NEW ISSUE BOOK-ENTRY ONLY | **RATING**

S&P: "SP-1+"
(see "**RATING**" 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, such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$6,000,000
IMPERIAL COMMUNITY COLLEGE DISTRICT
(COUNTY OF IMPERIAL, CALIFORNIA)
2009-2010 TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: May 31, 2010**

The Notes are a general obligation of the Imperial Community College District (the "District"), issued by the Board of Supervisors of Imperial County (the "County") in the name and on behalf of the District pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code, a resolution of the Board of Trustees of the District adopted on July 15, 2009 and a resolution of the Board of Supervisors of the County adopted on July 21, 2009. The principal amount of the Notes, together with the interest thereon, will be payable from taxes, income, revenue, cash receipts, and other revenue received by the District allocable to Fiscal Year 2009-2010 and which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). The Notes are secured by a pledge of Unrestricted Revenues to be received by the District in (a) an amount equal to 50% of the principal amount of the Notes in the month of January 2010; and (b) an amount equal to 50% of the principal amount of the Notes in the month of May 2010 (such pledged amounts being hereinafter called the "Pledged Revenues"). The Pledged Revenues will be deposited and held in the Repayment Fund, as defined herein. See "THE NOTES – Security for and Sources of Payment" herein.

The Notes will be issued in denominations of $5,000 or any integral multiple thereof. Principal of and interest on the Notes will be payable upon maturity. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York (as described herein under "THE NOTES - Book-Entry Only System"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. The Notes are not subject to redemption prior to maturity.

Principal of and interest on the Notes are payable in lawful moneys of the United States of America upon maturity, and interest on the Notes will be computed on the basis of a 360-day year comprised of twelve 30-day months and accrues from the date of delivery.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The following firm, serving as financial advisor to the District, has structured this issue.

CALDWELL FLORES WINTERS, INC.

MATURITY SCHEDULE

Interest Rate	Reoffering Yield	CUSIP
3.000%	2.125%	452641 EE9

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the District by Jones Hall, A Professional Law Corporation, as Disclosure Counsel to the District. It is anticipated that the Notes, in definitive form, will be available for delivery through DTC in New York, New York on or about August 18, 2009.

PiperJaffray.

Dated: August 6, 2009

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

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

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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, create any implication that there has been no change in the affairs of the District or any other parties described in this Official Statement.

Use of this 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 with the purchasers of the Notes.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Resolution or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Notes are Exempt from Securities Laws Registration. The issuance and sale of 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 exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Stabilization of Prices**.** In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Notes to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

IMPERIAL COMMUNITY COLLEGE DISTRICT

Carlos Acuna, President
Norma S. Galindo, Clerk
Romualdo J. Medina, Member
Jerry D. Hart, Member
Louis Wong, Member
Rebecca L. Ramirez, President
Rudy Cardenas, Jr., Member

DISTRICT ADMINISTRATION

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

PROFESSIONAL SERVICES

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Note Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

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OFFICIAL STATEMENT

$6,000,000
IMPERIAL COMMUNITY COLLEGE DISTRICT
(IMPERIAL COUNTY, CALIFORNIA)
2009-2010 TAX AND REVENUE ANTICIPATION NOTES

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, appendices hereto and this Introductory Statement, is provided to furnish information in connection with the sale of the Imperial Community College District (Imperial County, California) 2009-2010 Tax and Revenue Anticipation Notes in the principal amount of $6,000,000 (the "**Notes**") issued by the Board of Supervisors of Imperial County (the "**County**") in the name of and on behalf of the Community College District (the "District").

The Notes are issued in full conformity with the Constitution and laws of the State of California (the "**State**"), including Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the "**Law**") and are general obligations of the District payable solely from taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2009-2010 and which are generally available for the payment of current expenses and other obligations of the District (the "**Unrestricted Revenues**"). The Notes are authorized by the authorizing resolution adopted by the Board of Trustees on July 15, 2009 (the "**District Resolution**") and pursuant to a resolution of the Board of Supervisors of the County adopted on July 21, 2009 (the "**County Resolution**"). Under the Law, the Notes may be issued only if the principal of and interest on the Notes will not exceed 85 percent of the estimated amount of the uncollected Unrestricted Revenues which will be available for the payment of said Notes. Proceeds from the sale of the Notes will be used and expended by the District for any purpose for which it is authorized to expend funds from the General Fund for the fiscal year 2009-2010.

THE NOTES

Description of the Notes

The Notes will be issued in the principal amount set forth above and bear interest at the interest rate shown on the cover page of this Official Statement. The Notes shall be delivered in the form of fully registered Notes, without coupons, in denominations of $5,000 or any integral multiple thereof, and shall be dated the date of delivery to the original purchaser thereof. The Notes will mature on the date set forth on the cover page of this Official Statement.

The Notes, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("**DTC**"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Notes, all payments on the Notes will be made directly to DTC, and disbursement of such payments will be the responsibility of DTC, and disbursement of such payments will be the responsibility of the Direct and Indirect Participants, as more fully described in "Book-Entry Only System" below.

Purpose of Issue

Proceeds of the Notes will provide moneys to meet the District's General Fund cash flow requirements during the 2009-10 fiscal year, commencing July 1, 2009 and ending June 30, 2010, including current expenses, capital expenditures, and the discharge of other obligations or indebtedness. See "Cash Flows" below.

Authority for Issuance

The Notes are issued by the Board of Supervisors of the County in the name and on behalf of the District under the Law, the District Resolution and the County Resolution.

Book-Entry Only System

The Depository Trust Company ("**DTC**"), New York, New York, will act as securities depository for the securities (the "**Notes**"). The Notes 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. See "APPENDIX D - DTC AND THE BOOK-ENTRY ONLY SYSTEM".

Security for the Notes

The principal amount of the Notes, together with the interest thereon, is payable from "**Unrestricted Revenues**", which are taxes, income, revenue, cash receipts, and other moneys intended as receipts for the General Fund for Fiscal Year 2009-10 and which are generally available for the payment of current expenses and other obligations of the District. As security for the repayment of principal of and interest on the Notes, the District has pledged from Unrestricted Revenues certain Pledged Revenues (defined below) to be deposited in a fund to be held by the County Treasurer-Tax Collector designated as the "2009-2010 Tax and Revenue Anticipation Notes Repayment Fund" (the "**Repayment Fund**"). "**Pledged Revenues**" consist of the first Unrestricted Revenues to be received by the District in (a) an amount equal to 50% of the principal amount of the Notes in the month of January 2010; and (b) an amount equal to 50% of the principal amount of the Notes in the month of May 2010. The Notes are equally and ratably secured by the District's pledge of the Pledged Revenues.

The principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be paid from the first moneys received by the District from such Pledged Revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient Unrestricted Revenues received by the District to permit the deposit into the Repayment Fund of the full amount of the Pledged Revenues to be deposited in any month by the last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the repayment of the Notes and interest thereon.

Any money placed in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid by the District or until provision has been made for the payment by the District of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied solely for the purposes for which the Repayment Fund has been created.

Moneys held in the District's Repayment Fund shall be invested by the County in any one or more investments generally permitted to community college districts under the laws of the State of California, consistent with the investment policy of the County and the County Resolution. See "DISTRICT FINANCIAL INFORMATION – Imperial County Investment Pool."

In 1994, Orange County, California issued its 1994-1995 Tax and Revenue Anticipation Notes (the "**Orange County Notes**") under the same statutory authority as the Notes. On December 6, 1994, Orange County filed a petition in bankruptcy. Subsequently, Orange County declined to set aside the taxes and revenues it had pledged for the repayment of the Orange County Notes and a noteholder brought suit to compel Orange County to do so. A March 8, 1995 ruling of the United States Bankruptcy Court for the Central District of California, held that the lien securing the Orange County Notes did not attach to revenues received by Orange County after the filing of its bankruptcy petition on December 6, 1994, and therefore, Orange County was not required to set aside the revenues pledged under the note resolution following the bankruptcy, because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United States District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the District Court to the United States Court of Appeals for the Ninth Circuit. Before the Ninth Circuit rendered a decision the parties settled their disputes. Accordingly, if the District were to file for bankruptcy, it is not clear whether it would be required to set aside revenues pledged under the County Resolution after such filing. Because the County will be in possession of the taxes and other revenues to be set aside to pay the Notes, and such moneys are likely to be invested in its pooled investment fund, should the County go into bankruptcy, a court might hold that the Owners of the Notes do not have a valid lien on the amounts set aside in the Repayment Fund. In that case, unless the Owners could "trace" the funds, the Owners would be merely unsecured creditors of the County. There can be no assurance that the Owners could successfully trace the Pledged Revenues and other Unrestricted Revenues, if any, set aside in the Repayment Fund.

Available Sources of Repayment

The Notes, in accordance with State law, are general obligations of the District, but are payable only out of Unrestricted Revenues, which include the taxes, income, revenues, cash receipts and other moneys which are received by the District during fiscal year 2009-10 and which are generally available for payment of current expenses and other obligations of the District. The Constitution of the State substantially limits the District's ability to levy ad valorem taxes. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." The District may, under existing law, issue the Notes only if the principal of, and interest on, the Notes will not exceed 85 percent of the estimated uncollected Unrestricted Revenues which will be available for the repayment of the Notes.

The Note coverage ratio is the ratio of estimated Unrestricted Revenues to the amount of Unrestricted Revenues needed to pay principal of and interest on the Notes. The District expects to receive a projected $64,154,204 in Unrestricted Revenues on a cash basis (including carry-over balances and transfers, and proceeds of the Notes). The amount needed to repay the Notes and the interest thereon is $6,141,500. Based on an amount of Unrestricted Revenues needed to pay principal of and interest on the Notes, the Note coverage ratio is over 10.45:1.

The following table presents the calculation of the Note coverage ratio:

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTE COVERAGE RATIO CALCULATION

Projected Beginning Cash Balance July 1, 2009	$ 2,320,226
Projected 2009-10 Cash Receipts (including Note Proceeds)	61,833,978
Total Cash Available	$64,154,204
Note Repayment	
Principal	$ 6,000,000
Interest	141,500
Total Repayment	$ 6,141,500
NOTE COVERAGE RATIO	10.45:1

Investment of Note Proceeds

Proceeds from the sale of the Notes will be deposited in the Treasury of the County in a proceeds fund (the "**Proceeds Fund**") to the credit of the District to be withdrawn, used and expended by the District for any purpose for which it is authorized to expend funds from the general fund of the District, including, but not limited to, current expenses, capital expenditures and the discharge of any obligation or indebtedness of the District.

Moneys held in the District's Proceeds Fund shall be invested by the County in any one or more investments generally permitted to community college districts under the laws of the State of California, consistent with the investment policy of the County and the County Resolution. See "COUNTY OF IMPERIAL POOLED INVESTMENT FUND."

Other District Funds

The District maintains certain segregated and special purpose funds outside its general fund not pledged to the payment of the Notes, which could, if needed and to the extent monies are available therein, be accessed on a temporary basis through District Board of Trustees action. Such borrowed amounts must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances. See "DISTRICT INFORMATION" herein for a description of significant other funds maintained by the District.

Cash Flows

The District's general fund expenditures tend to be heaviest in the middle and end of the school year and lightest during the summer months. Receipts have followed an uneven pattern, primarily because secured tax installment payment dates are in December and April.

The first cash flow which follows shows fiscal year 2008-09 actual cash receipts and disbursements through June 2009. The second cash flow which follows shows projected cash receipts and disbursements for fiscal year 2009-10 when the Notes will be outstanding. The projected cash flows for fiscal year 2009-10 take into account the receipt and payment of the Notes.

Imperial Community College District
2009 TRAN Cash Flow Analysis

2008-09 General Fund Actual Cashflow

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Beginning Cash	5,221,313	2,949,480	7,757,321	4,713,463	15,371,496	13,997,733	15,594,792	15,753,245	14,407,799	13,229,622	13,490,102	12,002,745	5,221,313
Receipts													
Federal Revenues	0	335,931	2,205,446	1,024,856	41,179	3,382,565	383,848	386,101	3,224,826	822,789	278,483	3,220,946	15,306,970
State Revenues	68,841	0	0	14,000,416	3,071,319	1,706,198	2,925,607	1,890,812	2,110,466	2,855,095	2,538,304	2,257,899	33,424,957
Local Revenues	308,518	268,691	278,046	649,005	167,306	2,966,471	464,515	76,079	187,364	1,952,860	310,820	158,542	7,788,217
Prior Year Revenue	2,586,506	14,478	207,257	560,919	9,594	31,560	19,100		286,051		22,262	22,219	3,759,946
2009 TRAN Deposit		7,500,000											7,500,000
Total Receipts	2,963,865	8,119,100	2,690,749	16,235,196	3,289,398	8,086,794	3,793,070	2,352,992	5,808,707	5,630,744	3,149,869	5,659,606	67,780,090
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Disbursements													
Certificated Salaries	1,208,271	1,428,509	1,759,341	1,965,457	1,959,453	1,766,679	1,528,965	1,701,517	2,036,815	2,017,019	1,935,159	2,094,464	21,401,649
Classified Salaries	671,620	738,945	725,184	822,082	824,569	803,590	692,806	799,231	771,707	816,683	774,848	805,266	9,246,531
Employee Benefits	1,057,521	658,976	686,658	824,702	790,024	659,861	758,109	690,285	724,719	863,653	775,516	754,470	9,244,494
Supplies	81,444	48,088	95,854	103,061	122,540	84,654	77,510	57,919	127,491	109,458	126,769	244,577	1,279,365
Services	522,259	418,393	339,227	464,737	399,304	202,058	400,971	365,530	497,019	417,784	564,813	577,679	5,169,774
Capital Outlay	34,972	18,348	79,817	30,293	110,308	85,569	50,668	30,077	100,784	53,672	184,433	181,452	960,393
Other outgo	597,063	0	2,048,526	1,366,831	456,963	2,887,324	125,588	53,879	2,728,349	1,091,995	275,688	2,996,092	14,628,298
Prior Year Expenditures	1,062,548	0	0	0									1,062,548
2009 TRAN Payment												7,688,125	7,688,125
Total Disbursements	5,235,698	3,311,259	5,734,607	5,577,163	4,663,161	6,489,735	3,634,617	3,698,438	6,986,884	5,370,264	4,637,226	15,342,125	70,681,177
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated
Net increase/decrease	-2,271,833	4,807,841	-3,043,858	10,658,033	-1,373,763	1,597,059	158,453	-1,345,446	-1,178,177	260,480	-1,487,357	-9,682,519	-2,901,087
Ending cash balance	2,949,480	7,757,321	4,713,463	15,371,496	13,997,733	15,594,792	15,753,245	14,407,799	13,229,622	13,490,102	12,002,745	**2,320,226**	2,320,226

2009-10 General Fund Projected Cashflow

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	Total
Beginning Cash	2,320,226	2,481,508	5,751,880	2,618,499	11,746,559	10,361,806	11,916,295	10,016,908	8,684,847	7,450,796	7,686,443	2,320,226
Receipts												
Federal Revenues	0	335,931	2,205,446	1,024,856	41,179	3,382,565	383,848	386,101	3,224,826	822,789	278,483	12,086,024
State Revenues	68,841	0	0	12,500,416	3,071,319	1,706,198	2,925,607	1,890,812	2,110,466	2,855,095	2,538,304	29,667,058
Local Revenues	308,518	268,691	278,046	649,005	167,306	2,966,471	464,515	76,079	187,364	1,952,860	310,820	7,629,675
Prior year revenue	5,300,000	14,478	207,257	560,919	9,594	31,560	19,100	0	286,051	0	22,262	6,451,221
2008 TRAN Deposit		6,000,000										6,000,000
Total Receipts	5,677,359	6,619,100	2,690,749	14,735,196	3,289,398	8,086,794	3,793,070	2,352,992	5,808,707	5,630,744	3,149,869	61,833,978
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Disbursements												
Certificated Salaries	1,244,519	1,471,364	1,812,121	2,024,421	2,018,237	1,819,679	649,834	1,752,563	2,097,919	2,077,530	1,993,214	18,961,401
Classified Salaries	698,485	768,503	754,191	791,805	794,392	772,574	657,358	768,040	739,415	786,190	742,682	8,273,636
Employee Benefits	1,299,822	685,335	714,124	857,690	821,625	686,255	788,433	717,896	753,708	898,199	806,537	9,029,625
Supplies	63,073	29,050	77,771	85,122	104,991	66,347	59,060	39,077	110,041	89,458	106,769	830,759
Services	498,704	392,761	312,012	440,032	373,290	172,099	374,990	338,841	472,959	392,140	542,109	4,309,937
Capital Outlay	18,671	1,715	64,413	13,899	95,514	70,280	34,681	13,679	85,800	37,745	171,122	607,520
Other outgo	609,004	0	2,089,497	1,394,168	466,102	2,945,070	128,100	54,957	2,782,916	1,113,835	281,202	11,864,850
Prior year expenditures	1,083,799		0	0								1,083,799
2008 TRAN Payment Pledge							3,000,000				3,141,500	6,141,500
Total Disbursements	5,516,077	3,348,728	5,824,129	5,607,137	4,674,151	6,532,306	5,692,457	3,685,052	7,042,758	5,395,097	7,785,134	61,103,026
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Net increase/decrease	161,282	3,270,372	-3,133,380	9,128,059	-1,384,753	1,554,488	-1,899,387	-1,332,060	-1,234,051	235,647	-4,635,265	730,952
Ending cash balance	2,481,508	5,751,880	2,618,499	11,746,559	10,361,806	11,916,295	10,016,908	8,684,847	7,450,796	7,686,443	3,051,178	3,051,178

RISK FACTORS

Other District Obligations

The District is currently liable and may become liable on other obligations payable from general revenues. The District has the capacity to enter into other obligations which may constitute additional charges against Unrestricted Revenues. To the extent that additional obligations are incurred by the District, the funds available to make debt service payments on the Notes may be decreased. If the District's revenue sources are less than its total obligations, the District could choose to fund other activities before making debt service payments on the Notes.

As described below under "DISTRICT FINANCIAL INFORMATION – Outstanding Indebtedness – Lease Revenue Bonds" and "– Certificates of Participation," the District is currently obligated to pay lease payments with respect to outstanding lease obligations. Such payments are payable from Unrestricted Revenues of the District, without preference or priority over the payment of debt service on the Notes.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS," certain acts or omissions of the District in violation of its covenants in the District Resolution could result in the interest on the Notes being includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes. Should such an event of taxability occur, the Notes would not be subject to a special redemption and would remain Outstanding.

Economic Conditions in California

The State of California, upon which the District relies for a substantial portion of its revenues, has experienced budget shortfalls in certain prior fiscal years. Decreases in State revenues will significantly affect appropriations made by the State to community college districts, and the timing of payments to community college districts by the State of California may depend upon the ability of the State to access the credit markets with respect to its own cash flow borrowings. If State monies are not available to meet obligations in a timely manner, school funding along with certain other services, are given priority under the State Constitution, however, the failure of State lawmakers to adopt spending cuts and deferrals prior to the June 30 fiscal year end, resulted in the Governor declaring a fiscal emergency and ordering a special session of the Legislature to solve the State's deficit within 45 days. Additionally, the Governor proposed additional school spending cuts which would require suspension of Proposition 98 funding requirements. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education and Recent State Budgets."

THE DISTRICT

General

The District, established in 1959, operates facilities consisting of an area of approximately 286,840 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 and three extended (Brawley, Calexico and El Centro) campuses. The District serves a resident population of approximately 160,000, and has a current enrollment of over 8,000 students. Collegiate level instruction across a wide spectrum of subjects in grades 13 and 14 is provided.

Administration

The District is governed by a seven-member Board of Trustees, each member of which is elected to a four-year term. Current members of the Board of Trustees, together with their office and the date their term expires, are listed below:

Name	Office	Term Expires
Carlos Acuna	President	November 2009
Norma S. Galindo	Clerk	November 2009
Romualdo J. Medina	Member	November 2011
Jerry D. Hart	Member	November 2011
Louis Wong	Member	November 2011
Rebecca L. Ramirez	President	November 2009
Rudy Cardenas, Jr.	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 26 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 24 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 eight fiscal years and the projected enrollment through fiscal year 2010-11.

Table No. 5
IMPERIAL COMMUNITY COLLEGE DISTRICT
Full-Time Equivalent Students
Fiscal Years 1999-00 through 2010-11

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	7,330.00
Projected	
2009-10	7,403.00
2010-11	7,477.00

Source: Imperial Community College District.

Employee Relations

The District is governed by regulations published by the Public Employees Relations Board ("PERB"). The Chancellor 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, 2010. The District's classified employees are represented by the California Schools Employees Association - Chapter 472. Its contract with the District expired on June 2004. The CSEA contract is still in negotiations and is not expected to be settled until the 2009-10 State Budget is settled.

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 2007-08 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 2005-06, 2006-07 and 2007-08 were $1,374,246, $1,411,731 and $1,594,841, respectively. The estimated actual figure for STRS in fiscal year 2008-09 is $1,805,463 and the District has budgeted a STRS contribution of $1,687,919 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 2007-08 was 9.306% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contribution to PERS for fiscal years 2005-06, 2006-07 and 2007-08 were $594,620, $583,779 and $678,727, respectively. The estimated actual figure for PERS in fiscal year 2008-09 is $749,200 and the District has budgeted a PERS contribution of $695,113 for fiscal year 2009-10.

Post-Employment Benefits

The District provides post employment health care benefits, in accordance with District employment contracts to all employees who retire from the District. The retiree must have worked for the District for at least 12 years. Expenditures for post employment benefits are recognized on a pay-as-you-go basis, as premiums are paid.

During fiscal year 2007-08, expenditures of $1,032,368 were recognized for retirees' health care benefits. The estimated cost for the 2008-09 fiscal year is $1,060,000. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees. The District does not recognize a liability for future post retirement benefits because the amount cannot be reasonably determined.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions. The pronouncement requires employers providing postemployment benefits, to recognize and account for costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. GASB 45 will be effective for the District in the 2008-09 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

The District expects to have an actuarial study prepared pursuant to GASB 45 to determine its unfunded liability for post-employment benefits by September 2009.

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 2007-08 were prepared by Wilkinson Hadley & Co. LLP, El Cajon, California. Audited financial statements for the District for the fiscal year ended June 30, 2008 and prior fiscal years are on file with the District and available for public inspection at the Vice-President, Business Services'

Office. See Appendix B hereto for excerpts from the 2007-08 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 the 2004-05 through 2007-08 and figures from the District's adopted Budget for fiscal year 2008-09 and estimated actual figures.

Table No. 6A
IMPERIAL COMMUNITY COLLEGE DISTRICT
Revenues, Expenses and Changes in Net Assets
For Fiscal Years 2004-05 through 2007-08 (audited) and Fiscal Year 2008-09 (budgeted)

	Audited 2004-05	Audited 2005-06	Audited 2006-07	Audited 2007-08
Operating Revenues				
Tuition and fees	$2,202,989	$2,548,989	$2,120,822	$2,177,738
Grants and contracts, non-capital:				
Federal	11,582,859	13,146,398	13,047,957	13,840,021
State	5,507,467	5,713,036	8,211,866	7,760,731
Local	412,009	682,947	988,398	1,030,878
Sales and Commissions	156,807	168,249	170,136	170,143
Total Operating Revenues	19,862,131	22,256,619	24,539,179	24,979,511
Operating Expenses				
Academic Salaries	13,834,397	17,249,420	17,818,067	20,497,671
Classified Salaries	7,378,184	8,188,552	8,186,441	9,130,337
Employee Benefits	6,763,610	7,940,187	7,943,416	8,812,482
Supplies, materials and other oper. exp.	7,133,531	5,416,503	8,283,707	8,094,794
Financial aid	9,935,430	11,837,006	11,399,331	12,349,853
Utilities	581,691	707,132	789,010	829,371
Interest and fiscal charges	179,089	2,027,107	1,488,725	1,721,713
Bad debt expense	-	-	-	150,000
Depreciation	290,508	383,521	412,662	648,686
Total Operating Expenses	46,096,440	53,749,428	56,321,359	62,234,907
Operating Loss	(26,234,309)	(31,489,809)	(31,782,180)	(37,255,396)
Non-Operating Revenues				
State apportionments, non-capital	19,862,154	24,291,760	25,970,634	26,573,560
Local property taxes	3,914,894	6,030,138	6,761,704	7,915,236
State taxes and other revenue	925,610	1,015,482	1,241,288	1,226,485
Interest and investment income	544,0801	954,801	1,059,137	1,165,217
Total Non-Operating Revenues	25,247,459	32,292,181	35,032,763	36,880,498
Increase (Decrease) in Net Assets	(986,850)	802,372	3,250,583	(374,898)
Net Assets, Beginning of Year	8,002,191	6,855,036	6,932,521	10,211,725
Prior Year Adjustment	(160,305)	(724,887)	28,621	16,339
Net Assets, End of Year	$6,855,036	$6,932,521	$10,211,725	$9,853,166

Source: Imperial Community College District.

Table No. 6B
IMPERIAL COMMUNITY COLLEGE DISTRICT
Revenues, Expenses and Reserves
Fiscal Year 2008-09 (Estimated Actuals and Budgeted Figures)

	Estimated Actuals 2008-09	Budgeted 2008-09[1]
Revenues		
Federal	$15,306,970	$14,104,181
State	37,724,957	37,307,152
Local	7,788,217	8,828,595
Total Revenues	60,820,144	60,239,928
Expenses		
Certificated Salaries	21,701,649	21,362,744
Classified Salaries	9,246,531	9,555,011
Benefits	9,244,494	9,484,687
Supplies	1,279,365	1,598,763
Services	5,869,774	6,729,340
Capital outlay	960,393	1,682,732
Total Expenses	48,302,206	50,413,277
Other outgo	14,628,298	12,831,668
Total Expenses/other	62,930,504	63,244,945
Surplus/deficit	(2,110,360)	(2,986,034)
Beginning Reserves	7,195,208	7,247,638
Ending Reserves	5,084,848	4,261,604
Adjusted Fund Balance		
Adjusted expenditures	62,930,504	63,244,945
Adjusted surplus/deficit	(2,110,360)	(2,986,034)
Bad Debt Expense	-	-
Adjusted ending reserves	5,084,848	4,261,604

[1] Final Adopted Budget dated October 15, 2008.
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 percent of their funds from the State, 44 percent from local sources and 4 percent from federal sources. In fiscal year 2007-08, 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 percent) and other minor sources. Local funds include property taxes, student fees and miscellaneous sources. The adopted budget for the 17-month period ending July 1, 2010 included appropriation deferrals of over $500 million to community colleges and the Governor’s May Revision proposed significant Proposition 98 reductions. 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.

Table No. 7
IMPERIAL COMMUNITY COLLEGE DISTRICT
Program-Based Funding
Fiscal Years 2003-04 through 2009-10

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	6,682.04	30,502,310
2007-08 Non-Credit	2,744.95	137.53	377,513
2007-08 Enhanced Non-Credit	3,232.06	13.30	42,986
Projected			
2008-09 Credit	4,564.82	7,159.48	32,681,809
2009-09 Non-Credit	2,744.95	148.80	408,449
2008-09 Enhanced Non-Credit	3,232.06	22.07	71,332
2009-10 Credit	4,564.82	7,231.07	33,008,533
2009-10 Non-Credit	2,744.95	150.28	412,511
2009-10 Enhanced Non-Credit	3,232.06	22.29	72,043

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 percent 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 percent 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 percent 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 percent 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").

See "DEBT SERVICE SCHEDULES" herein for the remaining debt service on the 2005 Bonds, 2006 Bonds and 2007 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, 2008 is $2,680,000, and the final maturity is on August 1, 2014.

District's Response to State Budget Cuts

The State of California is experiencing tremendous budget deficits and the Governor has proposed various spending cuts and deferrals to address the deficit. See "State Funding of Education and Recent State Budgets – 2009-10 State Budget" below.

In light of the proposed spending cuts, the District is instituting the following measures:

- Elimination of Brawley Extended Campus Office, thereby reducing direct services to North End, although IVC classes will still be held at Brawley Union High School.
- Summer session will be greatly reduced and Winter Session will be eliminated except for Basic Skills Courses.
- Overload and adjunct pay budgets have been cut, resulting in reduced class offerings and reduced access.
- 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 will be reduced.
- Reduction or elimination of non-credit courses will eliminate senior programs, computers, art, music, and exercise.
- IVC financial support for community-based non-credit music and performing arts courses (Master Chorale, Imperial Valley Symphony, and Valley Jazz) will be eliminated.

- Short-term training programs, such as Customer Service Academy, Computers for ESL, and Retail Sales, will be eliminated.

- Non-replacement of full-time faculty will mean a reduction of core transfer course offerings in English and Math.

- There will be a 16 percent reduction in Nursing with impacts still to be determined.

- Maintenance and operations will cut some services and reduce others.

- Student fee payments reduced to twice a week, with only cash, checks or money orders accepted in person. Students wanting to pay by credit cards will have to access lobby computers or other computers to make payments. The cashier window also will be closed.

Imperial County Investment Pool

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 April 30, 2009.

IMPERIAL COUNTY
POOLED INVESTMENT FUND PORTFOLIO SUMMARY
(as of April 30, 2009)

Type of Investment	Par Value	Market Value	Book Value	Days to Maturity
LAIF/HIGHMARK CAPITAL / ZBA	$164,500,000.00	$164,500,000.00	164,500,000.00	1
Certificates of Deposit – Bank	101,173,000.00	101,173,000.00	101,173,000.00	150
Mortgage Backed Securities	246.22	256.95	241,29	445
Federal Agency Issues – Coupon	121,285,000.00	122,681,717.19	121,231,340.00	983
Total Investments	386,958,246.22	388,554,974.14	386,904,581.29	348
Cash – Passbook/Checking	23,678,025.71	23,678,025.71	23,678,025.71	1
Total Cash & Investments	$410,636,271.93	$412,232,999.85	$410,582,607.00	348 (average)

Source: Imperial County Tax Collector-Treasurer.

State Funding of Education and Recent State Budgets

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 two-thirds 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.

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 percent 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. It is expected that the swap of sales taxes for property taxes would terminate once the deficit financing bonds were repaid, which is currently expected to occur in approximately 9 to 13 years.

2008-09 State Budget. On September 23, 2008, the Governor signed the 2008-09 State Budget into law (the "2008-09 Budget"). The 2008-09 Budget attempted to resolve the $24.3 billion budget deficit identified in the May (2008) Revision to the Governor's Proposed Budget. The 2008-09 Budget projected revenues of $103.027 billion in 2007-08 and $101.991 billion in 2008-09, provided a modest reserve of $1.7 billion, but projected a deficit of $1.0 billion in 2009-10.

Special Session – Revisions to 2008-09 Budget; 2009-10 Adopted State Budget. The following is a summary of legislative actions from November 5, 2008 through February 20, 2009, on which date the Governor signed a budget package addressing the 2008-09 Budget deficit, and adopting the 2009-10 Budget.

November 5, 2008. The Governor called the State Legislature into special session to address the $11 billion budget deficit that had arisen since the 2008-09 budget was adopted.

January 9, 2009. The Governor submitted his proposed 2009-10 Budget (the "2009-10 Proposed Budget") to the State Legislature. The 2009-10 Proposed Budget assumed that, without corrective action, the State would face a deficit of $39.6 billion at the end of 2009-10. The 2009-10 Proposed Budget proposed $41.7 billion in budgetary solutions to close the gap and establish a $2.2 billion reserve, including: the issuance of $4.7 billion in revenue anticipation warrants, capturing savings in K-14 education through spending reductions, accounting changes and cost deferrals and raising $5 billion in proceeds with the securitization of lottery revenues. Many of the Governor's proposals required voter approval to be implemented.

The LAO stated that while the 2009-10 Proposed Budget was generally reasonable it would likely be subject to risks associated with continued deterioration of the economy, noting that it relied heavily on State borrowing, which was subject to voter approval, the favorable resolution of legal issues, and the State's access to credit markets. On January 14, 2009, the LAO released its report entitled "California's Cash Flow Crisis" stating that the State's cash flow had deteriorated steadily since the end of calendar year 2007 due to, among other things, sharply weakened General Fund revenues and limited access to credit markets.

February 19, 2009. The California Legislature voted to approve a budget package (the "Budget Package") addressing the State's $42 billion deficit, which included $15 billion in State spending reductions, $12.8 billion in temporary tax increases (including an increase in the vehicle license fee and an increase in State sales and income taxes), $11.4 billion in borrowing and a $1 billion reserve. The Budget Package included revisions to the 2008-09 Budget and adoption of the 2009-10 Budget, covering a 17-month period ending July 1, 2010 (the "budget year"), addressing spending reductions, revenue increases, economic stimulus and increasing governmental efficiency. Certain measures contained in the Budget Package were rejected by the voters at a special State-wide election which was held on May 19, 2009, meaning that further revisions to the Budget would be required (see "May 14, 2009 Budget Revision" below). Key provisions of the Budget Package were:

- *Education Spending Reductions*: Significant Proposition 98-related reductions, consisting of approximately $7.4 billion in reductions in Proposition 98 funding in 2008-09 compared to the adopted 2008-09 Budget, comprised of $2.4 billion in program reductions and savings and $5 billion in Proposition 98 funding deferrals and fund swaps. The 2009-10 Budget provided for $400 million in fund swaps and a total Proposition 98 funding of $55.3 billion, which was $400 million less than the total amount proposed in 2008-09.

- *Health and Human Services Reductions*: Approximately $1.6 billion in reductions by eliminating cost-of-living increases, reductions in public assistance benefit payments and delaying projects.

- *State Employee Payroll Reductions*: Approximately $1.4 billion in reductions by implementing furloughs, reducing overtime and eliminating certain paid holidays.

- *Sales Tax Increase*: A 1-cent increase in the State sales tax, generating approximately $5.9 billion (2 years).

- *Vehicle License Fee Increase*: Increasing the fee from 0.65 percent to 1.15 percent (2 years).

- *State Personal Income Tax Increase*: Imposing a 0.25 percent surcharge on personal income tax and reducing the dependent tax credit (2 years).

- *State Lottery*: Provisions modernizing the State Lottery to generate approximately $5 billion in revenues in 2009-10.

- *Reducing State Categorical Funding for Education; Increasing Categorical Flexibility*: Reductions in K-12 categorical programs estimated at approximately 15 percent. However, to mitigate program reductions, the Budget Package provided for categorical funding flexibility over 5 years, allowing the transfer of funds from 40 categorical programs to the general fund, commencing in 2008-09. In addition, categorical ending balances could be used for general purpose activities in the current and budget year with certain exclusions.

February 13, 2009. The U.S. House of Representatives and the Senate approved the American Recovery and Reinvestment Act, committing a total of $787 billion nationwide. A report issued by the LAO entitled "Federal Economic Stimulus Package: Fiscal Effect on California" estimated that the State will receive over $31 billion in aid and billions more in competitive grants, about $8 billion of which would be available in 2008-09 and 2009-10.

February 20, 2009. The Governor signed the Budget Package. The Governor used his line item veto power in an attempt to achieve $1 billion more in savings, including replacing General Fund appropriations for higher education with federal funds, and reforms and cost-saving measures for state prisons.

March 13, 2009 LAO Report. On March 13, 2009, the LAO updated its revenue forecast, projecting that revenues would fall short of the assumptions in the 2009-10 Budget by $8 billion and foreseeing huge operating shortfalls in future years.

May 7, 2009 LAO Report. On May 7, 2009, the LAO reported that, as result of the budget and cash pressures of recent months, the General Fund's "cash cushion"—the monies available to pay State bills at any given time—currently is projected to end fiscal year 2008-09 at a much lower level than normal, meaning that the State would not be able to pay many of its bills on time for much of fiscal year 2009-10. The LAO concluded that the State would have difficulty borrowing anywhere close to the needed amounts from the short-term bond markets based on the State's own credit. The LAO advised the Legislature to reduce the State's short-term borrowing need to an amount under $10 billion for fiscal year 2009-10, which would require pursuit of two options: (i) additional actions to increase revenues or decrease expenditures in order to return the fiscal year 2009-10 budget to balance and (ii) additional actions to delay or defer scheduled payments to schools, local governments, service providers, and others.

May 14, 2009 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. On May 14, 2009, the Governor released the May Revision, which included two alternative proposals to revise the State budget to address the State's increasing deficit, based on the success or failure of the statewide ballot measures on the May 19, 2009 special election ballot.

Because the voters of the State rejected the three propositions on the special election ballot intended to help balance the State's budget, the May Revision estimated a budget shortfall of $21 billion in 2009-10, meaning that the legislature and the Governor would need to agree to billions of dollars in additional spending cuts, tax increases or other budgetary solutions to bring the budget back into balance.

May 21, 2009 LAO Report. On May 21, 2009, the LAO commented on the May Revision, stating that the Governor's estimate of a new $21 billion budget problem was reasonable and the May Revision proposals included major spending reductions and serious efforts for long–term state efficiencies and savings. The LAO urged the legislature to act quickly to return the budget to balance and prevent another state cash crunch.

Governor Declares Fiscal Emergency; State Begins Issuing IOU's; Budget Compromise Announced. The Governor announced on July 1 that the budget deficit had grown by $2 billion to $26.3 billion due to the failure of State lawmakers to adopt immediate education cuts and money-shifting plans by the June 30 fiscal year end. He declared a fiscal emergency and ordered a Proposition 58 special session of the Legislature to solve the State's deficit, ordered State employees to take three unpaid furlough days every month and proposed closing the additional $2 billion shortfall largely by cutting school spending even further. To address the State's cash crisis, on July 2 the State began issuing registered warrants, or IOU's, to several classes of creditors, including certain local governments.

2009-10 State Budget Amendments. On July 24, the California legislature approved amendments to the 2009-10 budget involving 30 separate pieces of legislation to close the $26.3 billion shortfall in the State's 2009-10 general fund budget. The Governor signed the budget plan on July 28. Total general fund spending in 2009-10 will be more than $84 billion, down from nearly $91.7 billion in 2008-09 and nearly $103 billion in 2007-08. The budget amendments combine deep spending cuts, borrowing from local governments and accounting maneuvers.

The $15.3 billion in additional spending cuts include:

- $6.1 billion from the K-14 education budget.
- $2.8 billion from the California State University and University of California systems.
- $1.3 billion in savings by furloughing nearly 200,000 state workers three days out of each month.
- Approximately $3. 2 billion from health and human services, including $1.3 billion in cuts to Medicaid.

The approved amendments include borrowing from local governments and various accounting maneuvers to generate additional revenues in the 2009-10:

- $2 billion borrowed from counties' property tax collections under provisions of Proposition 1A approved by the voters in 2004, but the State must repay counties with interest within three years.
- $1.7 billion shift from redevelopment agencies into State funds in exchange for extending the number of years the agencies could collect tax increment.
- $1 billion in revenues to be generated by selling a portion of the State Compensation Insurance Fund's workers compensation insurance portfolio.
- $1.2 billion in savings from a one-time deferment of state worker paychecks for one day, moving them into the next fiscal year.

- $1.7 billion in revenues by requiring taxpayers who make quarterly estimated payments to pay more in the first six months. This will result in lower revenues in the first half of the next fiscal year.

- $600 million in revenues by increasing income tax withholdings from paychecks. This allows the State to grab more tax revenue earlier but will result in lower revenue later due to higher tax refunds or less taxes owed.

The accounting shifts rely on the assumption that an economic recovery will be well underway in the next fiscal year and many economists believe that they will result in a huge budget shortfall next year. Additionally, borrowing revenues from local governments is likely to result in litigation.

The approved budget amendments discarded plans to take $1 billion in gasoline tax revenues from local governments and failed to approve $100 million in revenue from oil leases to be sold in the Santa Barbara Channel. Instead, the legislature intended the $1.1 billion difference was to be made up by tapping out the general fund reserve. The Governor, however, exercised his line-item veto power to make nearly $500 million in additional cuts to social services, state prisons and higher education, and providing for a general fund reserve of $500 million.

K-14 Spending Cuts. Total Proposition 98 funding is reduced by $2.1 billion in 2008-09 and $4.5 billion in 2009-10 compared to the levels appropriated in the February Budget Act. However, Proposition 98 General Fund savings are $5.3 billion in 2009-10 because of the property tax shift of $850 million from redevelopment agencies to schools.

Additional detail with respect to the effect of the budget amendments relating to K-14 education follows:

- A $1.6 billion “recapture” of 2008-09 categorical funding for schools that had been appropriated but not actually sent to districts and county offices. This was seen as the only way to reduce funding for the fiscal year ending 2008-09, thereby lowering the base for 2009-10. To equalize the impact among all districts, the categorical cuts will be restored in 2009-10 and an equal amount of approximately $250 per ADA will be reduced from revenue limits statewide.

- $2.4 billion from 2009-10 general-purpose spending for local educational agencies resulting in cuts of approximately $390 per ADA.

- $1.7 billion of 2009-10 payments that will be deferred from April and May into August of fiscal year 2010-11.

Additional changes include provisions to permit school districts to reduce the number of school days by five days to 175 days through 2012-13 and lowering the reserve requirement for economic uncertainty to one-third of the usual requirement.

Information about State budgets is regularly available at various State-maintained websites. See: www.dof.ca.gov, under the heading “California Budget”. Additionally, an impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the District, and the District takes no responsibility for the continued accuracy of the internet addresses or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated herein by these references.

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 XIIIA of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to one percent 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 XIIIA 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 XIIIA 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 XIIIA.

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

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed two percent 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 percent inflation adjustment provision of Article XIIIA, 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 XIIIB (“Article XIIIB”) 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 XIIIB, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service 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 XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

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

Article XIIIC and Article XIIID of the California Constitution

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as 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 percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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 XIIIA, (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 XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

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 XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

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

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess 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 XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

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

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of

State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per 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 XIIIA, Article XIIIB, Article XIIIC and Article XIIID 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.

CERTAIN LEGAL MATTERS

The statements of law and legal conclusions set forth in this Official Statement under the heading "TAX MATTERS" have been reviewed by Jones Hall, A Professional Law Corporation, as bond counsel. Jones Hall is also serving as disclosure counsel to the District in connection with the offering of the Notes. Compensation for bond counsel and disclosure counsel services is contingent upon the delivery of the Notes. Certain legal matters will be passed upon for the District by the District Attorney.

TAX MATTERS

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.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (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.

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84 which may have federal income tax consequences with respect to the Notes. This Notice provides generally that, in the case of short-term tax-exempt obligations (such as the Notes), the Service is studying whether interest payable at maturity on the obligations should, or should not, be included in stated redemption price at maturity, for purposes of the rule that original issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includible in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than 1 year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

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.

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

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

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Notes to provide notices, during the time the Notes are outstanding, of the occurrence of certain enumerated events, if deemed by the District to be material. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. These covenants will be made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The District has never failed to comply in any material respect with any previous undertaking with regard to said Rule to provide annual reports or notices of material events. See "APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE".

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

Absence of Material Litigation

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

There are a number of lawsuits and claims pending against the District. The aggregate amount of the uninsured liabilities of the District, and the timing of any anticipated payments of judgments which may result from suits and claims, will not, in the opinion of the District, materially affect the finances of the District or impair its ability to repay the Notes. A certificate of the District to this effect will be available at the time of original delivery of the Notes.

UNDERWRITING

The Notes were purchased by Piper Jaffray & Co. (the "**Underwriter**") at a price of $5,992,915 (representing the aggregate principal amount of the Notes plus a purchase premium of $40,560 and less an underwriter's discount of $47,645). The Purchase Contract provides that the Underwriter will purchase all of the Notes if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The Underwriter has entered into an agreement (the "**Distribution Agreement**") with Advisors Asset Management, Inc. ("**AAM**") for the distribution of certain municipal securities offerings allocated to the Underwriter at the original offering prices. Under the Distribution Agreement, if applicable to the Bonds, the Underwriter will share with AAM a portion of the fee or commission, exclusive of management fees, paid to the Underwriter.

FINANCIAL ADVISOR

The District has retained Caldwell Flores Winters, Inc., Emeryville, California, as financial advisor (the "**Financial Advisor**") with respect to the issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Caldwell Flores Winters, Inc. is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. Financial Advisor's compensation is contingent upon the delivery of the Notes.

RATING

Standard & Poor's Credit Ratings Services, a division of The McGraw-Hill Companies, Inc. has assigned a "SP-1+" rating to the Notes as shown on the cover to this Official Statement. Certain information was supplied by the District to said rating agency to be considered in evaluating the Notes. The rating issued reflects only the views of such rating agency, and any explanation of the significance of such rating should be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating obtained may have an adverse effect on the market price of the Notes.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes and the County Resolution authorizing the Notes and of statutes and documents contained herein do not purport to be complete, and reference is hereby made to said County Resolution, statutes and documents for full and complete statements of their provisions. Additional information can be obtained from the District's Director of Finance.

This Official Statement speaks only as of its date and the information presented herein is subject to change. Any statements in this Official Statement involving matters of opinion, whether or not expressly stated are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the District and the purchaser of the Notes or owners of any of the Notes. This Official Statement and its distribution have been authorized and approved by the Board of Trustees of the District.

IMPERIAL COMMUNITY COLLEGE DISTRICT

By: /s/ John Lau
John Lau,
Vice President for Business Services

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APPENDIX A

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIALS FOR YEAR ENDED JUNE 30, 2008

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IMPERIAL COMMUNITY COLLEGE DISTRICT

IMPERIAL COUNTY

IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2008

IMPERIAL COMMUNITY COLLEGE DISTRICT
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FINDINGS AND RECOMMENDATIONS

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

250 E. 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, 2008, 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, 2008, 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 Unites States of America.

As described in Note 1A to the basic financial statements, the Imperial Community College District adopted provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments and Statement No. 35, Basic Financial Statements and Management Discussion and Analysis of Public College and Universities. This results in a change in the formats and content of the basic financial statements.

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 19, 2008 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 19, 2008

INTRODUCTION

The Imperial Community College District (the District) consists of one main campus and three separate extended campus centers. The District serves approximately 8,200 students. Full-Time Equivalent Student (FTES) enrollment for 2007-2008 was 7,154.

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, 2008. Please read it in conjunction with the financial statements and notes thereto which follow this section.

FINANCIAL HIGHLIGHTS

During 2007-08, total full-time equivalent students increased approximately 6.2%. Credit FTES, Non-Credit FTES along with other workload measures, are the basis for the District's state apportionment. Unfortunately only about 33% of the growth was funded. Workload measures directly related to credit/non-credit FTES account for over $26 million in state general apportionment.

Trend of Full Time Students as Reported on the Annual Report

	03-04	04-05	05-06	06-07	07-08
FTES	5,456	5,995	6,484	6,672	7,154

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 then 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.

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 in addition to 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.

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, 2008, is summarized below:

Statement of Net Assets

	June 30, 2008	June 30, 2007	Change	
Current assets	50,606,767	47,556,368	3,050,399	
Capital assets	17,567,928	10,536,937	7,030,991	
Total Assets	68,174,695	58,093,305	10,081,390	17.4%
Current liabilities	5,930,240	6,156,107	(225,867)	
Long-term liabilities	52,391,289	41,725,473	10,665,816	
Total Liabilities	58,321,529	47,881,580	10,439,949	21.8%
Net assets				
Invested in capital assets net of related debt	1,282,455	1,809,742	(527,287)	
Restricted	4,840,956	2,337,579	2,503,377	
Unrestricted	3,729,755	6,064,404	(2,334,649)	
Total Net Assets	9,853,166	10,211,725	(358,559)	3.5%
Total Liabilities and Net Assets	68,174,695	58,093,305	10,081,390	17.4%

The District's total assets had a net increase of $10 million from the previous year. The increase was due primarily to the issuance of $12 million in General Obligation Bonds. The district still has approximately $8 million in bonds to issue from the original $58.6 million Measure L bonds.

Total Liabilities had a net increase of $10 million primarily due to the issuance of General Obligation Bonds.

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2008, is summarized below:

Statement of Revenues, Expenses and Changes in Net Assets

	June 30, 2008	June 30, 2007	Change	
Operating revenues	24,979,511	24,539,179	440,332	1.8%
Operating expenses	61,586,221	55,908,697	(5,677,524)	10.2%
Deficit before depreciation and non-operating income and expense	(36,606,710)	(31,369,518)	(5,237,192)	16.7%
Depreciation	648,686	412,662	(236,024)	57.2%
Deficit before non-operating income and expense	(37,255,396)	(31,782,180)	(5,473,216)	17.2%
Non-operating income and expense, net	36,880,498	35,032,763	1,847,735	5.3%
Increase (decrease) in net assets	(374,898)	3,250,583	(3,625,481)	111%

Operating Revenues

The Changes in Net Assets comparison presents the District's results of operation and shows a decrease of $374,898. Operating revenues over operating expenses decreased by $5,473,216 in comparison to the prior year. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense increased by $1,847,735 in comparison to the prior year.

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 61.8% 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 33% of the increase was funded in 07-08.

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 $20.00 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, 2008 is summarized below:

Statement of Cash Flows

	June 30, 2008	June 30, 2007	Change	
Operating activities	(36,430,465)	(30,644,849)	(5,785,616)	18.9%
Non-capital financing activities	34,804,677	35,420,078	(615,401)	1.7%
Capital and related activities	4,004,890	7,791,954	(3,787,064)	48.6%
Investing activities	1,165,217	1,059,137	106,080	10%
Net Increase in Cash and Cash Equivalents	3,544,319	13,626,320	(10,082,001)	74%
Cash Balance, Beginning of Year	42,075,129	28,448,809	13,626,320	47.9%
Cash Balance, End of Year	45,619,448	42,075,129	3,544,319	8.4%
Cash Used by Operating Activities	(36,430,465)	(30,644,849)	(5,785,616)	18.9%

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, 2008, the District had over $27.6 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 capitalization threshold recommended by GASB 35. These assets have accumulated depreciation of $10.1 million, leaving a net asset amount of $17.5 million.

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

	June 30, 2008	June 30, 2006	Change	
Land & Improvements	175,900	175,900	0	0%
Work In Progress	4,060,670	1,412,014	2,648,656	187%
Buildings & Improvements	12,031,458	8,222,763	3,808,695	46.3%
Equipment	1,299,900	726,260	573,640	79%
Total	17,567,928	10,536,937	7,030,991	66.7%

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 continues to support the community college community with a generous COLA and growth on an ongoing basis.

BASIC FINANCIAL STATEMENTS

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	District		Imperial Valley College Foundation	
ASSETS				
Current assets:				
Cash in county treasury	$	44,883,973	$	-
Cash in banks		100,941		24,097
Cash with fiscal agent		613,799		-
Investments		-		1,289,181
Revolving cash		20,735		-
Due from fiduciary funds		17,665		-
Accounts receivable, net		4,966,438		-
Stores inventory		3,216		-
Total current assets		50,606,767		1,313,278
Non-current assets:				
Capital assets, net of accumulated depreciation		17,567,928		15,000
TOTAL ASSETS	$	68,174,695	$	1,328,278
LIABILITIES				
Current liabilities:				
Accounts payable	$	2,000,705	$	3,173
Deferred revenues		2,050,051		-
Compensated absences		629,484		-
Bonds payable - current portion		955,000		-
COPS payable - current portion		295,000		-
Total current liabilities		5,930,240		3,173
Non-current liabilities:				
Bonds payable		50,006,289		-
COPS payable		2,385,000		-
Total non-current laibilities		52,391,289		-
TOTAL LIABILITIES		58,321,529		3,173
NET ASSETS				
Invested in capital assets, net of related debt		1,282,455		15,000
Restricted - expendable		4,840,956		1,016,700
Unrestricted		3,729,755		293,405
TOTAL NET ASSETS		9,853,166		1,325,105
TOTAL LIABILITIES AND NET ASSETS	$	68,174,695	$	1,328,278

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2008

	District	Imperial Valley College Foundation
OPERATING REVENUES		
Tuition and fees	$ 2,177,738	$ -
Grants and contracts, non-capital:		
Federal	13,840,021	-
State	7,760,731	-
Local	1,030,878	295,614
Sales and Commissions	170,143	-
		-
TOTAL OPERATING REVENUES	24,979,511	295,614
OPERATING EXPENSES		
Academic salaries	20,497,671	-
Classified salaries	9,130,337	140,540
Employee benefits	8,812,482	23,802
Supplies, materials and other operating expenses	8,094,794	76,593
Financial aid	12,349,853	282,762
Utilities	829,371	-
Interest and fiscal charges	1,721,713	-
Bad debt expense	150,000	-
Depreciation	648,686	-
TOTAL OPERATING EXPENSES	62,234,907	523,697
OPERATING LOSS	(37,255,396)	(228,083)
NON-OPERATING REVENUES		
State apportionments, non-capital	26,573,560	-
Local property taxes	7,915,236	-
State taxes and other revenue	1,226,485	-
Interest and investment income	1,165,217	14,247
TOTAL NON-OPERATING REVENUES	36,880,498	14,247
INCREASE (DECREASE) IN NET ASSETS	(374,898)	(213,836)
NET ASSETS, BEGINNING OF YEAR	10,211,725	1,538,941
PRIOR YEAR ADJUSTMENT	16,339	-
NET ASSETS, END OF YEAR	$ 9,853,166	$ 1,325,105

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2008

	District	Imperial Valley College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 2,177,738	$ -
Federal grants and contracts	13,840,021	-
State grants and contracts	7,760,731	-
Local grants and contracts	1,030,878	295,614
Sales and commissions	170,143	-
Payments to suppliers	(10,619,633)	(81,804)
Payments to/on behalf of employees	(38,440,490)	(175,365)
Payments to/on behalf of students	(12,349,853)	(282,762)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(36,430,465)	(244,317)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	26,889,441	-
Property taxes	7,915,236	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	34,804,677	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(5,031,021)	-
Proceeds from sale of bonds	11,915,816	-
Principal paid on capital debt	(1,158,192)	-
Interest paid on capital debt	(1,721,713)	-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	4,004,890	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	240,425
Interest on investments	1,165,217	14,247
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,165,217	254,672
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,544,319	10,355
CASH BALANCE, BEGINNING OF YEAR	42,075,129	13,742
CASH BALANCE, END OF YEAR	$ 45,619,448	$ 24,097
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (37,255,396)	$ (213,836)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	648,686	-
Changes in assets and liabilities:		
Receivables, net	514,801	3,975
Due from fiduciary funds	(17,665)	-
Stores inventory	(3,216)	-
Accounts payable	(283,690)	(34,456)
Deferred revenues	23,234	-
Compensated absences	(57,219)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (36,430,465)	$ (244,317)

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
ASSETS				
Cash on hand and in banks	76,694	27,672	72,696	177,062
Accounts receivable	-	-	-	-
TOTAL ASSETS	76,694	27,672	72,696	177,062
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	-	-	-	-
Due to governmental funds	-	17,665	-	-
TOTAL LIABILITIES	-	17,665	-	17,665
NET ASSETS				
Unrestricted	76,694	10,007	72,696	159,397
TOTAL NET ASSETS	76,694	10,007	72,696	159,397
TOTAL LIABILITIES AND NET ASSETS	76,694	27,672	72,696	177,062

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2008

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
REVENUES				
Interest and investment income	$ 112	$ 305	$ 155	$ 572
Local revenues	169,751	308,738	113,944	592,433
TOTAL REVENUES	169,863	309,043	114,099	593,005
EXPENDITURES				
Classified salaries	2,280	-	-	2,280
Scholarships and loans	-	309,491	-	309,491
Other operating expenses	151,091	-	89,180	240,271
Capital outlay	13,710	-	-	13,710
TOTAL EXPENDITURES	167,081	309,491	89,180	565,752
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,782	(448)	24,919	27,253
FUND BALANCES, BEGINNING OF YEAR	74,473	9,884	47,777	132,134
PRIOR YEAR ADJUSTMENTS	(561)	571	-	10
FUND BALANCES, END OF YEAR	$ 76,694	$ 10,007	$ 72,696	$ 159,397

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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.

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.

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.

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 $872,892.

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, 2007 were decreased $33,690,520 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2008.

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 ($44,883,973 as of June 30, 2008).

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 ($278,003 as of June 30, 2008) and in revolving funds ($20,735) are insured up to $100,000 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.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash With Fiscal Agent (Continued)

The District's investments at June 30, 2008 are shown below.

	Category				
Investment	1	2	3	Reported Amount	Fair Value
Investment Contracts	$ -	$ 260,127	$ -	$ 260,127	$ 260,127
U.S. Treasury Obligations	-	353,672	-	353,672	353,672
Totals	$ -	$ 613,799	$ -	$ 613,799	$ 613,799

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, 2008 consists of the following:

Federal	$ 653,776
State	2,208,038
Local	1,863,804
Interest	240,820
Total	$ 4,966,438

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2007	Net Change in Capital Assets	Balance June 30, 2008
Capital Assets			
Land	$ 175,900	$ -	$ 175,900
Site Improvements	1,863,229	3,841,734	5,704,963
Buildings	14,849,606	492,218	15,341,824
Equipment	1,702,910	697,069	2,399,979
Work in Progress	1,412,014	2,648,656	4,060,670
Total Cost	20,003,659	7,679,677	27,683,336
Accumulated Depreciation			
Site Improvements	(463,435)	(167,932)	(631,367)
Buildings	(8,026,637)	(357,325)	(8,383,962)
Equipment	(976,650)	(123,429)	(1,100,079)
Total Accumulated Depreciation	(9,466,722)	(648,686)	(10,115,408)
Net Capital Assets	$ 10,536,937	$ 7,030,991	$ 17,567,928

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.

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.

The outstanding bonded debt of the District as of June 30, 2008 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2008
2002	1.4%-5.0%	2017	$ 3,370,000	$ 2,625,000	$ -	$ 195,000	$ 2,430,000
2005	3.3%-7.0%	2029	24,500,000	23,980,000	-	650,000	23,330,000
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
	Totals		$ 53,071,289	$ 39,890,473	$ 11,915,816	$ 845,000	$ 50,961,289

The annual requirements to amortize lease revenue bonds and general obligation bonds payable outstanding as of June 30, 2008 is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 955,000	$ 1,766,448	$ 2,721,448
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	1,430,641	2,830,641
2014-2018	9,785,000	6,348,689	16,133,689
2019-2023	10,091,875	7,347,659	17,439,534
2024-2028	13,172,766	8,396,428	21,569,194
2029-2033	12,006,648	13,763,840	25,770,488
Totals	$ 50,961,289	$ 43,771,899	$ 94,733,188

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.

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2007	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2008
2004	2.5%-4.9%	2014	$ 3,500,000	$ 2,970,000	$ -	$ 290,000	$ 2,680,000

NOTE 7 - COPS PAYABLE (Continued)

The annual requirements to amortize COPS payable outstanding as of June 30, 2008 is as follows:

Year Ending June 30	Principal	Interest	Total
2009	$ 295,000	$ 110,454	$ 405,454
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
2014-2015	1,085,000	61,203	1,146,203
Totals	$ 2,680,000	$ 492,796	$ 3,172,796

NOTE 8 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008	Amount Due In One Year
Bonds Payable	$ 39,890,473	$ 11,915,816	$ 845,000	$ 50,961,289	$ 955,000
COPS Payable	2,970,000	-	290,000	2,680,000	295,000
Capital Leases	23,192	-	23,192	-	-
Totals	$ 42,883,665	$ 11,915,816	$ 1,158,192	$ 53,641,289	$ 1,250,000

NOTE 9 - POST EMPLOYMENT BENEFITS

The District provides post employment health care benefits, in accordance with District employment contracts to all employees who retire from the District. The retiree must have worked for the District for at least twelve years. Expenditures for post employment benefits are recognized on a pay-as-you-go basis, as premiums are paid.

During the fiscal year, expenditures of $1,032,368 were recognized for retirees' health care benefits. The estimated cost for the 2008-09 fiscal year is $1,060,000. Under this plan, the District has agreed to continue to provide these benefits without any additional performance from these retirees. The District does not recognize a liability for future post employment health care benefits because the amount cannot be reasonably determined.

NOTE 10 - DEFERRED REVENUE

Deferred revenue consists of federal, state, and local revenues that have been received as of June 30, 2008 for the subsequent 2008-09 fiscal year. As of June 30, 2008 the District's deferred revenue balance consists of the following:

	General Fund
Federal Revenues	$ 1,338
State Revenues	1,706,572
Local Revenues	342,141
Total	$ 2,050,051

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 - PRIOR YEAR ADJUSTMENTS

Prior year adjustments represents adjustments to prior year accounts receivable for the difference between the amounts of accounts receivable estimated and accrued at June 30, 2007 and the actual amounts of accounts receivable subsequently collected in fiscal year 2007-08.

Additionally, prior year adjustments represents adjustments to prior year accounts payable for the difference between the amounts of accounts payable estimated and accrued at June 30, 2007 and the actual amounts of accounts payable subsequently paid in fiscal year 2007-08.

NOTE 13 - 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).

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 2007-08 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, 2008, 2007, and 2006 were $1,594,841 $1,411,731, and $1,374,246 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.

NOTE 13 - 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 2007-08 was 9.32% 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, 2008, 2007, and 2006 were $678,727, $583,779, and $594,620, respectively, and equal 100% of the required contributions for each year.

NOTE 14 - 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 15 - 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, 2008 was not available.

NOTE 16 - 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:

Violation	Action Taken
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:

Fund Name	Deficit Amount/Remarks
None Reported	Not Applicable

NOTE 17- FUNCTIONAL EXPENSES

	Salaries and Benefits	Operating Expenses	Capital Outlay	Other Outgo	Total
Instructional Activities	$ 17,560,883	$ 838,529	$ 167,568	$ -	$ 18,566,980
Academic Support	5,020,098	797,737	298,255	-	6,116,090
Student Services	7,656,459	1,132,320	116,047	123,450	9,028,276
Plant Operations	2,175,649	2,874,661	6,667,428	-	11,717,738
Instructional Support	3,998,386	1,699,898	1,125,080	-	6,793,364
Community Services	224,476	135,472	2,257	-	362,205
Ancillary Services	1,197,819	658,228	120,362	-	1,976,409
Auxiliary Operations	663,939	-	-	-	663,939
Long-Term Debt	-	-	-	2,833,017	2,833,017
Student Aid	-	-	-	12,251,147	12,251,147
Totals	$ 38,497,709	$ 8,106,845	$ 8,496,997	$ 15,207,614	$ 70,309,165

NOTE 18- SUBSEQUENT EVENT

Tax and Revenue Anticipation Bonds

In August 2008, the District entered into a contract agreement with Bank of America Securities LLC and issued 2008-09 Tax and Revenue Anticipation Bonds in the amount of $7,500,000. The bonds were sold to supplement cash flow and yield 3.00% interest. The bonds mature on June 30, 2009 and repayment requirements are that fifty percent of principal be deposited with the fiscal agent on January 31, 2009 and fifty percent of principal be deposited with the fiscal agent on May 31, 2009.

NOTE 19- GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the Imperial Community College District beginning in the 2008-09 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

APPENDIX B

FORM OF BOND COUNSEL OPINION

August 18, 2009

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

OPINION: $6,000,000 Imperial Community College District (Imperial County, California) 2009-2010 Tax and Revenue Anticipation Notes

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Members of the Board of Trustees:

We have acted as bond counsel in connection with the issuance by the Imperial Community College District (the "District"), of $6,000,000 Imperial Community College District (Imperial County, California) 2009-2010 Tax and Revenue Anticipation Notes, dated August 18,2009 (the "Notes"), pursuant to Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the "Act"), and a Resolution of the Board of Supervisors of the County of Imperial (the "Board of Supervisors") adopted on July 21, 2009 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The District is a duly created and validly existing community college district with the power to issue the Notes in its name and to perform its obligations under the Resolution and the Notes.

2. The Resolution has been duly adopted by the Board of Supervisors and creates a valid first lien on the funds pledged under the Resolution for the security of the Notes.

3. The Notes have been duly authorized, issued and delivered by the District and are valid and binding general obligations of the District, enforceable in accordance with their terms.

4. The 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 sentences are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that 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 and that the Notes be, or continue to be, qualified tax-exempt obligations. The District has covenanted to comply with each such requirement. 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,

A Professional Law Corporation

APPENDIX C

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 by the District of $6,000,000 Imperial Community College District (Imperial County, California) 2009-2010 Tax and Revenue Anticipation Notes (the "**Notes**"). The Notes are being issued pursuant to a resolution adopted by the Board of Supervisors of the County of Imperial on July 21, 2009 (the "**Resolution**"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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

"***Dissemination Agent***" shall mean 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***" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"***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***" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

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

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(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 or events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

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

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) 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 pursuant to the Resolution.

Section 4. 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 3(c).

Section 5. 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. The initial Dissemination Agent shall be the District.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(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 , or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any 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 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 notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the 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 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 9. 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 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: August 18, 2009

IMPERIAL COMMUNITY COLLEGE DISTRICT

By ________________________________

Superintendent

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APPENDIX D

DTC AND THE BOOK-ENTRY ONLY 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 "**Issuer**") 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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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. Issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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