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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

$8,000,000
IMPERIAL COMMUNITY COLLEGE DISTRICT
(COUNTY OF IMPERIAL, CALIFORNIA)
2010-11 MID-YEAR TAX AND REVENUE ANTICIPATION NOTES

Dated: Date of Delivery **Due: December 29, 2011**

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 January 19, 2011 and a resolution of the Board of Supervisors of the County adopted on April 26, 2011. 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 2010-11 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 the month ending December 31, 2011, an amount equal to 100% of the principal amount of the Notes, and the interest on the Notes at maturity (such pledged amounts being hereinafter called the "Pledged Revenues"). The Pledged Revenues will be deposited and held in the Repayment Fund, as defined herein. Although the maturity date and scheduled deposits of Unrestricted Revenues will occur in fiscal year 2011-12, the Notes are payable only from revenues attributable to fiscal year 2010-11. See "SOUCE OF PAYMENT OF THE NOTES" 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
2.00%	0.60%	452641 EX7†

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 May 24, 2011.

PiperJaffray.

Dated: May 11, 2011

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

BOARD OF TRUSTEES

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

DISTRICT ADMINISTRATION

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

PROFESSIONAL SERVICES

Financial Advisor

Caldwell Flores Winters, Inc.
Emeryville, California

Note Counsel and Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Paying Agent

U.S. Bank National Association
Los Angeles, California

TABLE OF CONTENTS

INTRODUCTORY STATEMENT 1
THE NOTES 1
Description of the Notes 1
Purpose of Issue 2
Authority for Issuance 2
Book-Entry Only System 2
No Redemption 2
Security for the Notes 2
SOURCE OF PAYMENT OF THE NOTES 4
Mid-Year Issuance of Notes Due to Deferral of State Funding 4
Unrestricted Moneys; Pledged Revenues 4
Repayment Fund 6
Investment of Note Proceeds and Repayment Fund 6
Limitations on Remedies 7
Notes Not Secured by Property Tax Levy 7
No Liability of the County 8
Projected District Cash Flow for Fiscal Year 2010-11 8
Other District Funds 10
RISK FACTORS 11
Other District Obligations 11
Loss of Tax Exemption 11
Economic Conditions in California 11
Bankruptcy Considerations 11
Limitations on Remedies 12
THE DISTRICT 13
General 13
Administration 13
Recent Enrollment Trends 14
Employee Relations 15
District Retirement Systems 15
DISTRICT FINANCIAL INFORMATION 17
Accounting Practices 17
Financial Statements 17
District's Budget Process 19
State Funding of Community College Districts 20
Ad Valorem Property Taxation 22
Outstanding Indebtedness 23
District's Response to State Budget Cuts 23
Imperial County Investment Pool 24
State Funding of Education and Recent State Budgets 25
CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS 32
Article XIIIA of the California Constitution 32
Unitary Property 33
Constitutional Appropriations Limitation 33
Article XIIIC and Article XIIID of the California Constitution 34
Proposition 62 34
Proposition 98 35
Proposition 111 35
Proposition 1A 36
Future Initiatives 37
CERTAIN LEGAL MATTERS 37
Absence of Material Litigation 37
TAX MATTERS 38

CONTINUING DISCLOSURE 38
UNDERWRITING 39
FINANCIAL ADVISOR 39
RATING 39
ADDITIONAL INFORMATION 39

APPENDIX A - EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIALS FOR YEAR ENDED JUNE 30, 2010 ..... A-1
APPENDIX B - FORM OF BOND COUNSEL OPINION B-1
APPENDIX C - FORM OF CONTINUING DISCLOSURE CERTIFICATE C-1
APPENDIX D - DTC AND THE BOOK-ENTRY ONLY SYSTEM D-1

OFFICIAL STATEMENT

$8,000,000
IMPERIAL COMMUNITY COLLEGE DISTRICT
(IMPERIAL COUNTY, CALIFORNIA)
2010-11 MID-YEAR 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) 2010-11 Mid-Year Tax and Revenue Anticipation Notes in the principal amount of $8,000,000 (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 2010-11 and which are generally available for the payment of current expenses and other obligations of the District (the "**unrestricted moneys**"). The Notes are authorized by the authorizing resolution adopted by the Board of Trustees on January 19, 2011 (the "**District Resolution**") and pursuant to a resolution of the Board of Supervisors of the County adopted on April 26, 2011 (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 2010-11.

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 2010-11 fiscal year, commencing July 1, 2010 and ending June 30, 2011, 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".

No Redemption

The Notes are not subject to redemption prior to maturity.

Security for the Notes

The principal amount of the Notes, together with interest that accrues to the date of maturity, will be payable from taxes, income, revenue and other moneys intended as receipts for the general fund of the District allocable to fiscal year 2010-11 which are generally available for the payment of expenses and other obligations of the District attributable to such fiscal year (the "**unrestricted moneys**"). The source of such Unrestricted Revenues pledged for payment of the Notes are expected to be the remaining State apportionments to made to the District which are allocable to fiscal year 2010-11 but are currently unpaid and scheduled to be paid during fiscal year 2011-12. *Although the maturity date and scheduled deposits of unrestricted revenues will occur in fiscal year 2011-12, the Notes are payable only from revenues attributable to fiscal year 2010-11.*

The District projects that the unrestricted moneys will become available in July through December 2011 and will consist only of State apportionments made to the District for fiscal year 2010-11, the payment of which have been deferred for payment by the State to July through December 2010 (the **"Deferred Revenues"**). See "SOURCE OF PAYMENT FOR THE NOTES - Mid-Year" Issuance of Notes Due to Deferral of State Funding" and "DISTRICT FINANCIAL INFORMATION – State Funding of Education and Recent State Budgets." Although the State may treat some or all of the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year. The District has historically treated deferrals of State apportionment payments in this manner and intends to treat the Deferred Revenues as a receivable for the fiscal year to which they are attributable. Consequently, the District has pledged the Deferred Revenues as the unrestricted moneys which are the source of its general fund revenue to be used for repayment of the Notes.

The District has received and spent some unrestricted moneys prior to the issuance of the Notes. Security for the Notes is expected to be only the unrestricted moneys remaining to be received by the District for fiscal year 2010-11, which remaining portion is an amount less than the total amount of receipts for the general fund allocable to fiscal year 2010-11.

As security for the payment of principal of and interest on the Notes, the District has pledged from unrestricted moneys certain "**Pledged Revenues**", as defined in "SOURCE OF PAYMENT FOR THE NOTES" below, to be deposited at certain times on or before December 29, 2011 in a special fund to be held on behalf of the District by the County Treasurer, separate and distinct from all other County and District funds and accounts, designated as the "Imperial Community College District 2010-11 Mid-Year Tax and Revenue Anticipation Notes Repayment Fund" (the **"Repayment Fund"**). Any moneys placed in the Repayment Fund will be for the benefit of the registered owners of the Notes, and until the principal of and interest on the Notes is paid or provided for, the Repayment Fund will be used solely for the payment of principal of and interest on the Notes.

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."

SOURCE OF PAYMENT OF THE NOTES

"Mid-Year" Issuance of Notes Due to Deferral of State Funding

Historically, school districts and community college districts in California have issued tax and revenue anticipation notes during the summer or fall months in order to meet the cash flow needs that occur due to the typical schedule of property tax receipts. Although cash disbursements for school districts and community college districts were typically fairly consistent during the fiscal year, school districts and community college districts do not receive property tax receipts until mid-December, often creating a cash deficit in November or early December.

Recently there have been changes in the State apportionment monthly payment schedule that shifted the cash flow pattern of school districts and community college districts. Senate Bill 16 of the 2009-10 Fourth Extraordinary Session (SBX4 16) (Chapter 23, Statutes of 2009) modified the State apportionment monthly payment schedule for most local educational agencies ("LEAs"). The 2010-11 State Budget which was approved in October 2010 included nearly $2 billion in K-14 deferrals until July 2011. Due to the major deficits predicted for 2010-11, the possibility of mid-year cuts and deferrals remains a distinct possibility.

The deferral of June state apportionment money to July had existed prior to SBX4 16. However, beginning in fiscal year 2009-10, the increase in the size of deferrals of State apportionment payments to the next fiscal year caused cash flow concerns for many school districts at the end of each fiscal year. The Notes are issued by the District to address the District's cash flow needs at the end of the fiscal year.

Based on the 2010-11 First Principal Apportionment monthly payment schedule summary available from the California Department of Education website, the District expects the following: (a) the January 2010 apportionment equal to $1,112,509 will be deferred to October 2011, (b) the February 2011 apportionment equal to $1,112,509 will be deferred to October 2011, (c) the March 2011 apportionment equal to $624,091 will be deferred to October 2011, (d) the April 2011 apportionment equal to $1,288,883 will be deferred to October 2011, (e) the May 2011 apportionment equal to $834,382 will be deferred to October 2011. In addition, the full amount of the June 2011 apportionment in the amount of $1,811,223 will be deferred to October 2011, for a total of $6,783,597.

Unrestricted Moneys; Pledged Revenues

Unrestricted Moneys. The principal amount of the Notes, together with interest that accrues to the date of maturity, will be payable from taxes, income, revenue and other moneys intended as receipts for the general fund of the District allocable to fiscal year 2010-11 which are generally available for the payment of expenses and other obligations of the District attributable to such fiscal year (the "**unrestricted moneys**"). The anticipated source of such unrestricted moneys pledged for payment of the Notes will be the State apportionments to be made to the District which are allocable to fiscal year 2010-11 but are currently unpaid and scheduled to be paid during fiscal year 2011-12.

The District projects that the unrestricted moneys will become available in periodic increments from July to December 2011 and will comprise the remaining State apportionments made to the District for fiscal year 2010-11 (the **"Deferred Revenues"**), the payment of which has been deferred by the State as described above. See "Mid-Year" Issuance of Notes Due to Deferral of State Funding" above and "DISTRICT FINANCIAL INFORMATION – State Funding

of Education and Recent State Budgets" below. Although the State may treat some or all of the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year. The District has historically treated deferrals of State apportionment payments in this manner and intends to treat the Deferred Revenues as a receivable for the Fiscal Year. Consequently, the Deferred Revenues constitute unrestricted moneys and are eligible to be subject to the pledge for the repayment of the Notes.

The District has received and spent some unrestricted moneys prior to the issuance of the Notes; accordingly, security for the Notes is expected to be only the unrestricted moneys remaining to be received by the District for fiscal year 2010-11, which remaining portion is an amount less than the total amount of receipts for the general fund allocable to fiscal year 2010-11.

The District may, under existing law, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated moneys which will be lawfully available for the payment of the Notes.

Pledged Revenues. The unrestricted moneys which are attributable to fiscal year 2010-11 but are to be received in fiscal year 2011-12 comprise the Deferred Revenues, as described above. The Deferred Revenues are projected to be approximately $6,783,597. See "Mid-Year Issuance of Notes Due to Deferral of State Funding" above and "DISTRICT FINANCIAL INFORMATION – State Funding of Education and Recent State Budgets" below.

Although the maturity date and scheduled deposits of Pledged Revenues will occur in fiscal year 2011-12, the Notes are payable only from revenues attributable to fiscal year 2010-11.

The District maintains certain segregated and special purpose funds outside of its general funds not pledged to the payment of the Notes, which could, if needed and to the extent moneys are available therein, be accessed on a temporary basis through school district legislative action. Such borrowed amounts must be repaid within the fiscal year borrowed, or in the following fiscal year under certain circumstances.

The Notes of the District are, by statute, general obligations of the District. As security for the payment of principal of and interest on an issue of Notes, the District has pledged to deposit in the Repayment Fund all unrestricted moneys attributable to the 2010-11 fiscal year received after June 30, 2011, which deposits shall occur at the end of each month, starting July, 2011, until there is sufficient money in the Repayment Fund (described below) to repay principal of and interest on the Notes. At minimum, the District shall deposit in the repayment fund as follows (the **"Pledged Revenues**"): in the month of December 2011, an amount equal to 100% of the principal amount of the Notes, and the interest on the Notes at maturity.

The Pledged Revenues are expected to be in an amount sufficient to pay the principal of and interest on the Notes. The principal of and interest on the Notes constitute a first lien and charge against the Pledged Revenues. In dollars, the minimum amounts and times of transfer of the Pledged Revenues to the Repayment Account are expected to be as follows:

To the extent not paid from the Pledged Revenues, the Notes will be paid from any other moneys of the District lawfully available therefor. In the event that there are insufficient unrestricted moneys received by the District to permit the deposit in the Repayment Fund of the

full amount of the Pledged Revenues to be deposited in any month on the last business day of such month, then the amount of any deficiency will be satisfied and made up from any other moneys of the District lawfully available for the repayment of the Notes and interest thereon.

As further security, the District has covenanted in the Resolution that it will not request the County Treasurer to make temporary transfers of funds during fiscal year 2010-11 until the full amount of Pledged Revenues has been deposited into the Repayment Fund.

For information relating to the rights of Owners of the Notes to moneys in the Repayment Fund upon a bankruptcy of the County, see "RISK FACTORS – Bankruptcy Considerations."

Repayment Fund

General. Under the County Resolution, the County Treasurer will establish a fund to be known as the **"Repayment Fund"**, to be held for the benefit of the holders of the Notes. The District will cause the County Treasurer to deposit in the Repayment Fund an amount of Pledged Revenues in an amount required to pay the principal of and interest on the Notes at maturity. Any money placed in the Repayment Fund shall be for the benefit of the registered owners of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes and the interest thereon through the maturity thereof, the moneys in the Repayment Fund shall be applied solely for the purposes for which the Repayment Fund is created; provided, however, that any interest earned on amounts deposited in the Repayment Fund shall periodically be transferred to the general fund of the District.

On the maturity date of the Notes, the County Treasurer shall transfer to U.S. Bank National Association, as paying agent, for subsequent disbursement to DTC, the moneys in the Repayment Fund necessary to pay the principal of and interest on the Notes then due and, to the extent said moneys are insufficient therefor, an amount of moneys from the District's general fund which will enable payment of the full principal of and interest on the Notes at maturity. DTC will thereupon make payments of principal and interest on the Notes to the DTC Participants who will thereupon make payments to the beneficial owners of the Notes. Any moneys remaining in the Repayment Fund after the Notes and the interest thereon have been paid, or provision for such payment has been made, will be transferred to the District.

For information on the investment of moneys by the County, see the following section and "USE OF PROCEEDS AND INVESTMENT OF DISTRICT MONEYS – The County Investment Pool" above.

Investment of Note Proceeds and Repayment Fund

Pursuant to the County Resolution, proceeds from the sale of the Notes will be deposited by the County Treasurer of the County in a proceeds fund to the credit of the District. Moneys in such proceeds fund may be invested as permitted by the laws of the State and the County Resolution, including in the County Treasury Pool, the State County Treasurer's Local Agency Investment Fund and in investment agreements. The proceeds of the Notes will be invested to mature on or before the maturity date of the Notes.

The County Resolution provides that moneys held in the Repayment Fund shall be invested by the County in any one or more investments generally permitted to school districts under the laws of the State, consistent with the investment policy of the County and this

Resolution (the "Repayment Fund Permitted Investments"). The Repayment Fund Permitted Investments shall specifically include: (a) the County Pooled Investment Fund maintained by the County; (b) at the request of the District, in investments permitted under section 53600 *et seq.* of the California Government Code; and (c) in the sole discretion of the District, (i) the Local Agency Investment Fund maintained by the Treasurer of the State; and (ii) investment agreements with financial institutions with senior unsecured credit ratings in one of the two highest rating categories (without regard to any refinement or gradation of such rating category by a plus or minus or a numeral) from one or more nationally recognized statistical rating organization then rating the Notes. However, in regard to any investments requested by the District specified in clause (b)(iii) above, the County may decline the request of the District upon any reasonable basis, including specifically, any concerns of the County regarding the legality, structure or appropriateness of the investment vehicle generally or the process for the bidding or execution of the investment. See "USE OF PROCEEDS AND INVESTMENT OF DISTRICT MONEYS – The County Investment Pool" above.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

The County will be in possession of the taxes and other revenues to be set aside to pay the Notes and the District may request the County to invest these funds in the County Treasury Pool. Should the County file bankruptcy while the Notes are outstanding, 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 not be secured creditors of the County. There can be no assurance that the owners could successfully so "trace" the Pledged Revenues and other unrestricted revenues, if any, set aside in the Repayment Fund. See "RISK FACTORS – Bankruptcy Considerations."

Notes Not Secured by Property Tax Levy

Under Section 53857 of the Law, the Notes are general obligations of the District which are payable from any taxes, income, revenue, cash receipts or other moneys of the District which are lawfully available for that purpose. However, the obligation of the District to pay the principal of and interest on the Notes does not constitute a debt of the District, the County or the State of California or of any political subdivision thereof, within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the District, the County or the State of California is obligated to levy or pledge any form of taxation or for which the District, the County or the State of California has levied or pledged any form of taxation.

No Liability of the County

Neither the County, the Board or Supervisors of the County, nor any officer, official, employee of the County, has liability in connection with the Notes, other than to establish and administer the Repayment Fund as described above. No funds or property of the County are liable to pay the principal of and interest on the Notes.

Projected District Cash Flow for Fiscal Year 2010-11

The District has prepared for use in this Official Statement the following cash flow statements that show actual cash receipts and disbursements for fiscal year 2010-11 and projected cash receipts and disbursements through maturity of the Notes.

The District's cash flows reflect the enactment of the 2010-11 State Budget as well as the proposed 2011-12 State Budget. Under the 2010-11 State Budget, the monthly payment schedule for K-14 apportionment funding and categorical funding from the State was modified to distribute 5% of total payments in each of July and August and 9% in each of the remaining months, with certain payment deferrals enacted. With the additional deferrals incorporated into the 2010-11 State Budget, total deferrals of State K-14 revenue limit payments in fiscal year 2010-11 are approximately $2 billion. These deferrals include:

- July 2010 apportionment deferred to September 2010
- September 2010 apportionment deferred to December 2010
- March 2011 apportionment deferred to April 2011
- April and May 2011 apportionments originally deferred to July 2011 further deferred into September 2011

The 2010-11 State Budget provided increased flexibility with respect to funding allocated to certain categorical programs through fiscal year 2012-13. Pursuant to this provision, school districts and community college districts will be able to shift funds to meet higher priority needs. See "Mid-Year" Issuance of Notes Due to Deferral of State Funding" above and "DISTRICT FINANCIAL INFORMATION – State Funding of Education and Recent State Budgets" below. In addition, the District's cash flows reflect the actual and projected receipt of federal funds authorized pursuant to the American Reinvestment and Recovery Act of 2009. The District cannot predict when the remaining federal funds will be received.

Imperial Community College District
TRAN Cash Flow Analysis

2010-11 General Fund Cashflow

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	Total
Beginning Cash	1,709,101	11,026,062	7,448,442	4,126,640	13,956,160	12,720,203	9,536,622	6,222,645	5,129,621	2,781,718	1,665,721	9,444,473	1,709,101
Receipts													
Federal Revenues	159,473	167,577	3,170,681	1,690,475	5,310,191	376,038	306,801	431,580	4,850,265	396,758	2,184,422	288,307	19,332,568
State Revenues	-	54,797	-	12,778,275	2,973,424	1,587,991	2,496,468	1,509,498	1,361,408	1,508,842	2,971,464	1,456,300	28,698,467
Local Revenues	560,237	240,101	333,132	119,911	209,194	2,790,450	516,877	241,943	195,652	2,146,587	275,787	250,000	7,879,872
Prior Year Revenue	6,646,657	365,007	140,678	239,539	5,880	40,077	-	103,192	141,761	-	-	-	7,682,791
2010-11 TRAN Deposit	6,492,119	-	-	-	-	-	-	-	-	-	-	-	6,492,119
2010-11 Mid-Year TRAN Deposit	-	-	-	-	-	-	-	-	-	-	8,066,640	-	8,066,640
Total Receipts	13,858,486	827,482	3,644,491	14,828,200	8,498,689	4,794,556	3,320,146	2,286,213	6,549,086	4,052,187	13,498,313	1,994,607	78,152,456
	Actual	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*
Disbursements													
Certificated Salaries	1,113,491	1,363,570	1,882,418	1,814,311	1,761,098	1,674,646	1,374,794	1,270,458	1,999,021	1,679,690	1,763,375	1,600,493	19,297,365
Classified Salaries	679,381	707,940	749,883	792,233	858,419	751,220	643,553	786,182	645,254	645,254	645,254	645,254	8,549,827
Employee Benefits	933,856	1,099,850	789,894	473,346	744,879	1,024,464	732,605	714,345	772,344	772,344	772,344	425,654	9,255,925
Supplies	14,658	85,859	79,559	122,342	98,325	83,032	96,759	67,160	133,987	74,662	162,235	75,000	1,093,578
Services	215,456	837,121	372,712	408,559	403,499	179,394	346,476	499,033	524,652	675,547	379,372	400,000	5,241,821
Capital Outlay	1,586	34,697	37,258	15,672	9,428	16,562	14,391	41,781	95,272	56,853	62,559	60,000	446,059
Other outgo	634,420	48,937	3,054,569	1,372,217	5,858,998	208,375	175,545	278	4,726,459	1,263,834	1,934,422	146,351	19,424,405
Prior Year Expenditures	948,677	227,128	-	-	-	-	-	-	-	-	-	-	1,175,805
2009-10 Mid Year TRAN Repayment	-	-	-	-	-	4,040,444	-	-	-	-	-	-	4,040,444
2010-11 TRAN Repayment (50%-50%)	-	-	-	-	-	-	3,250,000	-	-	-	-	3,379,639	6,629,639
Total Disbursements	4,541,525	4,405,102	6,966,293	4,998,680	9,734,646	7,978,137	6,634,123	3,379,237	8,896,989	5,168,185	5,719,561	6,732,391	75,154,868
	Actual	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Actual*	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*
Net increase/decrease	9,316,961	(3,577,620)	(3,321,802)	9,829,520	(1,235,957)	(3,183,581)	(3,313,977)	(1,093,024)	(2,347,903)	(1,115,998)	7,778,752	(4,737,784)	2,997,588
Ending cash balance	11,026,062	7,448,442	4,126,640	13,956,160	12,720,203	9,536,622	6,222,645	5,129,621	2,781,718	1,665,721	9,444,473	4,706,689	4,706,689

2011-12 General Fund Projected Cashflow

	July	Aug	Sept	Oct	Nov	Dec	Total
Beginning Cash	4,706,689	1,391,348	(1,823,186)	(4,709,501)	10,323,994	9,260,561	4,706,689
Receipts							
Federal Revenues	159,473	167,577	3,170,681	1,690,475	5,310,191	376,038	10,874,435
State Revenues	-	54,797	-	11,711,609	2,706,758	1,321,325	15,794,489
Local Revenues	560,237	240,101	333,132	119,911	209,194	2,790,450	4,253,025
Prior year revenue	75,000	250,000	140,000	6,100,000	6,000	40,000	6,611,000
Total Receipts	794,710	712,475	3,643,813	19,621,995	8,232,143	4,527,813	37,532,949
	Estimated	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*	
Disbursements							
Certificated Salaries	1,002,142	1,227,213	1,694,176	1,632,880	1,584,988	1,507,181	8,648,581
Classified Salaries	570,680	594,670	629,902	665,476	721,072	631,025	3,812,824
Employee Benefits	840,470	989,865	710,905	426,011	670,391	922,018	4,559,660
Supplies	13,192	77,273	71,603	110,108	88,493	74,729	435,398
Services	193,910	753,409	335,441	367,703	363,149	161,455	2,175,067
Capital Outlay	1,427	31,227	33,532	14,105	8,485	14,906	103,683
Other outgo	634,420	48,937	3,054,569	1,372,217	5,858,998	208,375	11,177,516
Prior year expenditures	853,809	204,415	-	-	-	-	1,058,225
2010-11 Mid-Year TRAN Repayment	-	-	-	-	-	8,095,556	8,095,556
Total Disbursements	4,110,052	3,927,009	6,530,128	4,588,500	9,295,576	11,615,244	40,066,508
	Estimated	*Estimated*	*Estimated*	*Estimated*	*Estimated*	*Estimated*	
Net increase/decrease	(3,315,342)	(3,214,534)	(2,886,315)	15,033,495	(1,063,433)	(7,087,431)	(2,533,559)
Ending cash balance	1,391,348	(1,823,186)	(4,709,501)	10,323,994	9,260,561	2,173,131	2,173,131

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTE COVERAGE RATIO CALCULATION

Projected Beginning Cash Balance May 1, 2011	$ 1,665,721.00
Projected Cash Receipts through Maturity (including Note Proceeds) [(1)]	53,025,869.00
Less Projected Disbursements (excluding Note Repayment)	(44,422,904.00)
Ending Cash Balance, December 2011	$ 8,602,965.00
Note Repayment	
Principal	$ 8,000,000.00
Interest	95,555.56
Total Repayment	$ 8,095,555.56
NOTE COVERAGE RATIO	1.20:1

(1) Includes receipts for the months of May and June 2011, as well as all District anticipated receipts through December 2011. No segregation of receipts attributable to fiscal year 2010-11.

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.

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 may significantly affect appropriations made by the State to community college districts, and the timing of payment to community college districts by the State 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. See "DISTRICT FINANCIAL INFORMATION – State Funding of Education."

Bankruptcy Considerations

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. The Bankruptcy Court ruled that under the United States Bankruptcy Code, the lien did not attach to revenues received by Orange County after December 6, 1994 because the lien was a consensual security interest rather than a statutory lien. In July 1995, the United

Stated District Court for the Central District of California reversed the decision of the Bankruptcy Court. Orange County appealed the decision of the City 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 County were to file for bankruptcy, it is not clear whether it would be required to set aside Pledged Revenues as described above.

In addition, the Pledged Revenues and other moneys that will be set aside to pay the Notes will be held in the County's 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 Pledged Revenues. In that case, unless the Owners could "trace" the funds, the Owners would merely be unsecured creditors of the County. There can be no assurance that the Owners of the Notes could successfully so "trace" the Pledged Revenues.

Limitations on Remedies

The rights of the owners of the Notes are subject to the limitations on legal remedies against school districts in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

In addition, enforceability of the rights and remedies of the owners of the Notes and the obligations incurred by the District, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

THE DISTRICT

General

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

Administration

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

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

Brief biographies of certain key administrative staff follows:

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

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

Carlos Fletes, Director of Fiscal Services. Mr. Fletes has over 25 years of experience in the public sector, the last 19 with the District, serving in various capacities in the Business

Services department. He is currently the Director of Fiscal Services whose primary responsibilities include the District's budget, Business Office operations, and Financial Aid disbursement. Mr. Fletes holds a bachelor degree in Business Administration with a major in Accounting from the University of Arizona in Tucson and a Master of Arts degree in Educational Administration from the University of Redlands.

Recent Enrollment Trends

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

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

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

Source: Imperial Community College District.

Employee Relations

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

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

District Retirement Systems

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

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

Active plan members are required to contribute 8.0% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board. The required employer contribution rate for fiscal years 2009-10 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 2007-08, 2008-09 and 2009-10 were $1,594,841, $1,646,040 and $1,641,148, respectively.

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 2009-10 was 9.70% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contribution to PERS for fiscal years 2007-08, 2008-09 and 2009-10 were $678,727, $752,901 and $762,737, respectively.

Other Post-Employment Benefits (OPEB)

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

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

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

For fiscal year 2009-10 the District contributed $1,472,815 to the plan, all of which was used for current premiums. The District's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2009-10:

Annual required contribution	$3,595,719
Contribution made	(1,472,815)
Increase in net OPEB obligation	2,122,904
NET OPEB obligation, beginning of year	2,340,759
NET OPEB obligation, end of year	$4,463,663

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

DISTRICT FINANCIAL INFORMATION

Accounting Practices

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

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

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

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

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

Financial Statements

The District's Audited Financial Statements for the fiscal year ending fiscal year 2009-10 were prepared by Wilkinson Hadley & Co. LLP, El Cajon, California. Audited financial statements for the District for the fiscal year ended June 30, 2010 and prior fiscal years are on file with the District and available for public inspection at the Vice-President, Business Services' Office. See Appendix A hereto for excerpts from the 2009-10 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

The following tables show the audited income and expense statements for the District for fiscal years 2006-07 through 2009-10 and figures from the District's adopted Budget for fiscal year 2010-11.

Table No. 7
IMPERIAL COMMUNITY COLLEGE DISTRICT
Revenues, Expenses and Changes in Net Assets
For Fiscal Years 2006-07 through 2009-10 (audited)

	Audited 2006-07	Audited 2007-08	Audited 2008-09	Audited 2009-10
Operating Revenues				
Tuition and fees	$2,120,822	$2,177,738	$2,127,125	$2,359,112
Grants and contracts, non-capital:				
Federal	13,047,957	13,840,021	16,166,202	21,556,042
State	8,211,866	7,760,731	7,592,885	7,652,345
Local	988,398	1,030,878	670,743	560,194
Sales and Commissions	170,136	170,143	185,786	156,660
Total Operating Revenues	24,539,179	24,979,511	26,742,741	32,284,353
Operating Expenses				
Academic Salaries	17,818,067	20,497,671	21,448,747	21,249,852
Classified Salaries	8,186,441	9,130,337	9,739,084	10,043,921
Employee Benefits	7,943,416	8,812,482	11,858,054	12,455,724
Supplies, materials and other operating expenses	8,283,707	8,094,794	10,902,211	12,212,912
Financial aid	11,399,331	12,349,853	14,283,891	18,796,457
Utilities	789,010	829,371	858,524	906,126
Interest and fiscal charges	1,488,725	1,721,713	1,892,061	-
Bad debt expense	-	150,000	926,458	1,811,381
Depreciation	412,662	648,686	873,834	1,653,644
Total Operating Expenses	56,321,359	62,234,907	72,782,864	79,130,107
Operating Loss	(31,782,180)	(37,255,396)	(46,040,123)	(46,845,664)
Non-Operating Revenues				
State apportionments, non-capital	25,970,634	26,573,560	28,805,038	28,109,126
Local property taxes	6,761,704	7,915,236	7,473,077	7,459,596
State taxes and other revenue	1,241,288	1,226,485	1,277,516	1,175,274
Interest and investment income	1,059,137	1,165,217	2,097,317	355,986
Total Non-Operating Revenues	35,032,763	36,880,498	39,652,948	37,099,982
Increase (Decrease) in Net Assets	3,250,583	(374,898)	(6,387,175)	(9,745,682)
Net Assets, Beginning of Year	6,932,521	10,211,725	9,853,166	3,465,991
Prior Year Adjustment	28,621	16,339	-	-
Net Assets, End of Year	$10,211,725	$9,853,166	$3,465,991	$(6,279,691)

Source: Imperial Community College District.

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

	Budgeted 2010-11[(1)]
Revenues	
Federal	$4,673,221
State	34,155,738
Local	9,003,372
Total Revenues	47,832,331
Expenditures	
Academic Salaries	20,242,073
Classified Salaries	9,325,351
Benefits	9,923,132
Supplies	1,495,294
Services	5,739,530
Capital outlay	1,010,113
Total Expenses	47,735,493
Excess/(Deficiency) of Revenues over Expenditures	96,838
Other outgo	920,964
Net Increase/(Decrease) in Fund Balance	(824,126)
Beginning Fund Balance, July 1	3,157,832
Ending Fund Balance, June 30	$2,333,706

(1) Final Adopted 2010-11 Budget dated October 20, 2010
Source: Imperial Community College District.

District's Budget Process

On or before September 15, the Board of Trustees of the District is required under Section 58305 of the California Code of Regulations, Title V, to adopt a balanced budget. Each September, every State agency, including the Chancellor's Office of the California Community Colleges, submits to the Department of Finance ("DOF") proposals for changes in the State budget. These proposals are submitted in the form of Budget Change Proposals ("BCPs"), involving analyses of needs, proposed solutions and expected outcomes. Thereafter, the DOF makes recommendations to the governor, and by January 10 a proposed State budget is presented by the governor to the legislature. The Governor's Budget is then analyzed and discussed in committees and hearings begin in the State Assembly and Senate. In May, based on the debate, analysis and changes in the economic forecasts, the governor issues a revised budget with changes he or she can support. The law requires the legislature to submit its approved budget by June 15, and by June 30 the governor should announce his or her line item reductions and sign the State budget. In response to growing concern for accountability and

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

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

State Funding of Community College Districts

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

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

of factors designed primarily to provide cost of living increases and to equalize revenues among all community college districts in the State.

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

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

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

Source: Imperial Community College District.

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

"Basic Aid" community college districts are those districts whose local property tax and student enrollment fee collections exceed the revenue allocation determined by the program-based model. Basic aid districts do not receive any funds from the State. The current law in California allows these districts to keep the excess funds without penalty. The implication for Basic Aid Districts is that the legislatively determined annual cost of living adjustment and other

politically determined factors are less significant in determining such districts' primary funding sources. Rather, property tax growth and the local economy become the determinant factors. The District is not a Basic Aid District.

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

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

Ad valorem Property Taxation

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

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

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The taxing authority has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the County Clerk and County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the assessee.

Outstanding Indebtedness

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

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

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

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

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

In December 2010, the District issued 2010 General Obligation Bond Anticipation Notes in the amount of $14,000,956 (the "2010 BANs").

In January 2011, the District issued General Obligation Bonds, Election of 2010, Series 2010A in the amount of $9,405,512.20 (the "2010 Bonds").

Debt service on the 2005 Bonds, the 2006 Bonds, the 2007 Bonds, the 2009 Bonds and the 2010 Bonds is secured by *ad valorem* taxes on all taxable property within the District. Debt service on the 2010 BANs is expected to be paid from a subsequent issuance of general obligation 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, 2010 is $2,080,000, and the final maturity is on August 1, 2014.

District's Response to State Budget Cuts

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

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

- Elimination of Brawley and El Centro Extended Campus Offices, thereby reducing direct services to both cities, although IVC classes will still be held at their respective high schools.

- Summer session was reduced and Winter session was eliminated.
- Classes offered by overload and adjunct faculty were reduced.
- All reductions will adversely impact students and reduce their access to classes. Transfer course requirement completion may be delayed.
- Library acquisitions of books and library hours to be reduced.
- Reduction or elimination of non-credit courses will eliminate senior programs, computers, art, music, and exercise.
- IVC financial support for the Small Business Development Center was eliminated.
- Short-term training programs, such as Customer Service Academy, were eliminated.
- Maintenance and operations to cut some services and reduce others.

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 March 31, 2011.

IMPERIAL COUNTY
POOLED INVESTMENT FUND PORTFOLIO SUMMARY
(as of March 31, 2011)

Type of Investment	Par Value	Market Value	Book Value	Days to Maturity
LAIF/HIGHMARK CAPITAL / ZBA	$89,500,000.00	$89,500,000.00	$89,500,000.00	1
Certificates of Deposit – Bank	95,891,000.00	95,891,000.00	95,891,000.00	356
Federal Agency Issues – Coupon	189,200,000.00	190,335,839.40	189,295,310.00	1,089
Total Investments	374,591,000.00	375,726,839.40	374,686,310.00	641 (average)
Cash – Passbook/Checking	19,063,207.06	19,063,207.06	19,063,207.06	1
Total Cash & Investments	$393,654,207.06	$394,790,046.46	$393,749,517.06	826 (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' 1% share of the sales tax imposed on taxable transactions within their jurisdiction are redirected to the State. In an effort to eliminate the adverse impact of the sales tax revenue redirection on local government, the legislation redirects property taxes in the ERAF to local government. Because the ERAF monies were previously earmarked for schools, the legislation provides for schools to receive other State General Fund revenues. The swap of sales taxes for property taxes will terminate once the deficit financing bonds are repaid, which is currently expected to occur by 2016.

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

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

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

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

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

ABX8 5 and ABX8 14. On March 1, 2010, the Governor signed into law ABX8 5, effective immediately, which included several measures meant to allow the State to manage its cash resources in the fiscal years 2009-10 and 2010-11. For fiscal year 2009-10, ABX8 5 authorized the deferral of General Fund payments to be made to trial court operations, the California State University system, the University of California system, and community college districts ("**CCDs**") in March 2010 to no sooner than April 15, 2010, but no later than May 1, 2010. Prior to such deferrals, the State Controller, Treasurer, and Director of Finance are required to review the actual cash situation to determine if the deferrals are in fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after April 1, are required to review daily the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. To address the cash management issues in fiscal year 2010/11, ABX8 5 authorized specific deferrals to K-12 apportionments, Supplemental Security Income/State Supplementary Payments, local government social services and transportation payments and trial court operations. These deferrals are allowed only in July 2010 for no more than 60 days, October 2010 for no more than 90 days, and March 2011 for no more than 60 days. Prior to the implementation of such deferrals, the Controller, Treasurer and Director of Finance must review the actual cash receipts and disbursements to determine if they are in fact necessary. Further, if such deferrals are implemented, the Controller, Treasurer and Director of Finance, after July 1, 2010, are required to conduct a daily review of the actual cash receipts and disbursements to determine when all or a portion of the deferrals can be paid, and to make such payments as soon as feasible. In addition, such deferrals may be moved forward or backward one month from the dates specified if all three of the Controller, Treasurer and Director of Finance determine that a move is necessary. ABX8 5 limited the K-12 deferrals to $2.5 billion at any given time during the fiscal year 2010-11 and sets a maximum of three K-12 deferrals during the fiscal year. ABX8 5 provided a hardship exemption for county offices of education, school districts and charter schools. ABX8 5 further authorized the deferral of $200 million from July 2010 to October 2010 and $100 million from March 2011 to May 2011 for CCDs. ABX8 5 also provided for a hardship exemption for CCDs.

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

May 2010 Budget Revision. Under California law, in May of each year the Governor issues a revised budget with changes he or she can support, based on the debate, analysis and changes in the economic forecasts. The Governor's May 2010 Budget Revision estimated a General Fund budget gap of $19.1 billion, $7.7 billion for the 2009-10 fiscal year, $10.2 billion

for the 2010-11 fiscal year, and a modest reserve of $1.2 billion. The May Revision proposed $12.4 billion in spending reductions and alternative funding proposals, representing two-thirds of the solution, borrowing and fund shifts representing approximately 10% of the solution and new revenue representing approximately 5% of the solution. Major spending reduction proposals included reductions of $4.3 billion of Proposition 98 spending, including the elimination of need-based, subsidized childcare, reductions of $2.1 billion by reducing State employees pay and staffing and shifting pension costs to employees, and the elimination of the CalWORKs program, which provides cash grants and welfare-to-work services, representing $1.2 billion in savings.

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

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

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

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

On August 23, 2010, in an effort to conserve cash and delay the need to issue IOUs, State officials decided to start delaying school payments of $2.5 billion a month in September through December. This came after a $2.5 billion deferral in July.

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

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

Expenditure Reductions.

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

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

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

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

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

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

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

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

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

2011-12 State Budget. On January 3, 2011, Jerry Brown was sworn in as Governor and warned that his budget plan would include severe cuts to State spending. On January 10, 2011, Governor Brown submitted his 2011-12 Proposed Budget (the "**Proposed Budget**") to the Legislature. The Proposed Budget acknowledged a $25.4 billion budget problem, consisting of an $8.2 billion deficit that would remain at the end of 2010-11 absent budgetary action, and an estimated $17.2 billion shortfall between current-law revenues and expenditures in 2011-12. The Governor's Proposed Budget includes a plan to submit to the voters an extension of the four temporary tax increases adopted by voters in 2009. Additionally, the Governor proposes to restructure the state-local relationship by shifting funding and responsibility to local government for certain services, resulting in a shift of $5.9 billion in State program costs to counties. The Governor also proposes eliminating redevelopment agencies. The Proposed Budget includes expenditure reductions which touch nearly every area of the State budget. Although the Governor's revenue proposals result in a $2 billion increase in the Proposition 98 minimum funding guarantee for schools above the current-law level, the Proposed Budget would result in a small funding decline for K-12 and more significant reductions for community colleges and child care programs. An LAO report dated January 12, 2011 stated that the Proposed Budget estimates were reasonable, and the proposed multiyear and ongoing solutions show great promise of making substantial improvements to the State's overall budget health. However, the

LAO report recognizes that the Governor's realignment and redevelopment proposals are extremely ambitious, implicating many legal, financial and policy issues, and that $12 billion of the Governor's proposed solutions are dependent upon voter approval.

Information about the State budget is regularly available at various State-maintained websites. The fiscal year 2010-11 State Budget may be found at the website of the Department of Finance, 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.

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.

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, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

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, as amended (the "Tax Code") that must be satisfied subsequent to the issuance of the Notes. 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.

If the initial offering price to the public (excluding bond houses and brokers) at which each Note is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue premium is disregarded. Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Note (said term being the shorter of the Note's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Note for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Note is amortized each year over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Note premium is not deductible for federal income tax purposes. Owners of premium Notes, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Notes.

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

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.

The form of Bond Counsel opinion for the Notes 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".

UNDERWRITING

The Notes were purchased by Piper Jaffray & Co. (the "**Underwriter**") at a price of $8,004,825.00 (representing the aggregate principal amount of the Notes plus a purchase premium of $66,640.00 and less an underwriter's discount of $61,815.00). 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.

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
Vice President for Business Services

APPENDIX A

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIALS FOR YEAR ENDED JUNE 30, 2010

[THIS PAGE INTENTIONALLY LEFT BLANK]

IMPERIAL COMMUNITY COLLEGE DISTRICT

IMPERIAL COUNTY

IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2010

IMPERIAL COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Introduction - Objectives of the Audit 3

Independent Auditors Report 4

Management Discussion and Analysis 6

BASIC FINANCIAL STATEMENTS

Statement of Net Assets 12

Statement of Revenues, Expenses and Changes in Net Assets 13

Statement of Cash Flows 14

Statement of Fiduciary Net Assets 15

Statement of Changes in Fiduciary Net Assets 16

Notes to Financial Statements 17

SUPPLEMENTARY INFORMATION

Organization 33

Schedule of Workload Measures for State General Apportionment 34

Reconciliation of Annual Financial and Budget Report (CCFS-311)
With Audited Financial Statements 35

Schedule of Expenditures of Federal Awards 36

Notes to the Schedule of Expenditures of Federal Awards 37

Notes to Supplementary Information 38

Schedule of Funding Progress – Benefits Plan 39

OTHER INDEPENDENT AUDITOR'S REPORTS

Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards 40

Auditor's Report on State Compliance Requirements 42

IMPERIAL COMMUNITY COLLEGE DISTRICT
TABLE OF CONTENTS
(Continued)

Page

Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 44

FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Questioned Costs 46

Status of Prior Year Findings and Questioned Costs 48

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.

INTRODUCTORY SECTION

Wilkinson Hadley King & Co. LLP
CPAs and Advisors
218 W. Douglas Avenue • El Cajon, CA 92020
Tel. (619) 447-6700 • Fax (619) 447-6707

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

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, 2010, 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, 2010, 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.

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 December 9, 2010 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
December 9, 2010

INTRODUCTION

The Imperial Community College District (the District) consists of one main campus and one extended campus center. The District serves approximately 8,000 students. Full-Time Equivalent Student (FTES) enrollment for 2009-2010 was 7,195.

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, 2010. Please read it in conjunction with the financial statements and notes thereto which follow this section.

FINANCIAL HIGHLIGHTS

During 2009-10, total reported full-time equivalent students decreased approximately 4%. Because the state reduced the work load measures funded in 2009-2010, the college decided to report 438.31 2010 Summer FTES in school year 2010-2011 rather than 2009-2010. Credit FTES, Non-Credit FTES along with other workload measures, are the basis for the District's state apportionment. No growth was funded during 2009-2010. Workload measures directly related to credit/non-credit FTES account for over $27 million state general apportionment.

Trend of Full Time Students as Reported on the Annual Report

	05-06	06-07	07-08	08-09	09-10
FTES	6,484	6,672	7,154	7,426	7,195

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, 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, 2010, is summarized below:

Statement of Net Assets

	June 30, 2010	June 30, 2009	Change
Current assets	26,754,989	44,545,569	(17,790,580)
Capital assets	41,344,594	29,686,805	11,657,789
Total Assets	68,099,583	74,232,374	(6,132,791)
Current liabilities	11,243,794	8,362,784	2,881,010
Long-term liabilities	63,135,480	62,403,599	731,881
Total Liabilities	74,379,274	70,766,383	3,612,891
Net assets			
Invested in capital assets net of related debt	0	0	0
Restricted	0	3,465,991	(3,465,991)
Unrestricted	(6,279,691)	0	(6,279,691)
Total Net Assets	(6,279,691)	3,465,991	(9,745,682)
Total Liabilities and Net Assets	68,099,583	74,232,374	(6,132,791)

Total Liabilities had a net increase of $3.6 million in part due to normal operating activities and the rest in long term debt related to the General Obligation Bonds.

The Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2010, is summarized below:

Statement of Revenues, Expenses and Changes in Net Assets

	June 30, 2010	June 30, 2009	Change
Operating revenues	32,284,353	26,742,741	5,541,612
Operating expenses	77,476,373	71,909,030	5,567,343
Deficit before depreciation and non-operating income and expense	(45,192,020)	(45,166,289)	(25,731)
Depreciation	1,653,644	873,834	779,810
Deficit before non-operating income and expense	(46,845,664)	(46,040,123)	(805,541)
Non-operating Income and expense, net	37,099,982	39,652,948	(2,552,966)
Increase (decrease) in net assets	(9,745,682)	(6,387,175)	(3,358,507)

Operating Revenues

The Changes in Net Assets comparison presents the District's results of operation and shows a decrease of $9,745,682. Operating revenues over operating expenses decreased by $805,541. State apportionment and property taxes are recorded in non-operating income. Net non-operating income and expense decreased by $2,552,966.

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 55.3% 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 decreases in FTES due to reductions in work load measures and lack of growth funding and COLA.

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

The Statement of Cash Flows for the year ended June 30, 2010 is summarized below:

Statement of Cash Flows

	June 30, 2010	June 30, 2009	Change
Operating activities	(44,418,319)	(44,752,692)	334,373
Non-capital financing activities	38,508,255	33,442,639	5,065,616
Capital and related activities	(14,183,811)	1,223,041	(15,406,852)
Investing activities	355,986	2,097,317	(1,741,331)
Net Increase in Cash and Cash Equivalents	(19,737,889)	(7,989,695)	(11,748,194)
Cash Balance, Beginning of Year	37,629,753	45,619,448	(7,989,695)
Cash Balance, End of Year	17,891,864	37,629,753	(19,737,889)
Cash Used by Operating Activities	(44,418,319)	(44,752,692)	334,373

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, 2010, the District had over $53.9 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 $12.5 million, leaving a net asset amount of $41.4 million.

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

	June 30, 2010	June 30, 2009	Change
Land & Improvements	175,900	175,900	0
Work In Progress	2,294,038	16,023,649	(18,317,687)
Buildings & Improvements	37,144,624	12,078,966	25,065,658
Equipment	1,730,032	1,667,432	62,600
Total	41,344,594	29,686,805	11,657,789

ECONOMIC FACTORS THAT MAY AFFECT THE FUTURE

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

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

BASIC FINANCIAL STATEMENTS

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

	District	Imperial Valley College Foundation
ASSETS		
Current assets:		
Cash in county treasury	$ 17,156,475	$ -
Cash in banks	105,798	55,951
Cash with fiscal agent	610,578	-
Investments	-	1,065,512
Revolving cash	19,013	-
Accounts receivable, net	8,822,026	-
Stores inventory	41,099	-
Total current assets	26,754,989	1,121,463
Non-current assets:		
Capital assets, net of accumulated depreciation	41,344,594	15,000
TOTAL ASSETS	$ 68,099,583	$ 1,136,463
LIABILITIES		
Current liabilities:		
Accounts payable	$ 2,206,599	$ 16,908
Temporary loans	4,040,444	-
Deferred revenues	2,397,542	-
Compensated absences	1,099,209	-
Bonds payable - current portion	1,180,000	-
COPS payable - current portion	320,000	-
Total current liabilities	11,243,794	16,908
Non-current liabilities:		
Bonds payable	56,689,987	-
COPS payable	1,760,000	-
Accreted interest	221,830	-
Net OPEB obligation	4,463,663	-
Total non-current laibilities	63,135,480	-
TOTAL LIABILITIES	74,379,274	-
NET ASSETS		
Invested in capital assets, net of related debt	-	15,000
Restricted - expendable	-	1,023,638
Unrestricted	(6,279,691)	80,917
TOTAL NET ASSETS (DEFICIT)	(6,279,691)	1,119,555
TOTAL LIABILITIES AND NET ASSETS	$ 68,099,583	$ 1,136,463

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2010

	District	Imperial Valley College Foundation
OPERATING REVENUES		
Tuition and fees	$ 2,359,112	$ -
Grants and contracts, non-capital:		
Federal	21,556,042	-
State	7,652,345	-
Local	560,194	175,413
Sales and Commissions	156,660	-
TOTAL OPERATING REVENUES	32,284,353	175,413
OPERATING EXPENSES		
Academic salaries	21,249,852	-
Classified salaries	10,043,921	36,448
Employee benefits	12,455,724	2,006
Supplies, materials and other operating expenses	12,212,912	53,549
Financial aid	18,796,457	145,382
Utilities	906,126	-
Interest and fiscal charges	1,811,381	-
Depreciation	1,653,644	-
TOTAL OPERATING EXPENSES	79,130,017	237,385
OPERATING LOSS	(46,845,664)	(61,972)
NON-OPERATING REVENUES		
State apportionments, non-capital	28,109,126	-
Local property taxes	7,459,596	-
State taxes and other revenue	1,175,274	-
Interest and investment income	355,986	38,829
Net unrealized gain (loss) on investments	-	64,811
TOTAL NON-OPERATING REVENUES	37,099,982	103,640
INCREASE (DECREASE) IN NET ASSETS	(9,745,682)	41,668
NET ASSETS, BEGINNING OF YEAR	3,465,991	1,077,887
NET ASSETS (DEFICIT), END OF YEAR	$ (6,279,691)	$ 1,119,555

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CASH FLOWS
JUNE 30, 2010

	District	Imperial Valley College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 2,359,112	$ -
Federal grants and contracts	21,556,042	-
State grants and contracts	7,652,345	-
Local grants and contracts	560,194	191,440
Sales and commissions	156,660	-
Payments to suppliers	(14,156,718)	(53,549)
Payments to/on behalf of employees	(43,749,497)	(38,454)
Payments to/on behalf of students	(18,796,457)	(145,382)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(44,418,319)	(45,945)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State apportionment and receipts	31,048,659	-
Property taxes	7,459,596	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	38,508,255	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchase of capital assets	(11,032,430)	-
Principal paid on capital debt	(1,340,000)	-
Interest paid on capital debt	(1,811,381)	-
NET CASH USED BY CAPITAL FINANCING ACTIVITIES	(14,183,811)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	-	33,130
Interest on investments	355,986	38,829
NET CASH PROVIDED BY INVESTING ACTIVITIES	355,986	71,959
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(19,737,889)	26,014
CASH BALANCE, BEGINNING OF YEAR	37,629,753	29,937
CASH BALANCE, END OF YEAR	$ 17,891,864	$ 55,951
CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$ (46,845,664)	$ 41,668
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,653,644	-
Net Unrealized Loss On Investments	-	(64,811)
Changes in assets and liabilities:		
Receivables, net	(1,934,208)	-
Stores inventory	(13,101)	-
Accounts payable	(1,236,315)	(22,802)
Temporary loans	4,040,444	-
Deferred revenues	(487,740)	-
Compensated absences	404,621	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ (44,418,319)	$ (45,945)

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
ASSETS				
Cash on hand and in banks	68,732	11,064	51,757	131,553
Accounts receivable	-	-	-	-
TOTAL ASSETS	68,732	11,064	51,757	131,553
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	-	-	-	-
Due to governmental funds	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
NET ASSETS				
Unrestricted	68,732	11,064	51,757	131,553
TOTAL NET ASSETS	68,732	11,064	51,757	131,553
TOTAL LIABILITIES AND NET ASSETS	68,732	11,064	51,757	131,553

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
JUNE 30, 2010

	Associated Students Trust	Scholarship and Loan Trust	Campus Organizations	Totals
REVENUES				
Interest and investment income	$ 77	$ 353	$ 41	$ 471
Local revenues	136,054	473,574	78,587	688,215
TOTAL REVENUES	136,131	473,927	78,628	688,686
EXPENDITURES				
Classified salaries	7,737	-	-	7,737
Scholarships and loans	-	472,537	-	472,537
Other operating expenses	124,494	-	76,527	201,021
Capital outlay	12,535	-	-	12,535
TOTAL EXPENDITURES	144,766	472,537	76,527	693,830
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,635)	1,390	2,101	(5,144)
FUND BALANCES, BEGINNING OF YEAR	77,367	9,674	49,656	136,697
FUND BALANCES, END OF YEAR	$ 68,732	$ 11,064	$ 51,757	$ 131,553

See the accompanying notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

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 $848,695.

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, 2009 were decreased $35,487,587 for the cumulative effect of these changes on years prior to fiscal year ended June 30, 2010.

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 ($17,156,475 as of June 30, 2010).

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 ($237,351 as of June 30, 2010) and in revolving funds ($19,013) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by financial institutions is entirely insured or collateralized.

Cash with Fiscal Agent

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

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

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

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

The District's investments at June 30, 2010 are shown below.

	Category				
Investment	1	2	3	Reported Amount	Fair Value
Money Market Funds	$ -	$ 350,451	$ -	$ 350,451	$ 350,451
U.S. Treasury Obligations	-	260,127	-	260,127	260,127
Totals	$ -	$ 610,578	$ -	$ 610,578	$ 610,578

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

There are no significant recivables which are not scheduled for collection within one year of year end. Accounts receivable at June 30, 2010 consists of the following:

Federal	$ 1,634,788
State Apportionment	5,147,151
Other State	1,327,931
Local	645,640
Interest	66,516
Total	$ 8,822,026

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2009	Net Change in Capital Assets	Balance June 30, 2010
Capital Assets			
Land	$ 175,900	$ -	$ 175,900
Site Improvements	5,704,963	-	5,704,963
Buildings	16,004,024	25,933,774	41,937,798
Equipment	2,767,511	1,045,400	3,812,911
Work in Progress	16,023,649	(13,729,611)	2,294,038
Total Cost	40,676,047	13,249,563	53,925,610
Accumulated Depreciation			
Site Improvements	(871,573)	(240,207)	(1,111,780)
Buildings	(8,758,448)	(627,909)	(9,386,357)
Equipment	(1,297,351)	(785,528)	(2,082,879)
Total Accumulated Depreciation	(10,927,372)	(1,653,644)	(12,581,016)
Net Capital Assets	$ 29,748,675	$ 11,595,919	$41,344,594

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.

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

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

The outstanding bonded debt of the District as of June 30, 2010 is as follows:

Date of Issuance	Interest Rate	Maturity Date	Amounts Outstanding Issue	Amounts Outstanding July 1, 2009	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2010
2002	1.4%-5.0%	2017	$ 3,370,000	$ 2,230,000	$ -	$ 210,000	$ 2,020,000
2005	3.3%-7.0%	2029	24,500,000	22,575,000	-	350,000	22,225,000
2006	4.0%-4.3%	2031	13,285,473	13,285,473	-	450,000	12,835,473
2007	4.0%-7.0%	2032	11,915,816	11,915,816	-	25,000	11,890,816
2008	3.6%-6.9%	2034	3,031,779	3,031,779	-	-	3,031,779
2009	6.9%	2038	5,866,919	5,866,919	-	-	5,866,919
	Totals		$ 61,969,987	$ 58,904,987	$ -	$ 1,035,000	$ 57,869,987

The annual requirements to amortize lease revenue bonds and general obligation bonds payable outstanding as of June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
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	1,575,000	1,358,190	2,933,190
2015	1,762,436	1,286,949	3,049,385
2016-2020	10,407,877	6,599,436	17,007,313
2021-2025	12,153,737	8,705,041	20,858,778
2026-2030	16,261,762	10,632,286	26,894,048
2031-2035	8,703,676	26,176,515	34,880,191
2036-2040	3,090,499	19,529,501	22,620,000
Totals	$ 57,869,987	$ 78,804,911	$ 136,674,898

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, 2009	Issued Current Year	Redeemed Current Year	Amounts Outstanding June 30, 2010
2004	2.5%-4.9%	2014	$ 3,500,000	$ 2,385,000	$ -	$ 305,000	$ 2,080,000

The annual requirements to amortize COPS payable outstanding as of June 30, 2010 is as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 320,000	$ 87,601	$ 407,601
2012	330,000	74,189	404,189
2013	345,000	59,629	404,629
2014	360,000	43,622	403,622
2015	725,000	17,581	742,581
Totals	$ 2,080,000	$ 282,622	$ 2,362,622

NOTE 8 - GENERAL LONG-TERM DEBT

Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Amount Due In One Year
Bonds Payable	$ 58,904,987	$ -	$ 1,035,000	$ 57,869,987	$ 1,180,000
COPS Payable	2,385,000	-	305,000	2,080,000	320,000
Accreted Interest	112,853	108,977	-	221,830	-
Net OPEB Obligation	2,340,759	3,595,719	1,472,815	4,463,663	-
Totals	$ 63,743,599	$ 3,704,696	$ 2,812,815	$ 64,635,480	$ 1,500,000

NOTE 9 – TEMPORARY LOANS

In June 2010, the District entered into the Imperial County 2009-10 Mid-Year Tax and Revenue Anticipation Notes (TRANS) in the amount of $4,000,000. The notes mature on December 31, 2010 and were sold to supplement the District's cash flows and bear interest at a rate of 2.00%. Principal and interest on the notes will be paid through taxes, income, revenue, and cash receipts received by the District which are considered unrestricted revenues. The notes are secured by a pledge of unrestricted revenues to be received by the District during the 2009-10 fiscal year, an amount equal to 100% of the principal and interest and on the notes at maturity. Total temporary loan balance at June 30, 2010 includes $4,000,000 in principal and accrued interest in the amount of $40,444.

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

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

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

Contribution Information

The contribution requirements of Plan members and the District are established and amended by the District and the local California Service Employees Association (CSEA) for classified staff and the California Teachers Association (CTA) for faculty. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2009-10, the District contributed $1,472,815 to the Plan, all of which was used for current premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 3,595,719
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	-
Contribution made	(1,472,815)
Increase in net OPEB obligation	2,122,904
Net OPEB obligation, beginning of year	2,340,759
Net OPEB obligation, end of year	$ 4,463,663

NOTE 10 - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010 was as follows:

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB Obligation
2010	$ 3,595,719	41.0%	$ 4,463,663

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

Medical cost trend rates were assumed to be 4% per year. The UAAL is being amortized at a level percentage of payroll method with the remaining amortization period at July 1, 2010 of 28 years. The actuarial value of assets was not determined in this actuarial valuation; however, any assets of the plan to be determined will be on a market basis.

NOTE 11 - DEFERRED REVENUE

Deferred revenue consists of federal, state, and local revenues that have been received as of June 30, 2010 for the subsequent 2010-11 fiscal year. As of June 30, 2010 the District's deferred revenue balance consists of the following:

	General Fund
Federal Revenues	$ 130,901
State Revenues	1,344,564
Local Revenues	922,077
Total	$ 2,397,542

NOTE 12 - 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 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).

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS (Continued)

STRS:

Plan Descriptions

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

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary and the district is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the STRS Teachers' Retirement Board.

The required employer contribution rate for fiscal year 2009-10 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, 2010, 2009, and 2008 were $1,641,148 $1,646,040, and $1,594,841 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 2009-10 was 9.70% 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, 2010, 2009, and 2008 were $762,737, $752,901, and $678,727, 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, 2010 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

Functional expenses for consolidated District funds are as follows:

	Salaries and Benefits	Operating Expenses	Capital Outlay	Other Outgo	Total
Instructional Activities	$ 19,235,759	$ 810,305	$ 149,584	$ -	$ 20,195,648
Academic Support	9,370,140	2,030,171	266,002	-	11,666,313
Student Services	3,107,009	389,148	11,762	91,600	3,599,519
Plant Operations	2,267,228	4,379,575	16,146,929	-	22,793,732
Instructional Support	5,592,561	1,581,967	25,499	-	7,200,027
Community Services	130,148	128,451	7,227	-	265,826
Ancillary Services	899,771	480,868	20,265	-	1,400,904
Auxiliary Operations	619,356	-	-	-	619,356
Long-Term Debt	-	-	-	3,070,495	3,070,495
Student Aid	-	-	-	18,704,857	18,704,857
Totals	$ 41,221,972	$ 9,800,485	$ 16,627,268	$ 21,866,952	$ 89,516,677

NOTE 18 - SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

In July 2010, the District issued 2010-11 Tax And Revenue Anticipation Notes in the amount of $6,500,000. The notes were sold to supplement cash flow and yield 2.00% interest. The notes mature on June 30, 2011 and repayment requirements are that fifty percent of principal be deposited with the fiscal agent in January 2011 and fifty percent of principal be deposited with the fiscal agent in June 2011.

SUPPLEMENTARY INFORMATION

IMPERIAL COMMUNITY COLLEGE DISTRICT
ORGANIZATION
JUNE 30, 2010

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

The Governing Board for the fiscal year ended June 30, 2010 was composed of the following members:

Name	Office	Term Expires
Jerry D. Hart	President	November 2011
Rebecca Ramirez	Clerk	November 2010
Carlos Acuna	Board Member	November 2010
Romualdo J. Medina	Board Member	November 2011
Norma Sierra Galindo	Board Member	November 2010
Louis Wong	Board Member	November 2011
Rudy Cardenas, Jr.	Board Member	November 2011

EXECUTIVE AND SENIOR ADMINISTRATION

Dr. Ed Gould
Superintendent/President

John Lau
Vice President for Business Services

Kathy Berry
Vice-President for Academic Services

Dr. Victor Jaime
Vice-President for Student Services

IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF WORKLOAD MEASURES FOR STATE GENERAL APPORTIONMENT
ANNUALIZED ATTENDANCE AS OF JUNE 30, 2010

Categories	*Reported And Audited Annual FTES
A. Summer Intersession (Summer 2009 only)	
1. Noncredit	20.10
2. Credit	25.33
B. Summer Intersession (Summer 2010-Prior to July 1, 2010)	
1. Noncredit	-
2. Credit	-
C. Primary Terms (Exclusive of Summer Intersession)	
1. Census Procedure Courses	
(a) Weekly Census Contact Hours	5,937.10
(b) Daily Census Contact Hours	682.12
2. Actual Hours of Attendance Procedure Courses	
(a) Noncredit	77.09
(b) Credit	144.42
3. Independent Study/Work Experience	
(a) Weekly Census Contact Hours	275.73
(b) Daily Census Contact Hours	33.27
(c) Noncredit Independent Study	-
D. Total FTES	7,195.16
Supplemental Information (subset of above information)	
E. In-Service Training Courses (FTES)	22.38
H. Basic Skills Courses and Immigration Education	
Noncredit	76.73
Credit	1,614.31
CCFS 320 Addendum	
CDCP Noncredit FTES	35.81
Centers FTES	
(a) Noncredit	133.00
(b) Credit	7,097.97
Credit Student Headcount	
Fall Session-2009	9,321
Spring Session-2010	8,274
Gross Square Footage	
Existing Facilities	267,591

*There were no revisions or audit adjustments to the Annual FTES as originally reported.

IMPERIAL COMMUNITY COLLEGE DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT (CCFS-311) WITH AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education:			
Pell Grant*	84.063	N/A	$ 16,650,999
Academic Competitiveness Grant*	84.375	N/A	22,025
Upward Bound	84.047	N/A	607,733
Supplemental Educational Opportunity Grant*	84.007	N/A	283,770
Federal College Work Study*	84.033	N/A	355,473
ARRA - Federal College Work Study*	84.033	N/A	67,375
Student Support Services	84.042	N/A	449,343
Talent Search	84.044	N/A	376,272
Tech Prep	84.063	N/A	14,500
Pell Administration	84.048	N/A	24,255
Title V - Project Acceso	84.031	N/A	292,088
Passed Through State of California:			
ARRA - State Fiscal Stabilization Fund*	84.394	N/A	232,906
State Vocational Rehabilitation	84.126	27037	53,683
ARRA - Vocational Rehabilitation	84.390	27452	8,438
Passed Through California Department of Education:			
CTE-Title IC	84.048	03577	443,274
Passed Through Southwestern Community College:			
Small Business Administration	84.153	N/A	70,000
Passed Through San Diego State University:			
Title V - Rural Hispanics	84.031	N/A	641,810
Total U.S. Department of Education			20,593,944
U.S. Department of Labor:			
Passed Through Imperial County Workforce			
WIA Renewable Energy	17.258	N/A	41,584
WIA Pipe Fitter	17.258	N/A	8,558
WIA Solar and Wind	17.258	N/A	114,018
WIA Protective Services	17.258	N/A	104,551
WIA Machine and Electronic	17.258	N/A	86,675
WIA Diesel Mechanic	17.258	N/A	94,277
Passed Through Employment Development Department:			
Clean Energy - WIA Adult Program	17.258	76824	47,440
Total U.S. Department of Labor			497,103
U.S. Department of Energy:			
Passed Through Employment Development Department:			
Clean Energy - ARRA State Energy Program	81.041	76824	61,744
U.S. Department of Health and Human Services:			
Passed Through State Chancellors Office:			
Temporary Assistance For Needy Families*	93.558	N/A	138,486
U.S. Department of Housing and Urban Development			
Hispanic - SIAC Main/SIAC Extended	14.514	N/A	199,724
U.S. Department of Veterans Affairs:			
Veterans Education	64.116	N/A	1,631
U.S. Department of Agriculture:			
Nutrition Program	10.555	N/A	63,410
Total Expenditures of Federal Awards			$ 21,556,042

*Indicates clustered program under OMB Circular A-133 supplement

See the accompanying notes to the financial statements

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Basis of Presentation

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 1 - PURPOSE OF SCHEDULES

A. Schedule of Expenditures of Federal Awards

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

B. Schedule of Workload Measures for State General Apportionment

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

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

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

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

IMPERIAL COMMUNITY COLLEGE DISTRICT
SCHEDULE OF FUNDING PROGRESS-BENEFITS PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Acturial Valuation Date	Actuarial Value of Assets (a)	Acturial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
6/30/09	$ -	$ 33,206,084	$ 33,206,084	$ -	$ 31,122,727	100%
6/30/10	$ -	$ 33,206,084	$ 33,206,084	$ -	$ 30,896,889	100%

APPENDIX B

FORM OF BOND COUNSEL OPINION

May 24, 2011

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

OPINION: $8,000,000 Imperial Community College District (Imperial County, California) 2010-11 Mid-Year Tax and Revenue Anticipation Notes

---

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 $8,000,000 Imperial Community College District (Imperial County, California) 2010-11 Mid-Year Tax and Revenue Anticipation Notes, dated May 24, 2011 (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 April 26, 2011 (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, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (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 $8,000,000 Imperial Community College District (Imperial County, California) 2010-11 Mid-Year 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 April 26, 2011 (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) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Notes:

(1) Principal and interest payment delinquencies.

(2) Non-payment related defaults, if material.

(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.

(5) Substitution of credit or liquidity providers, or their failure to perform.

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.

(7) Modifications to rights of security holders, if material.

(8) Bond calls, if material, and tender offers.

(9) Defeasances.

(10) Release, substitution, or sale of property securing repayment of the securities, if material.

(11) Rating changes.

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person.

(13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

Section 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: May 24, 2011

IMPERIAL COMMUNITY COLLEGE DISTRICT

By _____
Superintendent

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.

[THIS PAGE INTENTIONALLY LEFT BLANK]