno Valley	-	118,779	139,100	142,000	143,800	146,500	150,200
Murrieta	-	-	41,550	43,850	46,300	51,700	57,000
Norco	19,732	23,302	25,500	24,100	24,400	24,900	25,250
Palm Desert	11,081	23,252	36,300	41,000	41,950	42,900	43,900
Palm Springs	32,359	40,181	42,900	42,700	43,250	43,750	44,000
Perris	6,827	21,460	31,550	35,900	36,800	37,550	38,200
Rancho Mirage	6,281	9,778	11,400	13,150	13,800	14,350	14,950
Riverside	170,591	226,505	254,300	253,800	261,300	269,600	274,100
San Jacinto	7,098	16,210	25,250	23,400	24,550	25,300	26,050
Temecula	-	27,099	48,850	56,600	61,600	72,800	75,000
TOTALS							
Incorporated	385,914	785,027	1,085,010	1,115,700	1,154,500	1,203,500	1,239,800
Unincorporated	248,009	385,386	405,100	418,000	429,800	441,800	465,800
County-Wide	633,923	1,170,413	1,490,500	1,533,800	1,584,300	1,645,300	1,705,500
California	23,668,562	29,473,000	33,140,000	33,753,000	34,367,000	35,000,000	35,591,000

Source: U.S. Census Bureau, except California 1999, 2000, 2001, 2002 and 2003 data is from the State Department of Finance and the State Employment Development Department.

(1) Totals may not equal sum due to independent rounding; census counts remain unrounded.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County and the State for the period 2000 through 2002.

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

	Total Effective Buying Income(1)	Median Household Effective Buying Income	Percent of Households with Income over $50,000
2000			
Riverside County	$ 25,144,120	$ 39,293	38.1%
California	652,190,282	44,464	44.3
2001			
Riverside County	23,617,301	37,480	31.9
California	650,521,407	43,532	41.9
2002			
Riverside County	25,180,040	38,691	34.8
California	647,879,427	42,484	40.5

Source: "Survey of Buying Power," Sales & Marketing Management Magazine, dated 2001, 2002 and 2003.
(1) Dollars in thousands.

Industry and Employment

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

RIVERSIDE-SAN BERNARDINO PMSA
ANNUAL AVERAGE EMPLOYMENT(1)
(In Thousands)

INDUSTRY	1998	1999	2000	2001	2002	2003
Agriculture	21.6	21.3	21.7	20.9	20.3	20.4
Construction	61.0	71.7	80.1	88.4	90.9	97.5
Finance, Insurance and Real Estate	33.0	34.8	34.8	38.2	39.5	42.1
Government	174.7	183.1	192.1	200.2	212.7	211.4
Manufacturing:	109.1	115.3	120.1	118.6	115.4	113.5
Nondurables	30.3	32.3	34.5	34.4	33.4	80.6
Durables	78.8	83.0	85.6	84.1	82.0	32.9
Natural Resources and Mining	1.4	1.3	1.3	1.2	1.2	1.3
Retail Trade	116.1	121.8	127.4	132.2	137.5	141.
Professional, Educational and other Services	299.6	318.5	335.0	349.2	350.5	368.7
Transportation, Warehousing and Utilities	42.0	44.8	46.4	45.6	46.0	47.5
Wholesale Trade	33.1	34.9	38.3	41.6	41.9	43.8
Information, Publishing and Telecommunications	12.4	12.8	12.9	14.6	14.1	13.8
Total, All Industries	903.8	960.3	1,010.1	1,050.7	1,084.0	1,108.1

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

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

The following table sets forth the major employers located in the County as of March 24, 2003:

COUNTY OF RIVERSIDE
MAJOR EMPLOYERS

COMPANY NAME	LOCATION	PRODUCT/SERVICE	NUMBER OF EMPLOYEES
County of Riverside	Countywide	Government	17,236
University of California, Riverside	Riverside	Education	7,033
Stater Bros. Markets	Countywide	Supermarkets	5,600
Corona-Norco Unified School District	Corona	Education	5,000
Riverside Unified School District	Riverside	Education	4,000
Wal-Mart Stores Inc.	Countywide	Retail	3,550
Riverside Community College	Riverside	Education	3,350
Moreno Valley Unified School District	Moreno Valley	Education	3,162
Guidant Corp.	Temecula	Medical Devices	3,000
Kaiser Permanente Medical Center	Riverside	Health Care	2,893
City of Riverside	Riverside	Government	2,400
Hemet Unified School District	Hemet	Education	2,270
Fleetwood Enterprises Inc.	Riverside	Manufacturing	2,200
Temecula Valley Unified School District	Temecula	Education	2,146
Eisenhower Medical Center	Rancho Mirage	Health Care	1,972
Lake Elsinore Unified School District	Lake Elsinore	Education	1,950
Palm Springs Unified School District	Palm Springs	Education	1,800
Jurupa Unified School District	Riverside	Education	1,794
Riverside County Office of Education	Riverside	Education	1,790
Valley Health System	Hemet	Health Care	1,756
Alvord Unified School District	Riverside	Education	1,669
KSL Desert Resorts Inc.	La Quinta	Hotel Resort	1,600
Desert Regional Medical Center	Palm Springs	Health Care	1,500
Murrieta Valley Unified School District	Murrieta	Education	1,350
Casino Morongo	Cabazon	Gaming	1,075

Source: The Business Press, 2003.

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

COUNTY OF RIVERSIDE
COUNTY, STATE AND NATIONAL UNEMPLOYMENT DATA

	1998	1999	2000	2001	2002	2003
County(1)	6.6%	5.4%	5.5%	5.2%	6.1%	5.9%
California(1)	5.9	5.2	4.9	5.4	6.7	6.7
United States	4.5(2)	4.2(3)	4.0	4.8	5.9	6.0

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

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

(2) Not strictly comparable with data for prior years.

(3) Beginning in January 1999, data is not strictly comparable with data for 1998 and earlier years because of revisions in the population controls in the household survey.

Commercial Activity

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

The following table sets forth taxable transactions in the County for the years 1998 through 2002:

COUNTY OF RIVERSIDE
TAXABLE SALES TRANSACTIONS
(In Thousands)

	1998	1999	2000	2001	2002
Apparel Stores	$ 498,753	$ 495,945	$ 538,578	$ 565,295	$ 610,388
General Merchandise Stores	1,456,256	1,670,748	1,877,399	2,098,746	2,459,046
Drug Stores	171,893	174,903	185,339	194,717	221,441
Food Stores	758,828	828,641	889,894	930,232	967,171
Packaged Liquor Stores	48,761	52,951	57,345	56,250	58,459
Eating and Drinking Places	1,117,921	1,233,274	1,364,808	1,465,467	1,559,215
Home Furnishing and Appliances	367,812	447,594	517,578	526,083	594,049
Building Materials & Farm Implements	998,256	1,260,027	1,446,829	1,591,275	1,581,792
Auto Dealers and Auto Supplies	1,724,833	2,329,125	2,814,375	3,141,484	3,314,133
Service Stations	793,252	983,739	1,196,693	1,223,753	1,249,648
Other Retail Stores	1,339,882	1,208,776	1,301,636	1,379,979	1,559,215
Retail Stores Total	$ 9,276,448	$10,685,724	$12,190,474	$13,173,281	$14,250,733
All Other Outlets	3,864,406	4,391,221	4,788,975	5,058,274	4,366,737
Total All Outlets	$13,140,854	$15,076,945	$16,979,449	$18,231,555	$19,498,994

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

(1) Totals for the first, second and third quarters only.

Building and Real Estate Activity

The two tables below are a five-year summary of building permit valuations and new dwelling units authorized in the County (in both incorporated and unincorporated areas) since 1998.

COUNTY OF RIVERSIDE
BUILDING PERMIT VALUATIONS
(In Thousands)

	1998	1999	2000	2001	2002	2003(2)
RESIDENTIAL						
New Single-Family	$ 1,784,078.1	$ 2,277,686.8	$ 2,519,841.4	$ 3,051,190.4	$3,670,371.4	$4,671,809.7
New Multi-Family	92,814.4	134,726.0	125,296.2	174,628.0	165,413.0	395,872.9
Residential ALTERATIONS & Adjustments	55,684.7	65,845.2	67,303.7	70,849.7	87,842.9	106,405.0
Total Residential	$ 1,932,577.2	$ 2,478,258.0	$ 2,712,441.4	$ 3,296,668.2	$3,923,627.4	$5,175,08.4
NON-RESIDENTIAL						
New Commercial	$ 233,263.3	$ 255,646.1	$ 393,509.9	$ 287,068.6	$ 297,963.6	$359,857.2
New Industry	118,308.3	112,238.5	98,621.8	74,766.3	80,881.6	112,706.6
New Other(1)	103,420.1	113,503.0	119,978.4	152,854.0	187,510.6	253,803.6
Alterations & Adjustments	135,949.7	126,079.4	157,802.1	143,351.7	174,785.7	172,700.7
Total Nonresidential	$ 590,941.6	$ 607,467.0	$ 769,912.2	$ 658,040.6	$ 741,141.5	$ 399,068.1
TOTAL ALL BUILDING	$ 2,523,518.9	$ 3,085,725.0	$ 3,482,353.6	$ 3,954,708.8	$4,664,768.8	$6,074,156.6

Source: Construction Industry Research Board.

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

(2) Preliminary.

COUNTY OF RIVERSIDE
NUMBER OF NEW DWELLING UNITS

	1998	1999	2000	2001	2002	2003
Single Family	10,758	12,671	13,630	16,556	20,591	25,294
Multi-Family	1,735	2,010	1,780	2,458	2,073	25,294
TOTAL	12,493	14,681	15,410	19,014	22,664	30,328

Source: Construction Industry Research Board.

Agriculture

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

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

The value of agricultural production in the County for 1998 through 2002 is presented in the following table.

COUNTY OF RIVERSIDE
VALUE OF AGRICULTURAL PRODUCTION

	1998	1999	2000	2001	2002
Citrus Fruits	$ 110,869,000	$ 118,236,100	$ 114,572,900	$ 130,221,100	$ 95,402,300
Trees and Vines	248,126,000	224,383,600	177,390,100	191,579,100	183,138,900
Vegetables, Melons, Miscellaneous	204,511,200	238,001,400	193,720,100	196,785,100	215,412,800
Field and Seed Crops	77,180,200	64,554,300	66,921,500	80,215,900	71,960,400
Nursery	94,549,900	90,377,090	107,520,300	138,371,300	138,073,600
Apiculture	6,539,300	5,572,000	4,269,200	4,740,000	2,803,800
Aquaculture Products	10,431,00	16,006,800	17,174,700	15,412,400	15,757,600
Total Crop Valuation	$ 752,208,100	$ 757,131,200	$ 681,568,800	$ 757,324,900	$ 767,549,400
Livestock and Poultry Valuation	447,298,600	440,230,900	366,992,800	367,583,500	295,928,700
Grand Total	$1,199,506,700	$1,197,362,100	$1,048,561,600	$1,124,908,400	$1,063,478,300

Source: Riverside County Agricultural Commissioner.

Transportation

Several major freeways and highways provide access between the County and all parts of Southern California. The Riverside Freeway (State Route 91) extends southwest through Corona and connects with the Orange County freeway network in Fullerton. Interstate 10 traverses the width of the County, the western-most portion of which links up with major cities and freeways in the eastern part of Los Angeles County and the southern part of 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 the Riverside County Flood Control and Water Conservation District and the Coachella Valley Storm Water Unit.

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

APPENDIX E

FORM OF MUNICIPAL BOND INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY
MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of a such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

In the event the Insurer were to become insolvent, any claims arising under a policy of financial guaranty insurance are excluded from coverage 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.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

____
President

Attest: ______________________
Assistant Secretary

SPECIMEN