

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 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. In addition, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Bond constitutes original issue discount. (See "TAX MATTERS" herein with respect to tax consequences relating to the Bonds.)

\$90,000,000
RIVERSIDE COMMUNITY COLLEGE DISTRICT
(Riverside County, California)
Election of 2004 General Obligation Bonds, Series 2007C

Dated: Date of Delivery

Due: August 1, as shown on inside 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. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2007C (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 Bonds are being issued for the purposes of financing the repair, acquisition, construction, and equipping of certain district facilities, and to pay all legal, financial and contingent costs in connection with the issuance of the Bonds.

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

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

Interest with respect to the Bonds accrues from the date of their delivery and is payable semiannually on February 1 and August 1 of each year, commencing August 1, 2007. The Bonds are issuable in denominations of \$5,000 or any integral multiple thereof.

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

The Bonds are subject to optional redemption and mandatory sinking fund redemption prior to their stated maturity dates as described herein.

The scheduled payment of principal of and interest on the Bonds maturing on and after August 1, 2008 (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by MBIA Insurance Corporation (the "Insurer" or "MBIA"). (See "THE BONDS – Bond Insurance" and "APPENDIX E – FORM OF MUNICIPAL BOND INSURANCE POLICY.") The Bonds maturing on August 1, 2007 (the "Uninsured Bonds") are not insured.



Maturity Schedule
(see inside front cover)

The Bonds will be offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel. Certain matters will be passed upon for the Underwriters by Nossaman, Guthner, Knox & Elliot, LLP, Irvine, California and for the District by Best Best & Krieger LLP, Riverside, California. The Bonds, in book-entry form, will be available for delivery through the facilities of DTC in New York, New York on or about June 21, 2007.

UBS INVESTMENT BANK

PIPER JAFFRAY & CO.

Dated: June 7, 2007.

MATURITY SCHEDULE

\$45,570,000 Serial Bonds

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>
2007 ⁽¹⁾	\$6,020,000	4.00%	3.72%
2008	5,125,000	4.00	3.62
2009	5,160,000	4.00	3.71
2010	4,110,000	4.00	3.80
2010	1,075,000	5.00	3.80
2025	7,325,000	5.00	4.46 ⁽²⁾
2026	8,015,000	5.00	4.47 ⁽²⁾
2027	8,740,000	5.00	4.48 ⁽²⁾

\$44,430,000 5.00% Term Bonds due August 1, 2032 – Yield 4.53%⁽²⁾

⁽¹⁾ Uninsured.

⁽²⁾ Yield to call at par on August 1, 2017.

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

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

Certain information set forth herein has been obtained from sources outside the District which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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

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

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

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

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RIVERSIDE COMMUNITY COLLEGE DISTRICT

Board of Trustees

Mary Figueroa, President
Virginia Blumenthal, Vice President
Janet Green, Secretary
Jose Medina, Member
Mark Takano, Member

District Administration

Dr. Salvatore Rotella, Chancellor
Dr. Jim Buysse, Vice Chancellor, Administration and Finance

PROFESSIONAL SERVICES

Underwriters

UBS Securities LLC
San Francisco, California

Piper Jaffray & Co.
Hermosa Beach, California

Bond Counsel

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

District Counsel

Best Best & Krieger LLP
Riverside, California

Paying Agent, Registrar and Transfer Agent

U.S. Bank National Association
Los Angeles, California

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\$90,000,000
RIVERSIDE COMMUNITY COLLEGE DISTRICT
(Riverside County, California)
Election of 2004 General Obligation Bonds, Series 2007C

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides information in connection with the sale of Riverside Community College District (Riverside County, California) Election of 2004 General Obligation Bonds, Series 2007C (the "Bonds").

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

The District

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

The District provides educational services on three campuses, Riverside City, Moreno Valley and Norco. The campuses served approximately 25,088 full-time equivalent students in 2004-05, and approximately 26,789 full-time equivalent students in 2005-06. Estimated enrollment for 2006-07 is 24,091 full-time equivalent students. There are approximately 2,555 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, 2006 are attached hereto as APPENDIX B.

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

Purpose of the Bonds

The proceeds from the sale of the Bonds will be used to finance the repair, acquisition, construction, and equipping of certain district facilities, and to pay all legal, financial and contingent costs in connection with the issuance of the Bonds. See "THE BONDS – Application and Investment of Bond Proceeds."

Authority for Issuance of the Bonds

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

Security and Sources of Payment for the Bonds

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

Description of the Bonds

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

Redemption. The Bonds maturing on or after August 1, 2025 may be redeemed before maturity at the option of the District from any source of funds on August 1, 2017 or any date thereafter, as a whole or in part. The Term Bonds maturing on August 1, 2032 are subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Redemption.”

Payments. Interest on the Bonds accrues from their initial date of delivery, and is payable semiannually on each February 1 and August 1 (each a “Bond Payment Date”), commencing August 1, 2007. Principal on the Bonds is payable on August 1 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, as the designated paying agent, registrar and transfer agent (the “Paying Agent”), to DTC for subsequent disbursement through DTC Participants (defined in APPENDIX D) to the Beneficial Owners (defined in APPENDIX D) of the Bonds.

Bond Insurance. The scheduled payment of principal of and interest on the Bonds maturing on and after August 1, 2008 (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by MBIA Insurance Corporation (the “Insurer” or “MBIA”). See “THE BONDS – Bond Insurance” and “RATINGS.” The Bonds maturing on August 1, 2007 (the “Uninsured Bonds”) are not insured.

Tax Matters

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California (“Bond Counsel”), based on existing statutes, regulations, rulings and judicial decisions and assuming the accuracy and truthfulness of certain representations and compliance with certain covenants and requirements described herein, interest (and original issued discount) on the Bonds is excluded from

gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest (and original issued discount) on the Bonds is exempt from State of California personal income tax. See "TAX MATTERS."

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about June 21, 2007.

Continuing Disclosure

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

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel to the District with respect to the Bonds. Stradling Yocca Carlson & Rauth is located at 44 Montgomery Street, Suite 4200, San Francisco, California 94104. U.S. Bank National Association has been appointed as Paying Agent for the Bonds. Certain matters will be passed upon for the Underwriters by Nossaman, Guthner, Knox & Elliot, LLP, Irvine, California and for the District by Best Best & Krieger LLP, Riverside, California. Stradling Yocca Carlson & Rauth will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Other Information

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

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

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional

provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such documents, statutes and constitutional provisions.

Certain information set forth herein, other than that provided by the District, has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

The Bonds are issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, commencing with Section 53506, as amended, Article XIII A of the California Constitution and pursuant to resolutions adopted by the Board of Trustees of the District on May 15, 2007 (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 \$350,000,000 of general obligation bonds (the "Authorization").

On August 3, 2004 the District issued the first two series of bonds pursuant to the Authorization: (i) the District's General Obligation Bonds, Election of 2004, Series 2004A in the aggregate principal amount of \$55,205,000 (the "Series 2004A Bonds") and (ii) the District's General Obligation Bonds, Election of 2004, Series 2004B in the aggregate principal amount of \$9,795,000 (the "Series 2004B Bonds"). The Bonds represent the third series of bonds under the Authorization. After the issuance of the Bonds, \$195,000,000 of the Authorization will remain available.

Security and Sources of Payment

The Bonds are general obligations of the District, payable from *ad valorem* taxes. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of the principal of and interest on the Bonds upon all property subject to taxation by the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the District's Election of 2004 General Obligation Bonds, Series 2007C Debt Service Fund (as defined herein), which is segregated and maintained by the County and which is irrevocably pledged for the payment of the Bonds and interest thereon when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County will maintain the Debt Service Fund pledged to the repayment of the Bonds, the Bonds are not a debt of the County. See "RIVERSIDE COMMUNITY COLLEGE DISTRICT – *Ad Valorem* Property Taxation" herein for information on the District's tax base.

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

Bond Insurance

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

The MBIA Insurance Corporation Insurance Policy. The following information 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 policy (the "Policy").

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 BONDS – Bond Insurance." Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA 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) and interest on, the Insured 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 the MBIA 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, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Insured 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 Insured 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 Insured 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 Insured Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Insured 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 an Insured 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 Insured Bonds or presentment of such other proof of ownership of the Insured Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Insured Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Insured Bonds in any legal proceeding related to

payment of insured amounts on the Insured 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 Insured Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

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, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation. As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

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 Insured 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 Insured Bonds. MBIA does not guaranty the market price of the Insured Bonds nor does it guaranty that the ratings on the Insured Bonds will not be revised or withdrawn.

MBIA Financial Information. As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2007, MBIA had admitted assets of \$11.2 billion

(unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$4.2 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of March 31, 2007 and for the three month period ended March 31, 2007 and March 31, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference. The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Insured Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. 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 Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2007) 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 at its principal executive offices.

In the event MBIA 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.

General Provisions

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

Interest with respect to the Bonds accrues from their date of delivery, and is payable semiannually on February 1 and August 1 of each year commencing August 1, 2007. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. 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 July 15, 2007, in which event it shall bear interest from its 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 set forth on the inside cover page hereof.

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

Annual Debt Service on the Bonds

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

Period Ending <u>August 1</u>	Annual Principal <u>Payment</u>	Annual Interest <u>Payment</u> ⁽¹⁾	Total Annual <u>Debt Service</u>
2007	\$6,020,000.00	\$477,316.67	\$6,497,316.67
2008	5,125,000.00	4,055,050.00	9,180,050.00
2009	5,160,000.00	3,850,050.00	9,010,050.00
2010	5,185,000.00	3,643,650.00	8,828,650.00
2011	--	3,425,500.00	3,425,500.00
2012	--	3,425,500.00	3,425,500.00
2013	--	3,425,500.00	3,425,500.00
2014	--	3,425,500.00	3,425,500.00
2015	--	3,425,500.00	3,425,500.00
2016	--	3,425,500.00	3,425,500.00
2017	--	3,425,500.00	3,425,500.00
2018	--	3,425,500.00	3,425,500.00
2019	--	3,425,500.00	3,425,500.00
2020	--	3,425,500.00	3,425,500.00
2021	--	3,425,500.00	3,425,500.00
2022	--	3,425,500.00	3,425,500.00
2023	--	3,425,500.00	3,425,500.00
2024	--	3,425,500.00	3,425,500.00
2025	7,325,000.00	3,425,500.00	10,750,500.00
2026	8,015,000.00	3,059,250.00	11,074,250.00
2027	8,740,000.00	2,658,500.00	11,398,500.00
2028	9,520,000.00	2,221,500.00	11,741,500.00
2029	10,350,000.00	1,745,500.00	12,095,500.00
2030	11,310,000.00	1,228,000.00	12,538,000.00
2031	12,250,000.00	662,500.00	12,912,500.00
2032	<u>1,000,000.00</u>	<u>50,000.00</u>	<u>1,050,000.00</u>
Total	\$90,000,000.00	\$75,033,816.67	\$165,033,816.67

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

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

Application and Investment of Bond Proceeds

The proceeds from the sale of the Bonds will be used to finance the repair, acquisition, construction, and equipping of certain district facilities, and to pay all legal, financial and contingent costs in connection with the issuance of the Bonds.

A portion of the proceeds from the sale of the Bonds shall be paid to the County to the credit of the "Riverside Community College District Election of 2004 General Obligation Bonds, Series 2007C 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 Election of 2004 General Obligation Bonds, Series 2007C Debt Service Fund" (the "Debt Service Fund") for the Bonds and used only for payment of principal or Maturity Value of and interest on the Bonds. Any excess proceeds of the Bonds not needed for the authorized purposes for which the Bonds are being issued shall be transferred to the Debt Service Fund

and applied to the payment of principal or Maturity Value of and interest on the Bonds. If, after payment in full of the Bonds, there remain excess proceeds, any such excess amounts shall be transferred to the General Fund of the District.

Moneys in the 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 Debt Service Fund are expected to be invested through the Riverside County Treasury Pool. See "RIVERSIDE COUNTY TREASURY POOL" herein.

Redemption

Optional Redemption. The Bonds maturing on or before August 1, 2010 are not subject to redemption prior to their fixed maturity date. The Bonds maturing on or after August 1, 2025 are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of funds, on August 1, 2017 or on any date thereafter, as a whole or in part, at a redemption price equal to the principal amount of Bonds so redeemed, together with interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 2032, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 2028, at a redemption price equal to the principal amount thereof, together with accrued interest 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)	<u>Principal Amount</u>
2028	\$9,520,000
2029	10,350,000
2030	11,310,000
2031	12,250,000
2032 ⁽¹⁾	<u>1,000,000</u>
Total	\$44,430,000

⁽¹⁾ Final Maturity.

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

Notice of Redemption. Notice of any redemption of Bonds will be mailed, postage-prepaid, not less than thirty nor more than forty-five days prior to the redemption date (i) to the respective Registered Owners thereof at the addresses appearing on the bond registration books of the Bond Registrar, (ii) to the Securities Depositories described below, and (iii) to one or more of the Information Services described below. Notice of redemption to the Securities Depositories and the Information Services may be given by facsimile transmission or overnight delivery service in lieu of by mail. Each notice of redemption will specify (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but

not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

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

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

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

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

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

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

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

Transfer and Exchange

Any Bonds may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in 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 nor the Paying Agent will be required to exchange or transfer any Bond during the period from the 15th day of the month preceding each Interest Payment Date to such Interest Payment Date or from the sixteenth day next preceding a date for which such Bond has been selected for redemption in whole or in part.

Defeasance

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

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

(b) Government Obligations: by irrevocably depositing with the Paying Agent or with an independent escrow agent selected by the District noncallable Government Obligations together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, satisfactory to the County, 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 Bonds shall not have been surrendered for payment, all obligations of the District and the Paying Agent with respect to all outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

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

ESTIMATED SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$90,000,000.00
Original Issue Premium	<u>2,816,966.80</u>
Total Sources	\$92,816,966.80

Uses of Funds

Building Fund	\$90,000,000.00
Debt Service Fund	1,732,135.69
Costs of Issuance ⁽¹⁾	<u>1,084,831.11</u>
Total Uses	\$92,816,966.80

⁽¹⁾ Costs of issuance includes Underwriters’ discount, insurance premium, legal fees, printing and expenses, demographics and filing fees.

RIVERSIDE COUNTY POOLED INVESTMENT FUND

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

The County Treasurer maintains one Pooled Investment Fund (the “PIF”) for all local jurisdictions having funds on deposit in the County Treasury. As of April 30, 2007, the portfolio assets comprising the PIF had a market value of \$5,483,370,456.

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

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

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

The investments in the Pooled Investment Fund as of April 30, 2007 were as follows:

	<u>Market Value</u>	<u>% of Pool</u>
Federal Agency Securities	\$2,703,246,499	49.30%
Cash Equivalents & Money Market Funds	235,000,000	4.29
Commercial Paper	1,560,021,059	28.45
Negotiable Certificates of Deposit	750,000,201	13.68
Medium Term Notes	197,778,617	3.61
Municipal Bonds	11,609,080	0.21
Certificates of Deposit ⁽¹⁾	20,000,000	0.36
Local Agency Obligations ⁽²⁾	<u>5,715,000</u>	<u>0.10</u>
Total	\$5,483,370,456	100.00%
Weighted Average Yield:	5.13%	
Weighted Average Maturity:	0.99	

⁽¹⁾ Not rated; all other investments are government securities or rated investments.

⁽²⁾ Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and March Joint Powers Redevelopment Agency.

As of April 30, 2007, the market value of the PIF was 99.98% of book value. The Treasurer estimates that sufficient liquidity exists within the portfolio to meet daily expenditure needs without requiring any sale of securities at a principal loss prior to their maturity.

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

The Board has established an “Investment Oversight Committee” in compliance with California Government Code Section 27131. Currently, the Committee is composed of the County Finance

Director, the County Treasurer-Tax Collector, the County Superintendent of Schools, a school district representative and a public member at large. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and to make any findings and recommendations known to the Board. This committee was reorganized to conform to new State requirements requiring the County to have a local oversight committee. The committee is utilized by the County to manage, audit, and safeguard public funds and to perform other internal control measures.

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

FUNDING OF COMMUNITY COLLEGE DISTRICTS IN CALIFORNIA

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

Major Revenues

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.

Historically a community college district determined its revenue allocation using a program-based model. The model used 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 were used in each category to determine funding requirements. The target allocation was obtained by calculating the exact cost of funding the specific standards in each category, on a district by district basis. The aggregate total of the financial needs of the five categories established the amount of funding a district received. State general fund moneys, local property taxes, and certain other local revenues were 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, generally speaking, amounted to the difference between a district's base revenue and its local property tax allocation and student enrollment fees. Base revenue calculations were 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.

A bill recently passed the State's legislature ("SB 361"), and signed by the Governor on September 29, 2006, establishes a new community college funding system with immediate effect. The new system includes allocation of state general apportionment revenues to community college districts based on criteria developed by the Board of Governors of the California Community Colleges (the "Board of Governors") in accordance with prescribed statewide minimum requirements. In establishing these minimum requirements, the Board of Governors will be required to acknowledge community college

districts' need to receive an annual allocation based on the number of colleges and comprehensive centers in each respective district, plus funding received based on the number of credit and noncredit FTES in each district.

SB 361 also specifies that, commencing with the 2006-07 fiscal year the minimum funding per FTES will be: (a) not less than \$4,367 per credit FTES (subject to cost of living adjustments funded through the budget act in subsequent fiscal years); (b) at a uniform rate of \$2,626 per noncredit FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years); and (c) set at \$3,092 per FTES (adjusted for the change in cost of living provided in the budget act in subsequent fiscal years) for a new instructional category of "career development and college preparation." Pursuant to SB 361, the Chancellor of the California Community Colleges (the "Chancellor") will develop criteria for one-time grants for districts that would have received more funding under the prior system or a proposed rural college access grant, than under the new system and the Budget Act of 2006.

The District's base revenue per credit unit of FTES for 2003-04, 2004-05 and 2005-06 were approximately \$3,601, \$3,955 and \$4,123, respectively, and per non-credit unit of FTES for the same years were, excluding maintenance and operations appropriations, on average, approximately \$1,834, \$2,379 and \$2,479. The District expects that its base revenue per unit of FTES for 2006-07 will be approximately \$4,367, and that its base revenue per non-credit unit of FTES will be approximately \$2,626 before COLA is applied to the base and before enhanced non-credit funding is applied.

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.

Tax Shifts and Triple Flip

Assembly Bill No. 1755 ("AB 1755"), introduced March 10, 2003 and substantially amended June 23, 2003, requires the shifting of property taxes between redevelopment agencies and schools, including community college districts. On July 29, 2003, the Assembly amended Senate Bill No. 1045 to incorporate all of the provisions of AB 1755, except that the Assembly reduced the amount of the

required Education Revenue Augmentation Fund (“ERAF”) shift to \$135 million. Legislation commonly referred to as the “Triple Flip” was approved by the voters on March 2, 2004, as part of a bond initiative formally known as the “California Economic Recovery Act.” This act authorized the issuance of \$15 billion in bonds to finance the 2002-03 and 2003-04 State budget deficits, which are payable from a fund established by the redirection of tax revenues through the “Triple Flip.” Under the “Triple Flip,” one-quarter of local governments’ one percent share of the sales tax imposed on taxable transactions within their jurisdiction is redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other state general fund revenues. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds are repaid, which is currently expected to occur in approximately 9 to 13 years.

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.

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

Accounting Practices

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

The following table shows the District’s general fund budgets for fiscal years 2004-05 through 2006-07, the District’s audited actuals for fiscal years 2004-05 and 2005-06 and projected totals for fiscal year 2006-07. For further information, see also “APPENDIX B – EXCERPTS FROM THE DISTRICT’S 2005-06 AUDITED FINANCIAL STATEMENTS.”

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Comparison of Adopted General Fund Budgets and Actual Results
for Fiscal Years 2004-05, 2005-06 and 2006-07

	<u>Adopted Budget 2004-05</u>	<u>Audited 2004-05</u>	<u>Adopted Budget 2005-06</u>	<u>Audited 2005-06</u>	<u>Adopted Budget 2006-07</u>	<u>Projected Totals 2006-07⁽¹⁾</u>
REVENUES:						
Revenue limit sources	\$50,949,999	\$60,359,802	\$70,187,923	\$67,520,611	\$80,673,790	\$80,673,790
Federal revenues	9,871,246	7,471,612	10,730,728	7,830,737	9,938,459	11,095,926
Other state revenues	15,733,471	12,006,967	12,999,755	11,873,262	18,626,105	19,530,572
Other local revenues	<u>48,095,892</u>	<u>45,660,370</u>	<u>44,870,321</u>	<u>51,461,823</u>	<u>51,821,441</u>	<u>52,003,297</u>
TOTAL REVENUES	124,650,608	125,498,751	138,788,727	138,686,433	161,059,795	163,303,585
EXPENDITURES:						
Current Expenditures						
Academic salaries	51,031,541	51,249,024	57,975,714	58,378,896	66,366,869	66,417,146
Classified salaries	28,857,238	26,522,806	32,342,866	29,167,763	37,558,038	37,606,000
Employee benefits	21,691,167	20,626,291	23,724,350	22,765,123	26,253,655	26,520,624
Books and supplies	3,200,937	2,962,769	3,783,826	3,390,317	5,175,362	5,276,537
Services and operating expenditures	17,243,864	14,135,569	18,805,028	15,487,990	19,748,866	20,610,771
Capital Outlay	<u>4,635,652</u>	<u>4,565,588</u>	<u>6,975,005</u>	<u>8,774,817</u>	<u>5,320,448</u>	<u>6,201,267</u>
TOTAL EXPENDITURES	126,660,399	120,062,047	143,606,789	137,964,906	160,423,238	162,632,345
Excess (Deficiency) of revenues over (under) Expenditures	(2,009,791)	5,436,704	(4,818,062)	721,527	636,557	671,240
Operating transfers in	983,860	994,934	3,223,136	2,683,431	1,423,325	1,423,325
Operating transfers out	(1,146,930)	(1,146,930)	(3,176,196)	(2,636,491)	(2,384,270)	(2,384,270)
Other sources	1,562,731	1,561,512	241,483	192,008	269,479	269,479
Other uses	<u>(482,346)</u>	<u>(305,098)</u>	<u>(406,392)</u>	<u>(336,723)</u>	<u>(448,252)</u>	<u>(448,252)</u>
TOTAL OTHER FINANCING SOURCES (USES)	917,315	1,104,418	(117,969)	(97,775)	(1,139,718)	(1,139,718)
Excess of revenues and other financing sources over (under) expenditures and other uses	(1,092,476)	6,541,122	(4,936,031)	623,752	(503,161)	(468,478)
Beginning Fund balance, July 1	<u>10,030,544</u>	<u>9,748,823</u>	<u>15,887,367</u>	<u>16,289,945</u>	<u>16,913,697</u>	<u>16,913,697</u>
Ending Fund Balance, June 30	<u><u>\$8,938,068</u></u>	<u><u>\$16,289,945</u></u>	<u><u>\$10,951,336</u></u>	<u><u>\$16,913,697</u></u>	<u><u>\$16,410,536</u></u>	<u><u>\$16,445,219</u></u>

⁽¹⁾ Projected fiscal year 2006-07 totals as of May 10, 2007.
Source: The District.

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

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

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

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

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

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

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

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

State Assistance

California community college districts' principal funding formulas and revenue sources are derived from the budget of the State of California. The following information concerning the State of California's budgets has been obtained from publicly available information which the District believes to be reliable; however, either the District nor the Underwriters takes any responsibility as to the accuracy or completeness thereof and has not independently verified such information.

2006-07 Budget. The 2006-07 Budget Act was signed by the Governor on June 30, 2006 (the "2006-07 Budget"). The following information is adapted from the Legislative Analyst's budget analysis. The 2006-07 Budget assumes revenues in 2006-07 of \$94.4 billion and expenditures of \$101.3 billion.

Proposition 98 K-14 education funding in the 2006-07 Budget increases to \$55.1 billion, an increase of 10.3 percent over the revised fiscal year 2005-06 spending level.

The 2006-07 Budget provides total Higher Education funding of \$10.8 billion from the State General Fund, an increase of about \$931 million (or 9.4%) over 2005-06 levels. The budget provides the California Community Colleges (“CCC”) with \$4.1 billion in General Fund support for 2006-07, which is \$388 million, or 10.4 percent, above the revised 2005-06 level. In addition, the budget provides CCC with another \$305 million in one-time funds that, for Proposition 98 purposes, will count toward prior fiscal years. Total Proposition 98 support for CCC in 2006-07 is \$5.9 billion.

Significant features of the 2006-07 Budget for community colleges include:

- *Enrollment Increases.* The 2006-07 Budget provides CCC with \$97.5 million to fund enrollment growth of 2 percent, or 22,688 FTE students. However, because community college enrollment has been declining, CCC has a similar number of unfilled, funded “slots” that also will be available for enrolling additional students in 2006-07. Thus, as a practical matter, CCC funding will grow by slightly more than 4 percent in 2006-07.
- *Student Fees.* The budget reduces student fees at CCC from \$26 per unit to \$20 per unit, effective in spring 2007. The budget provides \$40 million to backfill this foregone fee revenue.
- *Nursing Initiative.* The 2006-07 Budget includes \$10.5 million for various higher education nursing initiatives. These include \$5.5 million for student services and faculty recruitment and retention at CCC. In addition, the budget authorizes 40 loan forgiveness warrants for nursing graduates who work in State facilities, such as prisons and developmental centers, contingent upon the enactment of legislation.
- *Additional Features.* The 2006-07 Budget for CCC also includes:
 - \$159 million for equalization. This funding is intended to fully achieve the State’s equalization goal for CCC, contingent upon enactment of legislation specifying the allocation of this funding;
 - \$100 million in one-time funding for general purpose block grants to districts;
 - \$94.1 million in one-time funding for facilities maintenance and equipment.;
 - \$40 million in one-time funding for career technical education equipment and facility upgrades; and
 - \$30 million to increase the funding rate for selected noncredit enrollment, contingent upon enactment of legislation authorizing these rate enhancements.

Governor’s Proposed 2007-08 State Budget. On January 10, 2007, the Governor released his proposed budget for fiscal year 2007-08 (the “Proposed 2007-08 Budget”). On January 12, 2007, the Legislative Analyst’s Office released its Overview of the Governor’s Budget (the “LAO Report”). The following information is adapted from the LAO Report.

The Proposed 2007-08 Budget includes only a few expansions, and instead proposes a number of budget balancing actions, including a major redirection of transportation funds and significant reductions in social services, to eliminate a significant shortfall in the budget year. The Proposed 2007-08 Budget

provides for total state spending in 2007-08 of \$131 billion (excluding expenditures of federal funds and bond funds). General Fund spending is projected to increase from \$102.1 billion to \$103.1 billion (an increase of 1 percent), while special funds spending rises from \$24.5 billion to \$27.7 billion. Based on an expected fiscal year 2006-07 General Fund reserve of \$2.9 billion, and projected General Fund revenues of \$102.3 billion, the Proposed 2007-08 Budget provides for a year-end reserve of \$2.1 billion.

Proposition 98 funding in the Proposed 2007-08 Budget is affected by a proposed transfer of \$627 million from the State's Public Transportation Account to fund the Home-to-School Transportation program. In addition to this transfer, the Proposed 2007-08 Budget would "rebench" the Proposition 98 minimum funding requirement downward by a like amount, thereby freeing up \$627 million in General Fund monies. This shift would not affect total funding for school transportation or the level of school transportation services. The Legislative Analyst's Office believes that this proposed funding shift and rebenching of the Proposition 98 guarantee raises serious policy and legal issues and may not achieve the proposed General Fund savings.

The Proposed 2007-08 Budget provides \$56.8 billion in total K-14 Proposition 98 funding. This is an increase of \$1.8 billion, or 3.3 percent, over the revised current-year estimate. (This funding level, however, reflects the "rebenching" of the Proposition 98 requirement described above.) Most of the increase in proposed K-14 Proposition 98 funding would be covered by growth in local property tax revenues (\$1.4 billion).

The Proposed 2007-08 Budget provides for \$380 million in increased Proposition 98 expenditures for community colleges in 2007-08. This reflects a 6.4 percent increase over the revised current-year estimate. Major new expenditures include:

- *COLAs and Growth—(\$354 Million)*. The proposal provides funding for COLAs at the same rate (4.04 percent) as K-12's statutory rate. It also funds an assumed 2 percent growth in enrollment. This exceeds the statutory minimum guideline based on population growth, which is estimated to be 1.65 percent.
- *Annualized Costs Related to 2006-07 Student Fee Reduction—(\$33.2 Million)*. Student fees were reduced—effective January 2006—from \$26 per unit to \$20 per unit. The state provided the community colleges \$40 million in the current year to make up for the reduced fees revenues. The budget proposes an additional \$33.2 million for the full-year impact in 2007-08 of the lower fee level.

The LAO Report indicates that the Proposed 2007-08 Budget raises a number of serious policy and legal issues, which may make implementation problematic, and the Proposed 2007-08 Budget's assumptions on matters ranging from the fiscal benefits of its solutions to the outcome of court cases involving the State appear to be optimistic. According to the LAO, adverse outcomes in just a few of these areas could easily eliminate most or all of the budget's proposed reserve. Given the above factors, as well as the continuing existence of the structural budget shortfall facing the state, The LAO Report concludes that it will be important for the Legislature to develop a more realistic budget which includes alternative budgetary solutions and avoids raising ongoing commitments (absent identified funding to pay for them).

Additional information regarding the LAO Report and the Proposed 2007-08 Budget is available from the websites of the LAO (at www.lao.ca.gov) and the California Department of Finance (at www.dof.ca.gov).

Governor's May Revision to the Proposed 2007-08 State Budget. On May 14, 2007, the Governor released his May Revision to the Proposed 2007-08 Budget (the "May Revision"). On May 15, 2007, the Legislative Analyst's Office (the "LAO") released its Overview of the May Revision. The following information is adapted from the LAO's Overview of the May Revision.

The May Revision's estimates for major tax revenues are down \$243 million combined over 2006-07 and 2007-08 since January 2007, while General Fund costs are higher for Proposition 98 and prisons. The May Revision also provides a more realistic estimate of gambling revenues and a proposed delay for the sale of pension obligation bonds. In response to these factors, the May Revision puts forward over \$2 billion in new budget solutions. The proposed solutions include selling EdFund (the State's student loan guarantee agency), capturing tobacco securitization revenues now rather than over time, expanding a redirection of public transit funds for General Fund purposes, and eliminating a scheduled increase for Supplemental Security Income/State Supplementary Program recipients.

Although the LAO considers the administration's revenue forecast for the state's major revenues reasonable, the May Revision makes a number of optimistic assumptions about its proposals—such as the legality of its public transit proposal, its estimates of gambling and property tax revenues, and assumed savings from midyear reductions. In total, the LAO estimates that the Governor's reserve is likely overstated by \$1.7 billion, and the May Revision would leave only a \$529 million reserve. This reduced reserve would be subject to additional risks and cost pressures. The LAO also estimates that the budget year shortfall of over \$3 billion would increase to more than \$5 billion in 2008-09, due to a number of one-time solutions contained within the May Revision. Further, the LAO notes that the May Revision continues to reflect a planned \$1.6 billion early prepayment of the State's deficit financing bonds. The LAO believes that these funds could be better used in addressing near-term budget problems.

The May Revision increases total Proposition 98 funding for 2007-08 by \$2.2 billion, or 3.9% over revised 2006-07 figures. Using revised attendance estimates, the overall Proposition 98 increase over the prior year translates into a 4.4% increase in K-12 per pupil spending and less than a 1% increase in community college spending per student. The May Revision incorporates revisions to Proposition 98 funding for years 2005-06 (increasing the General Fund share of total Proposition 98 funding, due primarily to downward adjustment in local property tax revenues), 2006-07 and 2007-08 (increasing Proposition 98 minimum guarantee by \$372 million and \$104 million, respectively, due to healthier than expected General Fund revenues).

The May Revision reflects several changes to the Proposition 98 funding in the Proposed 2007-08 Budget, including the restoration of Proposition 98 funding for the Home-to-School Transportation Program (\$627 million) and fully funding the Proposition 98 minimum guarantee, rather than "rebenching" the funding requirement as described above under "Governor's Proposed 2007-08 Budget." The May Revision provides \$247 million to increase the K-14 COLA from the January estimate of 4.04% to the final rate of 4.53%. In addition, the May Revision proposes an additional \$542 million in one-time Proposition 98 funds.

The LAO identifies an attendance-related technical error in the May Revision, which understates 2007-08 Proposition 98 costs by \$366 million and will likely entail significant reworking of the Governor's proposed ongoing Proposition 98 budget. The LAO recommends covering this cost within the Proposition 98 minimum guarantee, rejecting all of the May Revision's new ongoing Proposition 98 proposals, and utilizing one-time Proposition 98 funds to cover the remaining shortfall.

The May Revision reduces support for community college apportionments by \$80 million to adjust for unrealized enrollment. The May Revision proposes three percent growth in ADA for community colleges from 2006-07 to 2007-08.

The LAO concludes that, due to several overly optimistic assumptions, the May Revision overstates its reserve by about \$1.7 billion—leaving an estimated reserve of \$529 million. Even this reserve level would be subject to considerable risks and pressures. As a result, the State will face a significant challenge to develop a 2007-08 budget that realistically reflects revenues and spending while maintaining a prudent reserve. The full text of the LAO's Overview of the 2007-08 May Revision is available at <http://www.lao.ca.gov>.

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 or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during 2006-07 as budgeted. Continued State budget shortfalls in future fiscal years could have an adverse financial impact on the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

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

Article XIII A of the California Constitution

Article XIII A of the State Constitution ("Article XIII A") limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A 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 XIII A 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 XIII A 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 XIII A requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Legislation Implementing Article XIII A

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

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

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

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

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

Unitary Property

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

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

Article XIII B of the California Constitution

Article XIII B of the State Constitution (“Article XIII B”), 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 XIII B 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 XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B 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 XIII B 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 XIII B 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 XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the “Right to Vote on Taxes Act.” Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, “Article XIII C” and “Article XIII D”), 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 XIIC establishes that every tax is either a “general tax” (imposed for general governmental purposes) or a “special tax” (imposed for specific purposes), prohibits special purpose government agencies such as community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID 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 XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

Proposition 98

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

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

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

Proposition 111

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

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

- a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.
- b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess is to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.
- c. Exclusions from Spending Limit. Two new exceptions have been added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, excluded are all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, excluded are any increases in gasoline taxes above the current nine cents per gallon level, sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990.
- d. Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) a certain percentage of State general fund revenues (the "first test") or (2) the amount

appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

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

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning, in 2008-09, the State

may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 (“Proposition 1D”) appeared on the March 2, 2004 ballot as Proposition 1D and was approved by California voters. This measure authorizes the sale and issuance of \$10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities (\$7.3 billion) and higher education facilities (\$3.1 billion).

K-12 School Facilities. Proposition 1D makes available \$3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts will be required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes \$1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts will be required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of \$1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site. \$29 million will be available to fund joint-use projects.

Higher Education Facilities. Proposition 1D includes approximately \$3.1 billion to construct new buildings and related infrastructure, alter existing buildings and purchase equipment for use in the State’s public higher education systems. The Governor and the Legislature will select the specific projects to be funded by the bond proceeds.

The table below shows the planned use of bond funds for the \$10.4 billion bond issuance:

**PROPOSITION 1D
Use of Bond Funds
(In Millions)**

K-12

Modernization projects	\$3,330 ⁽¹⁾
New construction projects	1,900 ⁽¹⁾⁽²⁾
Severely overcrowded schools	1,000
Charter schools facilities	500
Career technical facilities	500
Environment-friendly projects	100
Joint-use projects	<u>29</u>
Subtotal, K-12	\$7,329

Higher Education

Community Colleges	\$1,507
University of California	890 ⁽³⁾
California State University	<u>690</u>
Subtotal, Higher Education	\$3,087

Total \$10,416

⁽¹⁾ A total of up to \$200 million is available from these two amounts combined as incentive funding to promote the creation of small high schools.

⁽²⁾ Up to \$200 million is available for earthquake-related retrofitting.

⁽³⁾ \$200 million is available for medical education programs.

Source: California Legislative Analyst's Office.

Future Initiatives

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

General

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

The District provides educational services on three campuses, Riverside City, Moreno Valley and Norco. The campuses served approximately 25,088 full-time equivalent students in 2004-05, and approximately 26,789 full-time equivalent students in 2005-06. Estimated enrollment for 2006-07 is 24,091 full-time equivalent students. There are approximately 2,555 persons employed by the District. The District offers a broad-based curriculum and basic transfer programs to four-year colleges and universities in California. While recognizing the importance of general education, the District also provides specialized programs leading directly to employment and to improving the skill and knowledge of those already employed in the work force. Such efforts include the District's highly successful nursing and automotive technology programs. In addition, the District provides a wide variety of educational and special interest non-credit courses through its Community Education program.

Administration

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mary Figueroa	President	December 2008
Virginia Blumenthal	Vice President	December 2010
Janet Green	Secretary	December 2010
Mark A. Takano	Member	December 2008
Jose Medina	Member	December 2010

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

Enrollment

The following table shows the District's full-time equivalent students ("FTES") for fiscal years 1998-99 through 2005-06, estimated FTES for fiscal year 2006-07, and projected FTES for fiscal year 2007-08:

<u>Year</u>	<u>FTES</u>
1998-99	18,726
1999-00	20,182
2000-01	21,578
2001-02	23,677
2002-03	23,721
2003-04	23,423
2004-05	25,088
2005-06	26,789
2006-07 ⁽¹⁾	24,091
2007-08 ⁽²⁾	27,400

⁽¹⁾ Estimated.

⁽²⁾ Projected.

Source: *The District*.

Labor Relations

The District employs 377 full-time certified professionals and 638 full-time classified employees and managers. In addition, the District employs 1,540 part-time faculty and staff. These employees, except management, confidential and some part-time employees, are represented by two bargaining units as noted below:

RIVERSIDE COMMUNITY COLLEGE DISTRICT Labor Relations Organizations

<u>Labor Organization</u>	<u>Number of Full Time Employees In Organization</u>	<u>Contract Expiration Date</u>
California School Employees Association	481	June 30, 2008
California Teachers Association	284	June 30, 2007 ⁽¹⁾

⁽¹⁾ Contract currently under negotiation.

Source: *The District*.

Retirement Programs

The District participates in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. The District's contribution to STRS was \$3,850,938 in fiscal year 2004-05, \$4,399,919 in fiscal year 2005-06, and is projected to be \$4,965,197 in fiscal year 2006-07. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools.

The District also participates in the State of California Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed more than four hours per day. The District's contribution to PERS was \$2,291,598 in fiscal year 2004-05, \$2,330,410 in fiscal year 2005-06,

and is projected to be \$2,985,189 in fiscal year 2006-07. In order to receive PERS benefits, an employee must be at least 50 years old and have provided five years of service to California public schools.

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

Other Postemployment Benefits

The District has entered into an agreement whereby the District will continue to pay medical benefits for employees retiring at age 55 with ten or more years of service. These benefit payments will continue until the employee reaches age 65. In addition, the District has entered into agreements with former board members and various retired employees whereby the District will continue to pay medical benefits and life insurance for the remainder of their lives. On June 30, 2006, there were 51 retirees eligible to receive such benefits. The estimated future cost to the District at June 30, 2006 was approximately \$3,500,000. This amount is calculated based on expected years until age 65 or a 15-year life expectancy times the current insurance rates.

Expenditures for postemployment benefits are recognized on a pay-as-you-go basis as retirees' premiums are paid. During fiscal year 2005-06, expenditures of \$734,780 were recognized for retirees' health care benefits. An actuarial evaluation of the costs of these benefits has not been completed.

Joint Powers Authorities

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

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

DISTRICT FINANCIAL MATTERS

District Financial Statements

Excerpts from the audited financial statements of the District for Fiscal Year 2005-06 are attached hereto as APPENDIX B. The financial statements should be read in their entirety. The information set forth herein does not purport to be a summary of the District's financial statements.

Accounting Practices

The accounting policies of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California Community College Budget and Accounting Manual. This manual, according to Section 84030 of the California Education Code, is to be followed by all California community college districts. The Governmental Accounting Standards Board ("GASB") has released (i) Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation,

and in the way the report itself is formatted, and (ii) Statement No. 35, which makes changes in the required content and format of annual financial statements for public colleges and universities. These requirements became effective on June 15, 2002 for the District, as well as for any other governmental agency with annual revenues of between \$10 million and \$100 million. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

Comparative Financial Statements

The following table reflects the District's audited revenues, expenditures and fund balances for fiscal years 2002-03 through 2005-06 and projected results for fiscal year 2006-07.

RIVERSIDE COMMUNITY COLLEGE DISTRICT Summary of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2002-03 through 2006-07

	Audited <u>2002-03</u>	Audited <u>2003-04</u>	Audited <u>2004-05</u>	Audited <u>2005-06</u>	Projected Totals <u>2006-07⁽¹⁾</u>
REVENUES:					
Revenue limit sources	\$36,350,595	\$30,333,522	\$60,359,802	\$67,520,611	\$80,673,790
Federal revenues	6,342,992	6,267,204	7,471,612	7,830,737	11,095,926
Other state revenues	17,155,611	16,127,922	12,006,967	11,873,262	19,530,572
Other local revenues	<u>48,659,610</u>	<u>56,240,923</u>	<u>45,660,370</u>	<u>51,461,823</u>	<u>52,003,297</u>
TOTAL REVENUES	108,508,808	108,969,571	125,498,751	138,686,433	163,303,585
EXPENDITURES:					
Current Expenditures					
Academic salaries	48,530,414	46,623,585	51,249,024	58,378,896	66,417,146
Classified salaries	25,402,269	24,989,242	26,522,806	29,167,763	37,606,000
Employee benefits	15,418,726	17,985,912	20,626,291	22,765,123	26,520,624
Books and supplies	2,641,007	2,305,144	2,962,769	3,390,317	5,276,537
Services and operating expenditures	13,725,188	12,221,723	14,135,569	15,487,990	20,610,771
Capital Outlay	4,446,114	3,152,046	4,565,588	8,774,817	6,201,267
Debt service	--	--	--	--	--
Other outgo	--	--	--	--	--
TOTAL EXPENDITURES	110,163,718	107,277,652	120,062,047	137,964,906	162,632,345
Excess (Deficiency) of revenues over (under) Expenditures	(1,654,910)	1,691,919	5,436,704	721,527	671,240
Operating transfers in	2,810,089	2,903,167	994,934	2,683,431	1,423,325
Operating transfers out	(1,977,798)	(2,223,594)	(1,146,930)	(2,636,491)	(2,384,270)
Other sources	8,906	7,677	1,561,512	192,008	269,479
Other uses	<u>(294,350)</u>	<u>(322,249)</u>	<u>(305,098)</u>	<u>(336,723)</u>	<u>(448,252)</u>
TOTAL OTHER FINANCING SOURCES (USES)	546,847	365,001	1,104,418	(97,775)	(1,139,718)
Excess of revenues and other financing sources over (under) expenditures and other uses	(1,108,063)	2,056,920	6,541,122	623,752	(468,478)
Beginning Fund balance, July 1	<u>8,799,966</u>	<u>7,691,903</u>	<u>9,748,823</u>	<u>16,289,945</u>	<u>16,913,697</u>
Ending Fund Balance, June 30	<u>\$7,691,903</u>	<u>\$9,748,823</u>	<u>\$16,289,945</u>	<u>\$16,913,697</u>	<u>\$16,445,219</u>

⁽¹⁾ Projected fiscal year 2006-07 totals as of May 10, 2007.

Source: The District.

For the fiscal years ended June 30, 2003 and later, the District has implemented Government Accounting Standard Board Statements Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. The revised reporting format provides a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The following table reflects the District's financial data for fiscal years 2002-03 through 2005-06 under the revised reporting format:

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

	<u>Audited</u> <u>2002-03</u>	<u>Audited</u> <u>2003-04</u>	<u>Audited</u> <u>2004-05</u>	<u>Audited</u> <u>2005-06</u>
OPERATING REVENUES				
Tuition and Fees	\$10,932,020	\$15,078,991	\$20,292,327	\$20,369,130
Less: Scholarship discounts and allowances	<u>(2,346,340)</u>	<u>(4,069,168)</u>	<u>(6,417,038)</u>	<u>(6,074,796)</u>
Net tuition and fees	8,585,680	11,009,823	13,875,289	14,294,334
Grant and contracts, non-capital:				
Federal	18,564,139	18,339,011	21,441,062	21,480,732
State	<u>7,637,282</u>	<u>6,752,882</u>	<u>8,097,912</u>	<u>8,136,160</u>
TOTAL OPERATING REVENUES	34,787,101	36,101,716	43,414,263	43,911,226
OPERATING EXPENSES				
Salaries	75,008,752	73,233,641	80,974,711	89,770,779
Employee benefits	15,732,561	18,341,286	21,041,099	22,870,792
Supplies, materials and other operating expenses and services	31,073,081	29,200,527	34,910,056	34,503,306
Equipment, maintenance, and repairs	7,275,566	4,093,845	2,243,409	3,327,404
Depreciation	<u>2,580,125</u>	<u>3,588,448</u>	<u>4,143,533</u>	<u>5,115,520</u>
TOTAL OPERATING EXPENSES	131,670,085	128,457,747	143,312,808	155,587,801
OPERATING LOSS	(96,882,984)	(92,356,031)	(99,898,545)	(111,676,575)
NONOPERATING REVENUES (EXPENSES)				
State apportionments, non-capital	43,288,551	37,410,455	62,048,060	68,269,940
Local property taxes	36,203,933	41,450,278	35,673,624	43,803,016
State taxes and other revenues	3,680,699	3,468,096	3,844,087	4,689,052
Investment income, net	431,310	415,396	1,604,261	4,029,786
Interest expense on capital related debt	<u>(540,210)</u>	<u>(610,740)</u>	<u>(3,333,271)</u>	<u>(3,035,759)</u>
Interest income on capital asset-related debt, net	9,471	9,290	19,883	--
Other non-operating revenues	7,044,910	5,170,535	8,506,038	6,127,895
Other non-operating expenses	<u>--</u>	<u>--</u>	<u>(1,608,969)</u>	<u>(48,435)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	90,118,664	87,313,310	106,753,713	123,835,495
GAIN (LOSS) BEFORE OTHER REVENUES	(6,764,320)	(5,042,721)	6,855,168	12,158,920
OTHER REVENUES				
State revenues, capital	10,460,287	7,565,990	5,504,033	5,270,334
Local revenues, capital	1,259,111	992,531	11,390	--
Gain (Loss) on disposal of assets	<u>6,437,890</u>	<u>(19,202)</u>	<u>(8,967)</u>	<u>8,751,971</u>
TOTAL OTHER REVENUES	18,157,288	8,539,319	5,506,456	14,022,305
NET INCREASE IN NET ASSETS	11,392,968	3,496,598	12,361,624	26,181,225
NET ASSETS, BEGINNING OF YEAR	<u>90,494,603</u>	<u>101,887,571</u>	<u>105,384,169</u>	<u>117,745,793</u>
NET ASSETS, END OF YEAR	<u>\$101,887,571</u>	<u>\$105,384,169</u>	<u>\$117,745,793</u>	<u>\$143,927,018</u>

Source: The District.

***Ad Valorem* Property Taxation**

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

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

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

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

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Assessed Valuations
Fiscal Year 1997-98 through 2006-07

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>
1997-98	\$26,694,497,936	\$57,968,901	\$1,337,056,171	\$28,089,523,008
1998-99	27,041,541,511	62,884,307	1,476,317,567	28,580,743,385
1999-00	28,634,366,244	61,269,509	1,662,276,925	30,357,912,678
2000-01	31,378,164,982	52,368,568	1,887,550,262	33,318,083,812
2001-02	34,441,981,474	52,420,492	2,191,458,212	36,685,860,178
2002-03	37,741,392,325	50,079,728	2,512,284,792	40,303,756,845
2003-04	41,739,002,603	42,700,414	2,424,297,600	44,206,000,617
2004-05	47,923,316,465	50,568,694	2,533,766,343	50,507,651,502
2005-06	56,723,300,750	40,456,349	2,858,938,378	59,622,695,477
2006-07	69,414,949,841	41,598,811	3,080,320,192	72,536,868,844

Source: California Municipal Statistics, Inc.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Assessed Valuation and Parcels by Land Use
2006-07

	<u>2006-07 Assessed Valuation ⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural	\$521,566,315	0.75%	1,362	0.57%
Commercial	7,122,783,215	10.26	5,987	2.52
Vacant Commercial	765,628,574	1.10	4,219	1.77
Professional/Office	2,198,514,127	3.17	855	0.36
Industrial	2,796,359,915	4.03	2,097	0.88
Vacant Industrial	259,153,697	0.37	654	0.28
Recreational	115,178,325	0.17	289	0.12
Government/Social/Institutional	39,814,236	0.06	401	0.17
Miscellaneous	<u>11,596,621</u>	<u>0.02</u>	<u>325</u>	<u>0.14</u>
Subtotal Non-Residential	\$13,830,595,025	19.92%	16,189	6.81%
Residential:				
Single Family Residence	\$42,165,614,094	60.74%	175,012	73.62%
Condominium/Townhouse	2,183,337,541	3.15	11,012	4.63
Mobile Home	264,652,337	0.38	4,215	1.77
Mobile Home Park	99,821,299	0.14	95	0.04
2+ Residential Units/Apartments	7,532,233,614	10.85	4,219	1.77
Vacant Residential	<u>3,125,633,969</u>	<u>4.50</u>	<u>19,536</u>	<u>8.22</u>
Subtotal Residential	\$55,371,292,854	79.77%	214,089	90.06%
Other Vacant	\$213,061,962	0.31%	7,452	3.13%
Total	\$69,414,949,841	100.00%	237,730	100.00%

⁽¹⁾ Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2006-07 secured assessed valuations. The District provides educational services to and its boundaries include portions of the County.

RIVERSIDE COMMUNITY COLLEGE DISTRICT Largest 2006-07 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Land Use</u>	<u>2006-07 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
1.	Watson Laboratories Inc.	Industrial	\$166,076,009	0.24%
2.	Tyler Mall LP	Shopping Center	147,310,713	0.21
3.	Walgreen Co.	Industrial	127,859,631	0.18
4.	Metal Container Corp.	Industrial	122,734,228	0.18
5.	Dairy Farmers of America Inc.	Industrial	111,960,721	0.16
6.	Teachers Insurance & Annuity Association of America	Industrial	107,548,693	0.15
7.	Kaiser Foundation Health Plan Inc.	Office Building	106,212,163	0.15
8.	Riverside Healthcare System	Medical Buildings	98,106,495	0.14
9.	Castle & Cooke Corona Inc.	Commercial Properties	86,751,533	0.12
10.	Centex Homes	Residential Development	84,152,366	0.12
11.	State Street Bank & Trust Co. of Calif.	Industrial	80,153,079	0.12
12.	Dart Container Corp. of Calif.	Industrial	77,492,188	0.11
13.	Prologis California I	Industrial	76,251,542	0.11
14.	BRE Properties	Apartments	76,250,840	0.11
15.	Lowe's HIW Inc.	Industrial	75,986,141	0.11
16.	Costco Wholesale Corp.	Industrial	74,896,320	0.11
17.	Wachovia Development Corp.	Industrial	70,428,532	0.10
18.	PPC Baywood Venture	Apartments	66,319,182	0.10
19.	Homecoming at Eastvale	Apartments	64,785,045	0.09
20.	Fieldstone Communities Inc.	Residential Development	<u>59,310,565</u>	<u>0.09</u>
			\$1,880,585,986	2.71%

⁽¹⁾ 2006-07 Local Secured Assessed Valuation: \$69,414,949,841.

Source: California Municipal Statistics, Inc.

Tax Rates

A representative tax rate area located within the District is Tax Rate Area 9-002. The table below demonstrates the total *ad valorem* tax rates levied by all taxing entities in this tax rate area during the seven-year period from 2001-02 through 2006-07.

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

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
General	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%	1.00000%
City of Riverside	.00000	.00000	.00000	.01092	.00861	.00821
Riverside Community College District	.00000	.00000	.00000	.01800	.01800	.01800
Riverside Unified School District	.00000	.05000	.04993	.04048	.04054	.03515
Metropolitan Water District	<u>.00770</u>	<u>.00670</u>	<u>.00610</u>	<u>.00580</u>	<u>.00520</u>	<u>.00470</u>
Total	1.00770%	1.05670%	1.05603%	1.07520%	1.07235%	1.06606%

Source: California Municipal Statistics, Inc.

Tax Levies, Collections and Delinquencies

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

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

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning December 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

Alternative Method of the Apportionment - Teeter Plan

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

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

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

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

District Debt Structure

Long-Term Debt. A schedule of changes in general long-term debt for the year ended June 30, 2006, is shown below:

**RIVERSIDE COMMUNITY COLLEGE DISTRICT
SCHEDULE OF LONG TERM DEBT, AS OF JUNE 30, 2006**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions and</u> <u>Adjustments</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Notes payable				
General Obligation Bonds - Series A & B	\$13,270,000	--	\$3,750,000	\$9,520,000
General Obligation Bonds - Series 2005 Refunding	<u>58,386,109</u>	--	<u>970,000</u>	<u>57,416,109</u>
Total General Obligation Bonds	71,656,109	--	4,720,000	66,936,109
Other liabilities				
Compensated absences	1,632,748	\$433,392		2,066,140
Load banking	550,350	240,550	133,578	657,322
Golden Handshake	1,525,859		381,464	1,144,395
Capital leases	2,170,318		2,170,318	
Total other liabilities	<u>5,879,275</u>	<u>673,942</u>	<u>2,685,360</u>	<u>3,867,857</u>
Total long-term debt	<u>\$77,535,384</u>	<u>\$673,942</u>	<u>\$7,405,360</u>	<u>\$70,803,966</u>

Source: The District.

General Obligation Bonds. On August 3, 2004 the District issued (i) its General Obligation Bonds, Election of 2004, Series 2004A in the aggregate principal amount of \$55,205,000 (the “Series 2004A Bonds”) and (ii) its General Obligation Bonds, Election of 2004, Series 2004B in the aggregate principal amount of \$9,795,000 (the “Series 2004B Bonds”). On June 8, 2005 the District issued its 2005 General Obligation Refunding Bonds in the aggregate principal amount of \$58,386,109.30 (the “2005 Refunding Bonds”), the proceeds of which were used to refund a portion of the Series 2004A Bonds. The following table shows the annual debt service requirements of all the District’s general obligation bonded debt, including the Bonds.

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

Period Ending (August 1)	Series 2004B Bonds ⁽¹⁾	Series 2004B Bonds	2005 Refunding Bonds	Series 2007C Bonds	Total Annual Debt Service
2007	\$146,075.00	\$1,601,006.26	\$3,024,025.00	\$6,497,316.67	\$11,268,422.93
2008	146,075.00	--	3,794,775.00	9,180,050.00	13,120,900.00
2009	146,075.00	--	3,966,775.00	9,010,050.00	13,122,900.00
2010	146,075.00	--	4,149,750.00	8,828,650.00	13,124,475.00
2011	646,075.00	--	4,152,750.00	3,425,500.00	8,224,325.00
2012	746,075.00	--	4,313,250.00	3,425,500.00	8,484,825.00
2013	896,275.00	--	4,463,250.00	3,425,500.00	8,785,025.00
2014	1,069,475.00	--	4,613,250.00	3,425,500.00	9,108,225.00
2015	44,475.00	--	5,228,250.00	3,425,500.00	8,698,225.00
2016	43,837.50	--	5,463,250.00	3,425,500.00	8,932,587.50
2017	48,087.50	--	5,710,000.00	3,425,500.00	9,183,587.50
2018	47,087.50	--	5,966,500.00	3,425,500.00	9,439,087.50
2019	51,087.50	--	6,236,250.00	3,425,500.00	9,712,837.50
2020	49,837.50	--	6,517,500.00	3,425,500.00	9,992,837.50
2021	53,587.50	--	6,813,500.00	3,425,500.00	10,292,587.50
2022	57,012.50	--	7,117,250.00	3,425,500.00	10,599,762.50
2023	60,175.00	--	7,442,000.00	3,425,500.00	10,927,675.00
2024	63,075.00	--	7,775,250.00	3,425,500.00	11,263,825.00
2025	60,712.50	--	--	10,750,500.00	10,811,212.50
2026	63,350.00	--	--	11,074,250.00	11,137,600.00
2027	70,725.00	--	--	11,398,500.00	11,469,225.00
2028	72,425.00	--	--	11,741,500.00	11,813,925.00
2029	73,850.00	--	--	12,095,500.00	12,169,350.00
2030	--	--	--	12,538,000.00	12,538,000.00
2031	--	--	--	12,912,500.00	12,912,500.00
2032	--	--	--	1,050,000.00	1,050,000.00
Total	\$4,801,525.00	\$1,601,006.26	\$96,747,575.00	\$165,033,816.67	\$268,183,922.93

⁽¹⁾ Includes only the Series 2004A Bonds not refunded from proceeds of the 2005 Refunding Bonds.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the “Debt Report”) prepared by California Municipal Statistics, Inc. and effective as of May 1, 2007. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are

they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Bonded Debt

2006-07 Assessed Valuation: \$72,536,868,844 (Riverside County only)
 Redevelopment Incremental Valuation: 13,590,855,594
 Adjusted Assessed Valuation: \$58,946,013,250

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 5/1/07</u>
Metropolitan Water District	3.608%	\$12,956,869
Eastern Municipal Water District Improvement Districts	89.501-100.000	4,110,052
Riverside City Community College District	100.000	60,616,109 (1)
Alvord Unified School District	100.000	46,425,000
Corona-Norco Unified School District	100.000	52,249,622
Jurupa Unified School District	100.000	55,817,972
Moreno Valley Unified School District	100.000	49,999,946
Riverside Unified School District	100.000	117,115,000
Cities of Corona and Riverside	100.000	22,595,000
Community Facilities Districts	Various	1,211,306,895
1915 Act Bonds	Various	<u>55,835,000</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,689,027,465
Less: City of Moreno Valley Community Facilities District No. 87-1 (100% self-supporting from tax increment revenues)		<u>12,510,000</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,676,517,465

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Riverside County General Fund Obligations	39.145%	\$240,976,471
Riverside County Pension Obligations	39.145	153,796,791
Riverside County Board of Education Certificates of Participation	39.145	4,022,149
Corona-Norco Unified School District General Fund Obligations	100.000	107,505,000
Moreno Valley Unified School District Certificates of Participation	100.000	25,665,000
Val Verde Unified School District Certificates of Participation	100.000	93,610,000
Other Unified School District Certificates of Participation	100.000	56,540,000
City of Corona General Fund Obligations	100.000	80,250,000
City of Moreno Valley Certificates of Participation	99.869	60,565,555
City of Riverside General Fund and Pension Obligations	100.000	338,415,000
San Bernardino Valley Municipal Water District Certificates of Participation	0.057	<u>1,890</u>
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		\$1,161,347,856
Less: Riverside County self-supporting obligations		7,474,639
San Bernardino Valley Municipal Water District Certificates of Participation		<u>1,890</u>
TOTAL NET OVERLAPPING GENERAL FUND DEBT		\$1,153,871,327

GROSS COMBINED TOTAL DEBT \$2,850,375,321 (2)
 NET COMBINED TOTAL DEBT \$2,830,388,792

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

Ratios to 2006-07 Assessed Valuation:
 Direct Debt (\$60,616,109).....0.08%
 Total Gross Overlapping Tax and Assessment Debt.....2.33%
 Total Net Overlapping Tax and Assessment Debt2.31%

Ratios to Adjusted Assessed Valuation:
 Gross Combined Total Debt4.84%
 Net Combined Total Debt.....4.80%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/06: \$0

Source: California Municipal Statistics, Inc.

TAX MATTERS

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

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

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

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

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

It is possible that subsequent to the issuance of the Bonds, there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the

federal, state, or local tax treatment of the Bonds or the market value of the Bonds. No assurance can be given that subsequent to the issuance of the Bonds such changes or interpretations will not occur.

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

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

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

LEGAL MATTERS

Legality for Investment in California

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

Continuing Disclosure

The District has covenanted for the benefit of bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than nine months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2006-07 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the District with each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any). The notices of material events will be filed by the District with each Nationally Recognized Municipal Securities Information Repository (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is included under the caption "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The District has, in the past, failed to file certain of its required annual reports in a timely manner as required by its prior continuing disclosure obligations. The District has since filed such reports and is current with respect to all filings required under its existing continuing disclosure obligations.

No Litigation

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

New Information Reporting Requirements

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). Under Section 6049 of the Internal Revenue Code of 1986, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any bondholder who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

Legal Opinion

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

MISCELLANEOUS

Ratings

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

The ratings reflect only the views of the respective rating agency, and any explanation of the significance of such ratings should be obtained from the rating agencies at the following addresses: Moody's Ratings, One State Street Plaza, New York, New York 10004 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

UBS Securities LLC, as representative of itself and Piper Jaffray & Co. (together, the “Underwriters”) has agreed, pursuant to a purchase contract among the District and the Underwriters (the “Purchase Contract”), to purchase all (but not less than all) of the Bonds for a purchase price of \$91,732,135.69 (principal amount of the Bonds of \$90,000,000.00, plus net original issue premium of \$2,816,966.80, less Underwriters’ aggregate discount of \$725,269.11, less \$359,562.00 retained by the Underwriters to pay costs of issuance associated with the Bonds). The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the purchase contract, the approval of certain legal matters by Bond Counsel and certain other conditions. The initial offering prices stated on the cover of this Official Statement may be changed from time to time by the Underwriters. The Underwriters may offer and sell Bonds to certain dealers and others at prices lower than such initial offering prices.

Additional Information

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

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

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

APPENDIX A

FORM OF OPINION OF BOND COUNSEL

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

June 21, 2007

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 \$90,000,000 Riverside Community College District Election of 2004 General Obligation Bonds, Series 2007C (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 Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the California Government Code, 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, and a resolution of the Board of Trustees of the District (the "Resolution").
2. The Bonds constitute valid and binding general obligations of the District, payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount.
3. Under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that, with respect to corporations, such interest may be included as an adjustment in the calculation of alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.
4. Interest on the Bonds is exempt from State of California personal income tax.
5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bonds constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bondowner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bondowner will increase the

Bondowner's basis in the applicable Bond. Original issue discount that accrues to the Bondowner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income tax.

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

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

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

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

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

APPENDIX B

EXCERPTS FROM THE DISTRICT'S 2005-06 AUDITED FINANCIAL STATEMENTS

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**RIVERSIDE COMMUNITY
COLLEGE DISTRICT**

**FINANCIAL STATEMENTS
WITH
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
JUNE 30, 2006 AND 2005**

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FINANCIAL SECTION

Michael R. Adcock, CPA
Thomas E. Ahern, CPA
Linda S. Devlin, CPA
Janell M. Fratt, CPA
Wing K. Lau, CPA
Andrew Steinke, CPA
Nora L. Teasley, CPA
A California Limited Liability Partnership
Certified Public Accountants



Member
American Institute
Certified Public Accountants
Private Company
Practice Section
Employee Benefit
Audit Quality Council
California Society
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Riverside Community College District
Riverside, California

We have audited the accompanying financial statements of the business-type activities of Riverside Community College District (the "District") as of and for the years ended June 30, 2006 and 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Riverside Community College District as of June 30, 2006 and 2005, and the respective changes in financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. 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.

Management's Discussion and Analysis on pages 3 through 14 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Ahern • Adcock • Devlin LLP
Certified Public Accountants

October 27, 2006

By: Linda S. Devlin, CPA

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

June 30, 2006

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, 2006. This is prepared in compliance with the reporting standards required for public colleges and universities.

New Accounting Standards

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

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

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

Financial Highlights

- ◆ The District's primary funding is received from the State of California. The State allocation is based on "Program-Based Funding" comprised of state apportionment, local property taxes, and student enrollment fees. The primary basis of this apportionment is the calculation of Full-Time Equivalent Students (FTES). During 2005–06, resident credit and noncredit FTES were 26,202 and 121, respectively, as reported on the annual apportionment attendance recalculation report. All 2005–06 credit and noncredit FTES will be funded according to the State Chancellor's Office.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

- ◆ The District ended the year with an unrestricted general fund balance of \$12.6 million, a decrease of \$0.1 million. The State Chancellor's Office and District Board policy recommend that reserve levels of five percent be set aside for economic uncertainties. The District has exceeded this requirement.
- ◆ The primary expenditures of the District are for the salaries and benefits of our academic, classified, and administrative employees. These costs increased over the 2004-05 fiscal year by approximately \$10.6 million. This increase reflects the addition of 23 new faculty positions; 23 new full-time and permanent part-time classified and management positions; step and column increases in compensation; a State funded Cost Of Living Adjustment (COLA) of 4.23 percent plus an additional one percent as part of employee compensation packages contained in negotiated bargaining unit agreements; and increased costs associated with medical, dental, and workers' compensation programs, particularly for claims associated with the District's indemnity plan.
- ◆ Available funds from August 2004 through June 2006, realized from bond proceeds, bond premiums, and interest earnings totaled \$78.4 million. \$65.5 million of this amount has been committed to approved Measure C projects as of June 30, 2006.
- ◆ The District utilized Measure C proceeds, State Construction Act funding, local monies or a combination of these sources to fund a number of major construction and building projects during the year including:

- MLK Remodel
- Parking Structure Phase I – Riverside
- PE Complex/Athletic Field Phase I – Riverside
- Love Kin Complex
- Bridge Space
- RCC System Office Purchase
- Center for Primary Education
- Quad Remodel
- Norco Phase III
- Moreno Valley Phase III
- Nursing/Science Project
- Business Education Remodel
- Administration Remodel
- PE Phase II

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2006

- ◆ The District provides student financial aid to qualifying students of the District. During the 2005–06 fiscal year, \$15.1 million in direct grants and loans were provided to our students, a decrease of \$0.2 million over the prior year. Additionally, approximately \$6.1 million of enrollment fee waivers were provided to our students, a decrease of \$0.3 million over the prior year. This decrease was a result of a decline in enrollment.

Statement of Net Assets

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

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

- ◆ *Invested in capital assets, net of related debt* – The District's equity in property, plant, and equipment.
- ◆ *Restricted net assets (distinguishing between major categories of restriction)* – The constraints placed on the use of the assets are externally imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or imposed through constitutional provisions or enabling legislation.
- ◆ *Unrestricted net assets* – The District can use them for any lawful purpose. Although unrestricted, the District's governing Board may place internal restrictions on these net assets, but it retains the power to change, remove, or modify those restrictions.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

Condensed Statement of Net Assets
(in Thousands)

	<u>June 30,</u>		Increase
	2006	2005	(Decrease)
			2006-2005
ASSETS			
Currents assets			
Cash and short-term receivables	\$ 56,166	\$ 45,356	\$ 10,810
Inventory and other assets	90	98	(8)
Total current assets	<u>56,256</u>	<u>45,454</u>	10,802
Noncurrent assets			
Restricted cash	36,481	52,337	(15,856)
Capital assets, net of depreciation	<u>143,101</u>	<u>117,293</u>	25,808
Total noncurrent assets	<u>179,582</u>	<u>169,630</u>	9,952
Total assets	<u>\$235,838</u>	<u>\$215,084</u>	\$20,754
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 9,588	\$ 8,414	\$ 1,174
Deferred revenue	2,977	2,767	210
Claims liability	2,477	2,416	61
Amounts held in trust for others	1,034	1,012	22
Current portion of long-term debt	<u>7,238</u>	<u>5,633</u>	1,605
Total current liabilities	23,314	20,242	3,072
Long-term debt	<u>68,597</u>	<u>77,096</u>	(8,499)
Total liabilities	<u>91,911</u>	<u>97,338</u>	(5,427)
NET ASSETS			
Invested in capital assets	110,337	99,611	10,726
Restricted for expendable sources	<u>33,590</u>	<u>18,135</u>	15,455
Total net assets	<u>\$143,927</u>	<u>\$117,746</u>	\$26,181

This schedule has been prepared from the District's statement of net assets (page 15) which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

Fiscal Year 2006 Compared to 2005

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 19).

The District's financial position, as a whole, improved during the fiscal year ended June 30, 2006. Its total net assets increased \$26.2 million or about 22.3 percent from the previous year primarily due to a \$3.1 million decrease in cash and cash equivalents and a \$26.1 million increase in capital assets, net of depreciation. The District realized a significant improvement in apportionment revenue due to receipt of Equalization revenue and growth funding, all of which increase the District's base revenue. Accounts receivable have decreased \$1.9 million over fiscal year 2004-05 primarily as a result of the receipt of third quarter state lottery revenue prior to June 30, 2006, and a Basic Skills apportionment adjustment accrual that did not occur in 2005-06. Accounts payable have increased by \$0.6 million over fiscal year 2004-05 primarily due to an increase in construction activity. Finally, the District's Board has designated or reserved unrestricted net assets for such purposes as Federal and State grants, outstanding commitments on contracts, repair and replacement of equipment, capital outlay, insurance reserves, and general reserves for the ongoing financial health of the District.

Statement of Revenues, Expenses, and Changes in Net Assets

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

Changes in total net assets on the statement of net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. Operating revenues are received for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses paid to acquire or produce the goods or services provided in return for the operating revenues and to carry out the mission of the District. Total revenue was \$184,853,220 and total expenses were \$158,671,995.

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

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
Operating revenues			
Tuition and fees	\$14,294	\$ 13,875	\$ 419
Grants and contracts	29,617	29,539	78
Total operating revenues	43,911	43,414	497

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

(in Thousands)

(Continued)

	<u>June 30,</u>		Increase (Decrease)
	2006	2005	2006-2005
Operating expenses			
Salaries and benefits	\$ 112,642	\$102,016	\$10,626
Supplies and maintenance	37,831	37,153	678
Depreciation	<u>5,115</u>	<u>4,144</u>	971
Total operating expenses	<u>155,588</u>	<u>143,313</u>	12,275
Loss on operations	<u>(111,677)</u>	<u>(99,899)</u>	11,778
Nonoperating revenues (expense)			
State apportionments	68,270	62,048	6,222
Property taxes	43,803	35,674	8,129
State revenues	4,689	3,844	845
Interest income	4,030	1,624	2,406
Interest expense	(3,036)	(3,333)	297
Other nonoperating revenues	6,128	8,506	(2,378)
Other nonoperating expenses	<u>(48)</u>	<u>(1,609)</u>	1,561
Total nonoperating revenues (expenses)	<u>123,836</u>	<u>106,754</u>	17,082
Other revenues			
State and local capital income	5,270	5,516	(246)
Loss on disposal of assets	<u>8,752</u>	<u>(9)</u>	8,761
Total other revenues	<u>14,022</u>	<u>5,507</u>	8,515
Net increase in net assets	<u>\$ 26,181</u>	<u>\$ 12,362</u>	\$13,819

This schedule has been prepared from the statement of revenues, expenses, and changes in net assets presented on page 17.

Fiscal Year 2006 Compared to 2005

Tuition and fees increased \$0.4 million due to an increase in the Health Services Fees from \$10 per Spring term and \$7 per Winter term, representing a 3.0 percent increase over the prior year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

Grant and contract revenues are related to student financial aid, as well as specific Federal and State grants received for programs serving the students of the District. These grant and program revenues are restricted as to the allowable expenses related to the programs. Grants and contracts revenue increased by \$0.8 million primarily as a result of the increased number and size of programs managed by the District.

Interest income, primarily the result of cash held with the Riverside County Treasurer, increased by \$2.4 million due to larger cash balances and higher interest rates. The interest expense relates to interest on loans and notes payable.

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

During fiscal year 2005-06, the District sold the remaining portion of its La Sierra property to The Griffin Homebuilding Group, LLC for a lump sum price of \$9.0 million.

During fiscal year 2005-06, the District purchased property in Riverside using general fund monies for \$3.8 million to serve as the District Office.

During fiscal year 2005-06, the District purchased property at University Avenue and Market Street in Riverside, using proceeds from the sale of its La Sierra property, for \$4.2 million for the Riverside School for the Arts.

During fiscal year 2005-06, the District exercised its purchase option to purchase property located on Market Street in Riverside for \$2.1 million. The property is being used for the Riverside Community College System Office.

Statement of Cash Flows

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2006

Statement of Cash Flows (in Thousands)

	Year Ended June 30,	
	2006	2005
Cash provided by:		
Operating activities	\$(104,666)	\$ (89,229)
Noncapital financing activities	124,019	104,651
Capital financing activities	(26,488)	48,102
Investing activities	4,007	2,657
Net increase (decrease) in cash	(3,128)	66,181
Cash, beginning of year	83,449	17,268
Cash, end of year	<u>\$ 80,321</u>	<u>\$ 83,449</u>

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

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

District cash at June 30, 2006 decreased over the same time period as the prior year primarily due to increased capital expenditures.

Capital Assets

At June 30, 2006, the District had \$143.1 million invested in a broad range of capital assets including land, land improvements, buildings and improvements, and machinery and equipment (see following table). This amount represents a net increase (including additions and deductions) of \$26.1 million or 22.3 percent over last year.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

**Capital Assets at Year-End
(in Millions)**

	June 30,		Increase (Decrease)
	2006	2005	2006-2005
Land	\$ 32.50	\$ 30.20	\$ 2.30
Land improvements	4.95	4.66	.29
Buildings and improvements	104.37	84.59	19.78
Machinery and equipment	18.03	16.66	1.37
Construction in progress	21.38	14.34	7.04
Accumulated depreciation	<u>(38.13)</u>	<u>(33.44)</u>	<u>(4.69)</u>
	<u>\$143.10</u>	<u>\$117.01</u>	<u>\$26.09</u>

Martin Luther King High Tech Center, PE Complex, Relocateable Swing Space, Bridge Space, Business Education Remodel, and the Administration Remodel were completed during the fiscal year ended June 30, 2006 and their total costs of \$14.1 million were added to buildings, land improvements, and machinery and equipment.

Cost related to the Quad Remodel, Moreno Valley and Norco Phase III, Nursing and Science Project, Parking Structure, PE Phase II, and Center for Primary Education projects were added to construction in progress during the year to reflect the work completed through June 30, 2006.

Long-Term Debt

The District issued general obligation bonds in 2004-05. Outstanding at June 30, 2006 are:

	Principal June 30, 2005	Current Year Issue	Current Year Repayment	Principal June 30, 2006
General Obligation Bond Series 2004 A & B	\$13,270,000		\$3,750,000	\$ 9,520,000
2005 General Obligation Refunding Bond	<u>58,386,109</u>		<u>970,000</u>	<u>57,416,109</u>
Total general obligation bonds	<u>\$71,656,109</u>		<u>\$4,720,000</u>	<u>\$66,936,109</u>

In addition to these notes, the District has \$2,066,140 in compensated absences payable, \$657,322 for load banking liability, and \$1,144,395 for golden handshake retirement liability.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

District's Fiduciary Responsibility

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

General Fund Budgetary Highlights

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

The District's final revised budget for the unrestricted general fund anticipated that expenditures would exceed revenue by \$7.3 million. The actual results for the year showed expenditures exceeded revenue by \$0.1 million.

The excess was primarily the result of receiving growth apportionment funding, salary and benefits cost savings resulting from vacant positions, and conservative fiscal spending practices employed by District staff.

District-wide credit and non-credit, Full-Time Equivalent Student (FTES) counts, as reported on the annual apportionment attendance report, increased by 1,657 FTES compared to the same reporting period in the prior year. Student enrollment was fully funded through the apportionment process. Of this amount, 1,937 FTES is attributable to the Summer 2006 term but reported as fiscal year-end 2005-06 FTES. The District would have experienced a decline of 280 base FTES had the Summer 2006 FTES not been "rolled back" into fiscal year-end 2005-06. It is speculated, though not definitively determined, that the enrollment decline was caused in part by a strong regional economy and the cumulative effect of two large tuition fee increases in successive years, going from \$11 per unit to \$18 per unit to finally \$26 per unit.

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

Economic Factors Affecting the Future of Riverside Community College District

The District's financial health is directly affected by the economic well-being of the State of California. Funding for California's community colleges improved during 2005-06. The State provided increased funding in a number of areas. The District received Equalization funding of \$1.3 million, credit FTES was funded in full including all of the FTES "rolled back" from Summer 2006, and COLA was provided at 4.23 percent. On the expenditure side, cost pressures continued to mount in areas such as salaries health and welfare benefits. Demand for services remained relatively stable despite a small decline in base enrollment.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

The budget outlook is significantly improved for 2006-07. Community colleges will receive an estimated 10.7 percent of the combined K-12 and Community College Proposition 98 revenues, compared to 10.46 percent for 2004-05. Enrollment fees will remain stable at \$26 per credit unit, until December 31, 2006. Thereafter, enrollment fees will decrease to \$20 per credit unit. Enrollment growth is funded at 2.00 percent system-wide and \$97.5 million is provided, system-wide. COLA has been provided at 5.92 percent and Equalization funding has been provided at \$159.4 million system-wide.

A new funding formula for California's community colleges, SB 361, will be implemented in fiscal year 2006-07. The new funding formula replaces Program Based Funding. SB 361 is a simplified yet comprehensive reform to the formulas that allocate general purpose apportionment to the 72 districts. Among its features, SB 361 provides for a basic allocation to each District (foundation grant) as well as equalized funding at or above the 90th percentile for credit, noncredit, and enhanced noncredit full-time equivalent students. The credit base and growth rates for fiscal year 2006-07 are \$4,123 and \$4,367, respectively.

We have built the 2006-07 General Fund Budget based upon the following assumptions and incorporating the provisions of SB 361:

- ◆ No growth in credit and noncredit FTES is assumed.
- ◆ Cost of Living Adjustment (COLA) of 5.92 percent for State apportionment funding.
- ◆ Step and column increases will cost approximately \$650,000.
- ◆ No increase is anticipated for nonresident tuition revenue.
- ◆ Student enrollment fees are anticipated to decrease by 8.2 percent due to mid-year decrease to the rate per credit unit; however, the District will bear only 2.0 percent of this decrease.
- ◆ One-time funds from the State Proposition 98 reversion account and State General Purpose one-time funds will be received in the amounts of \$519,000 and \$1.8 million, respectively.
- ◆ Our PERS contribution rate will remain unchanged at 9.12 percent.
- ◆ We anticipate the hiring of 10 new tenure-track positions.
- ◆ Part-time faculty costs are anticipated to increase by \$1.39 million primarily as a result of salary increases.
- ◆ We anticipate hiring 21 new full-time and permanent part-time classified and management positions.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Management's Discussion and Analysis

(Continued)

June 30, 2006

- ◆ Health and welfare benefit costs are anticipated to increase by \$1.27 million.
- ◆ Funds in the amount of \$364,000 have been set aside for the establishment of the Rubidoux Annex.
- ◆ The District has a number of major remodeling and construction projects ongoing in the 2006–07 fiscal year. These projects are funded using State Construction Act funds, Measure C funds, local funds or a combination of these funding sources. These projects include remodeling and equipping the Quadrangle Building (Riverside), Parking Structure – Phase II (Riverside), the planning and working drawing portion of the Phase III build-out at the Norco and Moreno Valley campuses, planning for infrastructure improvements, the planning and working drawing phase of the Nursing/Health Sciences building, and the construction of The Learning Center, formerly known as the Center for Primary Education.
- ◆ Funds have been set aside for new remodel projects and noninstructional equipment needs in the amounts of \$300,000 and \$650,000, respectively.

Contacting the District's Financial Management

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

BASIC FINANCIAL STATEMENTS

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statements of Net Assets

	June 30,	2006	2005
ASSETS			
Current assets			
Cash and cash equivalents		\$ 43,839,650	\$ 31,111,858
Accounts receivable		12,326,465	14,244,161
Prepaid expenses		60,720	66,035
Stores inventory		<u>28,916</u>	<u>31,692</u>
Total current assets		<u>56,255,751</u>	<u>45,453,746</u>
Noncurrent assets			
Restricted cash and cash equivalents		36,480,752	52,336,972
Capital assets, net of depreciation		143,101,654	117,009,573
Land held for sale			<u>284,000</u>
Total noncurrent assets		<u>179,582,406</u>	<u>169,630,545</u>
Total assets		<u>\$235,838,157</u>	<u>\$215,084,291</u>

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

	June 30,	2006	2005
LIABILITIES			
Current liabilities			
Accounts payable	\$	8,342,437	\$ 7,711,522
Accrued interest payable		1,246,044	702,325
Deferred revenue		2,976,852	2,767,416
Claims liability		2,476,763	2,415,956
Amounts held in trust on behalf of others		1,033,629	1,011,610
Compensated absences payable, current portion		516,535	408,186
General obligation bond, current portion		6,320,000	4,720,000
Lease obligation, current portion			119,724
Other long-term liabilities, current portion		402,234	385,231
Total current liabilities		<u>23,314,494</u>	<u>20,241,970</u>
Noncurrent liabilities			
Compensated absences payable, noncurrent portion		1,549,605	1,224,562
General obligation bond, noncurrent portion		60,616,109	66,936,109
Net debt premium		5,031,448	5,194,285
Lease obligation, noncurrent portion			2,050,594
Other long-term liabilities, noncurrent portion		1,399,483	1,690,978
Total noncurrent liabilities		<u>68,596,645</u>	<u>77,096,528</u>
Total liabilities		<u>91,911,139</u>	<u>97,338,498</u>
Net assets			
Invested in capital assets, net of related debt		110,337,049	99,611,177
Restricted for:			
Debt service		11,820,288	7,120,038
Capital projects		21,769,681	11,014,578
Total net assets		<u>143,927,018</u>	<u>117,745,793</u>
Total liabilities and net assets		<u>\$235,838,157</u>	<u>\$215,084,291</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Assets

	For the Years Ended June 30,	2006	2005
Operating revenues			
Tuition and fees		\$ 20,369,130	\$ 20,292,327
Less: scholarship discount and allowance		(6,074,796)	(6,417,038)
Net tuition and fees		<u>14,294,334</u>	<u>13,875,289</u>
Grants and contracts, noncapital:			
Federal		21,480,732	21,441,062
State		<u>8,136,160</u>	<u>8,097,912</u>
Total operating revenues		<u>43,911,226</u>	<u>43,414,263</u>
Operating expenses			
Salaries		89,770,779	80,974,711
Employee benefits		22,870,792	21,041,099
Supplies, materials, and other operating expenses and services		34,503,306	34,910,056
Equipment, maintenance, and repairs		3,327,404	2,243,409
Depreciation		<u>5,115,520</u>	<u>4,143,533</u>
Total operating expenses		<u>155,587,801</u>	<u>143,312,808</u>
Operating loss		<u>(111,676,575)</u>	<u>(99,898,545)</u>
Nonoperating revenues (expenses)			
State apportionments, noncapital		68,269,940	62,048,060
Local property taxes		43,803,016	35,673,624
State taxes and other revenues		4,689,052	3,844,087
Investment income, net		4,029,786	1,604,261
Interest expense on capital-related debt		(3,035,759)	(3,333,271)
Interest income on capital asset-related debt, net			19,883
Other nonoperating revenue		6,127,895	8,506,038
Other nonoperating expense		<u>(48,435)</u>	<u>(1,608,969)</u>
Total nonoperating revenues (expenses)		<u>123,835,495</u>	<u>106,753,713</u>
Gain before other revenues		<u>12,158,920</u>	<u>6,855,168</u>
Other revenues			
State revenues, capital		5,270,334	5,504,033
Local revenues, capital			11,390
Gain (loss) on disposal of assets		<u>8,751,971</u>	<u>(8,967)</u>
Total other revenues		<u>14,022,305</u>	<u>5,506,456</u>
Increase in net assets		26,181,225	12,361,624

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statements of Revenues, Expenses, and Changes in Net Assets

	For the Years Ended June 30,	2006	2005
Increase in net assets		\$ 26,181,225	\$ 12,361,624
Net assets			
Beginning of year		<u>117,745,793</u>	<u>105,384,169</u>
End of year		<u>\$143,927,018</u>	<u>\$117,745,793</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Statements of Cash Flows

For the Years Ended June 30,	2006	2005
Cash flows from operating activities		
Tuition and fees	\$ 14,272,219	\$ 14,082,356
Federal grants and contracts	21,449,482	21,324,273
State grants and contracts	9,204,102	9,713,236
Payments to vendors and suppliers	(37,310,057)	(34,795,281)
Payments to (on behalf of) employees	(112,303,511)	(99,658,451)
Other receipts	22,019	104,666
Net cash used in operating activities	<u>(104,665,746)</u>	<u>(89,229,201)</u>
Cash flows from noncapital financing activities		
State apportionments	69,476,010	59,651,549
Property taxes	43,132,892	35,396,678
Other state revenues	5,451,091	3,641,717
Other local revenues	5,958,900	5,961,387
Net cash provided by noncapital financing activities	<u>124,018,893</u>	<u>104,651,331</u>
Cash flows from capital financing activities		
State revenue, capital projects	5,270,334	5,504,033
Local revenue, capital projects		11,390
Other revenue provided for capital financing activities	6,559	2,057,325
Other expenses for capital financing activities	(48,435)	(1,608,969)
Proceeds from sale of capital assets	9,035,971	6,438
Acquisition and construction of capital assets	(31,207,601)	(20,563,306)
Proceeds from government obligation bond		132,055,394
Principal paid on capital debt and leases	(7,053,155)	(66,631,099)
Interest paid on capital debt and leases	(2,492,040)	(2,749,349)
Interest income on capital asset-related debt		19,883
Net cash provided by (used in) capital financing activities	<u>(26,488,367)</u>	<u>48,101,740</u>
Cash flows from investing activities		
Net change in investments		1,535,192
Investment income	4,006,792	1,121,370
Net cash provided by investing activities	<u>4,006,792</u>	<u>2,656,562</u>
Net increase (decrease) in cash and cash equivalents	(3,128,428)	66,180,432
Cash and cash equivalents		
Beginning of year	<u>83,448,830</u>	<u>17,268,398</u>
End of year	<u>\$ 80,320,402</u>	<u>\$ 83,448,830</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT
Statements of Cash Flows

For the Years Ended June 30,	2006	2005
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$(111,676,575)	\$(99,898,545)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	5,115,520	4,143,533
Changes in assets and liabilities		
Receivables	788,118	1,731,559
Inventory	2,776	5,180
Prepaid items	5,315	14,799
Accounts payable and accrued liabilities	691,722	2,979,054
Deferred revenue	226,459	(25,957)
Funds held for others	22,019	104,666
Compensated absences and load banking	158,900	1,716,510
Total adjustments	<u>7,010,829</u>	<u>10,669,344</u>
Net cash used in operating activities	<u>\$(104,665,746)</u>	<u>\$(89,229,201)</u>

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Component Units

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

The Riverside 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 16 to the financial statements. The JPAs are the School Excess Liability Fund (SELF), the Riverside Community College—County Superintendent Self-Insurance Program for Employees (RCCCSSIPE), the Riverside Employers/Employees Plan (REEP), and Alliance of Schools for Cooperative Insurance Program (ASCIP).

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Colleges and Universities*, issued in June and November 1999, respectively. These statements provide a comprehensive entity-wide perspective of the District's assets, liabilities, and cash flows and replaces the fund-group perspective previously required. The District uses the "business-type" activities reporting requirements of the statements that provide a comprehensive "one-look" at the District's financial activities. In May 2002, the GASB released Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends GASB Statement No. 14, paragraphs 41 and 42, to provide guidance for determining and reporting whether certain organizations are component units. The District adopted and applied this standard for the 2004–05 fiscal year as required. The District now follows the financial statement presentation required by GASB Statement Nos. 34, 35, 37, 38, and 39.

Basis of Accounting – Measurement Focus

Entity-Wide Financial Statements

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

Exceptions to the accrual basis of accounting are as follows:

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

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Revenues - Exchange and Nonexchange Transactions

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

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

State Apportionments

Certain current-year apportionments from the state are based on various financial and statistical information of the previous year. Any prior-year corrections due to the recalculation in February 2007 will be recorded in the year computed by the state; however, an estimate of the corrections has been included in the financial statements, and we anticipate any further correction to be immaterial.

Deferred Revenue

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

Expenses/Expenditures

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

Cash and Cash Equivalents

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the general obligation bond covenants.

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.

Accounts Receivable

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

Prepaid Expenditures

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

Inventory

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

Capital Assets and Depreciation

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

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

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

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

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

Operating Revenues and Expenses

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

Classifications of Revenues and Expenses

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

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

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

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

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work–Study, and Stafford Loan programs, as well as other programs funded by the federal government. Financial aid to students is reported as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to students in the form of reduced tuition. These programs are audited in accordance with the Single Audit Act of 1996, and the U.S. Office of Management and Budget’s revised Circular A–133, *Audits of States, Local Governments and Non–Profit Organizations*, and the related *Compliance Supplement*. During the years ended June 30, 2006 and 2005, the District distributed \$1,308,429 and \$1,435,220, respectively, 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.

Estimates

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

Reclassifications

Certain reclassifications of 2005 account balances have been made to conform to the current year presentation.

2. Deposits and Investments

Policies and Practices

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

2. Deposits and Investment (Continued)

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

Cash and Cash Equivalents

The carrying amount of the District's deposits at June 30, 2006 and 2005 were \$2,755,296 and \$1,999,236, respectively, and the bank balances totaled \$2,880,363 and \$2,075,826, respectively. Of the balances in the bank at June 30, 2006 and 2005, \$516,253 and \$416,237 is federally insured by the Federal Deposit Insurance Corporation. The uninsured balances were classified as follows:

	June 30,	
	2006	2005
Category 1 – Uncollateralized	\$208,381	\$255,698
Category 2 – Collateralized with securities held by the pledging financial institution	\$0	\$0
Category 3 – Collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name	\$2,155,729	\$1,403,891

The cash held in the County Treasury is uncategorized and the fair value approximates carrying value as shown below. Deposits with the County Treasury are not categorized because they do not represent securities which exist in physical or book entry form. The deposits with the County Treasury are valued using the amortized cost method (which approximates fair value). The fair values were provided by the county. The County Treasury holds \$36,004,215 of the Cash in County Treasury in a separate investment account. This account is specifically used to hold the bond proceeds to be used for the District's construction projects. The funds are fully collateralized and the risk of loss is with the County. The underlying value is treated the same as the other cash held by the County.

	June 30,	
	2006	2005
Cash in County Treasury	\$77,565,106	\$81,449,594
Cash on hand and in bank	2,755,296	1,999,236
Total cash and cash equivalents	\$80,320,402	\$83,448,830

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

3. Accounts Receivables

Receivables at June 30, 2006 consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	June 30,	
	2006	2005
Federal government		
Grants and contracts	\$ 2,611,114	\$ 2,579,864
State government		
Apportionment	1,175,217	2,381,287
Lottery	897,935	1,659,974
Categorical and other state sources	2,601,198	3,420,566
Local government		
Interest	568,053	545,059
Property taxes	2,650,019	1,979,895
Foundation	70,036	112,149
Other local sources	1,752,893	1,565,367
	\$12,326,465	\$14,244,161

4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 30,199,218	\$ 2,303,479		\$ 32,502,697
Construction in progress	14,342,285	21,037,262	\$14,001,509	21,378,038
Total capital assets not being depreciated	44,541,503	23,340,741	14,001,509	53,880,735
Capital assets being depreciated				
Land improvements	4,660,871	286,491		4,947,362
Buildings and improvements	84,585,492	19,783,838		104,369,330
Machinery and equipment	16,657,556	1,798,040	424,609	18,030,987
Total capital assets being depreciated	105,903,919	21,868,369	424,609	127,347,679
Total capital assets	150,445,422	45,209,110	14,426,118	181,228,414

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

4. Capital Assets (Continued)

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Less accumulated depreciation				
Land improvements	\$ 4,239,936	\$ 102,336		\$ 4,342,272
Buildings and improvements	19,983,918	2,797,429		22,781,347
Machinery and equipment	9,211,995	2,215,755	\$ 424,609	11,003,141
Total accumulated depreciation	<u>33,435,849</u>	<u>5,115,520</u>	<u>424,609</u>	<u>38,126,760</u>
Net capital assets	<u>\$117,009,573</u>	<u>\$40,093,590</u>	<u>\$14,001,509</u>	<u>\$143,101,654</u>

Depreciation expense for the year was \$5,115,520.

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets not being depreciated				
Land	\$ 29,206,770	\$ 992,448		\$ 30,199,218
Construction in progress	6,677,496	16,227,882	\$8,563,093	14,342,285
Total capital assets not being depreciated	<u>35,884,266</u>	<u>17,220,330</u>	<u>8,563,093</u>	<u>44,541,503</u>
Capital assets being depreciated				
Land improvements	4,660,871			4,660,871
Buildings and improvements	76,022,399	8,563,093		84,585,492
Machinery and equipment	13,473,587	3,342,976	159,007	16,657,556
Total capital assets being depreciated	<u>94,156,857</u>	<u>11,906,069</u>	<u>159,007</u>	<u>105,903,919</u>
Total capital assets	<u>130,041,123</u>	<u>29,126,399</u>	<u>8,722,100</u>	<u>150,445,422</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

4. Capital Assets (Continued)

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Less accumulated depreciation				
Land improvements	\$ 4,166,249	\$ 73,687		\$ 4,239,936
Buildings and improvements	18,132,722	1,851,196		19,983,918
Machinery and equipment	7,136,947	2,218,650	\$ 143,602	9,211,995
Total accumulated depreciation	29,435,918	4,143,533	143,602	33,435,849
Net capital assets	\$100,605,205	\$24,982,866	\$8,578,498	\$117,009,573

Depreciation expense for the year was \$4,143,533.

5. Land Held for Sale

During the year ended June 30, 2004, the District signed an agreement with the Riverside County Education Foundation (RCEF) for the option to purchase land owned by the District. RCEF subsequently assigned its interest in the purchase option to the Griffin Homebuilding Group, LLC. The option was exercised during the year ended June 30, 2006.

6. Short-Term Debt – Tax Anticipation Notes

The District issues tax anticipation notes in order to provide for operational expenses until property tax revenues are received. Short-term debt activity for the years ended June 30, 2006 and 2005 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax anticipation note – June 30, 2006	\$-0-	\$2,730,000	\$2,730,000	\$-0-
Tax anticipation note – June 30, 2005	\$-0-	\$4,555,000	\$4,555,000	\$-0-

7. Operating Transfers

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

8. Accounts Payable

Accounts payable consisted of the following:

	June 30,	
	2006	2005
Accrued salaries and benefits	\$1,127,213	\$ 948,053
Other governmental entities	913,928	737,112
Other	6,301,296	6,026,357
Total	\$8,342,437	\$7,711,522

9. Deferred Revenue

Deferred revenue consisted of the following:

	June 30,	
	2006	2005
State categorical aid	\$ 476,606	\$ 228,032
Summer enrollment fees	897,463	919,578
Theater subscriptions	208,583	256,087
Other local	1,394,200	1,363,719
Total	\$2,976,852	\$2,767,416

10. Long-Term Debt

Long-Term Liabilities

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

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
General Obligation Bond Series 2004 A & B	\$13,270,000		\$ 3,750,000	\$ 9,520,000	\$ 4,500,000
2005 General Obligation Refunding Bond	58,386,109		970,000	57,416,109	1,820,000
Total general obligation bonds	71,656,109		4,720,000	66,936,109	6,320,000

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

10. Long-Term Debt (Continued)

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006	Due in One Year
Other liabilities					
Compensated absences	\$ 1,632,748	\$433,392		\$ 2,066,140	\$ 516,535
Load banking	550,350	240,550	\$ 133,578	657,322	20,769
Golden Handshake	1,525,859		381,464	1,144,395	381,465
Capital leases	2,170,318		2,170,318		
Total other liabilities	<u>5,879,275</u>	<u>673,942</u>	<u>2,685,360</u>	<u>3,867,857</u>	<u>918,769</u>
Total long-term debt	<u>\$77,535,384</u>	<u>\$673,942</u>	<u>\$7,405,360</u>	<u>\$70,803,966</u>	<u>\$7,238,769</u>

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
Notes payable					
Certificates of participation - 2001 Series B	\$ 9,595,000		\$ 9,595,000		
Certificates of participation - 2001 Series 1993	1,720,000		1,720,000		
Total notes payable	<u>11,315,000</u>	<u>\$ -</u>	<u>11,315,000</u>	<u>\$ -</u>	<u>\$ -</u>
General Obligation					
Bond Series 2004A & B		55,205,000	41,935,000	13,270,000	3,750,000
2005 General Obligation Refunding Bond		68,181,109	9,795,000	58,386,109	970,000
Total general obligation bonds	<u>-</u>	<u>123,386,109</u>	<u>51,730,000</u>	<u>71,656,109</u>	<u>4,720,000</u>
Other liabilities					
Compensated absences	1,462,748	170,000		1,632,748	408,186
Load banking	529,699	192,618	171,967	550,350	3,766
Golden Handshake		1,907,324	381,465	1,525,859	381,465
Capital leases	2,281,417		111,099	2,170,318	119,724
Total other liabilities	<u>4,273,864</u>	<u>2,269,942</u>	<u>664,531</u>	<u>5,879,275</u>	<u>913,141</u>
Total long-term debt	<u>\$15,588,864</u>	<u>\$125,656,051</u>	<u>\$63,709,531</u>	<u>\$77,535,384</u>	<u>\$5,633,141</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

10. Long-Term Debt (Continued)

Description of Debt

In October 2001, the District issued \$10,585,000 of certificates of participation (2001 Series B) to refund the 1989 and 1993 certificates of participation. The certificates mature through June 2018. At June 30, 2004, the balance outstanding was \$9,595,000. These certificates were defeased as part of the general obligation bond 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 \$9,123,000 at June 30, 2005.

In an election on March 2, 2004, the sale of \$350,000,000 principal amount of general obligation bonds of the District were authorized. As a result of the authorization, General Obligation Bonds Series 2004A "Series A Bonds" and Series 2004B (federally taxable) "Series B Bonds" were issued in August 2004.

Series A Bonds were issued in the aggregate principal amount of \$55,205,000 with interest rates ranging from 4 to 5.25 percent. Series A Bonds were used to finance the acquisition, construction, and modernization of property and school facilities, to refund outstanding certificates of participation (1993 Financing Project) (the "1993 Certificates"), and to pay certain costs of the bond issue. The refunded bonds are considered defeased. This current refunding was undertaken to decrease total debt service payments over the next 13 years by \$2,762,260. Series B Bonds were issued in the amount of \$9,795,000 with interest rates ranging from 3.5 to 4.5 percent and were used to advance refund the District's outstanding certificates of participation (2001 Refunding Project) Series B (the "2001 Certificates"). The refunded bonds are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$2,298,036 and to obtain an economic gain of \$237,565. Upon issuance of Series A and B Bonds, the District's certificates of participation were refunded.

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

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

On April 19, 2005, the Board of Trustees adopted a resolution to issue bonds. On May 17, 2005, the District issued 2005 General Obligation Refunding Bonds with interest rates ranging from 3 to 5 percent. The proceeds of the bonds were used to advance refund a portion of the outstanding principal amount of the general obligation bonds. Principal and interest on the refunded debt will be paid until such time as they can be redeemed on August 1, 2014. The refunded bonds were the Series A Bonds issued as a result of voter authorization to issue and sell \$350,000,000 principal amount of general obligation bonds including the cost of issuance of the bonds except for \$3,475,000 of the debt. The refunded bonds are considered defeased.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

10. Long-Term Debt (Continued)

The bonds issued are current interest bonds and capital appreciation bonds. Interest on the current interest bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year commencing on August 1, 2005. The current interest bonds cannot be redeemed prior to August 1, 2016. The capital appreciation bonds accrete interest, compounded semiannually on February 1 and August 1 of each year from the date of delivery commencing August 1, 2005. The capital appreciation bonds can only be redeemed upon maturity. The payment of the principal and interest on the bonds is guaranteed under an insurance policy issued concurrently with the delivery of the bonds. These bonds are considered general obligations of the District and are payable solely from proceeds of *ad valorem* taxes which are pledged to the repayment. The bonds issued with a premium in the amount of \$7,689,321 and debt issue cost of \$807,172, both of which will be amortized over the term of the bonds.

Net debt premium consists of the following:

	June 30, 2006	June 30, 2005
Deferred loss on refunding	\$ 4,073,935	\$ 4,414,941
Debt issue costs	871,827	920,262
Debt premium	<u>(9,977,210)</u>	<u>(10,529,488)</u>
Net unamortized debt premium	<u>\$(5,031,448)</u>	<u>\$ (5,194,285)</u>

The balances above are amortized over periods ranging from 2-24 years using the straight-line method. During the year ended June 30, 2006, amortization for the deferred loss on refunding was \$341,006 and is recorded in interest expense; amortization for the debt issue costs was \$48,435 and is recorded in debt issue costs; and amortization of the debt premium was \$552,278 and is included in interest income. There was no amortization during the year ended June 30, 2005.

The District has utilized a capital lease purchase agreement with option to purchase real property. The lease purchase agreement anticipated payment through 2017 unless the option was exercised. The District exercised the option during the year ended June 30, 2006.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

10. Long-Term Debt (Continued)

General Obligation Bonds

Principal payments on this issue for the next five years and thereafter are as follows:

	2005 Refunding Bonds Principal Amount	2004 Series A Principal Amount	2004 Series B Principal Amount	Total
For the years ending June 30,				
2007	\$ 1,820,000		\$4,500,000	\$ 6,320,000
2008	475,000		1,545,000	2,020,000
2009	1,260,000			1,260,000
2010	1,495,000			1,495,000
2011	1,740,000			1,740,000
2012 - 2016	4,661,109	\$2,930,000		7,591,109
2017 - 2021	20,195,000	105,000		20,300,000
2022 - 2026	25,770,000	195,000		25,965,000
2027 - 2030		245,000		245,000
	<u>\$57,416,109</u>	<u>\$3,475,000</u>	<u>\$6,045,000</u>	<u>\$66,936,109</u>

Capital Leases

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

Balance, July 1, 2004	\$3,550,076
Payments	<u>278,438</u>
Balance, June 30, 2005	3,271,638
Exercised option to purchase	<u>3,271,638</u>
Balance, June 30, 2006	<u>\$ -0-</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

11. Post-Employment Health Care Benefits

In accordance with Board policy 3097 – 4097, 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, 2006 and 2005, there were 51 and 58 retirees eligible to receive post-employment health care benefits, respectively. The estimated future cost to the District at June 30, 2006 and 2005 is approximately \$3,500,000 and \$3,600,000, respectively. 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 post-employment benefits are recognized on a pay-as-you-go basis as retirees' premiums are paid. During the years ended June 30, 2006 and 2005, the District recognized expenditures of \$734,780 and \$711,199, respectively, related to post-employment health care benefits.

12. Risk Management – Claims

Description

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

Significant losses are covered by commercial insurance and/or coverage by joint powers authorities. The District maintained a self-insurance retention (SIR) of \$250,000 for employee health risks, \$100,000 for liability and property risks, and \$350,000 for workers' compensation risks. There have been no significant reductions in insurance coverage for the District's insured programs or the Health Maintenance Organization programs used by the District.

Claims Liabilities

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

12. Risk Management – Claims (Continued)

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, 2004 to June 30, 2006:

Liability balance, July 1, 2004	\$ 1,779,919
Claims and changes in estimates	3,666,549
Claims payments	(3,030,512)
Liability balance, June 30, 2005	2,415,956
Claims and changes in estimates	4,028,096
Claims payments	(3,967,288)
Liability balance, June 30, 2006	<u>\$ 2,476,764</u>

Cash and investments available to pay claims at June 30, 2006 and 2005 were \$5,682,338 and \$4,405,710, respectively.

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, Bond Interest and Redemption Fund, 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. 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. At June 30, 2006, the reserve totaled \$3,247,479.

13. 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).

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

13. Employee Retirement Systems (Continued)

State Teachers' Retirement System

Plan Description

All certificated employees and those employees meeting minimum standards adopted by the Board of Governors of the California Community Colleges and employed 50 percent or more of a full-time equivalent position participate in the Defined Benefit Plan (DB Plan). Part-time educators hired under a contract of less than 50 percent or on an hourly or daily basis without contract may elect membership in the Cash Balance Benefit Program (CB Benefit Program). Since January 1, 1999, both of these plans have been part of the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer contributory public employee retirement system. The State Teachers' Retirement Law (Part 13 of the *California Education Code*, Section 22000 et seq.) established benefit provisions for STRS. Copies of the STRS annual financial report may be obtained from the 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 CB Benefit Program include immediate vesting, variable contribution rates that can be bargained, guaranteed interest rates, and flexible retirement options. Participation in the CB benefit plan is optional; however, if the employee selects the CB benefit plan and their basis of employment changes to half-time or more, the member will automatically become a member of the DB Plan.

Funding Policy

Active members of the DB Plan are required to contribute eight percent of their salary while the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution for fiscal year 2005-2006 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by state statute. The CB Benefit Program is an alternative STRS contribution plan for instructors. Instructors who choose not to sign up for the DB Plan or FICA may participate in the CB Benefit Program. The District contribution rate for the DB Benefit Program is always a minimum of four percent with the sum of the District and employee contribution always being equal or greater than eight percent.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

13. Employee Retirement Systems (Continued)

Annual Pension Cost

The District's total contribution to STRS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$4,399,919, \$3,850,938 and \$3,468,997, 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.

CalPERS

Plan Description

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

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

Funding Policy

Active plan members are required to contribute seven percent of their salary (seven percent of monthly salary over \$133.33 if the member participates in Social Security), and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. CalPERS approved a school employer contribution rate of 9.116 for the fiscal year 2005-06 and 9.952 for the fiscal year 2004-05.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

13. Employee Retirement Systems (Continued)

Annual Pension Cost

The District's contributions to CalPERS for fiscal years ending June 30, 2006, 2005, and 2004 were \$2,330,410, \$2,291,598, and \$2,256,154, respectively, and equaled 100 percent of the required contributions for each year. The actuarial assumptions used as part of the June 30, 2004 actuarial valuation (the most recent actuarial information available) included (a) an 8.25 percent investment rate of return (net of administrative expense), (b) an overall growth in payroll of 3.75 percent annually, and (c) an inflation component of 3.50 percent compounded annually that is a component of assumed wage growth, and assumed future post-retirement cost of living increases. The actuarial value of pension fund assets was determined by using a technique to smooth the effect of short-term volatility in the market value of investments.

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 \$2,408,236 (4.517 percent of salaries subject to STRS) for June 30, 2006 and \$2,108,307 (4.517 percent of salaries subject to STRS) for the year ended June 30, 2005 and \$0 (zero percent of salaries subject to PERS) for the years ended June 30, 2006 and 2005. A contribution to CalPERS was not made for the years ended June 30, 2006 and 2005. 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.

14. Functional Expenses

Functional expenses for the year ended June 30, 2006 were as follows:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 56,284,994	\$3,120,078	\$ 339,202		\$59,744,274
Academic support	28,238,614	7,770,073	420,033		36,428,720
Student services	12,650,613	1,622,924	73,013		14,346,550
Plant operations and maintenance	5,134,222	3,272,285	188,517		8,595,024
Instructional support services	3,585,236	379,588	78,933		4,043,757

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

14. Functional Expenses (Continued)

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Community services and economic development	\$ 1,206,536	\$ 449,845	\$ 19,359		\$ 1,675,740
Ancillary services and auxiliary operations	5,541,356	2,427,118	484,442		8,452,916
Physical property and related acquisitions		333,326	1,723,905		2,057,231
Depreciation				\$5,115,520	5,115,520
Financial aid awarded students		15,128,069			15,128,069
	<u>\$112,641,571</u>	<u>\$34,503,306</u>	<u>\$3,327,404</u>	<u>\$5,115,520</u>	<u>\$155,587,801</u>

Functional expenses for the year ended June 30, 2005 were as follows:

	Salaries and Employee Benefits	Supplies, Materials, and Other Operating Expenses and Services	Equipment, Maintenance, and Repairs	Depreciation	Total
Instructional activities	\$ 51,108,371	\$ 2,386,212	\$ 749,239		\$ 54,243,822
Academic support	24,836,627	7,839,810	641,273		33,317,710
Student services	11,693,834	1,730,445	160,228		13,584,507
Plant operations and maintenance	4,869,402	2,616,765	216,785		7,702,952
Instructional support services	3,308,820	380,108	182,344		3,871,272
Community services and economic development	1,068,699	333,945	22,316		1,424,960
Ancillary services and auxiliary operations	5,130,057	2,181,752	270,284		7,582,093
Physical property and related acquisitions		2,052,284	940		2,053,224
Depreciation				\$4,143,533	4,143,533
Financial aid awarded students		15,388,735			15,388,735
	<u>\$102,015,810</u>	<u>\$34,910,056</u>	<u>\$2,243,409</u>	<u>\$4,143,533</u>	<u>\$143,312,808</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

15. Commitments and Contingencies

Grants

The District receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all pending litigation for which insurance coverage is applicable is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2006. The District could have exposure should the insurance carrier deem a case to be not covered due to various circumstances.

The District acquired real property during the year ended June 30, 2006, and as a result of this acquisition, the District may have potential liability related to relocating/evicting some of the occupants of the building, should amounts provided for in escrow be exceeded.

Construction Commitments

The District had the following commitments with respect to the unfinished capital projects:

	June 30, 2006		June 30, 2005	
	Construction in Progress	Remaining Budget	Construction in Progress	Remaining Budget
Quad Remodel-Planning	\$ 844,171	\$ 29,206		
Quad Modernization	4,917,610	12,431,758	\$ 782,382	\$15,828,684
Norco Phase III	378,412	551,588	367,244	17,391,738
Martin Luther King High-Tech Center			8,020,458	957,278
Parking Structure	13,753,249	6,485,565	1,572,883	18,065,210
Moreno Valley Phase III	123,879	1,033,441	31,647	11,689
Nursing and Science Project	151,192	4,931,494	73,116	4,020
Relocatable Swing Space			3,494,555	323,903
Physical Education Phase II	178,298	16,248		
Center for Primary Education	1,031,227	7,266,510		
	<u>\$21,378,038</u>	<u>\$32,745,810</u>	<u>\$14,342,285</u>	<u>\$52,582,522</u>

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

15. Commitments and Contingencies (Continued)

The District has entered into a lease-leaseback with a contractor using the construction delivery method. The project is for the construction of the Center for Primary Education. This project is being jointly constructed with Alvord Unified School District (Alvord). On January 24, 2006 the Board approved a site lease with the contractor for a term of 137 months commencing on March 9, 2006. Lease payments will be made by the contractor to the District at the rate of \$1 per year for fourteen years. The Board approved leasing the site and project from the contractor pursuant to a sublease agreement. The District will be required to make sublease payments to the contractor for the use and occupancy of the site and the project. The sublease requires the District to pay the contractor monthly lease payments of \$45,540 for 136 months and \$26,146 for the 137th month subject to adjustment upon guaranteed maximum price of construction services agreement adjustments. At any time during the term of the sublease prepayments on the sublease may be made.

As part of the sublease, the District was granted the option to purchase the entire project at an amount equal to the guaranteed maximum price of the construction services agreement as adjusted during the construction less any sublease payments and prepayments made on the agreement.

The construction services agreement is being jointly constructed with Alvord. The District owns real property approximately three acres in size while Alvord owns approximately 13 contiguous acres. This project is for the purpose of constructing and operating integrated facilities to include a kindergarten through fifth grade elementary school, teacher training, child care and other related facilities (Learning Center). In facilitating the construction, joint use and operation of the Learning Center, the District and Alvord will lease their respective acreage and facilities to be constructed thereon to each other for a term of forty years.

On June 20, 2006, the Board approved a guaranteed maximum price for the District's share of the construction costs for the project of \$8,216,737. The Board has approved use of Measure C funding at \$5,853,105 for the project, the balance to be covered by the District's share of a Governor's Grant. The term of construction of this project is 699 consecutive calendar days beginning March 9, 2006. Construction in progress at June 30, 2006 was \$1,031,227.

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

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

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.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

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

The JPAs reported no long-term debt outstanding at June 30, 2006 and 2005. 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	(SELF) June 30, 2005*	(RCCCSSIPE) June 30, 2005*	(REEP) June 30, 2005*	(ASCIP) June 30, 2005*
Assets	\$ 177,635,435	\$2,693,230	\$ 10,977,539	\$108,715,729
Liabilities	(174,412,337)	(720,879)	(7,593,854)	(78,635,152)
Fund equity	<u>\$ 3,223,098</u>	<u>\$1,972,351</u>	<u>\$ 3,383,685</u>	<u>\$ 30,080,577</u>
Revenues	\$ 38,195,479	\$ 222,517	\$ 77,759,196	\$ 59,625,187
Expenses	<u>(60,768,157)</u>	<u>75,166</u>	<u>(78,928,390)</u>	<u>(52,667,141)</u>
Net increase (decrease) in fund equity	<u>\$ (22,572,678)</u>	<u>\$ 297,683</u>	<u>\$ (1,169,194)</u>	<u>\$ 6,958,046</u>

*Most recent information available.

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

17. Bookstore Agreement

The District extended its 1999 agreement with Barnes and Noble College Bookstores, Inc. to operate and provide services for the District's bookstores for an additional two-year term from October 1, 2002 through September 30, 2004. Unless the termination provisions are exercised by the District's Board of Trustees, this agreement will automatically extend for additional one-year terms beginning on October 1, 2004. As of June 30, 2006, the District has not terminated the agreement. Anticipated receipts through September 30, 2006 are \$131,250.

18. Foundation

The Riverside Community College District Foundation (the "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 years ended June 30, 2006 and 2005. A summary of their report is presented below:

	June 30,	
	2006	2005
Assets	\$4,494,587	\$4,281,796
Liabilities	400,878	136,777
Net assets	\$4,093,709	\$4,145,019
	June 30,	
	2006	2005
Changes in net assets		
Revenues	\$1,231,539	\$1,332,075
Expenses	1,282,849	1,286,462
Increase (decrease) in net assets	\$ (51,310)	\$ 45,613

19. Other Transactions

Related Party Transactions

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

RIVERSIDE COMMUNITY COLLEGE DISTRICT

Notes to Financial Statements

20. Operating Leases

The District's future minimum rental commitments of a vehicle, copiers, Dental Clinic, warehouse buildings, and March Education Center accounted for as operating leases at June 30, 2006, are as follows:

Year ending June 30,	
2007	\$ 191,117
2008	207,283
2009	46,374
2010	33,624
2011	<u>25,218</u>
Total	<u>\$503,616</u>

Rental expense paid during the years ended June 30, 2006 and 2005 was \$116,471 and \$68,569, respectively.

21. Early Retirement Incentive Program

In June 2004, the District adopted, under California Government Code Sections 53215 - 53224, an early retirement incentive program in the form of a qualified governmental defined benefit plan for the benefit of eligible academic and classified employees. To be eligible, the employee had to be a full-time equivalent employee, be at least 55 years of age, completed ten years of employment and terminated employment as of August 31, 2004 for classified and Tier I academic employees and December 31, 2004 for Tier II academic employees. For academic employees, the supplemental retirement benefits are in addition to the benefits employees will receive from the California State Teachers' Retirement System. Nineteen academic employees and eight classified employees elected to participate in the early retirement incentive program. During the year ended June 30, 2005, the District fully funded the classified portion of the plan in the amount of \$80,800. The academic portion of the plan is to be paid in five annual installments of \$381,465. The schedule of remaining retirement costs is as follows:

For the year ending June 30,	
2007	\$ 381,465
2008	381,465
2009	<u>381,465</u>
	<u>\$1,144,395</u>

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APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Riverside Community College District (the "District") in connection with the issuance of \$90,000,000 Election of 2004 General Obligation Bonds, Series 2007C (the "Bonds"). The Bonds are being issued pursuant to a Resolution of the District dated May 15, 2007 (the "Resolution"). The District covenants and agrees as follows:

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

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

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

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

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

"Holders" shall mean registered owners of the Bonds.

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

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

"Participating Underwriter" shall mean 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 nine months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2006-07 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

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

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

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

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

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

- (a) State funding received by the District for the last completed fiscal year;
- (b) enrollment of the District for the last completed fiscal year;
- (c) outstanding District indebtedness;
- (d) summary financial information on revenues, expenditures and fund balances for the District's general fund reflecting adopted budget for the current fiscal year.

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

SECTION 5. Reporting of Significant Events.

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

1. principal and interest payment delinquencies,
2. non-payment related defaults,
3. modifications to rights of Bondholders,
4. optional, contingent or unscheduled bond calls,
5. defeasances,
6. rating changes,
7. adverse tax opinions or events affecting the tax-exempt status of the Bonds,
8. unscheduled draws on the debt service reserves reflecting financial difficulties,
9. unscheduled draws on the credit enhancements reflecting financial difficulties,
10. substitution of the credit or liquidity providers or their failure to perform, or
11. release, substitution or sale of property securing repayment of the Bonds.

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

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

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

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

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

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

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

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

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

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

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure

Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

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

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

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating 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: June 21, 2007

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By _____
Vice Chancellor, Administration and Finance

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of District: RIVERSIDE COMMUNITY COLLEGE DISTRICT

Name of Bond Issue: Election of 2004 General Obligation Bonds, Series 2007C

Date of Issuance: June 21, 2007

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

Dated: _____

RIVERSIDE COMMUNITY COLLEGE DISTRICT

By _____ [form only: no signature required]

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APPENDIX D

BOOK-ENTRY ONLY SYSTEM

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

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect

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

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

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

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

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

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

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

DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

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

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

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

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

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

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

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

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

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APPENDIX E

FORM OF MUNICIPAL BOND INSURANCE POLICY

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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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any 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 Insurer, 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

Assistant Secretary

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APPENDIX F

REGIONAL AND COUNTY INFORMATION FOR RIVERSIDE COUNTY

General

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

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

Population

The County's population in 2006 was approximately 1,953,330 persons. The County's 2006 population was approximately 18.46% greater than the 2002 population, representing an average annual compound growth rate of 3.7% for the last five years.

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

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

RIVERSIDE COUNTY
Population Of Cities Within The County
And The State Of California
1980, 1990, 2000-2006

<u>CITY</u>	<u>1980⁽¹⁾</u>	<u>1990⁽¹⁾</u>	<u>2000⁽¹⁾</u>	<u>2001⁽²⁾</u>	<u>2002⁽²⁾</u>	<u>2003⁽²⁾</u>	<u>2004⁽²⁾</u>	<u>2005⁽²⁾</u>	<u>2006⁽²⁾</u>
Banning	14,020	20,572	23,562	23,900	24,600	25,600	27,200	28,130	28,128
Beaumont	6,818	9,685	11,384	11,550	12,250	13,900	16,350	19,105	23,145
Blythe	6,805	8,448	20,465	20,800	21,250	21,300	21,950	22,089	22,179
Calimesa	--	--	7,139	7,200	7,300	7,400	7,350	7,482	7,415
Canyon Lake	--	--	9,952	10,150	10,400	10,600	10,650	10,981	10,939
Cathedral City	--	30,085	42,647	44,000	45,550	47,700	48,600	50,957	51,081
Coachella	9,129	16,896	22,724	23,300	24,350	27,000	27,650	30,964	35,207
Corona	37,791	75,943	124,966	129,500	134,300	138,200	141,800	144,992	144,661
Desert Hot Springs	5,941	11,668	16,582	16,750	16,950	17,300	17,700	19,507	22,011
Hemet	22,454	36,094	58,812	59,900	61,700	62,700	63,800	66,873	69,544
Indian Wells	1,394	2,647	3,816	4,140	4,360	4,430	4,430	4,810	4,865
Indio	21,611	36,850	49,116	50,400	52,300	54,900	59,100	66,539	71,654
Lake Elsinore	5,982	18,316	28,930	30,000	31,150	33,300	35,350	38,289	40,985
La Quinta	--	11,215	23,694	26,050	28,800	30,700	32,500	36,377	38,340
Moreno Valley	--	118,779	142,379	144,100	146,800	151,200	155,100	166,385	174,565
Murrieta	--	--	44,282	46,350	51,800	68,200	77,700	85,648	92,933
Norco	19,732	23,302	24,157	24,450	24,950	25,400	25,500	26,846	27,263
Palm Desert	11,081	23,252	41,155	42,000	43,000	44,300	44,800	49,595	49,539
Palm Springs	32,359	40,144	42,805	43,300	43,850	44,350	44,250	46,000	46,437
Perris	6,827	21,500	36,189	36,850	37,600	38,500	41,300	44,880	47,139
Rancho Mirage	6,281	9,778	13,249	13,800	14,400	15,100	15,500	16,520	16,672
Riverside	170,591	226,546	255,166	261,700	270,100	276,300	277,000	287,321	287,820
San Jacinto	7,098	16,210	23,779	24,550	25,350	26,250	26,700	28,618	31,066
Temecula	--	27,099	57,716	61,700	72,900	75,700	77,500	81,921	93,923
TOTALS									
Incorporated	385,914	785,027	1,124,666	1,156,400	1,206,000	1,260,400	1,299,800	1,380,829	1,437,511
Unincorporated	248,009	385,386	420,721	430,500	442,700	458,600	477,000	507,482	515,819
County-Wide	633,923	1,170,413	1,545,387	1,586,900	1,648,800	1,719,000	1,776,700	1,888,311	1,953,330
California	23,668,562	29,473,000	33,873,086	34,431,000	35,049,000	35,612,000	36,144,000	36,728,196	37,172,015

⁽¹⁾ As of January 1.

⁽²⁾ U.S. Census count, as of April 1.

Source: State Department of Finance.

Employment

The County's civilian labor force reached an annual average level of 886,400 in 2006, an increase of 4.4% over the preceding year. The table below lists recent employment and unemployment figures for the County.

RIVERSIDE COUNTY Civilian Labor Force, Employment And Unemployment 2001-2006

<u>Annual Average</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Civilian Labor Force	711,200	749,800	781,600	812,000	848,700	886,400
Employment	672,500	702,300	732,300	764,900	805,800	842,000
Unemployment	38,700	47,500	49,300	47,100	42,900	44,400
Unemployment Rate	5.4%	6.3%	6.3%	5.8%	5.1%	5.0%

March 2006 benchmark.

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

The following table represents the Annual Average Labor Force and Industry Employment for the County from 2001 through 2005:

RIVERSIDE COUNTY Annual Average Labor Force and Industry Employment 2001-2005

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Farm	16,700	16,200	16,200	15,100	15,100
Natural Resources and Mining	500	500	500	500	500
Construction	53,400	55,000	60,800	70,400	77,600
Manufacturing	50,600	49,800	50,000	50,900	51,700
Wholesale Trade	15,000	16,300	16,300	16,800	18,300
Retail Trade	62,400	66,200	70,100	76,300	81,500
Transportation & Warehousing	9,200	9,100	10,700	12,100	13,400
Utilities	1,400	1,600	1,600	1,500	1,700
Information	6,300	6,600	6,600	7,000	7,500
Financial Activities	16,800	17,600	19,500	20,800	21,800
Professional and Business Services	42,500	46,500	52,000	54,000	57,500
Educational and Health Services	45,300	49,600	50,700	51,900	52,900
Leisure and Hospitality	57,300	59,200	60,600	64,500	67,700
Other Services	17,700	18,200	18,000	17,900	19,000
Government ⁽¹⁾	<u>89,300</u>	<u>96,600</u>	<u>96,200</u>	<u>97,700</u>	<u>103,300</u>
Total All Industries:	<u>484,300</u>	<u>508,900</u>	<u>529,600</u>	<u>557,400</u>	<u>589,500</u>

⁽¹⁾ Includes all civilian employees of federal, state and local governments activity in which the employee is engaged.

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

The following table sets forth the major employers located in the County as of March 27, 2006:

**COUNTY OF RIVERSIDE
Major Employers⁽¹⁾**

<i>Name</i>	<i>Employees</i>	<i>Type of business or entity</i>
County of Riverside	18,291	County government
March Air Reserve Base	8,750	Military base
University of California, Riverside	6,657	Higher education
Stater Bros. Markets	6,657	Supermarkets
Riverside Unified School District	5,099	Education
Pechanga Resort & Casino	4,800	Casino and resort
Guidant Corp	4,500	Medical device manufacturer
Riverside Community Collage District	3,753	Higher education
Kaiser Permanent Medical Center	3,200	Healthcare
Morongo Casino, Resort & Spa	3,000	Casino and resort
Southern California Edison	2,804	Electric Utility
Temecula Valley Unified School District	2,667	Education
City of Riverside	2,600	City Government
Hemet Unified School District	2,270	Education
Eisenhower Medical Center	2,053	Health Care
Alvord Unified School District	2,000	Education
Riverside County Office of Education	2,000	Education
Fleetwood Enterprises Inc.	1,875	RV home manufacturer
Riverside Community Hospital	1,600	Hospital
La Quinta Resort & Club	1,500	Resort

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

Source: *The Business Press*.

Agriculture

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

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

The value of agricultural production in the County for 2001 through 2005 is presented in the following table.

COUNTY OF RIVERSIDE VALUE OF AGRICULTURAL PRODUCTION

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Citrus Crops	\$130,221,100	\$95,402,300	\$84,900,100	\$123,574,100	\$138,244,700
Tree and Vine Crops	191,579,100	183,138,900	216,566,200	211,936,500	188,553,200
Vegetable, Melon, Misc.	196,785,100	215,412,800	179,001,900	174,866,300	261,019,500
Field and Seed Crops	80,215,900	71,960,400	73,692,000	75,219,000	77,687,300
Nursery Stock Products	138,371,300	138,073,600	205,846,300	211,271,200	229,210,200
Apiculture	4,740,000	2,803,800	3,520,600	2,951,300	2,736,800
Aquaculture	<u>15,412,400</u>	<u>15,757,600</u>	<u>15,931,600</u>	<u>15,579,100</u>	<u>13,367,300</u>
Total Crop	\$757,324,900	\$767,549,400	\$779,458,700	\$815,397,500	\$910,819,000
Livestock & Poultry Valuation	<u>367,583,500</u>	<u>295,928,700</u>	<u>287,908,600</u>	<u>316,207,700</u>	<u>257,852,100</u>
Grand Total	<u>\$1,124,908,400</u>	<u>\$1,063,478,100</u>	<u>\$1,067,367,300</u>	<u>\$1,131,605,200</u>	<u>\$1,168,671,100</u>

Source: Riverside County Agricultural Commissioner.

Building Activity

In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 2002 through 2006 are shown in the following table.

RIVERSIDE COUNTY Building Permit Valuations 2002-2006 (Dollars in Thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Valuation (\$000's)					
Residential	3,910,879	5,175,088	6,446,025	6,992,305	5,000,389
Non-Residential	<u>716,379</u>	<u>899,068</u>	<u>1,319,473</u>	<u>1,264,408</u>	<u>1,529,833</u>
Total	4,627,258	6,074,156	7,765,498	8,256,713	6,530,222
Units					
Single Family	20,551	25,294	29,251	30,650	20,765
Multiple Family	<u>2,241</u>	<u>5,034</u>	<u>4,681</u>	<u>3,635</u>	<u>4,519</u>
Total	22,792	30,328	33,932	34,285	25,284

Note: Totals may not add to sum because of rounding.

Source: Construction Industry Research Board.

Taxable Sales

The following table summarizes the annual volume of taxable transactions from 2001 through 2005:

RIVERSIDE COUNTY
Taxable Sales
2001-2005
(In Thousands)

<u>Type of Business</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Apparel Stores Group	\$565,295	\$610,388	\$746,015	\$867,276	\$990,129
General Merchandise Stores	2,275,736	2,459,046	2,671,971	3,026,335	3,304,474
Specialty Stores Group	1,379,979	1,501,106	1,649,224	1,885,435	2,104,040
Food Stores	930,232	967,171	1,028,392	1,079,972	1,197,438
Eating and Drinking Group	1,465,467	1,559,215	1,713,632	1,940,610	2,157,801
Household Group	526,083	594,049	691,051	862,551	964,629
Building Materials Group	1,339,020	1,427,831	1,678,347	2,226,117	2,424,898
Automotive Group	4,148,261	4,563,779	5,198,391	6,035,203	6,751,648
Other Retail Stores Group	<u>543,208</u>	<u>568,148</u>	<u>653,929</u>	<u>792,450</u>	<u>944,155</u>
Total Retail Sales	13,173,281	14,250,733	16,030,952	18,715,949	20,839,212
Business & Personal Svcs	832,562	881,524	944,658	1,041,360	1,118,570
All Other Outlets	<u>4,225,712</u>	<u>4,366,737</u>	<u>4,733,525</u>	<u>5,479,839</u>	<u>6,298,709</u>
Total Taxable Sales	<u>\$18,231,555</u>	<u>\$19,498,994</u>	<u>\$21,709,135</u>	<u>\$25,237,148</u>	<u>\$28,256,491</u>

Source: California Board of Equalization.

Effective Buying Income

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

RIVERSIDE COUNTY, STATE OF CALIFORNIA AND UNITED STATES Estimated Annual Median Household Effective Buying Income and Percent Of Households With Incomes Over \$50,000 2001-2005

	Total Effective Buying Income ⁽¹⁾	Median Household Effective Buying Income	Percent of Households with Income over \$50,000
<u>2001</u>			
Riverside County	\$23,617,301	\$37,480	31.9%
California	650,521,407	43,532	41.9
United States	5,303,481,498	38,365	N/A
<u>2002</u>			
Riverside County	\$25,180,040	\$38,691	34.8%
California	647,879,427	42,484	40.5
United States	5,340,682,818	38,201	N/A
<u>2003</u>			
Riverside County	\$27,623,743	\$39,321	34.8%
California	674,721,020	42,924	41.2
United States	5,466,880,008	38,201	N/A
<u>2004</u>			
Riverside County	\$29,468,208	\$40,275	37.1%
California	705,108,410	43,915	42.5
United States	5,692,909,567	39,324	N/A
<u>2005</u>			
Riverside County	\$32,004,438	\$41,326	N/A
California	720,798,122	44,681	N/A
United States	5,894,664,154	40,529	N/A

⁽¹⁾ Dollars in thousands.

Source: “Survey of Buying Power,” *Sales & Marketing Management Magazine*.

Transportation

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

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

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

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

Education

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

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

Environmental Control Services

Water Supply. The County obtains a large part of its water supply from groundwater sources, with certain areas of the County, such as the City of Riverside, relying almost entirely on groundwater. As in most areas of Southern California, this groundwater source is not sufficient to meet countywide

demand and the County's water supply is supplemented by imported water. At the present time imported water is provided by the Colorado River Aqueduct and the State Water Property.

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

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

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