

**NEW ISSUE - BOOK-ENTRY ONLY
BANK QUALIFIED**

**Rating: S&P: "SP-1+"
See "RATINGS" herein.**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and the Notes are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Obligations is exempt from State of California personal income taxes. See "TAX MATTERS."

\$14,000,956
IMPERIAL COMMUNITY COLLEGE DISTRICT
(IMPERIAL COUNTY, CALIFORNIA)
2010 General Obligation Bond Anticipation Notes
(Bank Qualified)

Dated: Date of Delivery

Due: August 1 2014

Issuance. The Imperial Community College District (the "District") is issuing its 2010 General Obligation Bond Anticipation Notes (the "Notes") in the aggregate principal amount of \$14,000,956. At an election held in the District on November 2, 2010, the voters of the District authorized the issuance of \$80,000,000 principal amount of general obligation bonds for the purpose of financing certain college facilities (the "Authorization"). The Notes are issued in anticipation of the issuance of a series of general obligation bonds under the Authorization.

Security. The Notes are expected to be repaid by a series of bonds under the Authorization on or prior to August 1, 2014. The Board of Supervisors of Imperial County (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 of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Notes. The District has previously issued general obligation bonds from prior authorizations, currently outstanding in the aggregate amount of approximately \$55,000,000 that are similarly secured by tax levies. See "SOURCES OF PAYMENT FOR THE NOTES."

Book Entry Only. The Notes will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Notes. See Appendix E – "DTC and the Book-Entry System."

MATURITY SCHEDULE

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Value</u>	<u>Yield</u>	<u>CUSIP†</u>
2014	\$14,000,956	4.620%	\$16,495,000	4.000%	452641 EH2

Payments. The Notes are being issued as Capital Appreciation Notes and will not bear interest on a current basis, but will accrete interest from the date of delivery to maturity. Payments on the Notes will be paid by U.S. Bank National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Notes. The Notes will be issued in denominations of \$5,000 maturity value or any integral multiple thereof.

No Redemption. The Notes are not subject to redemption prior to maturity.

Cover Page. This cover page contains information for quick reference only. It is not a summary of all the provisions of the Notes. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision.

The Notes are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California. Certain legal matters also will be passed upon for the District by Jones Hall as Disclosure Counsel to the District. It is anticipated that the Obligations will be available for delivery to Cede & Co., as nominee of The Depository Trust Company, on or about December 29, 2010.

PiperJaffray

This Official Statement is dated December 15, 2010.

† Copyright 2010, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
IMPERIAL COUNTY
STATE OF CALIFORNIA**

BOARD OF TRUSTEES

Romualdo J. Medina, *President*
Rudy Cardenas, Jr., *Clerk*
Norma S. Galindo, *Member*
Jerry D. Hart, *Member*
Karla Sigmond, *Member*
Steven M. Taylor, *Member*
Louis Wong, *Member*

DISTRICT ADMINISTRATION

Ed Gould, Ed.D., *Superintendent/President*
John Lau, *Vice President for Business Services*
Carlos Fletes, *Director of Fiscal Services*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall,
A Professional Law Corporation
San Francisco, California

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc.
Emeryville, California

PAYING AGENT

U.S. Bank National Association
Los Angeles, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter. This Official Statement and the information contained herein are subject to completion or amendment without notice.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. 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, 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.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by the District.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the Resolutions or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Notes have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Notes have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Notes will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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OFFICIAL STATEMENT

\$14,000,956
IMPERIAL COMMUNITY COLLEGE DISTRICT
(IMPERIAL COUNTY, CALIFORNIA)
2010 General Obligation Bond Anticipation Notes
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the Imperial Community College District (the “**District**”) of its 2010 General Obligation Bond Anticipation Notes (the “**Notes**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Resolution (as defined below) relating to the Notes.

INTRODUCTION

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

The District. The District, established in 1959, operates facilities consisting of an area of approximately 356,840 square feet of facilities on a 160-acre site. The District, which serves the communities of the Imperial Valley as well as certain unincorporated areas, maintains one main campus and two extended campuses in Calexico and El Centro, providing collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District serves a resident population of approximately 180,000, and has a current enrollment of over 8,600 students.

For more complete information concerning the District, including certain financial information, see “THE DISTRICT” and “DISTRICT FINANCIAL INFORMATION” herein. Excerpts from the District’s audited financial statements for the fiscal year ended June 30, 2009 are included as Appendix A and should be read in their entirety. The discussion of the District’s financial history and the financial information contained herein does not purport to be complete or definitive.

Sources of Payment for the Notes.

The District received authorization at the Bond Election held on November 2, 2010, by over 64% (which exceeds the requisite 55%) affirmative vote of the qualified electors to issue general obligation bonds in a principal amount not to exceed \$80,000,000 (the “**Authorization**”). The District expects to issue a first series of general obligation bonds in January 2011. The District expects to pay the principal of the Notes at maturity from a future issuance of general obligation bonds under the Authorization prior to August 1, 2014. Interest on the Notes is also payable from any *ad valorem* taxes levied upon all property within the District subject to taxation, to the extent available for that purpose

and to the extent so levied. The proceeds of the General Obligation Bonds, and the proceeds of any such *ad valorem* property taxes, will be paid to the County Treasurer when collected and deposited in the Note Repayment Fund established pursuant to the Resolution. See “SOURCES OF PAYMENT FOR THE NOTES.”

The Notes are not a debt of the County. The County, including its Board of Supervisors, officers, officials, agents and other employees, are required, only to the extent required by law, to: (i) levy and collect ad valorem taxes for payment of the Notes in accordance with the law; and (ii) transmit the proceeds of such taxes to the paying agent for the payment of the principal of and interest on the Notes at the time such payment is due.

Description of the Notes.

The Notes will be dated their date of delivery (the “**Closing Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 Maturity Value or any integral multiple thereof. The Notes will mature on August 1, 2014.

Book-Entry Only. The Notes will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”), and will be available to actual purchasers of the Notes (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Notes. See “THE OBLIGATIONS - Book-Entry-Only System.” In the event that the book-entry-only system described below is no longer used with respect to the Notes, the Notes will be registered in accordance with the Resolution described herein. See “THE OBLIGATIONS -- Description of the Notes.”

Redemption. The Notes are not subject to redemption prior to maturity.

Legal Matters. Issuance of the Notes is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Bond Counsel**”), to be delivered in substantially the form attached hereto as Appendix B. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District. *Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Notes.*

Continuing Disclosure. The District, under a Continuing Disclosure Certificate, has covenanted for the benefit of owners of the Notes to provide certain annual financial information and operating data relating to the District (the “**Annual Report**”), and to provide notices of the occurrence of certain enumerated events, if material, in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and “APPENDIX D - Form of Continuing Disclosure Certificate.”

Paying Agent. Payment of Maturity Value of the Notes will be made by U.S. Bank National Association, as paying agent (the “**Paying Agent**”) to DTC for subsequent disbursement through DTC Participants to the beneficial owners of the Notes.

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 Notes are available from the Vice President for Business Services, Imperial Community College District, 380 East Aten Road, Imperial, California 92251. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. 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 of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the 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 Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

DEBT SERVICE SCHEDULE

The following table shows the debt service schedule with respect to the Notes.

Period Ending (August 1)	<u>Principal</u>	Compounded <u>Interest</u>	Estimated Annual Net Debt <u>Service</u>
2011	\$ -	\$ -	\$ -
2012	-	-	-
2013	-	-	-
2014	<u>\$14,000,956</u>	<u>2,494,044</u>	<u>\$16,495,000</u>
Total	<u>\$14,000,956</u>	<u>\$2,494,044</u>	<u>\$16,495,000</u>

THE NOTES

Authority for Issuance

The Notes are being issued under Section 15150 of the California Education Code (the “**Note Law**”) and under a resolution of the Board of the District adopted on November 17, 2010 (the “**Resolution**”).

Purpose of the Issue

The net proceeds of the Notes will be used by the District for certain of the purposes authorized by the Bond Election, which include:

Acquisition, construction and improvement of classrooms and facilities, including vocational, career, and technical facilities, modernization of outdated classrooms, and improvement of student access to computers and modern technology.

Description of the Notes

The Notes 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 Notes. The Notes will be issued in fully registered form without coupons in denominations of \$5,000 maturity value or any integral multiple thereof.

The Notes will be issued as capital appreciation notes (the “**Capital Appreciation Notes**”). Interest on the Capital Appreciation Notes compounds on each February 1 and August 1 of each year (each, a “**Compounding Date**”) at the yield to maturity shown on the inside cover page of this Official Statement as shown on the Accreted Value Table attached hereto as Appendix F. Interest on the Capital Appreciation Notes will accrete from the Compounding Date next preceding the date of authentication thereof unless (i) it is authenticated as of a Compounding Date, in which event interest will accrete from such Compounding Date, or (ii) it is authenticated prior to a Compounding Date and after the close of business on the 15th calendar day of the preceding month, in which event interest will accrete from such Compounding Date, or (iii) it is authenticated on or before January 15, 2011, in which event, interest will accrete from the dated date of the of the Notes.

The Paying Agent will pay the principal and Accreted Value of the Notes at maturity by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Obligation at the Office of the Paying Agent.

No Redemption

The Notes are not subject to redemption prior to maturity.

Book-Entry System

The Notes will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of DTC, and will be available to actual purchasers of the Notes (the “**Beneficial Owners**”) in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein.

Beneficial Owners will not be entitled to receive physical delivery of the Notes. See “APPENDIX E – DTC and the Book-Entry System.” In the event that the book-entry-only system described below is no longer used with respect to the Notes, the Notes will be registered in accordance with the applicable Resolution.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the Notes are as follows:

Sources of Funds:

Principal Amount of Notes	\$14,000,956.00
<i>Plus</i> Net Original Issue Premium	<u>308,456.50</u>
 <i>Total Sources</i>	 \$14,309,412.50

Uses of Funds:

Deposit to Building Fund	14,000,956.00
Costs of Issuance ⁽¹⁾	<u>308,456.50</u>
 <i>Total Uses</i>	 \$14,309,412.50

⁽¹⁾ Costs of Issuance include underwriter's discount, financial advisor fees, bond and disclosure counsel fees, legal fees, printing costs and other miscellaneous expenses.

SOURCES OF PAYMENT FOR THE NOTES

Pledge of General Obligation Bond Proceeds

The Maturity Value of the Notes is payable from the proceeds of a series of general obligation bonds ("**General Obligation Bonds**") to be issued for that purpose and from amounts held in the funds and accounts established under the Resolution. Interest on the Notes is also payable from any *ad valorem* taxes levied upon all property within the District subject to taxation, to the extent available for that purpose and to the extent so levied. The proceeds of the General Obligation Bonds, and the proceeds of any such *ad valorem* property taxes, will be paid to the County Treasurer when collected and deposited in the Note Repayment Fund established pursuant to the Resolution.

The Notes are special obligations of the District, payable exclusively from the sources and funds identified in the preceding paragraph. The general fund of the District is not liable, and the credit of the District is not pledged, for the payment of the Notes.

Covenant to Refinance the Notes

In order to provide for the payment of the Maturity Value of the Notes coming due on August 1, 2014, the District has covenanted to institute proceedings for the issuance and sale of General Obligation Bonds, an additional series of bond anticipation notes or other obligations, or any combination of the foregoing, in an amount sufficient to pay the full amount of the Maturity Value of the Notes, coming due and payable at maturity, taking into account original issue premium received on the sale of the General Obligation Bonds. Upon the issuance of such General Obligation Bonds, bond anticipation notes or other obligations by the District, the proceeds thereof will be paid to the County Treasurer and deposited in the Note Repayment Fund. See "RISK FACTORS" herein.

Imperial County Pooled Investment Fund

Under the California Education Code, the District is required to pay all monies received from any source into the County of Imperial Treasury to be held on behalf of the District. Pursuant to the County Charter and subject to annual review and renewal by the Board of Supervisors of the County, the County Director of Finance is authorized to invest and reinvest the funds. The County's General Fund, among other funds, is invested in the Imperial County Pooled Investment Fund (the "**County Pool**"), which is managed by the County Director of Finance. The County Pool is governed by the Imperial County Annual Investment Policy for the Pooled Investment Fund (the "**Investment Policy**") as authorized by the Sections 53601 et seq. and 53635 et seq. of the Government Code of California (the "**California Government Code**") which the Treasurer annually renders to the Board of Supervisors. The Board of Supervisors review and approve the Investment Policy at a public meeting. This policy defines investible funds, authorized instruments, credit quality required, maximum maturities and concentrations, collateral requirements, and provides the approved credit standards, investment objectives and specific constraints of the portfolios managed. The Investment Policy also authorizes the establishment and periodic review of investment guidelines which provide specific guidance to the portfolio managers. These investment guidelines are fully consistent with and subordinate to the Investment Policy.

Authorized investments are required to match the general categories established by Sections 53601 et seq., 53635 et seq., and 16429.1 et seq. of the California Government Code; including the specific categories of financial futures and financial options contracts established by California Government Code Section 53601.1. No investments are authorized having the possibility of returning a zero or negative investment yield.

The following table identifies the types of securities held by the County Pool as of July 31, 2010.

**IMPERIAL COUNTY
 POOLED INVESTMENT FUND PORTFOLIO SUMMARY
 (as of July 31, 2010)**

<u>Type of Investment</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Book Value</u>	<u>Days to Maturity</u>
LAIF/HIGHMARK CAPITAL / ZBA		\$60,500,000.00	\$60,500,000.00	1
Certificates of Deposit – Bank	95,335,000.00	95,335,000.00	95,335,000.00	253
Mortgage Backed Securities	21.42	22.96	20.99	45
Federal Agency Issues – Coupon	<u>173,220,000.00</u>	<u>176,331,518.75</u>	<u>173,256,280.00</u>	<u>977</u>
Total Investments	<u>329,055,021.42</u>	<u>332,166,541.71</u>	<u>329,091,300.99</u>	588
Cash – Passbook/Checking	<u>32,348,009.75</u>	<u>32,348,009.75</u>	<u>32,348,009.75</u>	<u>1</u>
Total Cash & Investments	\$361,403,031.17	\$364,514,551.46	\$361,439,310.74	588 (average)

Source: Imperial County Tax Collector-Treasurer.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing state assessed public utilities' property and property, the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Department of Finance.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder's office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by

the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating non-unitary" property (which excludes non-unitary property of regulated railways) is allocated to the counties based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating non-unitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Historic Assessed Valuation

The assessed valuation of property in the District is established by the Imperial County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100 percent of the "full value" of the property, as defined in Article XIII A of the California Constitution. Prior to 1981-82, assessed valuations were reported at 25 percent of the full value of property. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Property within the District had a net taxable assessed valuation for fiscal year 2008-09 of \$10,145,426,741. Shown in the following table are the assessed valuations for the District for the past five fiscal years.

**Table No. 1
IMPERIAL COMMUNITY COLLEGE DISTRICT
Historic Assessed Valuations
Fiscal Years 2004-05 through 2010-11**

	<u>Local Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total Before Rdv. Increment</u>
2004-05	\$6,503,666,775	\$14,779,359	\$499,305,048	\$ 7,017,751,182
2005-06	6,980,460,514	15,976,934	552,116,058	7,548,553,506
2006-07	7,615,169,772	14,934,407	587,124,585	8,217,228,764
2007-08	8,996,219,310	8,787,416	633,897,505	9,638,904,231
2008-09	9,713,273,654	8,574,222	777,642,349	10,499,490,225
2009-10	9,511,803,331	8,337,593	819,402,403	10,339,543,327
2010-11	9,385,688,543	8,383,647	751,354,551	10,145,426,741

Source: California Municipal Statistics, Inc.

Typical Tax Rate and Land Use

The table below shows the tax rates during the past two years for Tax Rate Area No. 58-000.

Table No. 2
IMPERIAL COMMUNITY COLLEGE DISTRICT
Typical Total Tax Rates (TRA 58-000)

	<u>2009-10</u>	<u>2010-11</u>
General	1.0000	1.0000
Pioneer Memorial Hospital District	.0453	.0495
Imperial Community College District	.0210	.0261
Calipatria Unified School District	.1498	.1125
Total	1.2161	1.1881

Source: California Municipal Statistics, Inc.

Following are land uses in the District in fiscal year 2010-11.

Table No. 3
IMPERIAL COMMUNITY COLLEGE DISTRICT
Assessed Valuation and Parcels by Land Use
Fiscal Year 2010-11

	<u>2010-11</u> <u>Assessed Valuation (1)</u>	<u>% of</u> <u>Total</u>	<u>No. of</u> <u>Parcels</u>	<u>% of</u> <u>Total</u>
Non-Residential:				
Agricultural	\$1,693,939,391	18.05%	5,641	9.27%
Commercial	1,251,614,541	13.34	2,139	3.52
Vacant Commercial	97,705,959	1.04	833	1.37
Industrial	1,336,948,877	14.24	595	0.98
Vacant Industrial	60,773,387	0.65	524	0.86
Recreational	13,363,365	0.14	234	0.38
Government/Social/Institutional	54,368,114	0.58	881	1.45
Other Vacant/Desert	36,893,068	0.39	10,564	17.36
Miscellaneous	<u>15,083,924</u>	<u>0.16</u>	<u>250</u>	<u>0.41</u>
Subtotal Non-Residential	\$4,560,690,626	48.59%	21,661	35.60%
Residential:				
Single Family Residence	\$4,014,956,414	42.78%	30,821	50.65%
Mobile Home	100,865,142	1.07	1,664	2.73
2-4 Residential Units	146,459,907	1.56	777	1.28
5+ Residential Units/Apartments	369,109,308	3.93	318	0.52
Miscellaneous Residential	33,429,681	0.36	386	0.63
Vacant Residential	<u>160,177,465</u>	<u>1.71</u>	<u>5,218</u>	<u>8.58</u>
Subtotal Residential	\$4,824,997,917	51.41%	39,184	64.40%
Total	\$9,385,688,543	100.00%	60,845	100.00%

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

Source: California Municipal Statistics, Inc.

Teeter Plan

The Board of Supervisors of the County has adopted 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, "to accomplish a simplification of the tax-levying and tax apportioning process and an increased flexibility in the use of available cash resources." This alternative method is used for distribution of the *ad valorem* property tax revenues.

The County will be responsible for determining the amount of the *ad valorem* tax levy on each parcel in the District, which will be entered onto the secured real property tax roll. Upon completion of the secured real property tax roll, the County auditor determines the total amount of taxes and assessments actually extended on the roll for each fund for which a tax levy has been included, and apportions 100% of the tax and assessment levies to that fund's credit. Such monies may thereafter be drawn against by the taxing agency in the same manner as if the amount credited had been collected.

The Teeter Plan is to remain in effect unless the Board of Supervisors 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 shall receive a petition for its discontinuance joined in by resolutions adopted by two thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. In addition, the Board of Supervisors may, by resolution adopted not later than July 15 of the fiscal year for which it is to apply after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secure tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured rolls for that agency.

So long as the Teeter Plan remains in effect with respect to the District, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Largest Taxpayers

The table below lists the top twenty secured taxpayers within the District for Fiscal Year 2010-11.

**Table No. 4
IMPERIAL COMMUNITY COLLEGE DISTRICT
LARGEST 2010-11 LOCAL SECURED PROPERTY TAXPAYERS**

	<u>Property Owner</u>	<u>Primary Land Use</u>	2010-11 <u>Assessed Valuation</u>	% of <u>Total (1)</u>
1.	CalEnergy Generation	Power Generation	\$ 472,686,148	5.04%
2.	Magma Power Company	Power Generation	132,224,881	1.41
3.	Orni LLC	Agricultural	129,779,004	1.38
4.	Orcal Geothermal Inc.	Power Generation	85,351,576	0.91
5.	Second Imperial Geothermal Company	Power Generation	77,608,292	0.83
6.	Western Mesquite Mine Inc.	Mining	69,286,423	0.74
7.	United States Gypsum Co.	Industrial	52,530,504	0.56
8.	National Beef California LP	Industrial	46,622,338	0.50
9.	Wal-Mart Stores Inc.	Commercial	46,233,607	0.49
10.	IV Plaza LLC	Commercial	43,734,920	0.47
11.	Imperial Valley Mall II, LP	Vacant Commercial	43,286,941	0.46
12.	Ormesa LLC	Power Generation	38,545,186	0.41
13.	Vulcan BN Geothermal Power Company	Power Generation	32,012,494	0.34
14.	Arie H. De Jong	Agricultural	29,430,035	0.31
15.	Hallwood Calexico Investments LLC	Agricultural	26,467,317	0.28
16.	Brawley Luckey Ranch, LP	Vacant Residential	25,787,018	0.27
17.	Ben & Margaret L. Abatti	Agricultural	22,054,491	0.23
18.	Eugene & Marian Gabrych & Empire Communities	Agricultural	19,257,296	0.21
19.	RJ Development Company LLC	Commercial	18,948,707	0.20
20.	IPED LLC	Industrial	17,361,110	0.18
			<u>\$1,429,208,288</u>	<u>15.23%</u>

⁽¹⁾ 2010-11 local secured assessed valuation: \$9,385,688,543.

Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt. Contained within the District's boundaries are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, and special assessment obligations. The direct and overlapping debt of the District is shown in the table below. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

The first column in the following table names the public agencies which have outstanding debt as of the date of the report and whose territories overlap the District. The second column shows what percentage of each overlapping agency's assessed valuation is within 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 property in the District.

Table No. 5
IMPERIAL COMMUNITY COLLEGE DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of December 1, 2010

2010-11 Assessed Valuation: \$10,145,426,741
 Redevelopment Incremental Valuation: 1,820,038,746
 Adjusted Assessed Valuation: \$ 8,325,387,995

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable (1)</u>	<u>Debt 11/30/10</u>	
Imperial Community College District	100.000%	\$ 54,884,987	(2)
Calexico Unified School District	100.000	28,810,449	
Calipatria Unified School District	100.000	16,068,957	
Imperial Unified School District	100.000	18,235,000	
Brawley Union High School District	100.000	8,275,000	
Central Union High School District	100.000	14,305,000	
El Centro School District	100.000	11,311,651	
Other School Districts	100.000	13,426,408	
Pioneers Memorial Hospital District	90.348	16,276,192	
City of Calexico Community Facilities District No. 2005-1	100.000	13,955,000	
City of El Centro Community Facilities District No. 2007-1	100.000	1,220,000	
City of Imperial Community Facilities	100.000	26,395,000	
Imperial County Community Facilities District No. 98-1 and 06-1	100.000	9,748,000	
Heber Public Utility District Community Facilities District No. 2005-1	100.000	2,165,000	
El Centro School District Maintenance Assessment District	100.000	<u>1,305,000</u>	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$236,381,644	
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Imperial County Certificates of Participation	96.556%	\$11,789,488	
Imperial County Pension Obligations	96.556	54,385,167	
Imperial County Office of Education Certificates of Participation	96.556	1,168,328	
Imperial Community College District General Fund Obligations	100.000	3,565,000	
Calexico Unified School District Certificates of Participation	100.000	4,920,000	
City of Calexico General Fund Obligations	100.000	1,980,000	
City of El Centro Certificates of Participation	100.000	13,625,000	
Special District Certificates of Participation	Various	<u>4,593</u>	
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$91,437,576	
Less: City of Calexico supported obligations		<u>1,980,000</u>	
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$89,457,576	
GROSS COMBINED TOTAL DEBT		\$327,819,220	(3)
NET COMBINED TOTAL DEBT		\$325,839,220	

(1) Based on 2009-10 ratios.

(2) Excludes the Notes to be issued.

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

Ratios to 2010-11 Assessed Valuation:

Direct Debt (\$54,884,987) 0.54%
 Total Direct and Overlapping Tax and Assessment Debt 2.33%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$58,449,987) 0.70%
 Gross Combined Total Debt 3.94%
 Net Combined Total Debt 3.91%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/10: \$0

Source: California Municipal Statistics, Inc

THE DISTRICT

The information in this and other sections concerning the District's operations and operating budget 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 required to be levied by the County in an amount sufficient for the payment thereof. The Notes are payable from the proceeds of a second series of general obligation bonds to be issued and also from the proceeds of an ad valorem tax required to be levied by the County. See "THE BONDS –Security" herein.

General Information

Established in 1959, the District comprises an area of approximately 286,840 square feet of facilities on 160-acre site. The District serves the communities of Imperial Valley as well as certain unincorporated areas, and is located in Imperial County, the State's southernmost county. The District maintains one main campus and three extended campuses (Brawley, Calexico and El Centro), providing collegiate level instruction across a wide spectrum of subjects in grades 13 and 14. The District serves a resident population of approximately 180,000, and has a current enrollment of over 8,600 students.

Administration

Board of Trustees. The District is governed by a seven-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 three and four available positions. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Romualdo J. Medina	President	November 2011
Rudy Cardenas, Jr.	Clerk	November 2011
Norma S. Galindo	Member	November 2013
Jerry D. Hart	Member	November 2011
Karla Sigmond	Member	November 2013
Steven M. Taylor	Member	November 2013
Louis Wong	Member	November 2011

Brief biographies of certain key administrative staff follows:

Dr. Ed Gould, Superintendent/President. Dr. Gould was appointed as the Superintendent/President of the Imperial Community College District/Imperial Valley College in April 2008. Prior to joining the District, Dr. Gould was the Associate Dean for Higher Education and Corporate Programs in the School of Education at Capella University. Dr. Gould has an extensive background in leadership roles with community colleges in California and Nevada and taught for many years at the graduate and undergraduate level. Dr. Gould holds an A.A. degree in History from Hartnell College, a B.A. in History from California State University Hayward, a Master's degree in Counseling from San Diego State, and a Doctorate in Education in Counseling and Personnel Services from the University of Nevada, Reno.

John Lau, Vice President for Business Services. Mr. John Lau was appointed Vice President of Business Services on June 11, 2007. Mr. Lau is a certified public accountant, and has approximately 27 years of public and private accounting and managerial experience. His experience includes serving as governmental audit partner for the firm of Calderon, Jaham & Osborne and Director of Finance with the cities of Imperial and El Centro both located in Imperial County. Mr. Lau obtained a Bachelor of Science Degree from California State University of San Diego.

Carlos Fletes, Director of Fiscal Services. Mr. Fletes has over 25 years of experience in the public sector, the last 19 with the District, serving in various capacities in the Business Services department. He is currently the Director of Fiscal Services whose primary responsibilities include the District's budget, Business Office operations, and Financial Aid disbursement. Mr. Fletes holds a bachelor degree in Business Administration with a major in Accounting from the University of Arizona in Tucson and a Master of Arts degree in Educational Administration from the University of Redlands.

Recent Enrollment Trends

The following table shows a history of the number of full-time equivalent students for the District for the last eleven fiscal years and the projected enrollment through fiscal year 2011-12.

**Table No. 6
IMPERIAL COMMUNITY COLLEGE DISTRICT
Full-Time Equivalent Students
Fiscal Years 1999-00 through 2011-12**

Fiscal Year	FTEs
1999-00	3,681.97
2000-01	4,686.86
2001-02	4,803.90
2002-03	5,008.10
2003-04	5,456.06
2004-05	5,995.51
2005-06	6,484.15
2006-07	6,671.69
2007-08	7,154.00
2008-09	7,426.00
2009-10	7,312.00
<u>Projected</u>	
2010-11	7,205.00
2011-12	7,349.00

Source: Imperial Community College District.

Employee Relations

The District is governed by regulations published by the Public Employees Relations Board ("PERB"). The Superintendent/President directs the collective bargaining negotiations between the District and the collective bargaining units representing employees of the District and ensures implementation of PERB regulations in this process.

The District's certificated employees are represented by the California Teacher's Association. Its contract with the District expires on June 30, 2011. The District's classified employees are represented by the California Schools Employees Association - Chapter 472. Its contract with the District expires on June 30, 2012.

District Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension 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 Public Employees' Retirement System (PERS).

STRS is a cost-sharing multiple-employer retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teacher's Retirement Law.

Active plan members are required to contribute 8.0% of their salary, 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal years 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contribution to STRS for fiscal years 2006-07, 2007-08 and 2008-09 were \$1,411,731, \$1,594,841 and \$1,646,040, respectively. The District budgeted a STRS contribution of \$1,800,919 for fiscal year 2009-10.

The District contributes to the School Employer Pool under the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. State statutes, as legislatively amended, within the Public Employees' Retirement Law, establish benefit provisions.

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2008-09 was 9.42% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contribution to PERS for fiscal years 2006-07, 2007-08 and 2008-09 were \$583,779, \$678,727 and \$809,661, respectively. The District budgeted a PERS contribution of \$695,113 for fiscal year 2009-10.

Other Post-Employment Benefits (OPEB)

The District provides post employment health care benefits, in accordance with District employment contracts to all employees who retire from the District.

For faculty members, the plan provides lifetime retiree health, dental and vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 55 up to age 60 with at least 14 years of service. Retirement on or after age 61 up to age 64 requires age plus service to meet or exceed seventy-four while retirement on or after age 65 requires nine years of service. For faculty hired prior to July 1, 1983, retirement on or after age 55 requires only eight years of service.

For classified employees, the plan provides lifetime retiree health, dental and vision benefit to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 50 with at least 12 years of service and the retiree age plus years of service must be at least seventy. Expenditures for post employment benefits are recognized on a pay-as-you-go basis, as premiums are paid. Membership of the plan consists of approximately 335 eligible active employees and 120 eligible retirees.

For fiscal year 2008-09 the District contributed \$1,150,230 to the plan, all of which was used for current premiums. The District's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2008-09:

Annual required contribution	\$3,490,989
Contribution made	(1,150,230)
NET OPEB obligation, beginning of year	0
NET OPEB obligation, end of year	<u>\$2,340,759</u>

According to an actuarial study dated June 25, 2009, prepared in connection with GASB Statement No. 45, the District had a total unfunded liability of \$48,802,345.

DISTRICT FINANCIAL INFORMATION

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The budgetary and financial accounts of the District have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting manual*. District expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When the District incurs an expenditure or an expense for which both unrestricted and restricted resources may be used, it is the District's policy to use restricted resources first, and then the unrestricted resource.

To comply with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

The Governmental Accounting Standards Board ("GASB") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting and (ii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iii) required supplementary information.

The requirements of Statement No. 34 are effective in three phases based on a government's total annual revenues (excluding extraordinary items) for the fiscal year ending after June 30, 1999. The District was required to implement Statement No. 34 for the fiscal year 2002-03 audited financial statement.

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2008-09 were prepared by Wilkinson Hadley & Co. LLP, El Cajon, California. Audited financial statements for the District for the fiscal year ended June 30, 2009 and prior fiscal years are on file with the District and available for public inspection at the Vice-President, Business Services' Office. See Appendix A hereto for excerpts from the 2008-09 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The following tables show the audited income and expense statements for the District for fiscal years 2005-06 through 2008-09 and figures from the District's adopted Budget for fiscal year 2009-10, unaudited actual figures for 2009-10 and budgeted figures for fiscal year 2010-11.

Table No. 7
IMPERIAL COMMUNITY COLLEGE DISTRICT
Revenues, Expenses and Changes in Net Assets
For Fiscal Years 2005-06 through 2008-09 (audited)

	Audited 2005-06	Audited 2006-07	Audited 2007-08	Audited 2008-09
<u>Operating Revenues</u>				
Tuition and fees	\$2,548,989	\$2,120,822	\$2,177,738	\$2,127,125
Grants and contracts, non-capital:				
Federal	13,146,398	13,047,957	13,840,021	16,166,202
State	5,713,036	8,211,866	7,760,731	7,592,885
Local	682,947	988,398	1,030,878	670,743
Sales and Commissions	168,249	170,136	170,143	185,786
Total Operating Revenues	<u>22,256,619</u>	<u>24,539,179</u>	<u>24,979,511</u>	<u>26,742,741</u>
<u>Operating Expenses</u>				
Academic Salaries	17,249,420	17,818,067	20,497,671	21,448,747
Classified Salaries	8,188,552	8,186,441	9,130,337	9,739,084
Employee Benefits	7,940,187	7,943,416	8,812,482	11,858,054
Supplies, materials and other operating expenses	5,416,503	8,283,707	8,094,794	10,902,211
Financial aid	11,837,006	11,399,331	12,349,853	14,283,891
Utilities	707,132	789,010	829,371	858,524
Interest and fiscal charges	2,027,107	1,488,725	1,721,713	1,892,061
Bad debt expense	-	-	150,000	926,458
Depreciation	383,521	412,662	648,686	873,834
Total Operating Expenses	<u>53,749,428</u>	<u>56,321,359</u>	<u>62,234,907</u>	<u>72,782,864</u>
Operating Loss	(31,489,809)	(31,782,180)	(37,255,396)	(46,040,123)
<u>Non-Operating Revenues</u>				
State apportionments, non-capital	24,291,760	25,970,634	26,573,560	28,805,038
Local property taxes	6,030,138	6,761,704	7,915,236	7,473,077
State taxes and other revenue	1,015,482	1,241,288	1,226,485	1,277,516
Interest and investment income	954,801	1,059,137	1,165,217	2,097,317
Total Non-Operating Revenues	<u>32,292,181</u>	<u>35,032,763</u>	<u>36,880,498</u>	<u>39,652,948</u>
Increase (Decrease) in Net Assets	802,372	3,250,583	(374,898)	(6,387,175)
Net Assets, Beginning of Year	<u>6,855,036</u>	<u>6,932,521</u>	<u>10,211,725</u>	<u>9,853,166</u>
Prior Year Adjustment	(724,887)	28,621	16,339	-
Net Assets, End of Year	<u>\$6,932,521</u>	<u>\$10,211,725</u>	<u>\$9,853,166</u>	<u>\$3,465,991</u>

Source: *Imperial Community College District.*

Table No. 8
IMPERIAL COMMUNITY COLLEGE DISTRICT
Revenues, Expenditures and Fund Balance
Fiscal Year 2009-10 (Budgeted and Unaudited Actuals)
And Fiscal Year 2010-11 (Budgeted)

	Budgeted 2009-10 ⁽¹⁾	Unaudited Actuals 2009-10	Budgeted 2010-11 ⁽²⁾
Revenues			
Federal	\$23,597,965	\$4,617,868	\$4,673,221
State	36,645,627	33,331,322	34,155,738
Local	9,271,836	8,450,930	9,003,372
Total Revenues	69,515,427	46,400,120	47,832,331
Expenditures			
Academic Salaries	22,385,081	21,249,852	20,242,073
Classified Salaries	9,720,602	9,236,761	9,325,351
Benefits	10,750,254	10,139,361	9,923,132
Supplies	1,732,110	1,279,097	1,495,294
Services	6,999,856	5,323,127	5,739,530
Capital outlay	1,360,483	554,478	1,010,113
Total Expenses	52,948,386	47,782,676	47,735,493
Excess/(Deficiency) of Revenues over Expenditures	16,567,041	(1,382,556)	96,838
Other outgo	19,300,000	888,762	920,964
Net Increase/(Decrease) in Fund Balance	(2,732,959)	(2,271,318)	(824,126)
Beginning Fund Balance, July 1	5,038,578	5,429,150	3,157,832
Ending Fund Balance, June 30	\$2,305,619	\$3,157,832	\$2,333,706

(1) Final Adopted 2009-10 Budget dated October 14, 2009.

(2) Final Adopted 2010-11 Budget dated October 20, 2010

Source: Imperial Community College District.

District's Budget Process

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 January 10 a proposed State budget is presented by the governor to the legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor

should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and with enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), the statewide governing board of the California community colleges (the "Board of Governors") and the Chancellor's Office have established expectations for sound district fiscal management and a process for monitoring and evaluating the financial condition to ensure the financial health of California's community college districts. In accordance with statutory and regulatory provisions, the Chancellor has been given the responsibility to identify districts at risk and, when necessary, the authority to intervene to bring about improvement in their financial condition. To stabilize a district's financial condition, the Chancellor may, as a last resort, seek an appropriation for an emergency apportionment. Since the enactment of such enabling legislation (AB 2910, Chapter 1486, Statutes of 1986), no community college district in the State has sought an appropriation for an emergency apportionment.

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

State Funding of Community College Districts

General. California community college districts (other than Basic Aid Districts, as described below) receive, on average, approximately 52% of their funds from the State, 44% from local sources and 4% from federal sources. In fiscal year 2006-07, the District received 33% of operating revenue and 78% of non-operating revenue from State sources. State funds include general apportionment, categorical funds, capital construction, the lottery (which is less than 3%) and other minor sources. Local funds include property taxes, student fees and miscellaneous sources. The adopted budget for fiscal year 2010-11 included appropriation deferrals of over \$1.9 billion in K-14 payments to July 2011. See "Recent State Budgets" below.

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

adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

The table below shows the District's Funding per unit of FTEs and equivalent students over the seven-year period of 2003-04 through 2009-10 and projected through 2011-12.

Table No. 9
IMPERIAL COMMUNITY COLLEGE DISTRICT
Program-Based Funding
Fiscal Years 2003-04 through 2011-12

Fiscal Year	Funding per Unit of FTES	Equivalent Students	Program-Based Funding
2003-04	\$3,810.47	5,330.74	\$20,312,644
2004-05	3,994.80	5,995.51	23,950,689
2005-06	4,462.03	6,484.15	28,932,521
2006-07 Credit	4,367.00	6,551.02	28,608,304
2006-07 Non-Credit	2,626.00	110.03	288,938
2006-07 Enhanced Non-Credit	3,092.00	10.64	32,899
2007-08 Credit	4,564.82	6,653.96	30,374,130
2007-08 Non-Credit	2,744.95	125.15	343,530
2007-08 Enhanced Non-Credit	3,232.06	21.11	68,229
2008-09 Credit	4,564.82	6,832.54	32,277,934
2008-09 Non-Credit	2,744.95	55.01	221,270
2008-09 Enhanced Non-Credit	3,232.06	39.77	175,048
2009-10 Credit	4,564.82	6,831.51	31,184,613
2009-10 Non-Credit	2,744.95	57.20	157,011
2009-10 Enhanced Non-Credit	3,232.06	39.26	126,890
Projected			
2010-11 Credit	4,564.82	7,105.00	32,433,046
2010-11 Non-Credit	2,744.95	59.00	161,952
2010-11 Enhanced Non-Credit	3,232.06	41.00	132,514
2011-12 Credit	4,564.82	7,247.00	33,081,250
2011-12 Non-Credit	2,744.95	60.00	164,697
2011-12 Enhanced Non-Credit	3,232.06	42.00	135,746

Source: Imperial Community College District.

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.

California community college districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may affect appropriations made by the Legislature to community college districts.

Ad valorem Property Taxation

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

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing 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 lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Outstanding Indebtedness

Lease Revenue Bonds. In August 2002, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funding for the implementation of a District-wide computer and software networking system. The 2002 Bonds, of which the District's portion was \$3,370,000, mature on August 1, 2017.

General Obligation Bonds. In January 2005, the District issued General Obligation Bonds, Election of 2004, Series 2005 in the amount of \$24,500,000 (the "2005 Bonds").

In December 2006, the District issued General Obligation Bonds, Election of 2004, Series 2006B in the amount of \$13,285,473.05 (the "2006 Bonds").

In November 2007, the District issued General Obligation Bonds, Election of 2004, Series 2007C in the amount of \$11,915,818.95 (the "2007 Bonds").

In May 2009, the District issued General Obligation Bonds, Election of 2004, Series 2009D in the amount of \$3,031,779.30 and Series 2009E in the amount of \$5,866,919.15 (collectively, the "2009 Bonds").

Debt service on the 2005 Bonds, the 2006 Bonds, the 2007 Bonds and the 2009 Bonds is secured by *ad valorem* taxes on all taxable property within the District. See "DEBT SERVICE SCHEDULES" herein for the remaining debt service on the 2005 Bonds, 2006 Bonds, 2007 Bonds and 2009 Bonds.

Certificates of Participation. In 2004, the District issued \$3,500,000 in 2004 Certificates of Participation to finance construction and equipping of certain new projects and other improvements to school facilities. Interest rates on the 2004 Certificates range from 2.5% to 8.0%. The aggregate amount outstanding as of June 30, 2009 is \$2,680,000, and the final maturity is on August 1, 2014.

District's Response to State Budget Cuts

The State of California has experienced tremendous budget deficits during the past three years. See "State Funding of Education and Recent State Budgets – 2010-11 State Budget" below.

In light of the spending cuts and funding deferrals instituted in recent State budgets, the District has instituted the following measures:

- Elimination of Brawley and El Centro Extended Campus Offices, thereby reducing direct services to both cities, although IVC classes will still be held at their respective high schools.
- Summer session was reduced and Winter session was eliminated.
- Classes offered by overload and adjunct faculty were reduced.
- All reductions will adversely impact students and reduce their access to classes. Transfer course requirement completion may be delayed.
- Library acquisitions of books and library hours to be reduced.

- Reduction or elimination of non-credit courses will eliminate senior programs, computers, art, music, and exercise.
- IVC financial support for the Small Business Development Center was eliminated.
- Short-term training programs, such as Customer Service Academy, were eliminated.
- Maintenance and operations to cut some services and reduce others.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

Principal of and interest on the Bonds are payable solely from the proceeds of an ad valorem tax levied by the County, in an amount sufficient for the payment thereof. The discussions herein of the role of the State in funding K-12 school districts is relevant to District's general financial operations. However, tax revenues used to pay debt service on the Bonds are not affected by the amount of financial support received by the District from the State of California.

The State of California (the “**State**”) requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the County, nor the Underwriter is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor's Budget**”). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

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. 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 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% share of the sales tax imposed on taxable transactions within their jurisdiction are 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. The swap of sales taxes for property taxes will terminate once the deficit financing bonds are repaid, which is currently expected to occur by 2016.

2010-11 State Budget. Set forth below is a summary of information available with respect to the 2010-11 State Budget.

November 18, 2009 - LAO Report on Fiscal Year 2010-11. On November 18, 2009, the LAO released a report entitled "The 2010-11 Budget: California's Fiscal Outlook," in which it forecast that the State will need to address a General Fund budget problem of \$20.7 billion between now and the time the Legislature enacts a fiscal year 2010-11 State budget plan. The budget problem consists of a \$6.3 billion projected deficit for fiscal year 2009-10 and a \$14.4 billion gap between projected revenues and spending in fiscal year 2010-11.

January 8, 2010 – 2010-11 Proposed Budget Submitted by Governor to Legislature. The Governor submitted his 2010-11 Budget to the State Legislature. The 2010-11 Proposed Budget acknowledges a projected budget gap of \$19.9 billion, comprised of a 2009-10 shortfall of \$6.6 billion, a 2010-11 budget year shortfall of \$12.3 billion and a modest reserve of \$1 billion. The Governor proposed a combination of spending reductions, alternative funding, fund shifts and additional federal funds to close the \$19.9 billion budget gap. Approximately 40% of the solutions relied on the federal government for funding or flexibility, another 40% relied on reductions in State spending, and the remaining 20% consisted of various fund shifts.

With respect to K-12 funding, the 2010-11 Budget proposed full funding of the Proposition 98 minimum guarantee, but a reduction of approximately 10% in funding for administration and other non-instruction related spending. The Proposed Budget included various flexible spending propositions, including those with respect to teacher seniority, substitute costs, staffing notification requirements, and reduced school year. Non-Proposition 98 programs funded with State General Fund monies were to be reduced by \$2 million, or 0.2%.

LAO Reports. On January 12, 2010, the LAO commented on the 2010-11 Proposed Budget, stating that the Governor's estimate of a \$18.9 billion budget problem was reasonable but had a \$3.1 billion smaller shortfall than the LAO estimates and was likely to be exacerbated by various lawsuits. The LAO also noted that the Governor's plan relied heavily on federal relief, which the State is unlikely to receive in the amounts requested.

ABX8 5 and ABX8 14. On March 1, 2010, the Governor signed into law ABX8 5, effective immediately, which included several measures meant to allow the State to manage its cash resources in the fiscal years 2009-10 and 2010-11. For fiscal year 2009-10, ABX8 5 authorized the deferral of General Fund payments to be made to trial court operations, the California University system, the University of California system, and community college districts ("CCDs") in March 2010 to no sooner than April 15, 2010, but no later than May 1, 2010. Prior to such deferrals, the State Controller, Treasurer, and Director of Finance are required to review the actual cash situation to determine if the deferrals are in fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after April 1, are required to review daily the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. To address the cash management issues in fiscal year 2010/11, ABX8 5 authorized specific deferrals to K-12 apportionments, Supplemental Security Income/State Supplementary Payments, local government social services and transportation payments and trial court operations. These deferrals are allowed only in July 2010 for no more than 60 days, October 2010 for no more than 90 days, and March 2011 for no more than 60 days. Prior to the implementation of such deferrals, the Controller, Treasurer and Director of Finance must review the actual cash receipts and disbursements to determine if they are in fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after July 1, 2010, are required to conduct a daily review of the actual cash receipts and disbursements to determine when

all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. In addition, such deferrals may be moved forward or backward one month from the dates specified if all three of the Controller, Treasurer and Director of Finance determine that a move is necessary. ABX8 5 limited the K-12 deferrals to \$2.5 billion at any given time during the fiscal year 2010-11 and sets a maximum of three K-12 deferrals during the fiscal year. ABX8 5 provided a hardship exemption for county offices of education, school districts and charter schools. ABX8 5 further authorized the deferral of \$200 million from July 2010 to October 2010 and \$100 million from March 2011 to May 2011 for CCDs. ABX8 5 also provided for a hardship exemption for CCDs.

On March 22, 2010, the Governor signed into law, effective immediately, ABX8 14 which amended the cash management provisions for 2009-10 and 2010-11 enacted into law pursuant to ABX8 5. With regard to the 2009-10 cash management issues, ABX8 14 provides a hardship exemption process for the current year deferrals for CCDs and makes them the first entity to have deferrals paid as soon as funds are available. As to the 2010-11 cash issues, ABX8 14 clarifies the hardship exemption process for school districts, county offices of education and charter schools and provides certain other changes pertaining to those provisions. In addition, ABX8 14 requires the State Controller, State Treasurer, and the Director of Finance to jointly provide a written declaration of the intended payment deferrals for the 2010-11 fiscal year no later than March 31, 2010 as well as requiring approval by the Director of Finance for hardship exemptions; and states the intent of the legislature that July 2010 deferrals shall first be made from the advance principal apportionment payment. The legislation also delays the date by which hardship exemption requests must be submitted (including with respect to 2010-11 CCD deferrals) and provides a second hardship waiver opportunity for the March 2011 deferral for those districts that did not receive an initial hardship waiver in June 2010.

May 2010 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. The Governor's May 2010 Budget Revision estimated a General Fund budget gap of \$19.1 billion, \$7.7 billion for the 2009-10 fiscal year, \$10.2 billion for the 2010-11 fiscal year, and a modest reserve of \$1.2 billion. The May Revision proposed \$12.4 billion in spending reductions and alternative funding proposals, representing two-thirds of the solution, borrowing and fund shifts representing approximately 10% of the solution and new revenue representing approximately 5% of the solution. Major spending reduction proposals included reductions of \$4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of \$2.1 billion by reducing State employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing \$1.2 billion in savings.

LAO Report. On May 18, 2010, the LAO published its comments on the May Revision stating that the Governor's estimate of the budget shortfall was reasonable. However, the LAO Report advised the Legislature to reject the Governor's most drastic spending cuts, particularly the elimination of CalWORKs and child care funding, instituting instead the LAO's alternative spending reduction proposals, and adopting selective revenue increases from fee increases and other non-tax revenues and targeted tax increases. Additionally, the LAO Report urged the Legislature to suspend Proposition 98 if the minimum guarantee is above the level that the State can afford. The LAO predicted that even if the Legislature approved all of the painful cuts and realized the savings assumed by the Governor's May Revision, a multibillion-dollar operating deficit between \$4 billion and \$7 billion is likely to persist in future years.

Governor Declares Financial State of Emergency; Legislative Session Ends Without Budget Passage. On July 28, 2010, the Governor declared a financial state of emergency and ordered 150,000 State workers to take three furlough days per month. The legislative session ended on August 31, 2010 and lawmakers voted on two competing budget proposals – the Governor’s and a joint State budget plan of Democratic leaders in the Assembly and the Senate. Both budget plans failed on party-line votes.

The Democrat’s budget proposal included tax proposals of approximately \$4.5 billion from an oil severance tax, delaying corporate tax breaks and income tax increase paired with reduced sales tax. It cut spending by \$8.3 billion, by suspending Prop. 98 and funding schools at approximately \$3 billion less than required under Prop. 98. The plan also included a tax swap that would increase some of the personal income tax rates and the vehicle license fee rate and lower the State’s sales tax rate, to raise \$1.8 billion in revenues in 2010-11 and \$2.2 billion in 2011-12. Had the Democrat’s proposal passed the Legislature, the Governor was not expected to sign it.

The Governor issued an order on July 1, 2010 reducing over 200,000 employees’ pay to the federal minimum wage until the impasse is over. On July 16, 2010 a Sacramento County Superior Court judge denied the administration’s request for a temporary restraining order that would have forced the State Controller to begin paying the minimum wage. The State Controller said he would not follow the order unless told to do so by a court. On August 25, 2010, the Sacramento County Superior Court sided with the State Controller, ruling that the challenge to the governor’s minimum wage order has enough merit to require a full hearing. The hearing, originally scheduled for November 2010, has been delayed and is not expected to take place until March 2011.

On August 23, 2010, in an effort to conserve cash and delay the need to issue IOUs, State officials decided to start delaying school payments of \$2.5 billion a month in September through December. This comes after a \$2.5 billion deferral in July. The State Controller has stated that he will begin issuing IOUs in October if the budget stalemate continues.

On August 18, 2010, the California Supreme Court issued a stay of the temporary restraining order of the Alameda County Superior Court issued on August 9, 2010, which would have prohibited the Governor from imposing three furlough days on State workers. As a result of the stay, furloughs of State workers were to continue until arguments in a larger case about their legality could be heard on September 8, 2010. On October 4, 2010, the California Supreme Court upheld the Governor’s authority to furlough State workers when there is no budget in place.

2010-11 Budget Passes 100 Days Late. The Legislature passed the \$87.5 billion 2010-11 Budget on the morning of October 8, 2010 and the Governor signed it that night, exercising his line-item veto authority to reduce spending by \$963 million in order to raise the reserve level from \$375 million to \$1.3 billion. Total 2010-11 Budget expenditure reductions are \$8.4 billion. The 2010-11 Budget assumes federal funds of \$5.4 billion and other solutions of almost \$5.5 billion.

Expenditure Reductions.

Budget and Pension Reform. The Legislature approved a measure to place a budget reform constitutional amendment before the voters at a future statewide election, intended to increase the State’s budgetary reserves and stabilize the State’s financial health over time. The measure would double the maximum size of the Budget Stabilization Account and provide more stringent deposit requirements.

The 2010-11 Budget Package includes legislation proposed by the Governor to decrease pension benefits for State employees hired in the future. Pension reform rolls back retirement formulas used to calculate pension payments, permanent increases in pension contributions, and is designed to prevent pension spiking and improve transparency of the State's pension liabilities and costs.

Proposition 98 – K-14 Education. The Legislature suspended the Proposition 98 minimum guaranty to provide \$49.7 billion in spending on K-14 Education in 2010-11. Settle-up funds of \$300 million are provided in the 2010-11 Budget to meet the State's outstanding 2009-10 Proposition 98 settle-up obligation. In addition, related budget bills provide K-12 education with \$1.5 billion in special one-time federal funding. The 2010-11 Budget Package defers \$1.9 billion in additional K-14 payments to July 2011.

Employee Compensation, Health and Social Services, Criminal Justice. The 2010-11 Budget provides \$1.6 billion in personnel cost reductions from savings from recent agreements with unions and reductions, anticipated reductions from future union agreements, and the administration's "workforce cap" which consists of reductions in hiring and reduced operating costs from the workforce cap. The 2010-11 Budget provides \$300 million in reductions to the In-Home Supportive Services Program and \$187 million in savings to Medi-Cal. The 2010-11 Budget package assumes a total of \$1.1 billion in General Fund savings within the Department of Corrections.

Federal Funding. The 2010-11 Budget package assumes that the federal government will provide federal funding or approval for certain reductions in State costs or service levels resulting in the ability to reduce General Fund costs by \$5.4 billion. About \$1.3 billion has been approved by the Congress and the President. Most of the federal funding assumed in the 2010-11 Budget has yet to be approved by Congress.

Revenue-Related Solutions. The 2010-11 Budget extends for two additional tax years the previously enacted temporary suspension of businesses' ability to use net operating losses to reduce tax liabilities, projected to increase State revenues by \$1.2 billion in 2010-11 and by \$400 million in 2011-12. The budget plan assumes \$1.2 billion in one-time revenue from the sale of 11 State office properties. The Budget plan includes \$2.7 billion of loans, loan repayment extensions, transfers and fund shifts from special funds.

Ballot Propositions. On November 2, 2010, voters approved Propositions 22, 25 and 26. Proposition 22 prohibits State legislators from raiding existing funds allocated to local government, public safety and transportation. Proposition 25 lowered the vote threshold for lawmakers to pass the State budget from two-thirds to a simple majority. Proposition 26 requires a two-thirds affirmative vote in the State Legislature and local governments in the legislature to pass many fees, levies, charges and tax revenue allocations that under previous rules could be enacted by a simple majority vote.

LAO Report. The LAO forecasts that the State's General Fund revenues and expenditures show a budget problem of \$25.4 billion, consisting of a \$6 billion projected deficit for fiscal year 2010-11 and a \$19 billion gap between projected revenues and spending for fiscal year 2011-12. The LAO projects that the State will continue to face annual budget problems of approximately \$20 billion each year through fiscal year 2015-16, and recommends that the Legislature initiate a multi-year approach to solving the State's recurring structural budget deficit, addressing permanent revenue and expenditure actions each year, together with temporary budget solutions, until the structural deficit is eliminated.

Legislature Called into Special Session on Budget Deficit. On December 6, 2010, lame-duck Governor Schwarzenegger declared a fiscal emergency and called the new Legislature into special session to address the anticipated 2010-11 General Fund deficit (estimated by the LAO to be \$6.1 billion). The Governor's proposals would decrease the gap between revenues and expenditures by \$1.9 billion 2010-11 and by \$8 billion in 2011-12. The Governor's proposals consist of \$7.4 billion of expenditure-related reductions and two major revenue proposals, all of which had been previously rejected by the prior Legislature.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

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

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to one% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (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% of the voters of the district, but only if certain accountability measures are included in the proposition.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

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

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.

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.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed two% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

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.

Constitutional Appropriations Limitation

Article XIII B (“Article XIII B”) of the State Constitution, 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. For fiscal years beginning on or after July 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 under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIIB 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 such as the Lease Payments, (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 XIIB 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 XIIB also includes a requirement that fifty% 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 under Section 8.5 of Article XVI of the State Constitution. See "Proposition 98" and "Proposition 111" below.

Article XIIC and Article XIID 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 XIIC and XIID (respectively, "Article XIIC" and "Article XIID"), 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 school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article 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.

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local governmental entities such as the District be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

California appellate court cases have overturned the provisions of Proposition 62 pertaining to the imposition of taxes for general government purposes. However, the California Supreme Court upheld Proposition 62 in its decision on August 28, 1995, in *Santa Barbara County Transportation Authority v. Guardino*. This decision reaffirmed the constitutionality of Proposition 62. Certain matters regarding Proposition 62 were not addressed in the Supreme Court's decision, such as what remedies exist for taxpayers subject to a tax not in compliance with Proposition 62, and whether the decision applies to charter cities. The District has not experienced any substantive adverse financial impact as a result of the passage of this initiative.

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, and (b) the amount actually appropriated to such districts from the General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

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

Proposition 111

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

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

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.

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 are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State General Fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State General Fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article 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 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 cannot (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.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and the Propositions discussed above were each adopted as measures that qualified for the ballot under 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.

RISK FACTORS

The following factors, along with the other information in this Official Statement, should be considered by potential investors in evaluating a purchase of the Notes. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Notes. There can be no assurance that other risk factors will not become evident at any future time. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

No Assurances on Issuance of General Obligation Bonds

As described above, the District has covenanted in the Resolution to issue a series of General Obligation Bonds under the Authorization, or other obligations to provide for the payment of the Maturity Value of the Notes at maturity, taking into account original issue premium received on the sale of such General Obligation Bonds. Although the District expects to issue General Obligation Bonds as required to pay the Maturity Value of the Notes at maturity, such issuance is dependent upon a variety of factors over which the District has no control, including those described below.

Legal Limitation on Tax Rate to Pay General Obligation Bond Debt Service. The Strict Accountability in Local School Construction Bonds Act of 2000 (the “**2000 Act**”), as set forth in the California Education Code, which applies to the District’s General Obligation Bonds, provides that a new series of General Obligation Bonds cannot be issued unless the tax rate levied to pay debt service on all of the District’s General Obligation Bonds issued pursuant to that authorization would not exceed \$25 per year per \$100,000 of taxable property, when assessed valuation is projected by the District to increase in accordance with Article XIII A of the California Constitution. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS”.

There can be no assurance that assessed valuation in the District will increase enough in order for the District to issue a series of General Obligation Bonds and comply with the limitation on tax rate. In such a case, the District would be required to issue other obligations, including certificates of participation secured by the District’s general fund, in an amount sufficient to pay the Notes maturing on August 1, 2014.

Legal Limitation on Outstanding Bonded Indebtedness. The 2000 Act limits outstanding general obligation bond indebtedness to 2.5% of the District’s taxable property as shown by the last equalized assessment of the County. The District’s outstanding principal amount of general obligation bonds and bonded indebtedness as of December 1, 2010 is approximately \$55,000,000. The assessed valuation within the District for 2010-11 is \$9,385,688,543, meaning that the District’s limit on bonded indebtedness is in excess of \$234 million. The District is not in danger of exceeding the legal limitation on outstanding bonded indebtedness by issuing a second series of General Obligation Bonds to pay the Maturity Value of the Notes at maturity.

Bond Anticipation Notes and Renewals Limited to 5-Year Term. The Notes are being issued pursuant to the California Education Code, particularly Section 15150 thereof (“**Section 15150**”). Section 15150 currently provides that general obligation bond anticipation notes, and any renewals thereof, must mature in a period of not to exceed 5 years. The Notes mature in just under four years. Pursuant to the Resolution, the District has covenanted to take all actions required to authorize, sell and issue, on or before August 1, 2014, General Obligation Bonds, or other obligations, including certificates of participation, or any combination of the foregoing, in an aggregate principal amount which is sufficient to pay (taking into account original issue premium received on the sale of

the General Obligation Bonds) the Maturity Value of the Notes, coming due and payable on August 1, 2014. While the District may issue an additional series of bond anticipation notes to pay the Maturity Value of the Notes at maturity, the maturity of any new series of bond anticipation notes could not extend beyond December 2015.

Other Factors Limiting Issuance of General Obligation Bonds. Other factors which could affect the ability of the District to issue such General Obligation Bonds or notes include the financial condition of the District at the time it institutes proceedings to issue such obligations, the presence of conditions prevailing in the bond market which could make it difficult or impossible for the District to issue such obligations, and the difficulty of obtaining municipal bond insurance or other credit enhancement for the General Obligation Bonds. No assurances can be given that the District will be able to issue General Obligation Bonds or other obligations when and as required to provide for payment of the Maturity Value of the Notes at maturity.

Reduction in District Assessed Valuation

The reduction of taxable values of property in the District caused by economic factors beyond the District's control, such as successful appeals by property owners for a reduction in property's assessed value, blanket reductions in assessed value due to general reductions in property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in assessed valuations. Such factors could also cause the assessed value of District properties to increase at a slower rate than needed to comply with the tax rate limitation described above. Such factors could adversely affect the ability of the District to issue General Obligation Bonds prior to maturity of the Notes. See "- No Assurances on Issuance of General Obligation Bonds" above.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives

Article XIII A of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Article XIII A of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the taxable value, reduce the property tax rate, or broaden property tax exemptions. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS - Article XIII A of the California Constitution."

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Notes to provide certain financial information and operating data relating to the District by not later than nine months after the end of the District's fiscal year (which date would be the March 31 following the current end of the District's fiscal year on June 30), commencing with the report for the 2009-10 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D - FORM OF CONTINUING DISCLOSURE CERTIFICATE," attached to this Official Statement. These covenants have been made in order to assist the Underwriter (as defined below) in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**").

The District has never failed to comply with its continuing disclosure obligations under the Rule.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and the Notes are "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986 (the "**Code**") such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Code), a deduction for federal income tax purposes is allowed for 80 percent of that portion of such financial institution's interest expense allocable to interest payable on the Notes.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public (excluding bond houses and brokers) at which a Obligation is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Obligation is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Obligation on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is

added to the adjusted basis of such Notes to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Obligation. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase the Notes after the initial offering of a substantial amount of such maturity. Owners of such Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Notes under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Obligation (said term being the shorter of the Obligation's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Obligation for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Obligation is amortized each year over the term to maturity of the Obligation on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Obligation premium is not deductible for federal income tax purposes. Owners of Premium Notes, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Notes.

California Tax Status. In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Other Tax Considerations. Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Notes other than as expressly described above.

Forms of Opinion. A copy of the proposed form of opinion of Bond Counsel with respect to the Notes is attached to this Official Statement as Appendix B.

NO LITIGATION

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

RATINGS

Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("**S&P**") has assigned the Notes a rating of "SP-1+".

Such rating reflects only the view of such rating agency and an explanation of the significance of such rating may be obtained from S&P. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by a rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. The District has no obligation to maintain any rating for the Notes.

UNDERWRITING

Piper Jaffray & Co. (the "**Underwriter**") has entered into a Purchase Contract with the District under which it will purchase the Notes at a price of \$14,163,941.67 (which is equal to the initial principal amount of the Notes (\$14,000,956.00), *plus* original issue premium of \$308,456.50, *less* an Underwriter's discount of \$145,470.83).

The Underwriter will be obligated to take and pay for all of the Notes if any are taken. The Underwriter intends to offer the Notes to the public at the offering prices set forth on the inside cover page of this Official Statement. After the initial public offering, the public offering prices may be varied from time to time by the Underwriter.

APPENDIX A

**EXCERPTS OF AUDITED FINANCIAL STATEMENTS OF THE
DISTRICT FOR FISCAL YEAR ENDING JUNE 30, 2009**

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IMPERIAL COMMUNITY COLLEGE DISTRICT

IMPERIAL COUNTY

IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2009

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INTRODUCTORY SECTION

IMPERIAL COMMUNITY COLLEGE DISTRICT INTRODUCTION

Introduction

The audit has the following objectives:

- To obtain reasonable assurance about whether the Imperial Community College District's basic financial statements are free of material misstatement.

- To consider the Imperial Community College District's internal control over financial reporting and compliance with requirements that could have a direct and material effect on a major federal program.

- To perform tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

- To determine with reasonable assurance that the Imperial Community College District complied with certain state regulatory requirements.

- To recommend appropriate actions to correct noted deficiencies.



Wilkinson Hadley King & Co. LLP
CPAs and Advisors

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA

218 W. Douglas Avenue • El Cajon, CA 92020
Tel. (619) 447-6700 • Fax (619) 447-6707

Aubrey W. King, CPA
Richard K. Savage, CPA

INDEPENDENT AUDITOR'S REPORT

**The Board of Trustees
Imperial Community College District
Imperial, California**

We have audited the accompanying basic financial statements of the business type activities and the discretely presented component unit of the Imperial Community College District, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Imperial Community College District as of June 30, 2009, and the results of its operations, changes in net assets and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 on 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.

Our audit was performed for the purpose of forming opinions on the District's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the financial and statistical information identified as supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This 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.

Wilkinson Hadley King & Co LLP

El Cajon, California
November 23, 2009

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

INTRODUCTION

The Imperial Community College District (the District) consists of one main campus and two separate extended campus centers. The District serves approximately 8,000 students. Full-Time Equivalent Student (FTES) enrollment for 2008-2009 was 7,426.

The following discussion and analysis provides an overview of the financial position and activities of the Imperial Community College District for the year ended June 30, 2009. Please read it in conjunction with the financial statements and notes thereto which follow this section.

FINANCIAL HIGHLIGHTS

During 2008-09, total full-time equivalent students increased approximately 3.8%. Credit FTES, Non-Credit FTES along with other workload measures, are the basis for the District's state apportionment. Unfortunately only about 29% of the growth was funded. Workload measures directly related to credit/non-credit FTES account for over \$28 million state general apportionment.

Trend of Full Time Students as Reported on the Annual Report

Year	04-05	05-06	06-07	07-08	08-09
FTES	5,995	6,484	6,672	7,154	7,426

OVERVIEW OF THE FINANCIAL STATEMENTS

The District was required to implement the reporting standards of Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 35 on July 1, 2002. This adoption changed the format and the content of the District's basic financial statements. The District is following the Business Type Activity (BTA) model. Rather than issuing fund-type financial statements, this GASB Statement No. 34 requires the following components to be included in the District's financial statements:

- Management's Discussion and Analysis;
- Basic financial statements including a Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the District as a whole; and
- Notes to the financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

Additionally, fund balance is now referred to as Net Assets, and the Statement of Cash Flows is presented using the direct method.

The basic financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the District's activities.

The **Statement of Net Assets** presents the assets, liabilities, and net assets of the District as of the end of the fiscal year and is prepared using the accrual basis of accounting, which is similar to the accounting basis, used by most private sector organizations. The difference between total assets and total liabilities (net assets) is one indicator of the current financial condition of the District, or one way to measure the financial health of the District.

The net assets are divided into three major categories. The first category, Investment in Capital Assets, represents the equity amount in property, plant, and equipment owned by the District. The second category is Expendable Restricted Net Assets. These net assets are available for expenditure by the District, but must be spent for purposes as determined by external entities and/or donors that have placed time or purpose restrictions on the use of the assets. Restrictions can also be enforced through agreements, laws, or regulations of creditors, other governmental agencies, imposed bylaws through constitutional provisions or enabling legislation. The final category is Unrestricted Net Assets that are available to the District 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 such restrictions.

The **Statement of Revenues, Expenses and Changes in Net Assets** represents the operating results of the District. The purpose of the statement is to present the revenues received by the District, both operating and non-operating, the expenses paid by the District, operating and non-operating, and any other revenues, expenses, gains and losses. Thus, this statement presents the District's results of operations.

Changes in total net assets, as indicated on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. Generally, operating revenues are earned for providing goods and services to the various customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to fulfill the mission of the District. Non-operating revenues are those received or pledged for which goods and services are not provided. For example, State appropriations are non-operating revenues because they are provided by the State Legislature to the District without the Legislature directly receiving commensurate goods and services for the revenues.

The **Statement of Cash Flows** provides information about cash receipts and cash payments during the fiscal year, major uses and sources of cash. This statement also helps users assess the District's ability to generate positive cash flows, meet obligations as they become due, and evaluate the need for external financing.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

The Statement of Cash Flows is divided into five parts. The first part reflects operating cash flows and shows the net cash provided by the operating activities of the District. The second part details cash received for non-operating, non-investing and non-capital activities of the institution. The third section deals with the cash used for the acquisition and construction of capital and related financing activities. The fourth part provides information from investing activities. This section reflects the cash received and spent for short-term investment and any interest paid or received on those investments.

The final section reconciles the net cash provided by operating activities to the operating loss reflected on the Statement of Revenues, Expenses and Changes in Net Assets. The net cash reconciliation is shown in the expanded version of the Statement of Cash Flows in the financial statements.

The Statement of Net Assets as of June 30, 2009, is summarized below:

Statement of Net Assets				
	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>	
Current assets	44,545,569	50,606,767	(6,061,198)	
Capital assets	29,686,805	17,567,928	12,118,877	
Total Assets	<u>74,232,374</u>	<u>68,174,695</u>	<u>6,057,679</u>	<u>8.88%</u>
Current liabilities	8,362,784	5,930,240	2,432,544	
Long-term liabilities	62,403,599	52,391,289	10,012,310	
Total Liabilities	<u>70,766,383</u>	<u>58,321,529</u>	<u>12,444,854</u>	<u>21.3%</u>
Net assets				
Invested in capital assets net of related debt	0	1,282,455	(1,282,455)	
Restricted	2,786,278	4,840,956	(2,054,678)	
Unrestricted	679,713	3,729,755	(3,050,042)	
Total Net Assets	<u>3,465,991</u>	<u>9,853,166</u>	<u>(6,387,175)</u>	<u>64.75%</u>
Total Liabilities and Net Assets	<u>74,232,374</u>	<u>68,174,695</u>	<u>6,057,679</u>	<u>8.88%</u>

Total Liabilities had a net increase of \$12.4 million primarily due to the issuance of the remainder of the General Obligation Bonds.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2009, is summarized below:

Statement of Revenues, Expenses and Changes in Net Assets

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>	
Operating revenues	26,742,741	24,979,511	1,763,230	7%
Operating expenses	<u>71,909,030</u>	<u>61,586,221</u>	<u>(10,322,809)</u>	<u>16%</u>
Deficit before depreciation and non-operating income and expense	(45,166,289)	(36,606,710)	(8,559,579)	23%
Depreciation	<u>873,834</u>	<u>648,686</u>	<u>(225,148)</u>	<u>34%</u>
Deficit before non-operating income and expense	(46,040,123)	(37,255,396)	(8,784,727)	23%
Non-operating income and expense, net	<u>39,652,948</u>	<u>36,880,498</u>	<u>2,772,450</u>	<u>7%</u>
Increase (decrease) in net assets	<u>(6,387,175)</u>	<u>(374,898)</u>	<u>(6,012,277)</u>	<u>1,600%</u>

Operating Revenues

The Changes in Net Assets comparison presents the District's results of operation and shows a decrease of \$6,387,175. Operating revenues over operating expenses decreased by \$8,784,727. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense increased by \$2,772,450.

Tuition and fees are generated by the resident, non-resident and foreign fees paid by students attending the District, including fees such as parking fees, community services classes and other related fees.

Non-capital grants and contracts are primarily those received from federal and state sources and used in the instructional and student services programs.

Operating Expenses

Operating expenses are 59.14% related to personnel costs. The balance of operating expenses is for supplies, other services, and capital outlay items below the capitalization threshold, financial aid, insurance, utilities and depreciation expense.

State apportionment is generated based on the FTES reported to the state by the District. The District has experienced increases in FTES but only 29% of the increase was funded in 08-09.

Local property taxes are received through the Imperial County Office of Education. The amount received for property taxes and 98% of the amount charged to students for enrollment (currently

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

\$26.00 per unit) is deducted from the total state general apportionment amount calculated by the state for the District.

The Statement of Cash Flows for the year ended June 30, 2009 is summarized below:

Statement of Cash Flows

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>	
Operating activities	(44,752,692)	(36,430,465)	(8,322,227)	22.8%
Non-capital financing activities	33,442,639	34,804,677	(1,362,038)	3.9%
Capital and related activities	1,223,041	4,004,890	(2,781,849)	69.4%
Investing activities	<u>2,097,317</u>	<u>1,165,217</u>	<u>932,100</u>	<u>80%</u>
Net Increase in Cash and Cash Equivalents	(7,989,695)	3,544,319	(11,534,014)	325%
Cash Balance, Beginning of Year	<u>45,619,448</u>	<u>42,075,129</u>	<u>3,544,319</u>	<u>8.4%</u>
Cash Balance, End of Year	<u><u>37,629,753</u></u>	<u><u>45,619,448</u></u>	<u><u>(7,989,695)</u></u>	<u><u>17.5%</u></u>
Cash Used by Operating Activities	<u><u>(44,752,692)</u></u>	<u><u>(36,430,465)</u></u>	<u><u>(8,322,227)</u></u>	<u><u>22.8%</u></u>

DISTRICT FIDUCIARY RESPONSIBILITY

The District is the trustee, or fiduciary for certain amounts held 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 other financial statements because the District 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.

CAPITAL ASSETS

As of June 30, 2009, the District had over \$40.6 million invested in capital assets. Capital assets consist of land and land improvements; buildings and building improvements, infrastructure, vehicles, data processing equipment and other equipment that met the

**IMPERIAL COMMUNITY COLLEGE DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2009**

capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of \$11 million, leaving a net asset amount of \$29.6 million.

A summary of capital assets net of accumulated depreciation and changes therein is presented below:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>	<u>Change</u>	
Land & Improvements	175,900	175,900	0	0%
Work In Progress	16,023,649	4,060,670	11,962,979	294%
Buildings & Improvements	12,078,966	12,031,458	47,508	.03%
Equipment	1,408,290	1,299,900	108,390	28%
Total	<u>29,686,805</u>	<u>17,567,928</u>	<u>12,118,877</u>	<u>69%</u>

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

The state financial outlook for the next two years does not look bright. The District needs to be very conservative in its spending and it needs to conserve adequate reserves. This is necessary to maintain fiscal stability and to make sure that we have sufficient funds to meet our obligations. The District needs to take into consideration the impact that GASB 45 will have on our general fund.

It is important that we remain prudent fiscally to prevent any serious economic downturn at the District. We need to do so by maintaining a more than required reserve as directed by the President and the Board of Trustees. It is also imperative that the state supports the community college community with a generous COLA and growth on an ongoing basis.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	District	Imperial Valley College Foundation
ASSETS		
Current assets:		
Cash in county treasury	\$ 36,889,337	\$ -
Cash in banks	106,486	29,937
Cash with fiscal agent	615,671	-
Investments	-	1,072,660
Revolving cash	18,259	-
Accounts receivable, net	6,887,818	-
Stores inventory	27,998	-
Total current assets	44,545,569	1,102,597
Non-current assets:		
Capital assets, net of accumulated depreciation	29,686,805	15,000
TOTAL ASSETS	\$ 74,232,374	\$ 1,117,597
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 3,442,914	\$ 39,710
Deferred revenues	2,885,282	-
Compensated absences	694,588	-
Bonds payable - current portion	1,035,000	-
COPS payable - current portion	305,000	-
Total current liabilities	8,362,784	39,710
Non-current liabilities:		
Bonds payable	57,869,987	-
COPS payable	2,080,000	-
Accreted interest	112,853	-
Net OPEB obligation	2,340,759	-
Total non-current liabilities	62,403,599	-
TOTAL LIABILITIES	70,766,383	39,710
NET ASSETS		
Invested in capital assets, net of related debt	-	15,000
Restricted - expendable	2,786,278	957,486
Unrestricted	679,713	105,401
TOTAL NET ASSETS	3,465,991	1,077,887
TOTAL LIABILITIES AND NET ASSETS	\$ 74,232,374	\$ 1,117,597

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2009**

	District	Imperial Valley College Foundation
OPERATING REVENUES		
Tuition and fees	\$ 2,127,125	\$ -
Grants and contracts, non-capital:		
Federal	16,166,202	-
State	7,592,885	-
Local	670,743	228,211
Sales and Commissions	185,786	-
TOTAL OPERATING REVENUES	26,742,741	228,211
OPERATING EXPENSES		
Academic salaries	21,448,747	-
Classified salaries	9,739,084	115,371
Employee benefits	11,858,054	22,620
Supplies, materials and other operating expenses	10,902,211	42,196
Financial aid	14,283,891	248,174
Utilities	858,524	-
Interest and fiscal charges	1,892,061	-
Uncollected enrollment fees	926,458	-
Depreciation	873,834	-
TOTAL OPERATING EXPENSES	72,782,864	428,361
OPERATING LOSS	(46,040,123)	(200,150)
NON-OPERATING REVENUES		
State apportionments, non-capital	28,805,038	-
Local property taxes	7,473,077	-
State taxes and other revenue	1,277,516	-
Interest and investment income	2,097,317	59,653
Net unrealized gain (loss) on investments	-	(106,721)
TOTAL NON-OPERATING REVENUES	39,652,948	(47,068)
INCREASE (DECREASE) IN NET ASSETS	(6,387,175)	(247,218)
NET ASSETS, BEGINNING OF YEAR	9,853,166	1,325,105
NET ASSETS, END OF YEAR	\$ 3,465,991	\$ 1,077,887

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2009**

	District	Imperial Valley College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 2,127,125	\$ -
Federal grants and contracts	16,166,202	-
State grants and contracts	7,592,885	-
Local grants and contracts	670,743	325,301
Sales and commissions	185,786	-
Payments to suppliers	(11,824,898)	(42,196)
Payments to/on behalf of employees	(45,386,644)	(137,991)
Payments to/on behalf of students	(14,283,891)	(248,174)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(44,752,692)	(103,060)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	25,969,562	-
Property taxes	7,473,077	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	33,442,639	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(4,533,596)	-
Proceeds from sale of bonds	8,898,698	-
Principal paid on capital debt	(1,250,000)	-
Interest paid on capital debt	(1,892,061)	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	1,223,041	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	49,247
Interest on investments	2,097,317	59,653
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,097,317	108,900
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,989,695)	5,840
CASH BALANCE, BEGINNING OF YEAR	45,619,448	24,097
CASH BALANCE, END OF YEAR	\$ 37,629,753	\$ 29,937
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (46,040,123)	\$ (247,218)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	873,834	-
Net Unrealized Loss On Investments	-	107,621
Changes in assets and liabilities:		
Receivables, net	(1,921,380)	-
Due from fiduciary funds	17,665	-
Stores inventory	(24,782)	-
Accounts payable	1,442,209	36,537
Deferred revenues	834,781	-
Compensated absences	65,104	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (44,752,692)	\$ (103,060)

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009**

	<u>Associated Students Trust</u>	<u>Scholarship and Loan Trust</u>	<u>Campus Organizations</u>	<u>Totals</u>
ASSETS				
Cash on hand and in banks	77,367	9,674	49,656	136,697
Accounts receivable	-	-	-	-
TOTAL ASSETS	<u>77,367</u>	<u>9,674</u>	<u>49,656</u>	<u>136,697</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	-	-	-	-
Due to governmental funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS				
Unrestricted	77,367	9,674	49,656	136,697
TOTAL NET ASSETS	<u>77,367</u>	<u>9,674</u>	<u>49,656</u>	<u>136,697</u>
TOTAL LIABILITIES AND NET ASSETS	<u>77,367</u>	<u>9,674</u>	<u>49,656</u>	<u>136,697</u>

See the accompanying notes to the financial statements

**IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2009**

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
REVENUES				
Interest and investment income	\$ 75	\$ 181	\$ 59	\$ 315
Local revenues	165,938	357,299	94,399	617,636
TOTAL REVENUES	<u>166,013</u>	<u>357,480</u>	<u>94,458</u>	<u>617,951</u>
EXPENDITURES				
Classified salaries	2,962	-	-	2,962
Scholarships and loans	-	357,813	-	357,813
Other operating expenses	153,425	-	117,498	270,923
Capital outlay	8,953	-	-	8,953
TOTAL EXPENDITURES	<u>165,340</u>	<u>357,813</u>	<u>117,498</u>	<u>640,651</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>673</u>	<u>(333)</u>	<u>(23,040)</u>	<u>(22,700)</u>
FUND BALANCES, BEGINNING OF YEAR	76,694	10,007	72,696	159,397
FUND BALANCES, END OF YEAR	<u>\$ 77,367</u>	<u>\$ 9,674</u>	<u>\$ 49,656</u>	<u>\$ 136,697</u>

See the accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and including Statement No.35, Basic Financial Statements and Management Discussion and Analysis of Public Colleges and Universities, issued in June and November 1999 and *Audits of State and Local Governmental Units* issued by the American Institute of Certified Public Accountants.

The financial statement presentation required by GASB No. 34 and No. 35 provides a comprehensive entity-wide perspective of the District's financial activities. The entity-wide perspective replaces the fund-group perspective previously required. Fiduciary activities, with the exception of the Student Financial Aid Fund, are excluded from the basic financial statements.

The budgetary and financial accounts of the district have been recorded and maintained in accordance with the Chancellor's Office of the California Community College's *Budget and Accounting Manual*. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

B. Reporting Entity

Imperial Community College District is a political subdivision of the State of California and provides higher educational services in the County of Imperial, State of California. The District is classified as a state instrumentality under Internal Revenue Code Section 115, and is also classified as a charitable organization under Internal Revenue Code 501 © 3, and is therefore exempt from federal and state income taxes.

In evaluating how to define the District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles and GASB Statement No. 14. The District evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the District to determine if its omission from the reporting entity would result in financial statements, which are misleading or incomplete.

GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the District, its component units or its constituents; and 2) The District or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the District. Based on these criteria, the District has one component unit, the Imperial Valley College Foundation. In addition, the District is not a component unit of any reporting entity as defined by the GASB statement. The Imperial Valley College Foundation also issues a separate audited financial report, which can be obtained from the District or the Foundation.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

For financial reporting purposes, the District is considered a special-purpose government engaged in business-type activities. Accordingly, the District's basic financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting.

Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When the District incurs an expenditure or an expense for which both unrestricted and restricted resources may be used, it is the District's policy to use restricted resources first, and then unrestricted resources.

To ensure compliance with the California Education Code, the financial resources of the District are divided into separate funds for which separate accounts are maintained for recording cash, other resources and all related liabilities, obligations and equities.

By state law, the District's governing board must approve a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. Budgets for all governmental funds were adopted on a basis consistent with generally accepted accounting principles.

The District's governing board revises these budgets during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. Expenditures cannot legally exceed appropriations by major object account.

In accordance with GASB Statement No. 20, the District follows all GASB statements issued prior to November 30, 1989 until subsequently amended, superceded or rescinded. The District has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989 unless FASB conflicts with GASB. The District has elected to not apply FASB pronouncements issued after the applicable date.

D. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances were liquidated at June 30 since they do not constitute expenditures or liabilities.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets Liabilities, and Equity

1. Cash and Cash Equivalents

The California Government Code requires 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% of an agency's deposits. California law also allows financial institutions to secure an agency's deposits by pledging first trust deed mortgage notes having a value of 150% of an agency's total deposits, and collateral is considered to be held in the name of the District. All District cash held by financial institutions is entirely insured or collateralized.

In accordance with Education Code Section 41001, the District maintains a substantial amount of its cash in the Imperial County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates fair value, in accordance with the requirements of GASB Statement No. 31. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648 et. seq. The funds maintained by the county are either secured by federal depository insurance or are collateralized. Restricted cash and cash equivalents are those amounts externally restricted as to use pursuant to the requirements of the District's grants and contracts amounts. Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

2. Accounts Receivable

Accounts receivable consists primarily of amounts due from the Federal government, State and local governments or private resources, in connection with reimbursement of allowable expenditures made pursuant to the District's grant and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. There were no significant receivables, which are not scheduled for collection within one year of year-end.

3. Inventory

Inventory is valued at the lower of cost or market utilizing the first-in first-out method and consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption.

4. Compensated Absences

In accordance with GASB Statement No. 16, accumulated unpaid employee vacation benefits are recognized as liabilities of the District as compensated absences in the Statement of Net Assets. Accumulated employee sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued)

5. Capital Assets

Capital assets are recorded at the date of acquisition. Donated capital assets are recorded at their estimated fair value at the date of donation. For equipment, the District's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Buildings as well as renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Interest incurred during construction is not capitalized.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is recorded in operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method with a half-year convention over the estimated useful lives of the assets, generally 25-50 years for buildings, 20-25 years for building and land improvements, and 5-15 years for equipment and vehicles.

6. Net Assets

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

Restricted net assets - expendable: Restricted expendable net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar fund types in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The District has no restricted assets -- nonexpendable.

Unrestricted net assets: Unrestricted net assets represent resources available to be used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board, as designated, to meet current expenses for specific future purposes.

7. Deferred Revenue

Deferred revenue arises when potential revenue does not meet the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to qualifying expenditures. In future periods, when both revenue recognition criteria are met or when the District has a claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

Secured property taxes attach as an enforceable lien on property as of March 1. Taxes are payable in two installments on November 15 and March 15. Unsecured property taxes are payable in one installment on or before August 31. The County of Imperial bills and collects the taxes for the District. Real and personal property tax revenues are reported in the same manner in which the county auditor records and reports actual property tax receipts to the Department of Education. This is generally on a cash basis.

G. On-Behalf Payments

GASB Statement No. 24 requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of California makes direct on-behalf payments for retirement benefits to the State Teachers Retirement System on behalf of all community college districts in California; however, a fiscal advisory was issued by the California Department of Education instructing districts not to record revenue and expenditures for these on-behalf payments. The amount of on-behalf payments made for the District is estimated at \$900,457.

H. Classification of Revenues

The District has classified its revenues as either operating or non-operating revenues according to the following criteria: Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as student fees and Federal and most State and local grants and contracts. Non-operating revenues - Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as state apportionments, taxes, and other revenue sources that are defined as non-operating revenues by GASB No. 9 Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting, and GASB No. 33, such as investment income.

I. Tuition and Fees

Student tuition and fee revenues, and certain other revenues from students, are reported in the statement of revenues, expenses, and changes in net assets. Certain governmental grants, such as Pell Grants, and other federal, state or nongovernmental programs are recorded as operating revenues in the District's financial statements.

J. Accounting Changes

As a result of the adoption of GASB Statements No. 34 and No.35, the District was also required to make certain changes in accounting principles, specifically the adoption of depreciation on capital assets for all funds and the recording of long-term debt. Net assets at July 1, 2008 were decreased \$37,532,078 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2009.

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those reported.

NOTE 2 - CASH AND INVESTMENTS

Cash in County Treasury

In accordance with Education Code Section 41001, the district maintains a significant portion of its cash in the Imperial County Treasury as part of the common investment pool (\$36,889,337 as of June 30, 2009).

The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

In accordance with GASB 31, investments in the cash in county treasury should be recorded at fair value. However, the District determined that the fair value approximates cost; therefore, no adjustment was made to reflect the difference.

Cash on Hand, in Banks, in Certificates of Deposit, and in Revolving Funds

Cash balances on hand and in banks for all fund types (\$243,183 as of June 30, 2009) and in revolving funds (\$18,259) are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is entirely insured or collateralized.

Cash with Fiscal Agent

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. These custodial risk categories are as follows:

Category 1 - Investments that are insured, registered or held by its agent in the District's name.

Category 2 - Investments that are uninsured and unregistered held by the counter party's trust department or agent in the District's name.

Category 3 - Uninsured and unregistered investments held by the counter party, its trust department or its agent, but not in the District's name.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District's investments at June 30, 2009 are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Money Market Funds	\$ -	\$ 355,367	\$ -	\$ 355,367	\$ 355,367
U.S. Treasury Obligations	-	260,304	-	260,304	260,304
Totals	<u>\$ -</u>	<u>\$ 615,671</u>	<u>\$ -</u>	<u>\$ 615,671</u>	<u>\$ 615,671</u>

Investment Accounting Policy

The District is required by GASB Statement No. 31 to disclose its policy for determining which investments, if any, are reported at amortized cost.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure.

However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value.

All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments, which have a remaining term of one year or less at a time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3 - ACCOUNTS RECEIVABLE

Governmental funds accounts receivable at June 30, 2009 consists of the following:

Federal	\$ 862,427
State	4,839,458
Local	980,601
Interest	<u>205,332</u>
Total	<u>\$ 6,887,818</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital asset activity is as follows:

	<u>Balance July 1, 2008</u>	<u>Net Change in Capital Assets</u>	<u>Balance June 30, 2009</u>
<u>Capital Assets</u>			
Land	\$ 175,900	\$ -	\$ 175,900
Site Improvements	5,704,963	-	5,704,963
Buildings	15,341,824	662,200	16,004,024
Equipment	2,399,979	367,532	2,767,511
Work in Progress	4,060,670	11,962,979	16,023,649
Total Cost	<u>27,683,336</u>	<u>12,992,711</u>	<u>40,676,047</u>
<u>Accumulated Depreciation</u>			
Site Improvements	(631,367)	(240,206)	(871,573)
Buildings	(8,383,962)	(374,486)	(8,758,448)
Equipment	<u>(1,100,079)</u>	<u>(259,142)</u>	<u>(1,359,221)</u>
Total Accumulated Depreciation	<u>(10,115,408)</u>	<u>(873,834)</u>	<u>(10,989,242)</u>
Net Capital Assets	<u>\$ 17,567,928</u>	<u>\$ 12,118,877</u>	<u>\$ 29,686,805</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund activity has been eliminated in the basic financial statements as required by GASB No.34.

NOTE 6 - BONDS PAYABLE

In August 2002, the District entered into a trust indenture with the California Community College Financing Authority to issue lease revenue bonds in order to provide funding for the implementation of a District-wide computer and software networking system. The bonds consist of Series 2002A bonds of which the District's portion of the issuance was \$3,370,000. Interest is payable February 1 and August 1 of each year, commencing on February 1, 2003 at rates ranging from 1.4% to 5.0%. Principal is payable on August 1 of each year commencing on August 1, 2003 and through the maturity date August 1, 2017.

In January 2005, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2005A in the amount of \$24,500,000. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2005 at rates ranging from 3.30% to 7.00%. Principal is payable August 1, commencing August 1, 2006 and through the maturity date August 1, 2029.

In November 2006, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2006B in the amount of \$13,285,473. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2007 at rates ranging from 4.00% to 4.25%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2031.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 6 - BONDS PAYABLE (Continued)

In November 2007, the District authorized the sale and issuance of General Obligation Bonds, Election of 2004, and Series 2007C in the amount of \$11,915,816. Proceeds from the sale of the bonds will be used to finance the addition and modernization of college facilities for the District. Interest is payable February 1 and August 1, commencing August 1, 2008 at rates ranging from 4.00% to 7.00%. Principal is payable on August 1, commencing August 1, 2009 and through the maturity date August 1, 2032.

In May 2009, the district issued \$3,031,779 in General Obligation Bonds in order to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at variable interest rates ranging from 3.6%-6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2009, and through the maturity date August 1, 2033.

In May 2009, the District issued \$5,866,919 in General Obligation Bonds in order to provide funding for college facilities projects as stated in the ballot measure for the District. Interest is payable semi-annually on February 1 and August 1 of each year at an interest rate of 6.9% commencing August 1, 2009. Principal is payable on August 1 of each year commencing August 1, 2033 and through the maturity date August 1, 2037.

The outstanding bonded debt of the District as of June 30, 2009 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2008	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2009
2002	1.4%-5.0%	2017	\$ 3,370,000	\$ 2,430,000	\$ -	\$ 200,000	\$ 2,230,000
2005	3.3%-7.0%	2029	24,500,000	23,330,000	-	755,000	22,575,000
2006	4.0%-4.3%	2031	13,285,473	13,285,473	-	-	13,285,473
2007	4.0%-7.0%	2032	11,915,816	11,915,816	-	-	11,915,816
2008	3.6%-6.9%	2034	3,031,779	-	3,031,779	-	3,031,779
2009	6.9%	2038	5,866,919	-	5,866,919	-	5,866,919
Totals			<u>\$ 61,969,987</u>	<u>\$ 50,961,289</u>	<u>\$ 8,898,698</u>	<u>\$ 955,000</u>	<u>\$ 58,904,987</u>

The annual requirements to amortize lease revenue bonds and general obligation bonds payable outstanding as of June 30, 2009 is as follows:

Year Ending June 30	Principal	Interest	Total
2010	\$ 1,035,000	\$ 1,631,842	\$ 2,666,842
2011	1,180,000	1,577,498	2,757,498
2012	1,335,000	1,508,854	2,843,854
2013	1,400,000	1,430,640	2,830,640
2014	1,575,000	1,358,190	2,933,190
2015-2019	10,033,755	6,686,292	16,720,047
2020-2024	11,641,493	8,252,491	19,893,984
2025-2029	15,199,488	10,534,572	25,734,060
2030-2034	11,030,330	21,546,395	32,576,725
2035-2039	4,474,921	25,910,079	30,385,000
Totals	<u>\$58,904,987</u>	<u>\$80,436,853</u>	<u>\$139,341,840</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 7 - COPS PAYABLE

In June 2004, the District issued Certificates of Participation in the amount of \$3,500,000 to finance construction of certain new projects and other improvements to school facilities within the District. Interest is payable on February 1 and August 1 of each year commencing February 1, 2005 at rates ranging from 2.50-4.85%. Principal is payable on August 1 of each year, commencing August 1, 2005 and through the maturity date August 1, 2014.

<u>Date of Issuance</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amounts Outstanding Issue</u>	<u>Amounts Outstanding July 1, 2008</u>	<u>Issued Current Year</u>	<u>Redeemed Current Year</u>	<u>Amounts Outstanding June 30, 2009</u>
2004	2.5%-4.9%	2014	<u>\$ 3,500,000</u>	<u>\$ 2,680,000</u>	<u>\$ -</u>	<u>\$ 295,000</u>	<u>\$ 2,385,000</u>

The annual requirements to amortize COPS payable outstanding as of June 30, 2009 is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 305,000	\$ 99,720	\$ 404,720
2011	320,000	87,601	407,601
2012	330,000	74,189	404,189
2013	345,000	59,629	404,629
2014	360,000	43,622	403,622
2015	<u>725,000</u>	<u>17,581</u>	<u>742,581</u>
Totals	<u>\$ 2,385,000</u>	<u>\$ 382,342</u>	<u>\$ 2,767,342</u>

NOTE 8 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2009 is shown below:

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>	<u>Amount Due In One Year</u>
Bonds Payable	\$ 50,961,289	\$ 8,898,698	\$ 955,000	\$ 58,904,987	\$ 1,035,000
COPS Payable	2,680,000	-	295,000	2,385,000	305,000
Accreted Interest	-	112,853	-	112,853	-
Net OPEB Obligation	-	<u>3,490,989</u>	<u>1,150,230</u>	<u>2,340,759</u>	-
Totals	<u>\$ 53,641,289</u>	<u>\$ 12,502,540</u>	<u>\$ 2,400,230</u>	<u>\$ 63,743,599</u>	<u>\$ 1,340,000</u>

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Imperial Community College District (District) administers a single-employer healthcare plan (Plan). For faculty members, the plan provides lifetime retiree health, dental, and vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 55 up to age 60 with at least fourteen years of eligible service. Retirement on or after age 61 up to age 64 requires age plus service to meet or exceed seventy-four while retirement on or after age 65 requires nine years of service. For faculty hired prior to July 1, 1983, retirement on or after age 55 requires only eight years of service.

For classified employees, the plan provides lifetime retiree health, dental, vision benefits to eligible retirees and their dependents. Eligibility for retiree benefits requires retirement on or after a minimum age of 50 with at least twelve years of eligible service. In addition, the retiree age plus years of service must be at least seventy to be eligible for retiree benefits. Lifetime benefits are provided for retirees and dependents with the exception of vision benefits which expire after the retiree reaches age 65. Membership of the plan consists of approximately 335 eligible active employees and 120 eligible retirees.

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the local California Service Employees Association (CSEA) for classified staff and the California Teachers Association (CTA) for faculty. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008-09, the District contributed \$1,150,230 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the District's net obligation to the Plan:

Annual required contribution	\$ 3,490,989
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contribution made	<u>(1,150,230)</u>
Increase in net OPEB obligation	2,340,759
Net OPEB obligation, beginning of	-
Net OPEB obligation, end of year	\$ <u>2,340,759</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 9 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2009 was as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2009	\$ 3,490,989	32.9%	\$ 2,340,759

Funding Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Since this is the first year of implementation, only the current year is presented.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the November 1, 2008 actuarial valuation, the actuarial cost method used was the entry age normal cost method. Under this method, an average age at hire and average retirement age are determined for eligible employees. Then, it is determined what amount needs to be expensed each year from hire to retirement to fully accrue the expected cost of retiree health benefits. This amount is the normal cost and is expressed as a level percentage of payroll where the amortization payment would increase each year based on covered payroll. The normal cost for a plan year is the expected increase in the accrued liability during the plan year. All employees eligible as of the measurement date in accordance with the provisions of the Plan listed in the data provided by the employer were included in the valuation.

Medical cost trend rates were assumed to be 4% per year. The UAAL is being amortized at a level percentage of payroll method with the remaining amortization period at July 1, 2009 of 29 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 10 - DEFERRED REVENUE

Deferred revenue consists of federal, state, and local revenues that have been received as of June 30, 2009 for the subsequent 2009-10 fiscal year. As of June 30, 2009 the District's deferred revenue balance consists of the following:

	<u>General Fund</u>
Federal Revenues	\$ 4,163
State Revenues	707,809
Local Revenues	2,173,310
Total	\$ 2,885,282

NOTE 11 - COMMITMENTS AND CONTINGENCIES

Litigation

The District is periodically involved in various litigation. In the opinion of management and legal counsel, the disposition of all litigation pending will not have a material effect on the District's basic financial statements.

Sick Leave

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, therefore, are never paid for any sick leave balance at termination of employment or any other time. It is, therefore, not appropriate to accrue the value of accumulated sick leave.

State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees of the district 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 Public Employees' Retirement System (PERS).

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

STRS:

Plan Descriptions

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries.

Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

Funding Policy

Active plan members are required to contribute 8.0% of their salary 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 STRS Teachers' Retirement Board.

The required employer contribution rate for fiscal year 2008-09 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal year ending June 30, 2009, 2008, and 2007 were \$1,646,040, \$1,594,841, and \$1,411,731 respectively, and equal 100% of the required contributions for each year.

PERS:

Plan Descriptions

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (PERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law.

PERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the PERS annual financial report may be obtained from the PERS Executive Office, 400 P Street, Sacramento, California 95814.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

Funding Policy

Active plan members are required to contribute 7.0% of their salary 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 PERS Board of Administration.

The required employer contribution rate for fiscal year 2008-09 was 9.42% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to PERS for the fiscal year ending June 30, 2009, 2008, and 2007 were \$752,901, \$678,727, and \$583,779, respectively, and equal 100% of the required contributions for each year.

NOTE 13 - RISK MANAGEMENT

Description

The District's risk management activities are recorded in the General and Internal Service Funds. The purpose of the funds is to administer employee dental, property and liability, and workers' compensation insurance programs of the District.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has one self-insurance fund (Internal Service Fund) to account for and finance its uninsured risks of loss. The General and Internal Service Funds provide dental and vision coverage to employees.

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 14 - JOINT VENTURES (JOINT POWERS AGREEMENT)

The Imperial Community College District participates in two joint powers agreements (JPA's) with the Imperial County School Districts Property and Liability Authority (ICSDPL) and the Self-Insured Program for Imperial County (SIPIC). The relationship between the Imperial Community College District and the JPA's is such that the JPA's are not a component unit of the Imperial Community College District for financial reporting purposes. The JPA's arrange for and provide workers compensation, health, property and liability insurance for its members. A board consisting of a representative from each member district governs each JPA. The board controls the operations of each JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in each JPA. Financial information for the JPA's at June 30, 2009 was not available.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

NOTE 15 - COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

The following are funds having deficit balances or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount/Remarks</u>
None Reported	Not Applicable

NOTE 16- FUNCTIONAL EXPENSES

	<u>Salaries and Benefits</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Other Outgo</u>	<u>Total</u>
Instructional Activities	\$ 18,491,396	\$ 566,376	\$ 165,837	\$ -	\$ 19,223,609
Academic Support	10,204,556	2,070,532	623,438	-	12,898,526
Student Services	3,221,042	461,267	6,370	104,195	3,792,874
Plant Operations	2,248,625	3,489,053	14,714,845	-	20,452,523
Instructional Support	4,304,653	1,856,930	51,068	-	6,212,651
Community Services	199,242	185,012	2,707	-	386,961
Ancillary Services	1,312,001	516,000	83,709	-	1,911,710
Auxiliary Operations	658,507	-	-	-	658,507
Long-Term Debt	-	-	-	3,272,236	3,272,236
Student Aid	-	-	-	14,179,696	14,179,696
Totals	<u>\$ 40,640,022</u>	<u>\$ 9,145,170</u>	<u>\$ 15,647,974</u>	<u>\$ 17,556,127</u>	<u>\$ 82,989,293</u>

NOTE 17- SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

In August 2009, the District issued 2009-10 Tax and Revenue Anticipation Notes in the amount of \$6,000,000. The notes were sold to supplement cash flow and yield 3.00% interest. The notes mature on May 31, 2010 and repayment requirements are that fifty percent of principal be deposited with the fiscal agent in January 2010 and fifty percent of principal be deposited with the fiscal agent in May 2010.

SUPPLEMENTARY INFORMATION

**IMPERIAL COMMUNITY COLLEGE DISTRICT
ORGANIZATION
JUNE 30, 2009**

The Imperial Community College District is located in the city of Imperial, California. The District presently operates one primary campus with three extended campus centers within the County of Imperial. There have been no changes in the District's boundaries during the current year.

The Governing Board for the fiscal year ended June 30, 2009 was composed of the following members:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Carlos Acuna	President	November 2009
Norma Sierra Galindo	Clerk	November 2009
Rebecca Ramirez	Board Member	November 2009
Romualdo J. Medina	Board Member	November 2011
Jerry D. Hart	Board Member	November 2011
Louis Wong	Board Member	November 2011
Rudy Cardenas, Jr.	Board Member	November 2011

EXECUTIVE AND SENIOR ADMINISTRATION

Dr. Ed Gould
Superintendent/President

John Lau
Vice President for Business Services

Kathy Berry
Vice-President for Academic Services

Dr. Victor Jaime
Vice-President for Student Services

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
 ANNUALIZED ATTENDANCE AS OF JUNE 30, 2009**

	<u>Reported and Audited Annual FTES</u>
<u>Categories</u>	
Credit Full-Time Equivalent Student (FTES)	
Weekly Census	5,608.57
Daily Census	764.84
Actual Hours of Attendance	126.58
Independent Study/Work Experience	333.52
Summer Intersession	<u>518.49</u>
Total	<u><u>7,352.00</u></u>
Noncredit FTES	
Actual Hours of Attendance	116.29
Summer Session	<u>34.66</u>
Total	<u><u>150.95</u></u>
Credit Student Headcount	
Fall Session - 2008	9,094
Spring Session - 2009	<u>8,161</u>
Gross Square Footage	
Existing Facilities	<u>268,080</u>

**IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311)
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Form CCFS-311 to the audited financial statements based upon governmental accounting principles. Additional entries were made to comply with the GASB 34/35 requirements. These entries are not considered audit adjustments for purposes of this reconciliation.

The fund balances for all funds as reported in the accompanying audited financial statements are in agreement with the fund balances reported by the District in their Annual Financial and Budget Report (CCFS-311).

**IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Federal Programs:			
U.S. Department of Education:			
Pell Grant	84.063	-	\$ 11,776,418
Upward Bound	84.047	-	708,149
Supplemental Educational Opportunity Grant	84.007	-	455,099
Federal College Work Study	84.033	-	392,376
Student Support Services	84.042	-	423,503
Talent Search	84.044	-	342,825
Tech Prep	84.048	-	17,570
Pell Administration	84.063	-	21,035
Academic Competitiveness	84.375	-	19,900
Title V-Project Acceso	84.031	-	479,844
Passed Through San Diego State University			
Title V-Rural Hispanics	84.031	-	716,701
Passed Through California Department of Education			
Title I-Part C VTEA	84.048	03577	478,181
Passed Through Southwestern Community College District			
Small Business Administration	84.153	12463	<u>135,691</u>
Total U.S. Department of Education			<u>15,967,292</u>
U.S. Department of Health and Human Services:			
Passed Through State Chancellors Office			
Temporary Assistance For Needy Families	93.558	02187	<u>63,729</u>
U.S. Department of Veterans Affairs:			
Veterans Education	64.116	-	<u>2,312</u>
U.S. Department of Housing and Urban Development:			
Hispanic-Servicing Institutions Assisting Communities	14.514	-	<u>73,008</u>
U.S. Department of Agriculture:			
Nutrition Program	10.555	-	<u>39,863</u>
Total Expenditures of Federal Awards			<u>\$ 16,146,204</u>

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Imperial Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*, requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 and state requirements.

B. Schedule of Workload Measures for State General Apportionment

Full Time Equivalent Students (FTES) is a measurement of the number of pupils attending classes of the District on a full time basis.

The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to the community college districts. This schedule provides information regarding the attendance of students throughout the District.

C. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the Form CCFS-311 to the audited financial statements.

**IMPERIAL COMMUNITY COLLEGE DISTRICT
 SCHEDULE OF FUNDING PROGRESS-BENEFITS PLAN
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/09	\$ -	\$ 33,206,084	\$ 33,206,084	-	\$ 31,122,727	100%

APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

December 29, 2010

Board of Trustees
Imperial Community College District
380 East Aten Road
Imperial, California 92251

OPINION: \$14,000,956 Imperial Community College District
(Imperial County, California) 2010 General Obligation Bond
Anticipation Notes

Members of the Board of Trustees:

We have acted as bond counsel to the Imperial Community College District (the "District") in connection with the issuance by the District of its Imperial Community College District (Imperial County, California) 2010 General Obligation Bond Anticipation Notes in the aggregate principal amount of \$14,000,956 (the "Notes"), under Section 15150 of the California Education Code (the "Note Law") and under a resolution of the Board of Trustees (the "Board") of the District adopted on November 17, 2010 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District and the County of Imperial and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The District is duly established and validly existing as a community college district with the power to issue the Notes and to perform its obligations under the Resolution and the Notes.
2. The Resolution has been duly adopted by the Board and constitutes the valid and binding obligation of the District enforceable against the District in accordance with its terms.
3. The Notes have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District, and the County of Imperial is obligated under the laws of the State of California to levy *ad valorem* taxes for the payment of the Notes and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, which must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Resolution and in other instruments relating to the Notes to comply with each of such requirements; and the District has full legal authority to make and comply with such covenants. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

5. The interest on the Notes is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX C

IMPERIAL COUNTY DEMOGRAPHIC INFORMATION

The following information concerning Imperial County is included only for the purpose of supplying general information regarding the area of the District. The Certificates are not a debt of the County, the State or any of its political subdivisions, and neither the County, the State nor any of its political subdivisions is liable therefor.

General Information

Imperial County is located in the southeast corner of California. It is bordered on the north by Riverside County, on the west by San Diego County, on the south by Mexico and on the east by the Colorado River, which forms the boundary between California and Arizona. It covers an area of 4,284 square miles. The county has an average annual rainfall of less than three inches, and three fourths of the area is desert sand and rugged mountains. Parts of the county are below sea level.

Imperial County is one of the state's major agricultural producers. Farming is done in the Imperial Valley, an approximately one thousand square mile area. An extensive irrigation system has been developed and adequate water is supplied from the Colorado River through the All-American Canal. There is a year round growing season with a mean monthly temperature ranging from 55 degrees to 90 degrees. The City of El Centro, the largest of three major cities in the Imperial Valley, is the county seat and the principal trading center of the county. Calexico and Brawley are the second and third largest cities.

Population

The population of Imperial County increased to 183,029 as of January 1, 2010 according to the California Department of Finance estimates. This total represents an annual increase of approximately 2.0%.

COUNTY OF IMPERIAL Population Estimates

<u>Area</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Brawley	24,014	25,554	25,694	26,513	26,976	27,743
Calexico	36,229	36,840	37,552	38,733	39,380	40,075
Calipatria	7,900	7,837	7,773	7,774	8,111	8,233
El Centro	40,982	42,116	42,071	43,316	44,303	45,365
Holtville	5,738	5,861	6,299	6,467	6,521	6,641
Imperial	9,555	10,167	11,852	12,752	12,985	13,374
Westmoreland	2,441	2,378	2,372	2,406	2,429	2,416
Unincorporated	<u>34,762</u>	<u>36,273</u>	<u>39,059</u>	<u>38,197</u>	<u>38,723</u>	<u>39,182</u>
Total County ⁽¹⁾	161,621	167,026	172,672	176,158	179,428	183,029

⁽¹⁾ Totals may not add due to independent rounding.

Source: U.S. Census and State of California, Department of Finance.

Industry

The table below lists employment by industry group for Imperial County for the years 2005 through 2009.

COUNTY OF IMPERIAL Average Annual Labor Force Employment by Industry Group

	2005	2006	2007	2008	2009
Civilian Labor Force ⁽¹⁾	61,600	64,200	68,100	72,700	76,200
Employment	51,900	54,400	55,800	56,500	54,700
Unemployment	9,700	9,800	12,300	16,300	21,500
Unemployment Rate	15.8%	15.3%	18.0%	22.4%	28.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	10,600	12,100	11,800	11,400	9,200
Natural Resources, Mining, Construction	1,900	2,000	1,900	1,700	1,500
Manufacturing	2,300	2,500	2,600	2,500	2,300
Wholesale Trade	1,700	1,600	1,900	1,800	1,700
Retail Trade	7,300	7,800	7,500	7,600	7,000
Transportation, Warehousing and Utilities	1,800	1,800	1,700	1,800	1,800
Information	400	400	400	400	400
Financial Activities	1,300	1,400	1,400	1,300	1,300
Professional and Business Services	2,200	2,700	2,700	3,000	2,700
Educational and Health Services	2,800	2,900	2,900	3,400	3,800
Leisure and Hospitality	3,100	3,200	3,500	3,600	3,400
Other Services	1,000	1,100	1,200	1,000	900
Federal Government	1,900	1,900	2,100	2,200	2,500
State Government	2,600	2,600	2,800	2,900	3,000
Local Government	12,200	12,800	13,400	13,400	13,300
Total all Industries ⁽³⁾	53,000	56,700	57,700	58,200	54,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: California Employment Development Department.

Largest Employers

The following table lists the largest employers within the County as of January 2010, listed alphabetically.

MAJOR EMPLOYERS County Of Imperial As of January 2010

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
Allstar Seed Co	El Centro	Exporters
Calexico Hospital	Calexico	Hospitals
Centinela State Prison	Imperial	State Govt. – Correctional Institutions
Central Union High School	El Centro	Schools
Clinicas De Salud Del Pueblo	Brawley	Clinics
Corrections Dept	Calipatria	State Govt-Correctional Institutions
El Centro Naval Air Facility	El Centro	Federal Government-National Security
El Centro Regional Medical Ctr	El Centro	Hospitals
Imperial Cnty Behavioral Hlth	El Centro	Government Offices-County
Imperial County Behavioral Svc	El Centro	Government Offices-County
Imperial County Coroner	El Centro	Government Offices-County
Imperial County Office of Educ.	El Centro	Office of Education
Imperial Date Gardens	Winterhaven	Dates-Edible
Maui Harvesting	Winterhaven	Harvesting-Cotract
National Beef	Brawley	Meat Packers (Mfrs)
Paradise Casino	Winterhaven	Casinos
Pioneers Memorial Hospital	Brawley	Hospitals
Spreckels Sugar Co. Inc.	Brawley	Sugar Refiners (Mfrs.)
Target	El Centro	Department Stores
United States Gypsum Co	El Centro	Gypsum & Gypsum Products (Manufacturers)
US Border Patrol	El Centro	Federal Government-International Affairs
Wal-Mart Supercenter	Calexico	Department Stores
Wal-Mart Supercenter	El Centro	Department Stores
West Shores Roadrunner	El Centro	Transportation Lines
Zinn Packing Co. Inc.	Calipatria	Fruits & Vegetables – Growers & Shippers

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database.

Commercial Activity

During the first three quarters of calendar year 2009, total taxable transactions in the County were reported to be \$1,278,064,000, a 19.7% decrease from the total taxable transactions of \$1,591,533,000 that were reported in the County during the first three quarters of calendar year 2008. A summary of historic taxable sales within the County from 2003 through 2008 is shown in the following table. Annual data is not yet available for 2009.

COUNTY OF IMPERIAL Taxable Transactions (Dollars in Thousands)

<u>Business</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Apparel stores group	\$51,339	\$51,473	\$80,237	\$86,604	\$95,427	107,728
General merchandise group	302,743	335,303	396,770	442,713	456,201	427,442
Specialty stores group	65,450	68,203	82,981	87,633	88,436	#
Food stores group	84,272	93,058	92,916	95,307	97,041	82,225
Eating & drinking group	101,061	111,321	134,891	147,863	152,502	151,342
Household group	15,759	17,276	20,536	19,220	15,538	28,796
Building materials group	72,318	82,646	132,706	150,593	117,103	80,411
Automotive group	327,806	369,811	404,315	441,664	258,392	209,247
Service Stations	#	#	#	#	#	190,187
All other retail stores group	<u>86,069</u>	<u>87,316</u>	<u>91,193</u>	<u>95,051</u>	<u>173,688</u>	<u>149,532</u>
Retail Stores Total	1,106,817	1,216,407	1,436,545	1,566,648	1,554,028	1,426,909
Business and Personnel	52,217	60,683	69,023	67,335	93,077	73,275
All other outlets	<u>369,852</u>	<u>412,449</u>	<u>495,051</u>	<u>514,747</u>	<u>606,028</u>	<u>679,092</u>
TOTAL ALL OUTLETS	<u>\$1,528,886</u>	<u>\$1,689,539</u>	<u>\$2,000,619</u>	<u>\$2,148,730</u>	<u>\$2,253,133</u>	<u>\$2,179,276</u>

Categories not represented.

Source: State Board of Equalization.

Construction Trends

COUNTY OF IMPERIAL Total Building Permit Valuations (Valuations in Thousands)

<u>Permit Valuation</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
New Single-family	\$214,228.5	\$442,042.7	\$101,221.1	\$40,193.0	\$32,434.8
New Multi-family	52,656.5	14,779.2	27,281.1	17,619.9	705.1
Res. Alterations/Additions	<u>5,702.9</u>	<u>9,863.5</u>	<u>9,637.1</u>	<u>4,843.5</u>	<u>7,337.8</u>
Total Residential	27,588.0	466,685.4	138,139.4	62,656.3	40,477.7
New Commercial	74,745.0	36,691.9	57,280.7	23,839.8	4,455.2
New Industrial	7,687.9	0.0	6,440.3	3,744.0	0.0
New Other	11,815.9	11,944.3	14,171.6	10,451.3	5,959.2
Com. Alterations/Additions	<u>10,488.1</u>	<u>17,424.1</u>	<u>16,173.7</u>	<u>12,039.1</u>	<u>10,369.2</u>
Total Nonresidential	104,737.0	66,060.2	94,066.3	50,074.120,3	20,783.6
				19	
New Dwelling Units					
Single Family	1,330	2,722	670	233	183
Multiple Family	<u>827</u>	<u>252</u>	<u>409</u>	<u>231</u>	<u>12</u>
TOTAL	2,157	2,974	1,079	464	195

Source: Construction Industry Research Board, Building Permit Summary.

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 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.”

The following table summarizes the total effective buying income for Imperial County, the State and the United States for the period 2003 through 2009.

Imperial County Effective Buying Income 2003 through 2009

<u>Year</u>	<u>Area</u>	<u>Total Effective Buying Income (000's Omitted)</u>	<u>Median Household Effective Buying Income</u>
2003	Imperial County	\$ 1,520,030	\$30,215
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	Imperial County	\$ 1,682,588	\$31,989
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	Imperial County	\$ 1,795,380	\$33,115
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	Imperial County	\$ 1,926,020	\$33,726
	California	764,120,963	46,275
	United States	6,107,092,244	41,255
2007	Imperial County	\$ 2,027,098	\$33,896
	California	814,894,438	48,203
	United States	6,300,794,040	41,792
2008	Imperial County	\$ 1,905,510	31,271
	California	832,531,445	48,952
	United States	6,443,994,426	42,303
2009	Imperial County	\$ 2,026,640	\$32,245
	California	844,823,319	49,736
	United States	6,571,536,768	43,252

Source: Sales & Marketing Management Survey of Buying Power for 2002 through 2004; Claritas Demographics for 2005-2009.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Imperial Community College District (the "District") in connection with the issuance of \$14,000,956 aggregate principal amount of and Imperial Community College District 2010 General Obligation Bond Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Trustees of the District on November 17, 2010 (the "Note 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 Notes and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

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

"*Annual Report*" means any Annual Report provided by the District under and as described in Sections 3 and 4.

"*Annual Report Date*" means the date that is nine months after the end of the District's fiscal year (currently March 31 based on the District's fiscal year end of June 30).

"*Dissemination Agent*" means the District or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"*Listed Events*" means any of the events listed in Section 5(a).

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

"*Participating Underwriter*" means any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"*Rule*" means 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.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2011 with the report for the 2009-10 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to

the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by 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 Annual Report Date, if 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). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements 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 Annual Report Date, 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.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, substantially similar to that provided in the corresponding tables in the Official Statement:

- (i) the FTES in District schools on an aggregate basis for the preceding fiscal year;
- (ii) pension plan contributions made by the District for the preceding fiscal year;

- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;
- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;
- (v) the District's total revenue limit for the preceding fiscal year;
- (vi) if the District is not participating in the Teeter Plan, assessed valuation of the top ten taxpayers and information regarding secured tax charges and delinquencies on taxable properties within the District; and
- (vii) current fiscal year assessed valuation of taxable properties in the District.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) 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 are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.

- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person.
- (13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, and, if the Listed Event is described in sections (a)(2), (a)(6), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13) or (a)(14) above, the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall, or shall cause the Dissemination Agent (if not the District) to file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. 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 Notes. If such termination occurs prior to the final maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a 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.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, 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 Notes, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the

requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (c) the proposed amendment or waiver either (i) is approved by holders of the Notes in the manner provided in the Note Resolution for amendments to the Note Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

If the annual financial information or operating data to be provided in the Annual Report is amended under the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment to this Disclosure Certificate shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate prevents 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 Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Notes 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 Note 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, and 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 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 Notes.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: December 29, 2010

**IMPERIAL COMMUNITY COLLEGE
DISTRICT**

By: _____
Superintendent

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: Imperial Community College District

Name of Bond Issue: \$14,000,956 aggregate principal amount of Imperial Community College District (Imperial County, California) 2010 General Obligation Bond Anticipation Notes

Date of Issuance: December 29, 2010

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the District has not provided an Annual Report with respect to the above-named Notes as required by Section 11 of each of the Resolutions of the Board of Trustees of the District under which the Notes have been issued. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

IMPERIAL COMMUNITY COLLEGE DISTRICT

By: _____

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APPENDIX E

DTC AND THE BOOK-ENTRY SYSTEM

Book-Entry System

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Notes, payment of principal, interest and other payments on the Notes to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Notes and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Notes (the “District”) nor the trustee, fiscal agent or paying agent appointed with respect to the Notes (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given 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 Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. 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.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities 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 Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts.

This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org. *The information contained on this Internet site is not incorporated herein by reference.*

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

4. To facilitate subsequent transfers, all Securities 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 Securities 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 Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities 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.

5. 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. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC’s MMI

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities 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 District or 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, Agent, or 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 District or 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.

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

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

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

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APPENDIX F
ACCREDITED VALUE TABLE

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BOND ACCRETED VALUE TABLE

Imperial Community College District
2010 General Obligation Bond Anticipation Notes

Date	Capital Appreciation Notes 08/01/2014 4.62%
12/29/2010	4,244.00
02/01/2011	4,261.30
08/01/2011	4,359.70
02/01/2012	4,460.45
08/01/2012	4,563.45
02/01/2013	4,668.90
08/01/2013	4,776.75
02/01/2014	4,887.10
08/01/2014	5,000.00

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