PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 16, 2019

NEW ISSUE - FULL BOOK-ENTRY
BANK QUALIFIED

S&P RATINGS: "AA" (Insured)
"A+" (Underlying)
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds 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, and the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

$4,000,000*
IMPERIAL UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
Election of 2016, Series C
(Bank Qualified)

***Dated*: Date of Delivery** | ***Due*: August 1, as shown on inside cover**

Authority and Purpose. The Imperial Unified School District (Imperial County, California) General Obligation Bonds, Election of 2016, Series C (the "Bonds") are being issued by the Imperial Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Trustees of the District adopted on December 13, 2018 (the "Bond Resolution"). The Bonds were authorized at an election of the registered voters of the District held on November 8, 2016, which authorized the issuance of $40,000,000 principal amount of general obligation bonds for the purpose of financing the renovation, construction and improvement of school facilities. The Bonds are the third series of bonds to be issued under this authorization. See "THE BONDS – Authority for Issuance" and "THE FINANCING PLAN."

Security for the Bonds. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by Imperial County (the "County"). The County Board of Supervisors is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding which are similarly secured by tax levies. See "SECURITY FOR THE BONDS."

Payments. The Bonds are dated the date of delivery and are being issued as Current Interest Bonds and Capital Appreciation Bonds (both as defined herein). The Current Interest Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity or earlier redemption, commencing August 1, 2019. The Capital Appreciation Bonds accrete interest at the accretion rates set forth on the inside cover page hereof, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2019 until payment of the accreted value thereof at maturity or upon earlier redemption. Payments of principal and accreted value of and interest on the Bonds will be paid by U.S. Bank National Association, St. Paul, Minnesota, as Paying Agent, to The Depository Trust Company ("DTC") for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

Redemption. The Bonds are subject to redemption prior to maturity as described herein. See "THE BONDS –Redemption."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS – Description of the Bonds - Book-Entry Form" and "APPENDIX F - Book-Entry Only System."

Bond Insurance. The scheduled payment of principal of and interest on, or in the case of Capital Appreciation Bonds, the accreted value of, the Bonds, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Municipal Assurance Corp. ("MAC" or the "Bond Insurer"). See "BOND INSURANCE."

MATURITY SCHEDULE
(see inside front cover)

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

The Bonds are offered when, as and if issued, subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters also will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel. Norton Rose Fulbright US LLP, Los Angeles, California is serving as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery to Cede & Co., as nominee of DTC, on or about February 7, 2019.

The date of this Official Statement is: _______ __, 2019

** Preliminary, subject to change.*

MATURITY SCHEDULE*

BASE CUSIP(†): 452678

IMPERIAL UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
Election of 2016, Series C

$_________ Current Interest Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP(†)

$________ Denominational Amount
($_______ Maturity Value)
Capital Appreciation Bonds

Maturity Date (August 1)	Denominational Amount	Accretion Rate	Yield to Maturity	Maturity Value	CUSIP(†)

____

**Preliminary, subject to change.*

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Bond owner and the District or the Underwriter.

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

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

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

Bond Insurance Disclaimer. Municipal Assurance Corp. ("MAC" or the "Bond Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading "BOND INSURANCE" and in Appendix H.

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

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

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

Stabilization of Market Price. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

IMPERIAL UNIFIED SCHOOL DISTRICT
IMPERIAL COUNTY
STATE OF CALIFORNIA

BOARD OF TRUSTEES

Victor Lopez, President
Abdul Mohamed, *Clerk*
John Denault, Member
David Ross, *Member*
Jill Tucker, *Member*

DISTRICT ADMINISTRATIVE STAFF

Bryan Thomason, *Superintendent*
Gina Hendrix, *Director of Business Services*

FINANCIAL ADVISOR

Isom Advisors, A Division of Urban Futures, Inc.
Walnut Creek, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

UNDERWRITER'S COUNSEL

Norton Rose Fulbright US LLP
Los Angeles, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association
St. Paul, Minnesota

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$4,000,000*
IMPERIAL UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
Election of 2016, Series C
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the Imperial Unified School District (Imperial County, California) General Obligation Bonds, Election of 2016, Series C (the "**Bonds**") by the Imperial Unified School District (the "**District**"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Bond Resolution (defined herein).

INTRODUCTION

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

The District. The District encompasses an area of approximately 554 square miles in Imperial County (the "**County**"), representing approximately 12.8% of the total area in the County. The boundaries of the District include most of the area of the City of Imperial (the **"City"**), as well as unincorporated portions of the County. The District currently operates two elementary schools, an intermediate school, a high school and a continuation high school, and the District plans to open a third elementary school in the fall of 2019. Enrollment in the District for the 2018-19 school year is budgeted for 4,270 students. The District's total assessed valuation in fiscal year 2018-19 is $2,234,333,541. For more information regarding the District and its finances, see Appendix A and Appendix B attached hereto. See also Appendix C hereto for demographic and other information regarding the City of Imperial and the County.

Authority for Issuance; Purpose. The Bonds will be issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506) (the "**Bond Law**") and pursuant to a resolution adopted by the Board of Trustees of the District on December 13, 2018 (the "**Bond Resolution**"). The Bonds are the second series of bonds issued by the District pursuant to an election held by the District on November 8, 2016 (the **"Bond Election"**) in which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of $40,000,000 (the **"Authorization"**). The net proceeds of the Bonds will be used to finance school construction and improvements as approved by District voters at the Bond Election. See "THE BONDS – Authority for Issuance" and "– Purpose of Issue; Financing Plan," and "SOURCES AND USES OF FUNDS" herein.

**Preliminary; subject to change.*

Payment and Registration of the Bonds. The Bonds are being issued as current interest bonds (the "**Current Interest Bonds**") and capital appreciation bonds (the "**Capital Appreciation Bonds**"). The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be dated their date of original issuance and delivery (the "**Dated Date**") and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple of $5,000, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("**DTC**"), and will be available under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described below. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "THE BONDS" and "APPENDIX F – Book-Entry Only System."

Redemption. The Bonds are subject to redemption prior to their maturity as described in "THE BONDS - Redemption."

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal or Accreted Value (as defined herein) of, the Bonds upon all property subject to taxation by the District, without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates). See "SECURITY FOR THE BONDS."

The District currently has other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District. For a schedule of the general obligation bonds issued by the District, see "DEBT SERVICE SCHEDULES." See also "APPENDIX B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – DISTRICT FINANCIAL INFORMATION – Long-Term Debt."

Bond Insurance. Concurrently with the issuance of the Bonds, Municipal Assurance Corp. ("**MAC**") will issue its Municipal Bond Insurance Policy (the "**Policy**"). The Policy guarantees the scheduled payment of principal of, or in the case of Capital Appreciation Bonds, the Accreted Value of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX H to this Official Statement. See "BOND INSURANCE."

Legal Matters. Issuance of the Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California (**"Bond Counsel"**), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, is also serving as Disclosure Counsel to the District (**"Disclosure Counsel"**). Norton Rose Fulbright US LLP, Los Angeles, California is serving as counsel to the Underwriter. *Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent upon issuance of the Bonds.*

Tax Matters; Bank Qualification. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, as amended (the **"Tax Code"**), in the opinion of Bond Counsel, interest on the Bonds will not be includable in gross income for federal income tax purposes. In addition, the District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Internal Revenue Code of 1986) to deduct its interest expense allocable to interest payable on the Bonds. Also, in the opinion of Bond Counsel, interest on the Bonds will be exempt from

State of California (the **"State"**) personal income taxes. See "TAX MATTERS" and Appendix D hereto.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Bonds and executed by the District (the **"Continuing Disclosure Certificate"**). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE."

Other Information. For limiting factors about this Official Statement, see "General Information About This Official Statement" inside the cover hereof. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available by request to the Office of the District Superintendent at Imperial Unified School District, 219 North E Street, Imperial, California 92251; telephone (760) 355-3200. The District may impose a charge for copying, mailing and handling.

[END OF INTRODUCTION]

THE BONDS

Authority for Issuance

The Bonds will be issued under the Bond Law and the Bond Resolution. The District received authorization at the Bond Election, by more than the requisite fifty-five percent vote of the qualified electors to issue general obligation bonds in a principal amount of $40,000,000. In addition, the Board of Supervisors of the County authorized the negotiated sale of the Bonds directly by the District pursuant to a resolution adopted on January 15, 2019.

Purpose of Issue; Financing Plan

The proceeds of bonds issued pursuant to the Authorization, including the Bonds, will be used to finance projects approved by the District's voters at the Bond Election. The abbreviated summary of the ballot measure (limited to 75 words or less) is as follows:

> *"To improve the quality of education by modernizing/constructing classrooms, restrooms and school facilities; making health and safety improvements; improving access to computers and modern technology; and upgrading/constructing P.E. fields and facilities for school and community use; with funds that cannot be taken by the State; shall the Imperial Unified School District issue $40,000,000 of bonds at legal interest rates, with citizens' oversight, annual audits and NO money used for administrative or teacher salaries?"*

On February 8, 2017, the District issued its Election of 2016, Series A Bonds in the principal amount of $26,000,000 (the **"2016A Bonds"**) and on February 21, 2018, the District issued its Election of 2016, Series B Bonds in the principal amount of $7,999,839.55 (the **"2016B Bonds"**). The Bonds described herein are the third series of bonds to be issued pursuant to the Authorization. See "DEBT SERVICE SCHEDULES" herein for the combined debt service due with respect to general obligation bonds and refunding general obligation bonds of the District, including the Bonds.

Description of the Bonds

Form of Bonds. The Bonds are being issued as Current Interest Bonds and Capital Appreciation Bonds, both as described below. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("**DTC**"). See "Book-Entry Form" below and "APPENDIX F – DTC and the Book-Entry Only System."

<u>Current Interest Bonds</u>

The Current Interest Bonds shall be issued in the denominations of $5,000 principal amount each or any integral multiple thereof. Interest on the Current Interest Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2019 (each, an **"Interest Payment Date"**). Each Current Interest Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month preceding the Interest Payment Date (each, a **"Record Date"**), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2019, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Current Interest Bond is in default at the time of authentication thereof, such Current Interest Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Current Interest Bonds will be paid by U.S. Bank National Association, St. Paul, Minnesota (the "**Paying Agent**") to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Current Interest Bonds.

Capital Appreciation Bonds

The following terms used herein are defined in the Bond Resolution to have the following meanings with respect to the Capital Appreciation Bonds:

> **"Accreted Value"** means, with respect to any Capital Appreciation Bond, the total amount of principal thereof and interest payable thereon as of any Compounding Date determined solely by reference to the Table of Accreted Values set forth on such Capital Appreciation Bond, which is attached to this Official Statement as Appendix I. The Accreted Value of any Capital Appreciation Bond as of any date other than a Compounding Date will be the sum of (a) the Accreted Value as of the Compounding Date immediately preceding the date as of which the calculation is being made plus (b) interest on the Accreted Value determined under the preceding clause (a), computed to the date as of which the calculation is being made at the Accretion Rate set forth on such Capital Appreciation Bond (computed on the basis of a 360-day year of twelve 30-day months).
>
> **"Accretion Rate"** means the rate which, when applied to the principal amount of any Capital Appreciation Bond and compounded semiannually on each Compounding Date, produces the Maturity Value of such Capital Appreciation Bond on the maturity date thereof.
>
> **"Capital Appreciation Bonds"** means bonds the interest on which is compounded semiannually on each Compounding Date and is payable in full at maturity as shown in the table of Accreted Value for the Capital Appreciation Bonds and attached to this Official Statement as Appendix I.
>
> **"Closing Date"** means the date upon which there is a delivery of the Bonds in exchange for the amount representing the purchase price of the Bonds by the Underwriter (as defined herein).
>
> **"Compounding Date"** means, with respect to any Capital Appreciation Bond, each February 1 and August 1, commencing August 1, 2019, to and including the date of maturity or redemption of such Capital Appreciation Bond.
>
> **"Denominational Amount"** means, with respect to any Capital Appreciation Bond, the original amount of such Capital Appreciation Bond as of the Closing Date.
>
> **"Maturity Value"** means, with respect to any Capital Appreciation Bond, the Accreted Value of such Capital Appreciation Bond to be paid at maturity.

As provided in the Bond Resolution, references therein and in this Official Statement to the payment of the principal of and interest on the Bonds includes payment of the Accreted Value and Maturity Value of the Capital Appreciation Bonds, unless otherwise required by the context or by the express provisions of such reference. Further, whenever in the Bond Resolution or in this Official Statement, any reference is made to the rights of the owners of the Bonds as measured by the principal amount of such Bonds, the principal amount of the Capital Appreciation Bonds is deemed to be the Accreted Value thereof as of the date of exercise of such rights.

The Capital Appreciation Bonds are dated the date of delivery, and accrete interest from such date. The Denominational Amount of each maturity of the Capital Appreciation Bonds shall be as shown on the inside cover page hereof. The Capital Appreciation Bonds are issued in denominations such that the Maturity Value thereof shall equal $5,000 or an integral multiple thereof. The Capital Appreciation Bonds are payable only at maturity, in the years and amounts set forth on the inside cover page hereof.

Interest on the Capital Appreciation Bonds is compounded on February 1 and August 1 of each year, commencing August 1, 2019. Each Capital Appreciation Bond accretes in value daily over the term to its maturity, from its Denominational Amount on the Closing Date to its Accreted Value on its maturity date. The Accreted Value payable on any date shall be determined solely by reference to the Table of Accreted Values attached to such Capital Appreciation Bond. See "APPENDIX I– Table of Accreted Values."

The interest portion of the Accreted Value of any Capital Appreciation Bond that is payable on the date of maturity shall represent interest accreted and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity shall be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Paying Agent. See "APPENDIX F- DTC and the Book-Entry Only System."

Book-Entry Form. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of DTC. Purchasers of the Bonds (the "**Beneficial Owners**") will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC's book-entry method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice. See "APPENDIX F – Book-Entry Only System."

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

Optional Redemption

Current Interest Bonds. The Current Interest Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Current Interest Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

Capital Appreciation Bonds. The Capital Appreciation Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Capital Appreciation Bonds maturing on or after August 1, 20__ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a price equal to 100% of the Accreted Value thereof as of the date of redemption, without premium.

Selection of Bonds for Redemption. Whenever less than all of the Outstanding Bonds of any one maturity are designated for redemption, the Paying Agent will select the outstanding Bonds of such maturity to be redeemed by lot in any manner deemed fair by the Paying Agent. For purposes of such selection, each Bond will be deemed to consist of individual Bonds of $5,000 denominations each, which may be separately redeemed.

Mandatory Sinking Fund Redemption

Current Interest Term Bonds. The Current Interest Bonds maturing on August 1, 20__ (the **"Current Interest Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Current Interest Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments in the amounts and on the dates set forth below, without premium.

$________ Current Interest Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Payment

If any such Current Interest Term Bonds are redeemed pursuant to the optional redemption provisions described above, the total amount of all future sinking fund payments with respect to such Current Interest Term Bonds shall be reduced by the aggregate principal amount of such Current Interest Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 principal amount (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Capital Appreciation Term Bonds. The Capital Appreciation Bonds maturing on August 1, 20__ (the **"Capital Appreciation Term Bonds"**), are subject to mandatory sinking fund redemption on August 1 of each year in accordance with the schedule set forth below. The Capital Appreciation Term Bonds so called for mandatory sinking fund redemption shall be redeemed in the sinking fund payments in the amounts and on the dates set forth below, without premium.

$_________ Capital Appreciation Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	**Sinking Fund Payment**

If any such Capital Appreciation Term Bonds are redeemed pursuant to the optional redemption provisions described above, the total amount of all future sinking fund payments with respect to such Capital Appreciation Interest Term Bonds shall be reduced by the aggregate principal amount of such Capital Appreciation Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of $5,000 Maturity Value (or on such other basis as the District may determine) as set forth in written notice given by the District to the Paying Agent.

Notice of Redemption. The Paying Agent will cause notice of any redemption to be mailed, by first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective Owners of any Bonds designated for redemption, at their addresses appearing on the Registration Books (as hereinafter defined); but such mailing will not be a condition precedent to such redemption and failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Bonds.

The redemption notice must state the redemption date and the redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, will designate the serial numbers of the Bonds to be redeemed by giving the individual number of each Bond or by stating that all Bonds between two stated numbers, both inclusive, or by stating that all of the Bonds of one or more maturities have been called for redemption, and shall require that such Bonds be then surrendered at the Principal Office of the Paying Agent for redemption at the said redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

Partial Redemption. Upon surrender of Bonds redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the owner, at the expense of the District, a new Bond or Bonds, of like tenor and maturity and of authorized denominations (or of like Accreted Value in the case of the Capital Appreciation Bonds) equal in transfer amounts to the unredeemed portion of the Bond surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the County and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. From and after the date fixed for redemption, if notice of such redemption has been duly given and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Bond Resolution, other than the right to receive payment of the redemption price, and no interest will accrue thereon on or after the redemption date specified in such notice.

Right to Rescind Notice of Redemption. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Paying Agent on or prior to the dated fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption. The District and the Paying Agent shall have no liability to the Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent, except that the time period for giving the original notice of redemption shall not apply to any notice of rescission thereof.

Registration, Transfer and Exchange of Bonds

If the book-entry system as described above and in Appendix F is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Registration Books. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Bonds (the "**Registration Books**"), which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, the Bonds.

Transfer. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the principal office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Bond or Bonds, for like aggregate principal amount. No transfers will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Exchange. Bonds may be exchanged at the principal office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same maturity. The District may charge a reasonable sum for each new Bond issued upon any exchange. No exchanges will be required to be made (a) 15 days prior to a date established for selection of Bonds for redemption and (b) with respect to a Bond that has been selected for redemption.

Defeasance

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

(a) by paying or causing to be paid the principal or redemption price of and interest on such Bonds (or the Maturity Value or Accreted Value thereof, in the case of Capital Appreciation Bonds), as and when the same become due and payable;

(b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Bonds; or

(c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolution and will be:

(i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolution or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or

(ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

"Federal Securities" means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount of Bonds	
Original Issue Premium	
Total Sources	
Uses of Funds	
Deposit to Building Fund	
Deposit to Debt Service Fund	
Costs of Issuance(1)	
Total Uses	

(1) *All estimated costs of issuance including, but not limited to, Underwriter's discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, bond insurance premium, and the rating agency.*

APPLICATION OF PROCEEDS OF BONDS

Building Fund

The proceeds from the sale of the Bonds, to the extent of the principal amount thereof, will be paid to the County Treasurer to the credit of the fund created and established in the Bond Resolution and known as the "Imperial Unified School District, Election of 2016, Series C Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The proceeds will be used solely for the purposes for which the Bonds are being issued, including for the payment of permissible costs of issuance. All interest and other gain arising from the investment of proceeds of the Bonds shall be retained in the Building Fund and used for the purposes thereof. Any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof will be withdrawn from the Building Fund and transferred to the Debt Service Fund established for the Bonds, to be applied to pay the principal of and interest on the Bonds. If excess amounts remain on deposit in the Building Fund after payment in full of the Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Bonds have been authorized or otherwise in accordance with the Bond Law.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE BONDS - Debt Service Fund," the County will hold funds for the Bonds in a fund used for indebtedness of the District (the **"Debt Service Fund"**). Accrued interest and premium, if any, received by the County from the sale of the Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Bonds when due. Any moneys remaining in the Debt Service Fund after the Bonds and the interest thereon have been paid, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District, and in the event there is no such debt outstanding, will be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Bonds, shall be invested at the sole discretion of the County Treasurer pursuant to law and the investment policy of the County. All amounts deposited in the Building Fund of the District shall be invested at the sole discretion of the County Treasurer. See Appendix G for the County's current Investment Policy and recent quarterly report. The County Treasurer neither monitors investments for arbitrage compliance, nor does it perform arbitrage calculations. The District shall maintain or cause to be maintained detailed records with respect to the applicable proceeds.

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DEBT SERVICE SCHEDULES

Debt Service for the Bonds. The following table shows the annual debt service schedule with respect to the Bonds (assuming no optional redemptions).

IMPERIAL UNIFIED SCHOOL DISTRICT
Bond Debt Service Schedule

	Current Interest Bonds		Capital Appreciation Bonds		
Date (August 1)	**Principal**	**Interest**	**Denominational Amount**	**Accreted Interest**	**Total**
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
Total					

Combined General Obligation Bonds Debt Service. The following table shows the combined debt service schedule with respect to the District's outstanding General Obligation Bonds, together with the Bonds, assuming no optional redemptions. See "Appendix B – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT – DISTRICT GENERAL AND FINANCIAL INFORMATION – Long-Term Debt" for additional information.

IMPERIAL UNIFIED SCHOOL DISTRICT
Combined General Obligation Bond Debt Service Schedule

Year Ending (Aug. 1)	2016 Refunding Bonds	Election of 2016, Series A Bonds	Election of 2016, Series B Bonds	The Bonds	Aggregate Annual Debt Service
2019	$1,282,750.00	$1,156,625.00	$398,100.00		
2020	1,296,750.00	1,156,625.00	541,800.00		
2021	1,148,950.00	1,156,625.00	325,500.00		
2022	1,020,750.00	1,156,625.00	325,500.00		
2023	1,041,550.00	1,156,625.00	325,500.00		
2024	1,055,550.00	1,156,625.00	425,500.00		
2025	1,062,950.00	1,156,625.00	476,500.00		
2026	1,071,700.00	1,156,625.00	533,750.00		
2027	1,078,200.00	1,356,625.00	417,750.00		
2028	1,092,450.00	1,406,625.00	437,000.00		
2029	1,118,950.00	1,458,625.00	455,000.00		
2030	1,131,950.00	1,517,375.00	471,750.00		
2031	1,176,950.00	1,577,375.00	492,250.00		
2032	333,150.00	1,639,375.00	516,250.00		
2033	339,300.00	1,703,375.00	538,500.00		
2034	335,000.00	1,769,187.50	559,000.00		
2035	335,156.26	1,841,625.00	582,750.00		
2036	--	1,910,312.50	609,500.00		
2037	--	1,990,250.00	634,500.00		
2038	--	2,070,875.00	659,500.00		
2039	--	2,154,450.00	689,500.00		
2040	--	2,240,412.50	719,500.00		
2041	--	2,333,237.50	749,500.00		
2042	--	2,427,137.50	779,500.00		
2043	--	2,526,587.50	814,500.00		
2044	--	2,630,800.00	852,212.50		
2045	--	2,741,800.00	886,250.00		
2046	--	2,854,800.00	921,612.50		
2047	--	2,974,400.00	963,037.50		
TOTAL	$15,922,056.26	$52,378,250.00	$17,101,512.50		

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Bonds Payable from Ad Valorem Property Taxes. The District has previously issued other general obligation bonds, which are payable from *ad valorem* taxes on a parity basis. In addition to the general obligation bonds issued by the District, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Direct and Overlapping Debt" below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into a debt service fund for the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property. See "-Teeter Plan; Property Tax Collections" below.

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

As previously described herein, the County will establish the Debt Service Fund as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the Debt Service Fund by the County promptly upon receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The District will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same become due and payable. If, after payment in full of the Bonds, any amounts remain on deposit in the Debt Service Fund, the District shall transfer such amounts to other debt service funds of the District with respect to outstanding general obligation bonds of the District, if any, and if none, then to its General Fund, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt of the County.

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PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as "secured" or "unsecured." The "secured roll" is that part of the assessment roll containing (1) state assessed public utilities' property and (2) property the taxes on which are a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

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

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, Senate Bill 813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, Senate Bill 813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

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

Taxation of State-Assessed Utility Property

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

Historic Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see Appendix B under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

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

The following table sets forth recent history of the assessed value in the District.

IMPERIAL UNIFIED SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2011-12 through 2018-19

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2011-12	$1,225,849,750	$1,624,392	$77,634,376	$1,305,108,518	--
2012-13	1,245,271,359	1,618,779	83,802,557	1,330,692,695	2.0%
2013-14	1,298,855,741	1,614,944	395,607,375	1,696,078,060	27.5
2014-15	1,345,339,711	1,616,901	482,908,538	1,829,865,150	7.9
2015-16	1,500,160,930	1,619,488	444,748,906	1,946,529,324	6.4
2016-17	1,584,724,753	1,624,746	442,811,615	2,029,161,114	4.2
2017-18	1,726,509,719	2,050,015	443,504,827	2,172,064,561	7.0
2018-19	1,837,773,551	2,056,872	394,503,118	2,234,333,541	2.9

Source: California Municipal Statistics, Inc.

Some Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and man-made or natural disasters such as earthquakes, fires, floods and drought. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017, and wildfires in different regions of the State, and related flooding and mudslides. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Seismic activity is also a risk in the region where the District is located. Although recent California wildfires have not occurred within District boundaries, the District cannot predict or make any representations regarding the effects that wildfires or any other type of natural or manmade disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have on economic activity in the District or throughout the State.

Assessed Valuation by Jurisdiction.

The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2018-19.

IMPERIAL UNIFIED SCHOOL DISTRICT
Assessed Valuation by Jurisdiction
Fiscal Year 2018-19

	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
Jurisdiction:				
City of Imperial	$1,138,488,404	50.95%	$1,254,737,567	90.74%
Unincorporated Imperial County	1,095,845,137	49.05	5,549,634,197	19.75
Total District	$2,234,333,541	100.00%		
Imperial County	$2,234,333,541	100.00%	$12,893,004,823	17.33%

Source: California Municipal Statistics Inc.

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Parcels by Land Use

The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2018-19.

IMPERIAL UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2018-19

Non-Residential:	2018-19 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Agricultural	$455,201,365	24.77%	1,069	12.53%
Commercial	118,012,503	6.42	207	2.43
Vacant Commercial	11,120,536	0.61	115	1.35
Industrial	164,553,009	8.95	80	0.94
Vacant Industrial	4,559,872	0.25	50	0.59
Government/Social/Institutional	1,425,869	0.08	29	0.34
Desert/Vacant	32,019,885	1.74	433	5.08
Subtotal Non-Residential	$786,893,039	42.82%	1,983	23.24%
Residential:				
Single Family Residence	$ 974,682,707	53.04%	5,207	61.03%
Mobile Home	21,461,446	1.17	272	3.19
2-4 Residential Units	10,724,950	0.58	71	0.83
5+ Residential Units/Apartments	26,869,957	1.46	12	0.14
Vacant Residential	17,141,452	0.93	987	11.57
Subtotal Residential	$1,050,880,512	57.18%	6,549	76.76%
Total	$1,837,773,551	100.00%	8,532	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Per Parcel Assessed Valuation of Single-Family Homes

The following table sets forth the per parcel assessed valuation of single-family homes in fiscal year 2018-19.

IMPERIAL UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes

	No. of Parcels	2018-19 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	5,207	$974,682,707	$187,187	$194,000

2018-19 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $24,999	104	1.997%	1.997%	$ 1,565,280	0.161%	0.161%
$25,000 - $49,999	198	3.803	5.800	7,598,025	0.780	0.940
$50,000 - $74,999	234	4.494	10.294	15,086,109	1.548	2.488
$75,000 - $99,999	417	8.008	18.302	36,269,848	3.721	6.209
$100,000 - $124,999	264	5.070	23.372	29,679,324	3.045	9.254
$125,000 - $149,999	415	7.970	31.342	57,322,009	5.881	15.135
$150,000 - $174,999	491	9.430	40.772	80,033,211	8.211	23.346
$175,000 - $199,999	628	12.061	52.833	117,514,886	12.057	35.403
$200,000 - $224,999	647	12.426	65.258	137,999,727	14.158	49.562
$225,000 - $249,999	621	11.926	77.185	146,773,640	15.059	64.620
$250,000 - $274,999	498	9.564	86.749	130,579,729	13.397	78.017
$275,000 - $299,999	331	6.357	93.105	94,473,041	9.693	87.710
$300,000 - $324,999	200	3.841	96.946	62,010,354	6.362	94.072
$325,000 - $349,999	96	1.844	98.790	32,237,941	3.308	97.380
$350,000 - $374,999	31	0.595	99.385	11,078,591	1.137	98.516
$375,000 - $399,999	11	0.211	99.597	4,192,471	0.430	98.946
$400,000 - $424,999	7	0.134	99.731	2,908,748	0.298	99.245
$425,000 - $449,999	4	0.077	99.808	1,759,900	0.181	99.425
$450,000 - $474,999	2	0.038	99.846	914,607	0.094	99.519
$475,000 - $499,999	2	0.038	99.885	959,813	0.098	99.618
$500,000 and greater	6	0.115	100.000	3,725,453	0.382	100.000
Total	5,207	100.000%		$974,682,707	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIIIA of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIIIA of the California Constitution” in Appendix B.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Teeter Plan; Property Tax Collections

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the **"Teeter Plan"**), as provided for in Section 4701 *et seq.* of the California Revenue and Taxation Code. Under the Teeter Plan, each entity levying property taxes in the County may draw on the amount of uncollected secured taxes credited to its fund, in the same manner as if the amount credited had been collected. Thus participating entities receive 100% of secured property taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. Currently, the County includes general obligation bonds debt service levies in its Teeter Plan.

So long as the Teeter Plan remains in effect, the District's receipt of revenues with respect to the levy of *ad valorem* property taxes will not be dependent upon actual collections of the *ad valorem* property taxes by the County. However, under the statute creating the Teeter Plan, the Board of Supervisors can under certain circumstances terminate the Teeter Plan in part or in its entirety with respect to the entire County and, in addition, the Board of Supervisors can terminate the Teeter Plan with respect to the District if the delinquency rate for all *ad valorem* property taxes levied within the District in any year exceeds 3%. In the event that the Teeter Plan were terminated, the amount of the levy of *ad valorem* property taxes in the District would depend upon the collections of the *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in Tax Rate Area 69-008 (a typical tax rate area in the District) for fiscal years 2014-15 through 2018-19.

IMPERIAL UNIFIED SCHOOL DISTRICT
Typical Total Tax Rates per $100 of Assessed Valuation
(TRA 69-008)

	2014-15	2015-16	2016-17	2017-18	2018-19
General	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Imperial Unified School District	.0274	.0711	.0473	.0668	.1041
Imperial Community College District	.0325	.0422	.0373	.0367	.0450
Total	1.0599%	1.1133%	1.0846%	1.1035%	1.1491%

Source: California Municipal Statistics Inc.

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Top Twenty Property Taxpayers

The top twenty taxpayers in the District with the greatest combined assessed valuation of taxable property on the fiscal year 2018-19 tax roll, and the assessed valuations thereof, are shown below.

The more property (by assessed value) which is owned by a single taxpayer in the District, the greater amount of tax collections are exposed to weaknesses in the taxpayer's financial situation and ability or willingness to pay property taxes. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

IMPERIAL UNIFIED SCHOOL DISTRICT
Top Twenty Secured Property Taxpayers
Fiscal Year 2018-19

	Property Owner	Primary Land Use	2018-19 Assessed Valuation	Percent of Total(1)
1.	Alphabet Farms LLC	Agricultural	$105,760,085	5.75%
2.	United States Gypsum Co.	Industrial	103,665,749	5.64
3.	Spreckels Sugar Company Inc.	Industrial	35,745,182	1.95
4.	AWCC Campo Verde, LLC	Solar Facility	24,618,615	1.34
5.	Rehco Holdings LLC & RTK Investments LLC	Undeveloped	19,467,770	1.06
6.	Leslie Floyd Rogers III	Auto Dealership	17,791,541	0.97
7.	Imperial Valley Farms, LLC	Agricultural	15,179,017	0.83
8.	San Joaquin Farms LLC	Agricultural	13,119,857	0.71
9.	Villas Pacifica LLC	Apartments	12,531,889	0.68
10.	Martin Coyne	Residential Properties	11,640,715	0.63
11.	Leroy Del Don III Trustee	Industrial	11,624,995	0.63
12.	Morningside Ventures LLC	Residential Properties	11,094,453	0.60
13.	Morningside Apartment Homes LLC	Apartments	10,526,050	0.57
14.	Worthington Square LLC	Office Building	9,648,390	0.53
15.	Helena Chemical Company	Commercial	8,695,097	0.47
16.	Ben & Margaret L. Abatti Trust	Agricultural	8,048,878	0.44
17.	Kuhn Farms	Agricultural	7,562,116	0.41
18.	William A. & Delores M. Van Leeuwen, Trustee	Agricultural	7,201,011	0.39
19.	Imperial Valley Properties LLC	Residential Properties	6,917,046	0.38
20.	Peter N. & Kimberly L. Osterkamp, Trustees	Agricultural	6,864,645	0.37
			$447,703,101	24.36%

(1) 2018-19 Local Secured Assessed Valuation: $1,837,773,551.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated December 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

IMPERIAL UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated As of December 1, 2018

2018-19 Assessed Valuation: $2,234,333,541

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 12/1/18
Imperial Community College District	17.769%	$18,562,204
Imperial Unified School District	**100.000**	**45,704,840**(1)
Pioneers Memorial Hospital District	5.683	412,010
City of Imperial Community Facilities District No. 2004-2	100.000	2,165,000
City of Imperial Community Facilities District No. 2004-3	100.000	5,110,000
City of Imperial Community Facilities District No. 2005-1	100.000	4,940,000
City of Imperial Community Facilities District No. 2006-1	100.000	7,015,000
City of Imperial Community Facilities District No. 2006-2	100.000	4,685,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$88,594,054
OVERLAPPING GENERAL FUND DEBT:		
Imperial County Certificates of Participation	17.330%	$1,129,904
Imperial County Pension Obligation Bonds	17.330	5,244,868
Imperial County Office of Education General Fund Obligations	17.330	1,480,857
TOTAL OVERLAPPING GENERAL FUND DEBT		$7,855,629
OVERLAPPING TAX INCREMENT DEBT:		
Imperial Redevelopment Agency (Successor Agency)	79.047%	$15,169,102
TOTAL OVERLAPPING TAX INCREMENT DEBT		$15,169,102
COMBINED TOTAL DEBT		$111,618,785(2)

Ratios to 2018-19 Assessed Valuation:
Direct Debt ($45,704,840) 2.05%
Total Direct and Overlapping Tax and Assessment Debt........... 3.97%
Combined Total Debt 5.00%

Ratios to Redevelopment Incremental Valuation ($369,738,599):
Total Overlapping Tax Increment Debt 4.10%

(1) Excludes the Bonds.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics Inc.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District (an **"Annual Report"**) to the Municipal Securities Rulemaking Board not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing March 31, 2020 with the report for the 2018-19 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in "APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the **"Rule"**).

The District has existing disclosure undertakings that have been made pursuant to the Rule in connection with the issuance of other outstanding general obligation bonds and refunding general obligation bonds. See Appendix B under the heading "FINANCIAL INFORMATION – Long-Term Debt." During the previous five years, specific instances of non-compliance with prior undertakings are the failure to timely file annual reports pursuant to such undertakings for fiscal years 2013-14 and 2014-15 and the failure to timely file required notices of insured and underlying rating changes. The District has completed remedial filings to address the foregoing.

In order to assist it in complying with its undertakings pursuant to the Rule, including for the Bonds, the District has engaged Isom Advisors, A Division of Urban Futures, Inc., to serve as its dissemination agent.

Neither the County nor any other entity other than the District shall have any obligation or incur any liability whatsoever with respect to the performance of the District's duties regarding continuing disclosure.

CERTAIN LEGAL MATTERS

Absence of Material Litigation

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

The District is routinely subject to lawsuits and claims which occur in the regular course of operating the District. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District.

Legal Opinion

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Bond Counsel. The opinion of Bond Counsel with respect to the Bonds will be delivered in substantially the form attached hereto as Appendix D. Certain legal matters will also be passed upon for the District by Disclosure Counsel and for the Underwriter by Norton Rose Fulbright US LLP, Los Angeles, California, as underwriter's counsel (**"Underwriter's Counsel"**). The fees of Bond Counsel, Disclosure Counsel and Underwriter's Counsel are contingent upon the issuance and delivery of the Bonds.

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BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Municipal Assurance Corp. ("**MAC**") will issue its Municipal Bond Insurance Policy for the Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the Accreted Value) and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Municipal Assurance Corp.

MAC is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (**"AGL"**), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. (**"KBRA"**). Each rating of MAC should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of MAC in its sole discretion. In addition, the rating agencies may at any time change MAC's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 12, 2018, KBRA announced it had affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2018, S&P announced it had affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

For more information regarding MAC's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of MAC

As of September 30, 2018, MAC's policyholders' surplus and contingency reserve were approximately $509 million and its unearned premium reserve was approximately $207 million, in each case, determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to MAC are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018 (filed by AGL with the SEC on November 9, 2018).

All financial statements of MAC and all other information relating to MAC included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Municipal Assurance Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding MAC included herein under the caption "BOND INSURANCE – Municipal Assurance Corp." or included in a document incorporated by reference herein (collectively, the "MAC Information") shall be modified or superseded to the extent that any subsequently included MAC Information (either directly or through incorporation by reference) modifies or supersedes such previously included MAC Information. Any MAC Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

MAC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MAC supplied by MAC and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal (or Accreted Value) or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise (if available as a remedy, which it is not for the Bonds), other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest and accreted value in connection with mandatory or optional redemption of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the holder of the Policy chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest and Accreted Value does not or may not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds 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. Furthermore, the Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the **"Tax Code"**) such that, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution's interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. 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 Bonds, or may cause the Bonds to lose their status as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Tax Code. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

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

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond'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 Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, 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 Bonds.

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

Other Tax Considerations. Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds 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 Bonds other than as expressly described above, including any opinion regarding federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

In addition, future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

Form of Opinion. A copy of the proposed form of the opinion of Bond Counsel is attached hereto as Appendix D.

Other Tax Considerations

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds 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 Bonds other than as expressly described above, including any federal tax consequences arising with respect to the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Future legislation, if enacted into law, or clarification of the Tax Code may cause interest on the Bonds to be subject to, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Tax Code may also affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**"), is expected to assign its rating of "AA to the Bonds, based on the understanding that the Bond Insurer will deliver its Policy with respect to the Bonds at the time of delivery of the Bonds. See "BOND INSURANCE." Additionally, S&P has assigned an underlying rating of "A+" to the Bonds.

Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which, if not material to an investment decision in the Bonds, does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "**Underwriter**"). The Underwriter has agreed to purchase the Bonds at a price of $__________ (which is equal to the initial principal amount of the Bonds, plus [net] original issue premium of $__________ and less Underwriter's discount of $__________). The purchase contract relating to the Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter's obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the Underwriter and following delivery of the Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District. The District may impose charges for copying, mailing and handling.

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

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

IMPERIAL UNIFIED SCHOOL DISTRICT

By: ________________________________

Superintendent

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDING JUNE 30, 2018

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IMPERIAL UNIFIED SCHOOL DISTRICT
COUNTY OF IMPERIAL
IMPERIAL, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018

Introductory Section

Imperial Unified School District
Audit Report
For The Year Ended June 30, 2018

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WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

P. Robert Wilkinson, CPA
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Independent Auditor's Report

To the Board of Trustees
Imperial Unified School District
Imperial, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Imperial Unified School District ("the District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial Unified School District as of June 30, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Imperial Unified School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Imperial Unified School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis as required by the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 and is also not a required part of the basic financial statements.

The combining financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of Imperial Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Imperial Unified School District's internal control over financial reporting and compliance.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 12, 2018

This section of Imperial Unified School District's (IUSD) annual financial report presents management's discussion and analysis of the IUSD's financial performance during the year ending June 30, 2018. The management's discussion and analysis is required as a new element of the reporting model established by the Governmental Accounting Standards Board (GASB) in Statement Number 34. The District's financial statements follow this section.

Financial Highlights

- The IUSD's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $15.7 million.
- In February 2018, the district sold $8 million of the 2016 voter approved General Obligation Bonds of $40 million to continue construction on Imperial Cross Elementary School.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the IUSD's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

1. Government-wide financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the IUSD's finances, in a manner similar to a private-sector business.

- The statement of net position presents information on all of the assets and liabilities of the IUSD, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

- The statement of activities presents information showing how the net position of the IUSD changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

  Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes, accrual for OPEB benefits, and earned but unused vacation leave). The government-wide financial statements can be found on pages 12-13 of this report.

2. Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The IUSD, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district are governmental funds except for the Associated Student Body account, which is a fiduciary fund.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The IUSD maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 14-19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. The IUSD maintains an agency fund for Associated Student Body funds.

3. Notes to the financial statements.

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

Other information: The combining statements referred to earlier in connection with non-major governmental funds are presented in this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's position. In the case of the IUSD, assets and deferred outflows exceeded liabilities by $15.7 million at the close of the most recent fiscal year.

STATEMENT OF NET POSITION 6/30/2018
(In Millions of Dollars)

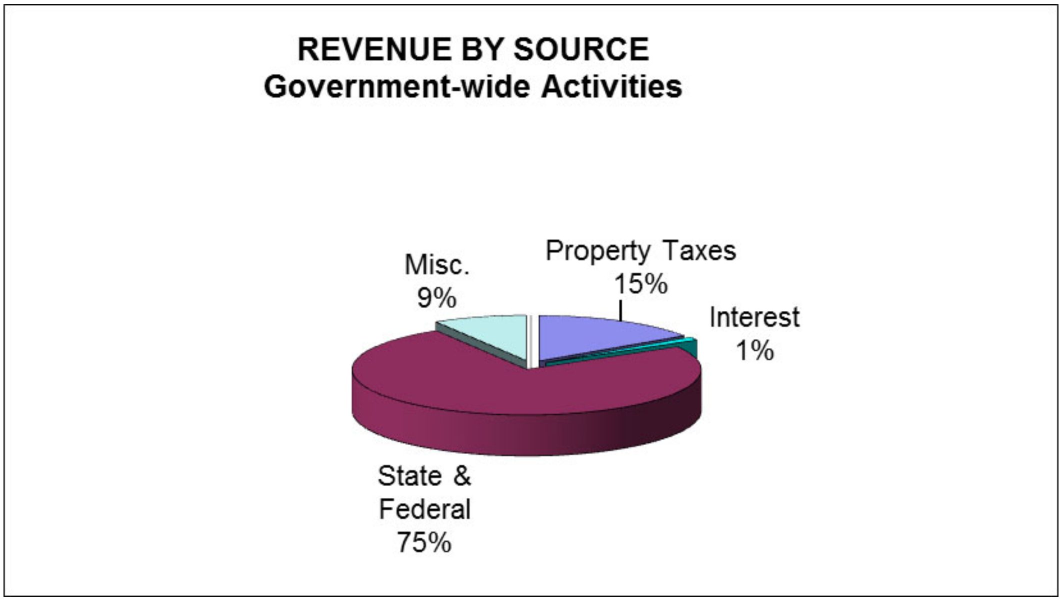
	2013-14	2014-15	2015-16	2016-17	2016-17	2017-18
ASSETS:						
Cash & Current Assets	$ 25.9	$ 20.4	$ 23.0	$ 50.4	$ 50.4	$ 48.9
Capital Assets	$ 48.4	$ 49.9	$ 49.6	$ 49.9	$ 49.9	$ 61.1
Total Assets	$ 74.3	$ 70.3	$ 72.6	$ 100.3	$ 100.3	$ 110.0
Deferred Outflows of Resources:	$ 0	$ 5.2	$ 5.8	$ 9.2	$ 9.2	$ 16.4
LIABILITIES:						
Long-term Debt	$ 17.5	$ 40.5	$ 46.9	$ 83.0	$ 83.0	$ 100.8
Other Liabilities	$ 3.4	$ 2.1	$ 2.8	$ 3.8	$ 3.8	$ 5.1
Total Liabilities	$ 20.9	$ 42.6	$ 49.7	$ 86.8	$ 86.8	$ 105.9
Deferred Inflows of Revenues:	$ 0	$ 6.2	$ 1.7	$ 1.1	$ 1.1	$ 4.8
TOTAL NET POSITION	$ 53.4	$ 27.6	$ 27.0	$ 21.6	$ 21.6	$ 15.7
DISTRIBUTION OF NET POSITION:						
Invested in Capital Assets	$ 31.8	$ 33.9	$ 33.7	$ 7.6	$ 7.6	$ 10.5
Other Purposes	$ 13.7	$ 0.0	$ 12.5	$ 25.7	$ 25.7	$ 0.3
Educational	$ 1.4	$ 0.0	$ 1.2	$ 2.6	$ 2.6	$ 0.3
Unrestricted	$ 6.5	$ -7.2	$ -20.4	$ -14.3	$ -14.3	$ 4.6
TOTAL NET POSITION	$ 53.4	$ 26.7	$ 27.0	$ 21.6	$ 21.6	$ 15.7

- The IUSD's net position reflects its investment in capital assets (e.g., land, equipment, buildings and improvements and of accumulated depreciation); less any related debt (bonds payable and obligations under capital leases less unspent bond proceeds) used to acquire those assets that are still outstanding. The IUSD uses these capital assets to provide services to students; consequently, the assets invested in capital assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

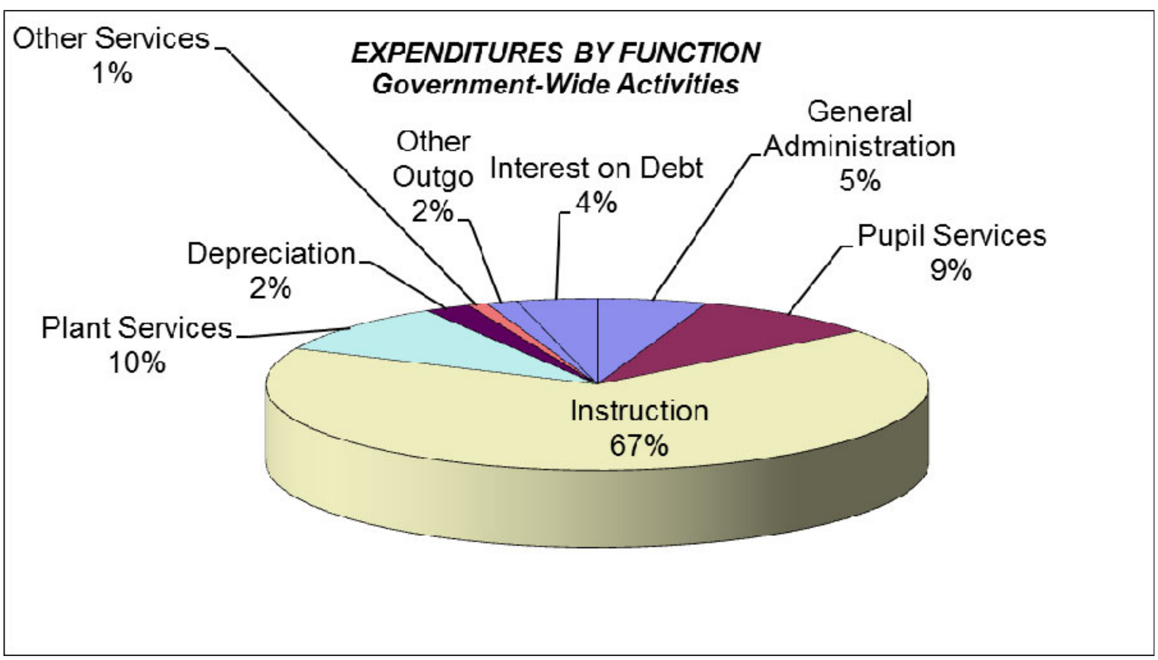
- An additional portion of the IUSD's net position represents resources that are restricted for educational and other purposes.
- The remaining balance of unrestricted net position may be used to meet the IUSD's obligations to students, employees, and creditors and to honor next years' budget.

Governmental activities: The key elements of the District's statement of activities and changes in net position for the year ended June 30, 2018 are as follows:

	Dollars 2014-15	***Dollars 2015-16***	***Dollars 2016-17***	***Dollars 2017-18***
General Revenues				
Miscellaneous revenues	$ 1,410,722	$ 1,264,325	$ 2,619,940	$ 1,868,603
Property taxes	$ 3,157,848	$ 5,538,349	$ 5,510,723	$ 6,389,354
Property taxes levied for debt service	$ 965,215	$ 731,412	$ 1,206,701	$ 1,688,163
Federal & state aid not restricted	$ 25,564,146	$ 29,123,878	$ 30,437,893	$ 30,633,341
Investment & interest earnings	$ 128,921	$ 133,108	$ 220,233	$ 446,353
Total	$ 31,226,852	$ 36,791,072	$ 39,995,490	$ 41,025,814
Net Expenditures By Function				
Instruction & site admin.	$ 21,483,999	$ 25,872,594	$ 30,667,968	$ 29,549,992
Pupil services	$ 2,550,194	$ 3,517,142	$ 4,233,009	$ 3,944,408
General administration	$ 1,461,207	$ 2,044,808	$ 2,115,085	$ 2,346,676
Plant services	$ 3,349,759	$ 4,874,309	$ 5,196,269	$ 4,188,244
Ancillary services	$ 329,183	$ 384,100	$ 426,757	$ 409,628
Community services	$ 2,948	$ 2,948	$ 2,948	$ 2,980
Long-term debt-interest	$ 733,868	$ 302,747	$ 1,011,004	$ 1,711,343
Depreciation (Unallocated)	0	0	0	$ 969,759
Other-outgo/Depreciation	$ 1,362,058	$ 562,940	$ 1,780,685	$ 667,432
Total Expenditures	$ 31,273,216	$ 37,561,588	$ 45,433,725	$ 43,790,492
Change in Net Position	**$ (46,364)**	**$ (770,516)**	**$ (5,438,235)**	**$ (2,764,648)**
Net Position- Beginning	$ 53,456,017	$ 26,733,428	$ 27,020,728	$ 21,647,473
Net Pension Liability Adjust To Beginning Balance	$ (29,394,090)	$ (248,048)	$ 60,432	$ 0
OPEB Liability Adjustment	$ 0	$ 0	$ 0	$ (3,400,443)
Deferred Outflows of Resources OPEB Adjustment	$ 0	$ 0	$ 0	$ 284,264
Deferred Outflows Pension Adjust to Beginning Balance	$ 2,717,865	$ (3,296,477)	$ 0	$ 0
Deferred Inflows Pension Adjust to Beginning Balance	$ 0	$ 4,602,341	$ 4,548	$ 0
Net Position Beginning Balance as Restated	$ 26,779,792	$ 27,791,244	$ 27,085,708	$ 18,531,294
Net Position Ending	**$ 26,733,428**	**$ 27,020,728**	**$ 21,647,473**	**$ 15,766,646**



The largest dollar amount in revenue continues to be from federal and state aid as well as property taxes. Federal and state aid is a reflection of funding for specific programs. LCFF revenue apportionment, which is a combination of state aid and property taxes, is the largest source of district revenue. LCFF revenue is based on average daily attendance (ADA). If a student is in attendance a full 180 days, the state awards the district one ADA. The state guarantees that if local taxes do not provide money equal to the base LCFF revenue guarantee it will make up the difference with state funding. Government-wide expenditures are classified by function according to their purpose. The largest amount of funds from all sources is generally spent on instruction; an exception would be when large capital projects are constructed.



Financial Analysis of the District's Funds

As noted earlier, the IUSD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the IUSD's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the IUSD completed the year, its governmental funds statement of net position reported a combined fund balance of $15.7 million.

Capital Assets and Accumulated Depreciation

Capital Assets. The state school facility fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the IUSD. The District has begun construction on Imperial Cross Elementary and anticipates a June 2019 completion. In addition, site security improvements to the Imperial High School entrance were completed. The reason for the increase in Work in Progress is due to the construction of Cross Elementary.

	2016-2017	2017-2018	% Change
Land	$4,237,896	$4,328,469	2.14%
Work in Progress	$660,332	$13,136,222	18.89%
Total Capital Assets not being depreciated	$4,898,228	$17,464,691	2.57%
Capital Assets being depreciated			
Buildings	$67,068,819	$67,237,578	.25%
Improvements	$36,132,570	$3,141,304	.28%
Equipment &Furniture	$7,233,982	$7,346,543	1.56%
Total Capital Assets being depreciated	$77,435,371	$77,725,425	.37%
Less Accumulated Depreciation			
Buildings	$(25,716,512)	$(26,885,658)	4.55%
Improvements	$(1,969,112)	$(2,057,119)	4.47%
Equipment	$(4,679,023)	$(5,174,553)	10.59%

Total Accumulated Depreciation	$(32,364,647)	$(34,117,330)	5.42%

Total capital assets net of depreciation was $49,968,952 as of June 30, 2017 and $61,072,786 as of June 30, 2018.

General Fund Budgetary Highlights

The IUSD's budget is prepared on the modified accrual basis of accounting according to California law. During the year, the Board revised the IUSD's budget. Budget amendments were to reflect changes in programs and related funding. The most significant differences were due to increased costs for operating expenses and for benefit cost increases for STRS on-behalf and growth staffing position. As the district prepares for the opening of Cross Elementary increased costs of benefits will be considered in the budget.

Long-Term Debt and Long-Term Obligations

The IUSD has General Obligation Bonds outstanding in the amount of $46,444,840. The District has long-term debt including the bonds, net OPEB obligation, net pension liability, and compensated absences. The District received a rating of "A+" from Standard & Poor's in 2017 when it refunded the existing GO Bonds in the amount of $13,530,000. In February 2017 the district sold $26 million of the 2016 voter approved General Obligation Bond of $40 million. In, February 2018, the district sold another $8 million of the $40 million General Obligation Bond leaving $6 million unsold.

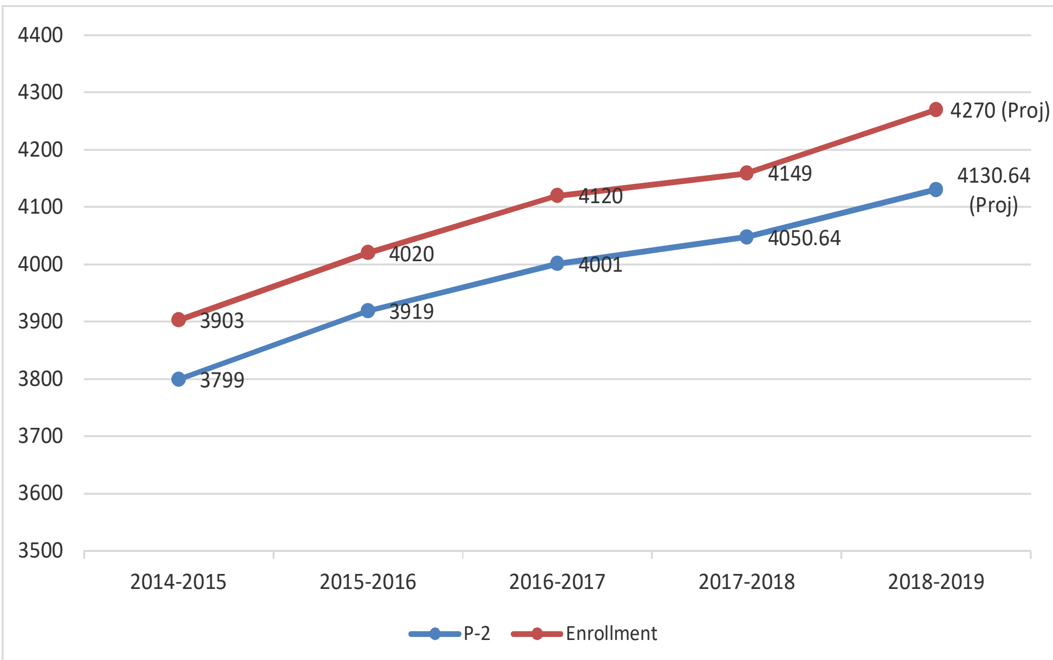
Imperial Unified School District
Long-Term Debt and Long-Term Obligations

	2017	**2018**	**% Change**
General Obligation Bonds	$39,130,000	$46,444,840	18.69%
Accreted Interest	$0	$26,184	100%
Bond Premium	$3,237,928	$4,077,180	25.92%
Total District Long-Term Debt	**$42,367,928**	**$50,548,204**	**16.18%**
Compensated Absences	$199,251	$162,353	-18.52%
Total OPEB Liability	$4,844,921	$4,988,916	2.88%
Net Pension Liability	$38,990,240	$45,136,580	15.76%
Total Other Long-Term Obligations	**$44,034,412**	**$50,287,849**	**12.43%**

Changing Enrollment within the District

The IUSD has seen increased growth. Although there are currently several developments within the District which have not been completed, construction has slowly picked up in the past two years. The District has worked conscientiously with the city and county planners as well as with various developers in order to plan for current and future increases in student populations. There are several large developments in the planning and pre-planning stages.

The following chart shows the District's growth in enrollment since 2014-15.



Requests for Information

This financial report is designed to provide a general overview of the Imperial Unified School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Gina Hendrix, Director of Business Services, Imperial Unified School District, 219 North "E" Street, Imperial, CA, 92251.

Basic Financial Statements

IMPERIAL UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS:	
Cash	$ 47,548,972
Receivables	1,340,260
Stores	83,315
Capital Assets:	
Land	4,328,469
Improvements	3,141,304
Buildings	67,237,578
Equipment	7,346,543
Work in Progress	13,136,224
Less Accumulated Depreciation	(34,117,330)
Total Assets	110,045,335
DEFERRED OUTFLOWS OF RESOURCES	16,415,963
LIABILITIES:	
Accounts Payable	5,099,037
Unearned Revenue	2,929
Long-Term Liabilities:	
Due Within One Year	1,081,045
Due in More Than One Year	99,755,008
Total Liabilities	105,938,019
DEFERRED INFLOWS OF RESOURCES	4,756,633
NET POSITION:	
Net Investment in Capital Assets	10,524,582
Restricted for:	
Educational programs	322,166
Other purposes (expendable)	188,405
Other purposes (nonexpendable)	85,815
Unrestricted	4,645,678
Total Net Position	$ 15,766,646

The accompanying notes are an integral part of this statement.

IMPERIAL UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	$ 29,520,243	$ 7,751	$ 3,196,662	$ -	$ (26,315,830)
Instruction-Related Services:					
Instructional Supervision and Administration	534,269	-	74,826	-	(459,443)
Instructional Library, Media and Technology	331,336	-	2,700	-	(328,636)
School Site Administration	2,518,252	-	72,169	-	(2,446,083)
Pupil Services:					
Home-to-School Transportation	1,574,920	-	-	-	(1,574,920)
Food Services	1,611,357	484,408	1,097,973	-	(28,976)
All Other Pupil Services	2,909,841	-	569,329	-	(2,340,512)
General Administration:					
Centralized Data Processing	588,454	-	-	-	(588,454)
All Other General Administration	1,842,750	322	84,206	-	(1,758,222)
Plant Services	4,188,879	-	635	-	(4,188,244)
Ancillary Services	413,796	-	4,168	-	(409,628)
Community Services	2,980	-	-	-	(2,980)
Depreciation (unallocated)	969,759	-	-	-	(969,759)
Interest on Long-Term Debt	1,711,343	-	-		(1,711,343)
Other Outgo	862,633	-	195,201	-	(667,432)
Total Expenses	$ 49,580,812	$ 492,481	$ 5,297,869	$ -	$ (43,790,462)

General Revenues:	
Taxes and Subventions:	
Taxes Levied for General Purposes	6,219,481
Taxes Levied for Debt Service	1,688,163
Taxes Levied for Other Specific Purposes	169,873
Federal and State Aid Not Restricted to Specific Programs	30,633,341
Interest and Investment Earnings	446,353
Miscellaneous	1,868,603
Total General Revenues	$ 41,025,814
Change in Net Position	(2,764,648)
Net Position Beginning-Restated (Note P)	18,531,294
Net Position Ending	$ 15,766,646

The accompanying notes are an integral part of this statement.

IMPERIAL UNIFIED SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Building Fund
ASSETS:		
Cash in County Treasury	$ 8,117,328	$ 25,151,176
Cash on Hand and in Banks	-	-
Cash in Revolving Fund	2,500	-
Accounts Receivable	38,516	80,434
Due from Grantor Governments	1,103,969	-
Due from Other Funds	1,548,000	-
Stores Inventories	-	-
Total Assets	10,810,313	25,231,610
LIABILITIES AND FUND BALANCE:		
Liabilities:		
Accounts Payable	$ 797,556	$ 3,405,028
Due to Other Funds	1,548,000	-
Unearned Revenue	2,929	-
Total Liabilities	2,348,485	3,405,028
Fund Balance:		
Nonspendable Fund Balances:		
Revolving Cash	2,500	-
Stores Inventories	-	-
Restricted Fund Balances	300,116	-
Assigned Fund Balances	1,548,000	17,875,677
Unassigned:		
Reserve for Economic Uncertainty	1,309,132	-
Other Unassigned	5,302,080	3,950,905
Total Fund Balance	8,461,828	21,826,582
Total Liabilities and Fund Balances	$ 10,810,313	$ 25,231,610

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
$ 10,583,760	$ 3,693,804	$ 47,546,068
-	405	405
-	-	2,500
29,022	11,507	159,479
-	76,811	1,180,780
-	-	1,548,000
-	83,315	83,315
10,612,782	3,865,842	50,520,547
$ 59,553	$ 7,707	$ 4,269,844
-	-	1,548,000
-	-	2,929
59,553	7,707	5,820,773
-	-	2,500
-	83,315	83,315
-	210,454	510,570
10,553,229	3,564,366	33,541,272
-	-	1,309,132
-	-	9,252,985
10,553,229	3,858,135	44,699,774
$ 10,612,782	$ 3,865,842	$ 50,520,547

IMPERIAL UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances, governmental funds			$ 44,699,774
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:			
Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.			
Capital assets relating to governmental activities, at historical cost	95,190,118		
Accumulated depreciation	(34,117,330)		
	Net		61,072,788
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:			(829,193)
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:			
General obligation bonds payable	50,548,204		
Net pension liability	45,136,580		
Total OPEB obligation	4,988,916		
Compensated absences payable	162,353		
	Total		(100,836,053)
Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported.			
Deferred outflows of resources relating to OPEB			178,971
Deferred inflows of resources relating to OPEB			-
Deferred gain or loss on debt refunding: In the government wide financial statements deferred gain or loss on debt refunding is recognized as a deferred outflow of resources (for a loss) or deferred inflow of resources (for a gain) and subsequently amortized over the life of the debt. Deferred gain or loss on debt refunding recognized as a deferred outflow of resources or deferred inflow of resources on the statement of net position was:			542,319
Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.			
Deferred outflows of resources relating to pensions			15,694,673
Deferred inflows of resources relating to pensions			(4,756,633)
Total net position, governmental activities			$ 15,766,646

The accompanying notes are an integral part of this statement.

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IMPERIAL UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund
Revenues:		
LCFF Sources:		
State Apportionment or State Aid	$ 23,549,444	$ -
Education Protection Account Funds	5,692,062	-
Local Sources	6,209,910	-
Federal Revenue	1,375,426	-
Other State Revenue	3,918,956	-
Other Local Revenue	2,629,362	252,067
Total Revenues	43,375,160	252,067
Expenditures:		
Current:		
Instruction	27,335,201	-
Instruction - Related Services	3,178,722	-
Pupil Services	4,096,096	-
Ancillary Services	405,846	-
General Administration	2,119,042	-
Plant Services	3,971,777	102,392
Other Outgo	359,887	202,999
Capital Outlay	32,722	11,978,711
Debt Service:		
Principal	-	-
Interest	-	-
Total Expenditures	41,499,293	12,284,102
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,875,867	(12,032,035)
Other Financing Sources (Uses):		
Transfers In	2,122,625	-
Transfers Out	(2,138,427)	-
Proceeds From Sale of Bonds	-	7,999,840
Other Sources	-	995,815
Other Uses	-	(914,525)
Total Other Financing Sources (Uses)	(15,802)	8,081,130
Net Change in Fund Balance	1,860,065	(3,950,905)
Fund Balance, July 1	6,601,763	25,777,487
Fund Balance, June 30	$ 8,461,828	$ 21,826,582

The accompanying notes are an integral part of this statement.

Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 23,549,444
-	-	5,692,062
-	-	6,209,910
-	1,347,121	2,722,547
-	166,757	4,085,713
339,414	2,236,153	5,456,996
339,414	3,750,031	47,716,672
-	97,656	27,432,857
-	19,099	3,197,821
-	1,907,392	6,003,488
-	-	405,846
7,157	-	2,126,199
75,817	-	4,149,986
-	-	562,886
765,905	7,639	12,784,977
-	685,000	685,000
-	1,922,513	1,922,513
848,879	4,639,299	59,271,573
(509,465)	(889,268)	(11,554,901)
-	154,416	2,277,041
-	(138,614)	(2,277,041)
-	-	7,999,840
-	914,525	1,910,340
-	-	(914,525)
-	930,327	8,995,655
(509,465)	41,059	(2,559,246)
11,062,694	3,817,076	47,259,020
$ 10,553,229	$ 3,858,135	$ 44,699,774

IMPERIAL UNIFIED SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Total change in fund balances, governmental funds			$ (2,559,246)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:			
Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:			
	Expenditures for capital outlay	12,856,518	
	Depreciation expense	(1,752,683)	
	Net		11,103,835
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:			685,000
Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:			(181,151)
Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was:			(249,288)
Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:			(2,730,907)
Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were:			(8,995,655)
Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of debt issue premium or discount, or deferred gain or loss from debt refunding, for the period is:			125,866
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:			36,898
Change in net position of governmental activities			$ (2,764,648)

The accompanying notes are an integral part of this statement.

IMPERIAL UNIFIED SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Agency Fund
	Student Body Fund
ASSETS:	
Cash on Hand and in Banks	$ 272,179
Total Assets	272,179
LIABILITIES:	
Due to Student Groups	$ 272,179
Total Liabilities	272,179
NET POSITION:	
Total Net Position	$ -

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

Imperial Unified School District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's "California School Accounting Manual". The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

1. Reporting Entity

The District operates under a locally elected Board form of government and provides educational services as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

2. Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no component units. Additionally, the District is not a component unit of any other reporting entity as defined by GASB Statements 14, 39, and 61.

3. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct 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. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund. This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Capital Facilities Fund. This fund accounts for the acquisition of governmental capital facilities.

Building Fund. This fund accounts for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds: These funds account for the acquisition and/or construction of all major governmental general fixed assets.

Debt Service Funds: These funds account for the accumulation of resources for, and the payment of general long-term debt principal, interest, and related costs.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

4. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

5. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final 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.

These budgets are revised by the District's governing board and district superintendent during the year to give consideration to unanticipated income and expenditures.

Formal budgetary integration was used as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object code.

6. Revenues and Expenses

a. Revenues - Exchange and Non-Exchange

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as to not distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions are transactions in which the District receives value without directly giving equal value in return, including property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

c. Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide financial statements.

7. Assets, Liabilities, and Equity

a. Deposits and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized.

In accordance with Education Code Section 41001, the District maintains substantially all 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 market value. Interest earned is deposited quarterly into participating funds, except for the Tax Override Funds, in which interest earned is credited to the general fund. 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.

Information regarding the amount of dollars invested in derivatives with Imperial County Treasury was not available.

b. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	25-50
Building Improvements	20
Vehicles	5-15
Office Equipment	5-15
Computer Equipment	5-15

d. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The current portion of the liabilities is recognized in the general fund at year end.

Accumulated 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.

f. Unearned Revenue

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

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

h. Property Taxes

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.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

j. Minimum Fund Balance Policy

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce the service levels because of temporary revenue shortfalls or unpredicted expenses. The District minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts equal to 8% of general fund operating expenses and other financing uses. If the fund balance drops below 8%, it shall be recovered at a rate of 1% minimally, each year.

8. Deferred Inflows and Deferred Outflows of Resources

Deferred outflows of resources is a consumption of net assets or net position that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets or net position that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are recorded in accordance with GASB Statement numbers 63 and 65.

9. GASB 54 Fund Presentation

Consistent with fund reporting requirements established by GASB Statement No. 54, Fund 20 (Special Reserve Fund for Postemployment Benefits) is merged with the General Fund for purposes of presentation in the audit report.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the CalPERS Schools Pool Cost-Sharing Multiple-Employer Plan (CalPERS Plan) and CalSTRS Schools Pool Cost-Sharing Multiple Employer Plan (CalSTRS Plan) and additions to/deductions from the CalPERS Plan and CalSTRS Plan's fiduciary net positions have been determined on the same basis as they are reported by the CalPERS Financial Office and CalSTRS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this report, the following time frames are used:

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

12. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as defined by Governmental Accounting Standards Board (GASB) Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy is detailed as follows:

Level 1 Inputs:	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
Level 2 Inputs:	Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
Level 3 Inputs:	Unobservable inputs for an asset or liability.

For the current fiscal year the District did not have any recurring or nonrecurring fair value measurements.

13. Change in Accounting Policies

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2018. Those newly implemented pronouncements are as follows:

GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions

The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This statement replaces the requirements of GASB 45 and GASB 57. This statement establishes standards for recognizing and measuring OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service for defined benefit OPEB.

The District provides a defined benefit OPEB plan that is not administered through a trust, but meets the criteria specified in GASB 75. As a result, the District has adjusted measurement of OPEB liability, OPEB expense, and related deferred outflows and inflows of resources in compliance with GASB 75. The change in accounting policies resulted in an adjustment to beginning net position in order to accurately reflect current period transactions. Additional note disclosures regarding OPEB liability, OPEB expense, and related deferred inflows and outflows of resources are located in Note O. Additional note disclosures regarding the adjustment to beginning net position resulting from this change in accounting policy are located in Note P.

GASB 81 - Irrevocable Split-Interest Agreements

The primary objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement requires that a government receiving resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. This statement also requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. In addition, this statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The District does not receive resources pursuant to an irrevocable split-interest agreement, nor does the District have any beneficial interests in irrevocable split interest agreements as of June 30, 2018. The District has adopted the accounting policies in the event that the District obtains a beneficial interest in a future split-interest agreement. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 81.

GASB 85 - Omnibus 2017

The primary objective of this statement is to address practice issues that were identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The statement was issued as a clarifying measure to previously issued statements.

The implementation of this statement resulted in a change in how the District recognizes on-behalf payments for the special funding situation for CalSTRS pension. The results of implementing these accounting policies did not have a material effect on the financial statements and did not affect previous periods.

GASB 86 - Certain Debt Extinguishment Issues

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, other than proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial statements for debt that is defeased in substance.

The District does not have any in-substance defeasance of debt as of June 30, 2018. The District has adopted the accounting policies in the event that the District extinguishes debt through use of a legal extinguishment or through an in-substance defeasance in a future period. There have been no adjustments made to the financial statements or note disclosures as a result of adoption of the accounting policies pursuant to GASB 86.

B. 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 Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Cash and Investments

1. Cash in County Treasury:

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the Imperial County Treasury as part of the common investment pool ($47,546,068 as of June 30, 2018). The fair value of the District's portion of this pool as of that date, as provided by the pool sponsor, was $47,546,068**.** Assumptions made in determining the fair value of the pooled investment portfolios are available from the County Treasurer.

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investments in the pool is reported in the accounting financial statements as amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The Imperial County Treasury is not registered with the Securities and Exchange Commission (SEC) as an investment company; however, the County Treasury acts in accordance with investment policies monitored by a Treasury Oversight Committee consisting of members appointed by participants in the investment pool and up to five members of the public having expertise, or an academic background in, public finance. In addition, the County Treasury is audited annually by an independent auditor.

2. Cash on Hand, in Banks, and in Revolving Fund

Cash balances on hand and in banks ($272,584 as of June 30, 2018) and in the revolving fund ($2,500) are insured up to $250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

3. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 Years	None	None
Registered State Bonds, Notes, Warrants	5 Years	None	None
U.S. Treasury Obligations	5 Years	None	None
U.S. Agency Securities	5 Years	None	None
Banker's Acceptance	180 Days	40%	30%
Commercial Paper	270 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements	92 Days	20% of Base	None
Medium-Term Corporate Notes	5 Years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 Years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

4. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only 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. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end the District was not exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

As of June 30, 2018, the District's bank balances (including revolving cash) of $56,975 was exposed to custodial credit risk because it was insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. Investments in any one issuer that represent five percent or more of the total investments are either an external investment pool and are therefore exempt. As such, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment**.** Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the county pool.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

5. 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 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.

The District's investments in external investment pools are reported in conformity with GASB Statement No. 77 unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Accounts Receivable and Due From Grantor Governments

Accounts receivable at June 30, 2018 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Local Sources:					
Career Pathways	$ 11,739	$ -	$ -	$ -	$ 11,739
Interest	21,879	80,434	29,022	11,507	142,842
Other Local Revenues	4,898	-	-	-	4,898
Totals	$ 38,516	$ 80,434	$ 29,022	$ 11,507	$ 159,479

Due from grantor governments at June 30, 2018 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Federal Government:					
Title I	$ 41,899	$ -	$ -	$ -	$ 41,899
Special Education	605,214	-	-	-	605,214
Title III	38,636	-	-	-	38,636
National School Lunch	-	-	-	25,081	25,081
Other Federal Programs	20,349	-	-	5,429	25,778
State Government:					
CTE Incentive	108,171	-	-	-	108,171
College Readiness	85,651	-	-	-	85,651
Lottery	156,281	-	-	-	156,281
State School Lunch	-	-	-	1,804	1,804
Other state programs	47,768	-	-	-	47,768
Local Government:					
Other Local Revenues	-	-	-	44,497	44,497
Totals	$ 1,103,969	$ -	$ -	$ 76,811	$ 1,180,780

All accounts are considered to be collectible. As such, no allowance for doubtful accounts has been established.

E. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 4,237,896	$ 90,573	$ -	$ 4,328,469
Work in progress	660,332	12,475,890	-	13,136,222
Total capital assets not being depreciated	4,898,228	12,566,463	-	17,464,691
Capital assets being depreciated:				
Buildings	67,068,819	168,759	-	67,237,578
Improvements	3,132,570	8,734	-	3,141,304
Equipment	7,233,982	112,561	-	7,346,543
Total capital assets being depreciated	77,435,371	290,054	-	77,725,425
Less accumulated depreciation for:				
Buildings	(25,716,512)	(1,169,146)	-	(26,885,658)
Improvements	(1,969,112)	(88,007)	-	(2,057,119)
Equipment	(4,679,023)	(495,530)	-	(5,174,553)
Total accumulated depreciation	(32,364,647)	(1,752,683)	-	(34,117,330)
Total capital assets being depreciated, net	45,070,724	(1,462,629)	-	43,608,095
Governmental activities capital assets, net	$ 49,968,952	$ 11,103,834	$ -	$ 61,072,786

Depreciation was charged to functions as follows:

Instruction	$ 560,859
Instruction-Related Services	8,763
Pupil Services	175,268
Community Services	2,980
Enterprise	35,054
Unallocated	969,759
	$ 1,752,683

F. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund (Fund 20)	General Fund (Fund 01)	$ 1,548,000	Transfer excess OPEB funds
	Total	$ 1,548,000	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund (Fund 01)	General Fund (Fund 20)	$ 436,011	Reimbursement Prop 39 funds
General Fund (Fund 20)	General Fund (Fund 01)	1,548,000	Transfer excess OPEB funds
General Fund (Fund 01)	Nonmajor Govt. Fund	154,416	Reimbursement Prop 39 funds
Nonmajor Govt. Fund	General Fund (Fund 01)	138,614	Transfer funds for bus purchase
	Total	$ 2,277,041	

G. Accounts Payable

Accounts payable at June 30, 2018 consisted of:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 146,092	$ 3,405,028	$ 59,553	$ 3,975	$ 3,614,648
LCFF state aid	12,778	-	-	-	12,778
Health and welfare benefits	386,602	-	-	-	386,602
OPEB retiree benefits	240,664	-	-	723	241,387
Payroll and related benefits	11,420	-	-	3,009	14,429
Totals	$ 797,556	$ 3,405,028	$ 59,553	$ 7,707	$ 4,269,844

H. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources. During the year ended June 30, 2018 the District did not enter into any short-term agreements.

I. Unearned Revenue

Unearned revenue for the year ended June 30, 2018, was as follows:

	General Fund
Local Sources:	
Agriculture Career Tech	$ 2,929
Total	$ 2,929

J. Deferred Outflows of Resources

The District issued refunding bonds in February 2016 and as a result of the calculated gain or loss, a loss on refunding in the amount of $613,945 was recognized as a deferred outflow of resources. The loss on refunding will be amortized over twenty years based on the debt service of the new refunding bonds.

In accordance with GASB Statement No. 68 & 71, payments made subsequent to the net pension liability measurement date are recorded as deferred outflows of resources.

In accordance with GASB Statement No. 75, payments made subsequent to the total OPEB liability measurement date, and other items are recorded as deferred outflows of resources.

A summary of the deferred outflows of resources as of June 30, 2018 is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	$ 8,699,011	$ 13,788,948	$ 6,793,286	$ 15,694,673
OPEB related	Varies	284,264	178,971	284,264	178,971
Loss-Refunding Bonds	20 Years	573,016	-	30,697	542,319
Total Deferred Outflows of Resources		$ 9,556,291	$ 13,967,919	$ 7,108,247	$ 16,415,963

Future amortization of deferred outflows of resources is as follows:

Year Ending June 30	Refunding Bonds	Pension Related	OPEB Related	Total
2019	$ 30,697	$ 7,377,143	$ 178,971	$ 7,586,811
2020	30,697	3,497,663	-	3,528,360
2021	30,697	2,837,975	-	2,868,672
2022	30,697	1,981,892	-	2,012,589
2023	30,697	-	-	30,697
2024-2028	153,486	-	-	153,486
2029-2033	153,486	-	-	153,486
2034-2038	81,862	-	-	81,862
Total	$ 542,319	$ 15,694,673	$ 178,971	$ 16,415,963

K. Deferred Inflows of Resources

In accordance with GASB Statement No. 68 & 71, payments received subsequent to the net pension liability measurement date are recorded as deferred inflows of resources.

A summary of the deferred inflows of resources as of June 30, 2018 is as follows:

Description	Amortization Term	Balance July 1, 2017	Additions	Current Year Amortization	Balance June 30, 2018
Pension related	Varies	$ 1,176,404	$ 5,137,413	$ 1,557,184	$ 4,756,633
Total Deferred Inflows of Resources		$ 1,176,404	$ 5,137,413	$ 1,557,184	$ 4,756,633

Future amortization of deferred inflows of resources is as follows:

Year Ending June 30	Pension Related
2019	$ 1,557,183
2020	1,144,287
2021	1,027,678
2022	1,027,485
Total	$ 4,756,633

L. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	$ 39,130,000	$ 7,999,840	$ 685,000	$ 46,444,840	$ 740,000
Accreted interest	-	26,184	-	26,184	-
Bond premium	3,237,928	995,815	156,563	4,077,180	178,692
Total OPEB obligation	4,844,921	143,995	-	4,988,916	-
Compensated absences	199,251	-	36,898	162,353	162,353
Net pension liability	38,990,240	6,146,340	-	45,136,580	-
Total governmental activities	$ 86,402,340	$ 15,312,174	$ 878,461	$ 100,836,053	$ 1,081,045

2. General Obligation Bonds

General obligation bonds at June 30, 2018 consisted of the following:

	Date of Issue	Interest Rate	Maturity Date	Original Issue
2016 Refunding Bonds	02/24/16	2.00-5.00%	08/01/35	$ 13,530,000
2016 Election Series A	02/02/17	3.75-5.25%	08/01/47	26,000,000
2016 Election Series B	02/08/18	2.00-5.00%	08/01/47	7,999,840
Total GO Bonds				$ 47,529,840

	Beginning Balance	Issued Current Year	Redeemed Current Year	Ending Balance
2016 Refunding Bonds	$ 13,130,000	$ -	$ 685,000	$ 12,445,000
2016 Election Series A	26,000,000	-	-	26,000,000
2016 Election Series B	-	7,999,840	-	7,999,840
Total GO Bonds	$ 39,130,000	$ 7,999,840	$ 685,000	$ 46,444,840

The requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

	Governmental Activities			
Year Ending June 30,	Principal	Interest	Accreted Interest	Total
2019	$ 740,000	$ 1,827,219	$ -	$ 2,567,219
2020	840,000	1,981,975	-	2,821,975
2021	1,030,000	1,948,775	-	2,978,775
2022	705,000	1,911,975	-	2,616,975
2023	605,000	1,885,775	-	2,490,775
2024-2028	4,440,000	8,942,525	-	13,382,525
2029-2033	7,195,000	7,489,375	-	14,684,375
2038-2042	6,515,365	6,080,056	459,635	13,055,056
2043-2047	8,414,475	4,613,969	1,600,525	14,628,969
2048-2052	15,960,000	1,950,207	-	17,910,207
Totals	$ 46,444,840	$ 38,631,851	$ 2,060,160	$ 87,136,851

2018 General Obligation Bonds

In February 2018, the District issued $7,999,840 2016 Election, Series B, General Obligation Bonds in order to finance the renovation, construction, and improvement of school facilities. The issue consisted of $6,615,000 in current interest bonds with interest rates of 2.00-5.25% with annual maturities from August 2019 through August 2047, and $1,384,840 in capital appreciation bonds with an accretion interest rate of 4.17-4.33% with annual maturities of August 1, 2036 through August 1, 2042. Principal payments on the current interest bonds are due August 1 of each year beginning August 1, 2019 while interest is payable semi-annually on February 1 and August 1 of each year through maturity beginning August 1, 2018. The capital appreciation bonds accrete interest at the accretion rates set forth, compounded semiannually on February 1 and August 1 of each year commencing August 1, 2018 until payment of the accreted value at maturity. Total proceeds of $8,995,655 with additional premium of $995,815 resulted in $7,844,839 deposited into the Building Fund after issuance costs of $236,291, while remaining funds of $914,525 were deposited into the Bond Interest and Redemption Fund to be utilized for subsequent debt service on the bonds.

3. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2018 amounted to $162,353. This amount is included as part of long-term liabilities in the government-wide financial statements.

4. Net Pension Liability

The District's beginning net pension liability was $38,990,240 and increased by $6,146,340 during the year ended June 30, 2018. The ending net pension liability at June 30, 2018 was $45,136,580. See Note N for additional information regarding the net pension liability.

5. Total OPEB Liability

The District's beginning total OPEB liability was $4,844,921 and increased during the year ended June 30, 2018 by $143,995. The ending total OPEB liability at June 30, 2018 was $4,988,916. See Note O for additional information regarding the net pension liability.

M. Joint Ventures (Joint Powers Agreements)

The District participates in one joint powers agreement (JPA) entity, The Self Insured Schools of California (SISC). The relationship between the District and the JPA is such that the JPA is not a component unit of the District.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the 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 the JPA.

June 30, 2018 audited financial information was not available at the time this report was issued.

N. Pension Plans

1. General Information About the Pension Plans

a. Plan Descriptions

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 California State Teachers Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and Local Government resolution. Support by the State for the CalSTRS plan is such that the plan has a special funding situation as defined by GASB Statement No. 68. CalSTRS and CalPERS issue publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on their respective websites.

b. Benefits Provided

CalSTRS and CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 62 for normal benefits or at age 55 with statutorily reduced benefits. Employees hired prior to January 1, 2013 are eligible to retire at age 60 for normal benefits or at age 55 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. All members are eligible for death benefits after one year of total service.

The Plans' provisions and benefits in effect at June 30, 2018 are summarized as follows:

	CalSTRS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 60	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly for Life
Retirement Age	50-62	55-67
Monthly benefits, as a % of eligible compensation	1.1 - 2.4%	1.0 - 2.4%*
Required Employee Contribution Rates (at June 30, 2018)	10.250%	9.205%
Required Employer Contribution Rates (at June 30, 2018)	14.430%	14.430%
Required State Contribution Rates (at June 30, 2018)	7.150%	7.150%

*Amounts are limited to 120% of Social Security Wage Base.
**The rate imposed on CalSTRS 2% at 62 members is based on the normal cost of benefits.

	CalPERS	
	Before	On or After
Hire Date	Jan. 1, 2013	Jan. 1, 2013
Benefit Formula	2% at 55	2% at 62
Benefit Vesting Schedule	5 Years	5 Years
Benefit Payments	Monthly for Life	Monthly For Life
Retirement Age	50-62	52-67
Monthly Benefits as a % of Eligible Compensation	1.1- 2.5%	1.0- 2.5%
Required Employee Contribution Rates (at June 30, 2018)	7.000%	6.500%
Required Employer Contribution Rates (at June 30, 2018)	15.531%	15.531%

*Amounts are limited to 120% of Social Security Wage Base.

c. Contributions

CalSTRS

For the measurement period ended June 30, 2017 (measurement date), Section 22950 of the California Education Code requires members to contribute monthly to the system 9.205% (if hired on or after January 1, 2013) or 10.25% (if hired before January 1, 2013) of the creditable compensation upon which members contributions under this part are based. In addition the employer required rates established by the CalSTRS Board have been established at 12.58% of creditable compensation for the measurement period ended June 30, 2017 and 14.43% for the fiscal year ended June 30, 2018. Rates are defined in Section 22950.5 through measurement period ending June 30, 2021. Beginning in the fiscal year 2021-22 and for each fiscal year thereafter, the CalSTRS Board has the authority to increase or decrease percentages paid specific to reflect the contribution required to eliminate by June 30, 2046, the remaining unfunded actuarial obligation with respect to service credited to members before July 1, 2014, as determined by the Board based upon a recommendation from its actuary

CalPERS

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The CalPERS Board retains the authority to amend contribution rates. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2017 (measurement date), employees hired prior to January 1, 2013 paid in 7.00%, employees hired on or after January 1, 2013 paid 6.00%, and the employer contribution rate was 13.888% of annual payroll. For the fiscal year ending June 30, 2018, employees hired prior to January 1, 2013 contributed 7.00%, employees hired on or after January 1, 2013 contributed 6.50%, and the employer's contribution rate was 15.531%.

On Behalf Payments

Consistent with Section 22955.1 of the California Education Code, the State of California makes contributions to CalSTRS on behalf of employees working for the District. For the measurement period ended June 30, 2017 (measurement date) the State contributed 7.15% of salaries creditable to CalSTRS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the General Fund Budgetary Comparison Schedule. Contributions reported each fiscal year are based on the contribution rate multiplied by salaries creditable to CalSTRS from the fiscal year two periods prior to the measurement period.

On Behalf Payments reported by the District for the past three fiscal years are as follows:

Year Ended June 30,	Contribution Rate	Contribution Amount
2016	4.110%	$ 733,197
2017	5.780%	1,096,142
2018	7.150%	1,417,878

The State's pension expense associated with District employees for the past three fiscal years are as follows:

Year Ended June 30,	On Behalf Pension Expense
2016	$ 1,396,722
2017	2,847,341
2018	861,599

d. Contributions Recognized

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), the contributions recognized for each plan were:

	CalSTRS	CalPERS	Total
Contributions - Employer (Measurement Period)	$ 2,387,647	$ 892,071	$ 3,279,718
Contributions - State On Behalf Payments (Fiscal Year)	1,417,878	-	1,417,878
Total Contributions	$ 3,805,525	$ 892,071	$ 4,697,596

2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of each plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	$ 33,197,634
CalPERS	11,938,946
Total Net Pension Liability	$ 45,136,580

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability**.** The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for each Plan as of June 30, 2017 and June 30, 2018 were as follows:

	CalSTRS			
	District's Proportionate Share	State's Proportionate Share	Total For District Employees	CalPERS
Proportion June 30, 2017	0.0359%	0.0206%	0.0565%	0.0502%
Proportion June 30, 2018	0.0359%	0.0213%	0.0572%	0.0500%
Change in Proportion	-	0.0007%	0.0007%	-0.0002%

a. Pension Expense

For the measurement period ended June 30, 2017 (fiscal year June 30, 2018), pension expense was recognized as follows:

	CalSTRS	CalPERS	Total
Change in Net Pension Liability (Asset)	$ 4,126,047	$ 2,020,292	$ 6,146,339
State On Behalf Pension Expense	861,599	1,017,881	1,879,480
Employer Contributions to Pension Expense	2,861,596	(122,401)	2,739,195
(Increase)/Decrease in Deferred Outflows of Resources			
Employer Contributions Subsequent to Measurement Date	(461,453)	(64,928)	(526,381)
Difference Between Actual & Expected Experience	(114,583)	(1,860,129)	(1,974,712)
Change in Assumptions	(5,740,074)	199,396	(5,540,678)
Change in Proportionate Shares	476,956	689,296	1,166,252
Net Difference Between Projected & Actual Earnings	2,258	-	2,258
Increase/(Decrease) in Deferred Inflows of Resources			-
Difference Between Actual & Expected Experience	(1,973)	-	(1,973)
Change in Assumptions	-	(115,761)	(115,761)
Change in Proportionate Shares	30,129	33,161	63,290
Net Difference Between Projected & Actual Earnings	3,141,993	492,680	3,634,673
Total Pension Expense	$ 5,182,495	$ 2,289,487	$ 7,471,982

b. Deferred Outflows and Inflows of Resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	CalSTRS	CalPERS	Total
Pension contributions subsequent to measurement date	$ 2,861,596	$ 1,017,881	$ 3,879,477
Differences between actual and expected experience	114,583	548,704	663,287
Changes in assumptions	5,740,074	1,860,129	7,600,203
Change in employer's proportion share	1,287,400	478,357	1,765,757
Net difference between projected and actual earnings	5,677	1,780,272	1,785,949
Total Deferred Outflows of Resources	$ 10,009,330	$ 5,685,343	$ 15,694,673

	Deferred Inflows of Resources		
	CalSTRS	CalPERS	Total
Differences between actual and expected experience	$ (3,213)	$ -	$ (3,213)
Changes in assumptions	-	(231,522)	(231,522)
Change in employer's proportionate share	(30,129)	(33,161)	(63,290)
Net difference between projected and actual earnings	(3,141,993)	(1,316,615)	(4,458,608)
Total Deferred Inflows of Resouces	$ (3,175,335)	$ (1,581,298)	$ (4,756,633)

Pension contributions made subsequent to measurement date reported as deferred outflows of resources will be recognized as a portion of pension expense in the year ended June 30, 2019. The remaining amounts reported as deferred outflows or deferred inflows of resources will be recognized as an increase or decrease to pension expense over a five year period. Pension expense resulting from deferred outflows and deferred inflows of resources will be recognized as follows:

Year Ended	Deferred Outflows of Resources		Deferred Inflows of Resources		Net Effect
June 30	CalSTRS	CalPERS	CalSTRS	CalPERS	on Expenses
2019	$ 4,804,476	$ 2,572,667	$ (795,003)	$ (762,180)	$ 5,819,960
2020	1,942,879	1,554,784	(794,074)	(350,213)	2,353,376
2021	1,798,313	1,039,662	(793,226)	(234,452)	1,810,297
2022	1,463,662	518,230	(793,032)	(234,453)	954,407
Total	$ 10,009,330	$ 5,685,343	$ (3,175,335)	$ (1,581,298)	$ 10,938,040

c. Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

	CalSTRS		CalPERS	
Valuation Date	June 30, 2016		June 30, 2016	
Measurement Date	June 30, 2017		June 30, 2017	
Actuarial Cost Method	Entry Age Normal		Entry Age Normal	
Actuarial Assumptions:				
Discount Rate	7.10%		7.15%	
Inflation	2.75%		2.75%	
Wage Growth	3.50%		3.00%	
Projected Salary Increase	0.5%-6.4%	(1)	3.10%-9.00%	(1)
Investment Rate of Return	7.10%	(2)	7.15%	(2)
Mortality	0.073%-22.86%	(3)	0.466%-32.536%	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) RP2000 series tables adjusted to fit CalSTRS/CalPERS specific experience

d. Discount Rate

The discount rate used to measure the total pension liability was 7.10% for CalSTRS and 7.15% for CalPERS**.** The projection of cash flows used to determine the discount rate assumed the contributions from plan members, employers, and state contributing agencies will be made at statutory contribution rates. To determine whether the District bond rate should be used in the calculation of a discount rate for each plan, CalSTRS and CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current discount rates are adequate and the use of the District bond rate calculation is not necessary for either plan**.** The stress test results are presented in a detailed report that can be obtained from the CalPERS and CalSTRS websites.

The CalPERS discount rate was increased from 7.50% for measurement date June 30, 2015 to correct for an adjustment to exclude administrative expenses. The CalSTRS discount rate was adjusted from 7.60% to 7.10% for measurement date June 30, 2017 (fiscal year June 30, 2018) to adjust for changes resulting from a new actuarial experience study

According to Paragraph 30 of GASB Statement No. 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The investment return assumption used in the accounting valuations is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalSTRS and CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalSTRS and CalPERS are scheduled to review all actuarial assumptions as part of their regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require board action and proper stakeholder outreach. For these reasons, CalSTRS and CalPERS expect to continue using a discount rate net of administrative expenses for GASB 67 and GASB 68 calculations through at least the 2017-18 fiscal year. CalSTRS and CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalSTRS and CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest quarter of one percent.

The tables below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

CalSTRS

Asset Class	Assumed Allocation 06/30/2017	Long Term Expected Return*
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash/Liquidity	2.00%	-1.00%

*20 year geometric average used for long term expected real rate of return

CalPERS

Asset Class	Assumed Allocation 06/30/2017	Real Return Years 1-10(1)	Real Return Years 11+(2)
Global Equity	47.00%	4.90%	5.38%
Global Debt Securities	19.00%	0.80%	2.27%
Inflation Assets	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period
(2) An expected inflation of 3.0% used for this period

e. Sensitivity to Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.10%	6.15%
Net Pension Liability	$ 48,744,666	$ 17,566,015
Current Discount Rate	7.10%	7.15%
Net Pension Liability	$ 33,197,634	$ 11,938,946
1% Increase	8.10%	8.15%
Net Pension Liability	$ 20,580,164	$ 7,270,821

f. Total Pension Liability, Pension Plan Fiduciary Net Position and Net Pension Liability

CalSTRS

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	State's Share of Net Pension Liability (c)	District's Share of Net Pension Liability (a) - (b) - (c)
Balance at June 30, 2017 (Previously Reported)	$ 152,559,319	$ 106,857,749	$ 45,701,570	$ 16,629,983	$ 29,071,587
Changes for the year:					
Change in Proportionate share	1,915,443	134,641	573,802	611,462	(37,660)
Service Cost	3,469,457	-	3,469,457	1,292,663	2,176,794
Interest	11,572,676	-	11,572,676	4,311,790	7,260,886
Differences between expected and actual experience	228,284	-	228,284	85,055	143,229
Change in assumptions	11,435,934	-	11,435,934	4,260,842	7,175,092
Contributions:					
Employer	-	2,387,674	(2,387,674)	(889,608)	(1,498,066)
Employee	-	1,968,667	(1,968,667)	(733,493)	(1,235,174)
State On Behalf Payments	-	1,417,894	(1,417,894)	(528,284)	(889,610)
Net Investment Income	-	14,398,006	(14,398,006)	(5,364,461)	(9,033,545)
Other Income	-	41,197	(41,197)	(15,349)	(25,848)
Benefit Payments, including refunds of employee contributions	(7,954,202)	(7,954,202)	-	-	-
Administrative expenses	-	(104,339)	104,339	38,875	65,464
Borrowing Costs	-	(33,160)	33,160	12,355	20,805
Other Expenses	-	(5,865)	5,865	2,185	3,680
Net Changes	20,667,592	13,457,513	7,210,079	3,084,032	4,126,047
Balance at June 30, 2018	$ 173,226,911	$ 120,315,262	$ 52,911,649	$ 19,714,015	$ 33,197,634

CalPERS

	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017 (Previously Reported)	$ 37,998,636	$ 28,079,982	$ 9,918,654
Changes for the year:			
Adjustment for Change in Proportionate Share	(158,800)	(117,349)	(41,451)
Service Cost	1,016,180	-	1,016,180
Interest	833	-	833
Differences between expected and actual experience	265,989	-	265,989
Changes in Assumptions	2,325,161	-	2,325,161
Contributions - Employer	-	892,064	(892,064)
Contributions - Employee	-	448,818	(448,818)
Net Plan to Plan Resource Movement	-	(68)	68
Net Investment Income	-	3,106,574	(3,106,574)
Benefit Payments, including refunds of employee contributions	(1,862,865)	(1,862,865)	-
Administrative expenses	-	(41,254)	41,254
Net Changes	4,446,212	2,425,920	2,020,292
Balance at June 30, 2018	$ 42,444,848	$ 30,505,902	$ 11,938,946

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

O. Postemployment Benefits Other Than Pension Benefits

1. General Information about the OPEB Plan

Plan Description

The District's defined benefit OPEB plan, Imperial Unified School District Retiree Health Care Plan (the Plan) provides OPEB for retirees that meet eligibility requirements until age 65. Retirees in the plan are eligible for the same medical plans as active employees. The Plan is a single-employer defined benefit OPEB plan administered by the District. The Plan includes four medical/prescription drug PPO options with an additional HMO option offered through a Mexican HMO licensed within California. Delta Dental, Medical Eye Services Vision, and basic life insurance are also provided by the District, subject to a negotiated District cap. These are all purchased on a pooled basis through the Self-Insured Schools of California (SISC III). Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Plan Eligibility

The District provides medical, prescription drug, dental, vision, and life insurance benefits up to a District cap of $8,317 effective October 2017 to certificated, classified, administrative, and management employees who have attained age 55 and completed at least 15 years of service, and have retired under CalPERS or CalSTRS. Spouses and dependent children may be covered, but the current level of the cap results in de facto self-paid coverage for dependents. The Superintendent's contract does not require a minimum number of years of service with the District for benefits. Benefit-eligible part-time classified employees are entitled to a pro-rated share of the capped benefit based on the ratio of their hours per day times months per year divided by 96**.** District-paid benefits end at age 65.

Employees Covered by Benefit Terms

At June 30, 2018, the following retirees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	6
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	331
Total number of participants	337

2. Total OPEB Liability

The District's total OPEB liability of $4,988,916 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per annum
Salary Increases	3.00% per annum, in aggregate
Discount Rate	3.13% per annum
Healthcare Cost Trend Rates	6.00% decreasing to 5.00%
Retiree's Share of Costs	0.00% of projected premiums

The discount rate is the average, rounded to 5 basis points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index.

Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the period July 1, 2010 through June 30, 2015.

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	$ 4,844,921
Changes for the year:	
Service cost	281,027
Interest	147,232
Benefit payments	(284,264)
Net changes	143,995
Balance at June 30, 2018	$ 4,988,916

There were no changes in benefit terms or assumptions and other inputs for the fiscal year ended June 30, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point-higher (4.13%) than the current discount rate:

	1% Decrease (2.13%)	Discount Rate (3.13%)	1% Increase (4.13%)
Total OPEB Liability	$ 5,440,765	$ 4,988,916	$ 4,572,145

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point-lower (5.00% decreasing to 4.00% per year) or 1-percentage-point higher (7.00% decreasing to 6.00% per year) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
	5.00% decreasing to 4.00%	6.00% decreasing to 5.00%	7.00% decreasing to 6.00%
Total OPEB Liability	$ 4,432,910	$ 4,988,916	$ 5,634,903

3. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the District recognized OPEB expense of $428,259. At June 30, 2018 the District reported deferred outflows of resources related to the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to measurement date	$ 178,971

At June 30, 2018 the District did not report any deferred inflows of resources relating to OPEB.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense during the fiscal year ending June 30, 2019.

P. Adjustments to Beginning Net Position

During the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". Implementation of GASB Statement No. 75 resulted in a change in calculations of total OPEB liability as well as deferred outflows and deferred inflows of resources associated with OPEB. In addition, the District determined that OPEB would fully be accounted for in the government-wide financial statements. The result of applying the change in accounting policy is an adjustment to beginning net position on the government wide financial statements.

A summary of adjustments to beginning balance are as follows:

	Government Wide Financial Statements
Beginning Net Position - Originally Stated	$ 21,647,473
Adjustments for Accounting Policy Change:	
Total OPEB Liability	(3,400,443)
Deferred Outflows of Resources	284,264
Total Adjustments	(3,116,179)
Beginning Net Position - As Restated	$ 18,531,294

Q. Components of Ending Fund Balance

As of June 30, 2018 ending fund balance consisted of the following:

	Major Governmental Funds				
	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable Fund Balances					
Revolving Cash	$ 2,500	$ -	$ -	$ -	$ 2,500
Stores Inventories	-	-	-	83,315	83,315
Restricted Fund Balances					
Educational Programs	300,117	-	-	22,049	322,166
Child Nutrition	-	-	-	188,405	188,405
Assigned Fund Balances					
Capital Projects	-	21,826,582	10,553,229	957,828	33,337,639
Postemployment Benefits	1,548,000	-	-	-	1,548,000
Debt Service	-	-	-	2,606,538	2,606,538
Unassigned Fund Balances					
For Economic Uncertainty	1,309,132	-	-	-	1,309,132
Unappropriated	5,302,079	-	-	-	5,302,079
Total Fund Balance	$ 8,461,828	$ 21,826,582	$ 10,553,229	$ 3,858,135	$ 44,699,774

R. Risk Management

The District is exposed to risk of losses due to:

a. Torts,
b. Theft of, damage to, or destruction of assets,
c. Business interruption,
d. Errors or omissions,
e. Job related illnesses or injuries to employees,
f. Natural disasters,
g. Other risks associated with public entity risk pools

Risk management is the process of managing the District's activities to minimize the adverse effects of these risks. The main element of risk management are risk control (to minimize the losses that strike an organization) and risk financing (to obtain finances to provide for or restore the economic damages of those losses). Risk financing techniques include risk retention (self-insurance), risk transfer to and from an insurer, and risk transfer to a noninsurer.

The District has implemented the risk financing technique of risk transfer to an insurer. The District has purchased property & liability insurance as well as workers compensation insurance to cover any losses resulting from the risks identified above.

The District purchases insurance through joint powers authorities. The District is not obligated to cover any losses beyond the premiums paid for the insurance costs. As a result there has not been a liability recorded for incurred but not reported claims.

S. Construction Commitments

As of June 30, 2018 the District had the following commitments with respect to unfinished capital projects.

Construction in Process:		Commitment	*Expected Date of Final Completion
Imperial Cross Elementary School	$	17,816,601	June 2019
Frank Wright Field Improvements		372,000	December 2019
Imperial High Multi-Purpose Room/CTE Culinary Arts		7,540,000	February 2020
Imperial High Old Gym Modernization & Expansion		5,200,000	December 2019

* Expected date of final completion subject to change

T. Commitments and Contingencies

Litigation

The District is 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 financial statements.

State and Federal Allowances, Awards, and Grants

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

U. Subsequent Events

Implementation of New Accounting Guidance

The District has adopted accounting policies compliant with new pronouncements issued by the Government Accounting Standards Board (GASB) that are effective for the fiscal year ended June 30, 2019. Those newly implemented pronouncements are as follows:

GASB 83 - Certain Asset Retirement Obligations

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

The District does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

IMPERIAL UNIFIED SCHOOL DISTRICT

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
LCFF Sources:				
State Apportionment or State Aid	$ 25,024,656	$ 24,391,438	$ 23,549,444	$ (841,994)
Education Protection Account Funds	5,103,815	5,164,383	5,692,062	527,679
Local Sources	5,276,504	5,931,450	6,209,910	278,460
Federal Revenue	1,690,876	1,715,551	1,375,426	(340,125)
Other State Revenue	4,116,825	4,127,118	3,918,956	(208,162)
Other Local Revenue	1,052,836	1,059,043	2,629,362	1,570,319
Total Revenues	42,265,512	42,388,983	43,375,160	986,177
Expenditures:				
Current:				
Certificated Salaries	20,210,454	20,339,176	20,359,496	(20,320)
Classified Salaries	6,583,783	6,586,154	6,506,434	79,720
Employee Benefits	10,823,975	10,951,010	10,091,067	859,943
Books And Supplies	3,024,329	2,908,642	1,961,115	947,527
Services And Other Operating Expenditures	2,416,126	2,255,698	2,190,442	65,256
Other Outgo	365,178	365,555	358,017	7,538
Capital Outlay	196,560	342,037	32,722	309,315
Total Expenditures	43,620,405	43,748,272	41,499,293	2,248,979
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,354,893)	(1,359,289)	1,875,867	3,235,156
Other Financing Sources (Uses):				
Transfers In	33,000	469,011	574,625	105,614
Transfers Out	(75,000)	(590,427)	(2,138,427)	(1,548,000)
Total Other Financing Sources (Uses)	(42,000)	(121,416)	(1,563,802)	(1,442,386)
Net Change in Fund Balance	(1,396,893)	(1,480,705)	312,065	1,792,770
Fund Balance, July 1	6,601,763	6,601,763	6,601,763	-
Fund Balance, June 30	$ 5,204,870	$ 5,121,058	$ 6,913,828	$ 1,792,770

See Accompanying Notes To Required Supplementary Information.

IMPERIAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0359%	0.3590%	0.0335%	0.0322%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 33,197,634	$ 29,071,585	$ 22,591,598	$ 18,954,224	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the 2018	19,713,810	15,448,310	12,503,061	12,352,425	N/A	N/A	N/A	N/A	N/A	N/A
Total	$ 52,911,444	$ 44,519,895	$ 35,094,659	$ 31,306,649	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 18,979,706	$ 19,079,038	$ 17,858,043	$ 15,465,631	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.91%	152.37%	126.51%	122.56%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	69.46%	70.04%	74.02%	76.52%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-3

IMPERIAL UNIFIED SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA STATE TEACHERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 2,861,596	$ 2,400,143	1,916,168	1,373,348	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(2,861,596)	(2,400,143)	(1,916,168)	(1,373,348)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	-	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 19,830,880	$ 19,079,038	17,858,043	15,465,631	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.430%	12.580%	10.730%	8.880%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-4

IMPERIAL UNIFIED SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0500%	0.0502%	0.0475%	0.0422%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset)	$ 11,938,946	$ 9,918,653	$ 7,004,791	4,795,739	N/A	N/A	N/A	N/A	N/A	$ N/A
District's covered-employee payroll	$ 6,423,322	$ 6,447,869	$ 6,081,582	5,284,759	N/A	N/A	N/A	N/A	N/A	$ N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	185.87%	153.83%	115.18%	90.75%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	71.87%	73.90%	79.43%	83.38%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

EXHIBIT B-5

IMPERIAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 1,017,881	$ 895,480	$ 720,485	622,069	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(1,017,881)	(895,480)	(720,485)	(622,069)	N/A	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	$ -	$ -	$ -	-	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	$ 6,553,866	$ 6,447,869	$ 6,081,582	5,284,759	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	15.531%	13.888%	11.847%	11.771%	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

See Accompanying Notes to Required Supplementary Information.

EXHIBIT B-6

IMPERIAL UNIFIED SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
IUSD RETIREE HEALTH PLAN
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	$ 281,027	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Interest	147,232	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Differences between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes of assumptions or other inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(284,264)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	143,995	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - beginning	4,844,921	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability - ending	$ 4,988,916	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Covered-employee payroll	$ 25,351,262	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A	$ N/A
Total OPEB liability as a percentage of covered-employee payroll	19.68%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

See Accompanying Notes to Required Supplementary Information

Budgetary Comparison Schedule - General Fund

As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No.54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the General Fund. The Budgetary Comparison Schedule included in the Required Supplementary Information is based on the legally adopted budget for the General Fund only.

General Fund - Fund Financial Statements Ending Fund Balance	$	8,461,828
Less Fund 20 Fund Balance		(1,548,000)
General Fund - Budgetary Comparison Schedule Ending Fund Balance	$	6,913,828

General Fund - Fund Financial Statements Net Change in Fund Balance	$	1,860,065
Change in Fund Balance attributed to Fund 20		(1,548,000)
General Fund - Budgetary Comparison Schedule Change in Fund Balance	$	312,065

Excess of Expenditures Over Appropriations

As of June 30, 2018, expenditures exceeded appropriations in individual budgeted funds as follows:

Appropriations Category		Excess Expenditures	Reason for Excess Expenditures
General Fund:			
Certificated salaries	$	20,320	Unanticipated increase in salaries

Amounts in excess of appropriations were not considered a violation of any laws, regulations, contracts or grant agreements and did not have a direct or material effect on the financial statements.

Schedule of District's Proportionate Share - California State Teachers' Retirement System

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015, 2016 & 2017 there were no changes in assumptions. In 2018 there was a change in discount rate from 7.60% to 7.10%.

Schedule of District's Contributions - California State Teachers' Retirement System

The total pension liability for California State Teachers Retirement System was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2013, 2014, 2015 & 2016 and rolling forward the total pension liabilities to the June 30, 2014, 2015, 2016 & 2017 (measurement dates). In determining the total pension liability, the financial reporting actuarial valuation used the following actuarial methods and assumptions:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/06 - 06/30/10	07/01/06 - 06/30/10	07/01/06 - 06/30/10
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.60%	7.60%	7.60%
Consumer Price Inflation	3.00%	3.00%	3.00%
Wage Growth (Average)	3.75%	3.75%	3.75%
Post-retirement Benefit Increase:	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/10 - 06/30/15
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.50%
Post-retirement Benefit Increase:	2.00% Simple

CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015 experience study adopted by the CalSTRS board in February 2017. CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among CalSTRS members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries. Additional information can be obtained by reviewing the CalSTRS Actuarial Experience Study on CalSTRS website.

Schedule of District's Proportionate Share - California Public Employees' Retirement System

1) Benefit Changes: In 2015, 2016, 2017 & 2018 there were no changes to benefits

2) Changes in Assumptions: In 2015 and 2017 there were no changes in assumptions. In 2016 the discount rate was changed from 7.5% to 7.65%. In 2018 the discount rate was changed from 7.65% to 7.15%.

Schedule of District's Contributions - California Public Employees' Retirement System

The total pension liability was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, 2014, 2015, & 2016 and rolling forward the total pension liabilities to June 30, 2014, 2015, 2016 & 2017 (measurement dates) The financial reporting actuarial valuation as of June 30, 2014, June 30, 2015, June 30, 2016 and June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Reporting Period	June 30, 2015	June 30, 2016	June 30, 2017
Measurement Date	06/30/14	06/30/15	06/30/16
Valuation Date	06/30/13	06/30/14	06/30/15
Experience Study	07/01/97 - 06/30/11	07/01/97 - 06/30/11	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Investment Rate of Return	7.50%	7.65%	7.65%
Consumer Price Inflation	2.75%	2.75%	2.75%
Wage Growth (Average)	3.00%	3.00%	3.00%
Post-retirement Benefit Increases	2.00% Simple	2.00% Simple	2.00% Simple

Reporting Period	June 30, 2018
Measurement Date	06/30/17
Valuation Date	06/30/16
Experience Study	07/01/97 - 06/30/11
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.75%
Wage Growth (Average)	3.00%
Post-retirement Benefit Increases	2.00% Simple

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table please refer to the April 2014 experience study report (based on demographic data from 1997 to 2011) available on CalPERS website.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

1) Benefit Changes: In 2018 there were no changes to benefits.

2) Changes in Assumptions: In 2018 there were no changes in assumptions.

3) No assets are accumulated in a trust that meets the criteria in GASB Statement No 75 paragraph 4.

4) The following are the discount rates used for each period:

Year	Discount Rate
2018	3.13%

Combining Statements as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

IMPERIAL UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Fund Special Reserve Fund For Capital Outlay	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash in County Treasury	$ 139,217	$ 2,599,722	$ 954,865	$ 3,693,804
Cash on Hand and in Banks	405	-	-	405
Accounts Receivable	1,728	6,816	2,963	11,507
Due from Grantor Governments	76,811	-	-	76,811
Stores Inventories	83,315	-	-	83,315
Total Assets	301,476	2,606,538	957,828	3,865,842
LIABILITIES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 7,707	$ -	$ -	$ 7,707
Total Liabilities	7,707	-	-	7,707
Fund Balance:				
Nonspendable Fund Balances:				
Stores Inventories	83,315	-	-	83,315
Restricted Fund Balances	210,454	-	-	210,454
Assigned Fund Balances	-	2,606,538	957,828	3,564,366
Total Fund Balance	293,769	2,606,538	957,828	3,858,135
Total Liabilities and Fund Balances	$ 301,476	$ 2,606,538	$ 957,828	$ 3,865,842

IMPERIAL UNIFIED SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds	Debt Service Fund Bond Interest & Redemption	Capital Projects Fund Special Reserve Fund For Capital Outlay	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Federal Revenue	$ 1,347,121	$ -	$ -	$ 1,347,121
Other State Revenue	155,431	11,326	-	166,757
Other Local Revenue	534,472	1,692,592	9,089	2,236,153
Total Revenues	2,037,024	1,703,918	9,089	3,750,031
Expenditures:				
Current:				
Instruction	97,656	-	-	97,656
Instruction - Related Services	19,099	-	-	19,099
Pupil Services	1,907,392	-	-	1,907,392
Capital Outlay	7,639	-	-	7,639
Debt Service:				
Principal	-	685,000	-	685,000
Interest	-	1,922,513	-	1,922,513
Total Expenditures	2,031,786	2,607,513	-	4,639,299
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,238	(903,595)	9,089	(889,268)
Other Financing Sources (Uses):				
Transfers In	-	-	154,416	154,416
Transfers Out	-	-	(138,614)	(138,614)
Other Sources	-	914,525	-	914,525
Total Other Financing Sources (Uses)	-	914,525	15,802	930,327
Net Change in Fund Balance	5,238	10,930	24,891	41,059
Fund Balance, July 1	288,531	2,595,608	932,937	3,817,076
Fund Balance, June 30	$ 293,769	$ 2,606,538	$ 957,828	$ 3,858,135

IMPERIAL UNIFIED SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Cash in County Treasury	$ 20,698	$ 118,519	$ 139,217
Cash on Hand and in Banks	-	405	405
Accounts Receivable	-	1,728	1,728
Due from Grantor Governments	5,429	71,382	76,811
Stores Inventories	-	83,315	83,315
Total Assets	26,127	275,349	301,476
LIABILITIES AND FUND BALANCE:			
Liabilities:			
Accounts Payable	$ 4,078	$ 3,629	$ 7,707
Total Liabilities	4,078	3,629	7,707
Fund Balance:			
Nonspendable Fund Balances:			
Stores Inventories	-	83,315	83,315
Restricted Fund Balances	22,049	188,405	210,454
Total Fund Balance	22,049	271,720	293,769
Total Liabilities and Fund Balances	$ 26,127	$ 275,349	$ 301,476

IMPERIAL UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Adult Education Fund	Cafeteria Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Federal Revenue	$ 26,582	$ 1,320,539	$ 1,347,121
Other State Revenue	83,610	71,821	155,431
Other Local Revenue	222	534,250	534,472
Total Revenues	110,414	1,926,610	2,037,024
Expenditures:			
Current:			
Instruction	97,656	-	97,656
Instruction - Related Services	19,099	-	19,099
Pupil Services	-	1,907,392	1,907,392
Capital Outlay	-	7,639	7,639
Total Expenditures	116,755	1,915,031	2,031,786
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,341)	11,579	5,238
Net Change in Fund Balance	(6,341)	11,579	5,238
Fund Balance, July 1	28,390	260,141	288,531
Fund Balance, June 30	$ 22,049	$ 271,720	$ 293,769

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Supplementary Information Section

IMPERIAL UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY
ORGANIZATION STRUCTURE
JUNE 30, 2018

The Imperial Unified School District was established in 1902 and is comprised of approximately 547 square miles, located in and around the city of Imperial. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one middle school, one high school, and one continuation school.

Governing Board

Name	Office	Term and Term Expiration
David Ross	President	Four Year Term Expires November 2020
Victor Lopez	Clerk	Four Year Term Expires November 2020
Linda Sanchez	Member	Four Year Term Expires November 2018
Jill Tucker	Member	Four Year Term Expires November 2018
Abdul Mohamed	Member	Four Year Term Expires November 2018

Administration

Bryan Thomason
District Superintendent
Secretary to the Board of Trustees

Rogelio Ruvalcaba
Assistant Superintendent
Curriculum & Instruction

Juan Leal
Director of Human
Resources and
Special Programs

Gina Hendrix
Director of Business Services

IMPERIAL UNIFIED SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
YEAR ENDED JUNE 30, 2018

	Second Period Report		Annual Report	
	Original	Revised	Original	Revised
TK/K-3:				
Regular ADA	1,188.37	N/A	1,191.22	N/A
Extended Year Special Education	1.62	N/A	1.62	N/A
TK/K-3 Totals	1,189.99	N/A	1,192.84	N/A
Grades 4-6:				
Regular ADA	922.55	N/A	922.32	N/A
Extended Year Special Education	0.83	N/A	0.83	N/A
Grades 4-6 Totals	923.38	N/A	923.15	N/A
Grades 7 and 8:				
Regular ADA	644.34	N/A	644.96	N/A
Extended Year Special Education	0.67	N/A	0.67	N/A
Grades 7 and 8 Totals	645.01	N/A	645.63	N/A
Grades 9-12:				
Regular ADA	1,291.75	N/A	1,285.50	N/A
Extended Year Special Education	0.51	N/A	0.51	N/A
Grades 9-12 Totals	1,292.26	N/A	1,286.01	N/A
ADA Totals	4,050.64	N/A	4,047.63	N/A

N/A - There were no audit findings which resulted in necessary revisions to attendance.

Average daily attendance is a measurement of the number of pupils attending classes of the district or charter school. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts and charter schools. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SCHEDULE OF INSTRUCTIONAL TIME
YEAR ENDED JUNE 30, 2018

Grade Level	Ed. Code 46207 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Transitional Kindergarten	36,000	42,280	180	-	Complied
Kindergarten	36,000	42,280	180	-	Complied
Grade 1	50,400	50,870	180	-	Complied
Grade 2	50,400	50,870	180	-	Complied
Grade 3	50,400	50,870	180	-	Complied
Grade 4	54,000	54,732	180	-	Complied
Grade 5	54,000	54,732	180	-	Complied
Grade 6	54,000	63,238	180	-	Complied
Grade 7	54,000	65,938	180	-	Complied
Grade 8	54,000	65,938	180	-	Complied
Grade 9	64,800	65,792	180	-	Complied
Grade 10	64,800	65,792	180	-	Complied
Grade 11	64,800	65,792	180	-	Complied
Grade 12	64,800	65,792	180	-	Complied

School districts and charter schools must maintain their instructional minutes as defined in Education Code Section 46207. This schedule is required of all districts, including basic aid districts.

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District met or exceeded its target funding.

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
YEAR ENDED JUNE 30, 2018

General Fund	Budget 2019 (See Note 1)	2018	2017	2016
Revenues and other financial sources	$ 44,758,622	$ 43,949,784	$ 40,982,166	$ 39,700,007
Expenditures, other uses and transfers out	44,542,636	43,637,719	40,746,440	37,899,612
Change in fund balance (deficit)	215,986	312,065	235,726	1,800,395
Ending fund balance	$ 7,129,814	$ 6,913,828	$ 6,601,763	$ 6,366,037
Available reserves (See Note 2)	$ 6,824,592	$ 6,611,210	$ 5,778,840	$ 5,746,203
Available reserves as a percentage of total outgo	15.3%	15.7%	14.2%	15.2%
Total long-term debt	$ 49,629,512	$ 50,548,204	$ 42,367,928	$ 15,890,046
Average daily attendance at P-2	4,091	4,051	4,001	3,919

This schedule discloses the district's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the district's ability to continue as a going concern for a reasonable period of time.

The general fund balance of the district has increased by $2,348,186 over the past three years. The fiscal year 2018-19 budget projects an increase of $215,986. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, other uses and transfers out (total outgo).

Long-term debt has increased by $34,658,158 over the past two years.

Average daily attendance has increased by 132 over the past two years.

Notes:
1 Budget 2019 is included for analytical purposes only and has not been subjected to audit.
2 Available reserves consist of all assigned fund balances, all unassigned fund balances and all funds reserved for economic uncertainties contained within the General Fund.
3 On behalf payments of $1,414,684, $1,402,580, and $1,041,713, have been excluded from the calculation of available reserves as a percentage of total outgo for the fiscal years ending June 30, 2018, 2017 and 2016.
4 As described in Note A to these financial statements, for purposes of reporting in conformity with GASB Statement No. 54, the District's Special Reserve Fund for Postemployment Benefits (Fund 20) was included with the General Fund. The above Schedule of Financial Trends and Analysis contains only the financial information of the general fund.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET
REPORT WITH AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

	General Fund	Special Reserve Fund
June 30, 2018, annual financial and budget report fund balances	$ 6,913,828	$ 1,548,000
Adjustments and reclassifications:		
Increasing (decreasing) the fund balance:		
GASB # 54 inclusion of special reserve fund with general fund	1,548,000	(1,548,000)
June 30, 2018, audited financial statement fund balances	$ 8,461,828	$ -

	Schedule of Long-Term Liabilities
June 30, 2018, annual financial and budget report total liabilities	$ 96,524,141
Adjustments and reclassifications:	
Increase (decrease) in total liabilities:	
Bond premium understatement	984,750
Accreted interest understatement	26,184
Total OPEB obligation understatement	3,300,978
Net adjustments and reclassifications	4,311,912
June 30, 2018, audited financial statement total liabilities	$ 100,836,053

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the SACS report to the audited financial statements. Funds that required no adjustment are not presented.

No charter schools are chartered by Imperial Unified School District.

Charter Schools	Included In Audit?
None	N/A

IMPERIAL UNIFIED SCHOOL DISTRICT

TABLE D-6

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
U. S. Department of Agriculture				
Passed Through State Department of Education:				
School Breakfast Program	10.553	13526	$ -	$ 142,381
National School Lunch Program Section 4	10.555	13391	-	146,931
Non-Cash Commodities	10.555	13391	-	172,115
National School Lunch Program Section 11	10.555	13396	-	686,998
Total Passed Through State Department of Education			-	1,148,425
Total U. S. Department of Agriculture			-	1,148,425
Total Child Nutrition Cluster			-	1,148,425
MEDICAID CLUSTER:				
U. S. Department of Health and Human Services				
Direct Program:				
Medi-Cal Billing Option	93.778	-	-	121,319
Total U. S. Department of Health and Human Services			-	121,319
Total Medicaid Cluster			-	121,319
SPECIAL EDUCATION (IDEA) CLUSTER:				
U. S. Department of Education				
Passed Through State Department of Education:				
Special Education: IDEA Basic	84.027	13379	-	605,214
Total U. S. Department of Education			-	605,214
Total Special Education (IDEA) Cluster			-	605,214
OTHER PROGRAMS:				
U. S. Department of Education				
Passed Through State Department of Education:				
Adult Education	84.002	14508	-	26,583
Title I Part A	84.010	14329	-	576,203
Migrant Education	84.011	14838	-	20,678
Vocational Education	84.048	14989	-	14,429
Title III	84.365	14346	-	115,021
Title II - Supporting Effective Instruction	84.367	14341	-	41,077
Total Passed Through State Department of Education			-	793,991
Total U. S. Department of Education			-	793,991
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 2,668,949

The accompanying notes are an integral part of this schedule.

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Imperial Unified School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

Indirect costs were calculated in accordance with 2 CFR §200.412 Direct and Indirect Costs. The District used an indirect cost rate of 4.15% based on the rate approved by the California Department of Education for each program which did not have a pre-defined allowable indirect cost rate. The District did not elect to use the 10% de minimis cost rate as covered in 2 CFR §200.414 Indirect Costs. The following programs utilized a lower indirect cost rate based on program restrictions or other factors determined by the District:

Program	CFDA #	Indirect Cost Rate
Title I Part A	84.010	3.74%
Title III	84.365	2.00%
Title II Supporting Effective Instruction	84.367	4.07%
Special Education IDEA Basic	84.027	3.55%

Schoolwide Program

The District operates "schoolwide programs" at all school sites. Using federal funding, schoolwide programs are designed to upgrade an entire educational program within a school for all students, rather than limiting services to certain targeted students. The following federal program amounts were expended by the District in it's schoolwide programs:

Program	CFDA #	Amount Expended
Title I Part A	84.010	$576,203

Other Independent Auditor's Reports

WILKINSON HADLEY
KING & CO. LLP
CPAs AND ADVISORS

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

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent 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*

Board of Trustees
Imperial Unified School District
Imperial, California

Members of the Board of Trustees:

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Imperial Unified School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Imperial Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Imperial Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Imperial Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Imperial Unified School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Berkeley Office
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Imperial Unified School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 12, 2018

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Imperial Unified School District
Imperial, California

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Imperial Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Imperial Unified School District's major federal programs for the year ended June 30, 2018. Imperial Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Imperial Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Imperial Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Imperial Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Imperial Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Imperial Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Imperial Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Imperial Unified School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 12, 2018

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

WILKINSON HADLEY KING & CO. LLP
CPAs AND ADVISORS

Aubrey W. Mann, CPA
Kevin A. Sproul, CPA

Independent Auditor's Report on State Compliance

Board of Trustees
Imperial Unified School District
Imperial, California

Members of the Board of Trustees:

Report on State Compliance

We have audited the District's compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810 that could have a direct and material effect on each of the District's state programs identified below for the fiscal year ended June 30, 2018.

Management's Responsibility for State Compliance

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810**.** We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing* Standards issued by the Comptroller General of the United States; and the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* prescribed in Title 5, *California Code of Regulations,* Section 19810. Those standards and audit guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

Compliance Requirements	Procedures in Audit Guide Performed?
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	No
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
After School	N/A
Before School	N/A
General Requirements	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
CHARTER SCHOOLS:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

The term "N/A" is used above to mean either the District did not offer the program during the current fiscal year or the program applies to a different type of local education agency.

We did not perform testing for Independent Study. The procedure was not required to be performed since the ADA was below that which required testing.

We did not perform testing for Continuation Education. The procedure was not required to be performed since the ADA was below that which required testing.

Opinion on State Compliance

In our opinion, Imperial Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed in the schedule above for the year ended June 30, 2018.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance outside of the items tested as noted above. This report is an integral part of an audit performed in accordance with the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* prescribed in Title 5, *California Code of Regulations,* Section 19810 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.

Wilkinson Hadley King + Co LLP

El Cajon, California
December 12, 2018

Findings and Recommendations Section

IMPERIAL UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

3. State Awards

Any audit findings disclosed that are required to be reported in accordance with the state's Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting?	____	Yes	X	No
Type of auditor's report issued on compliance for state programs:	Unmodified			

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

IMPERIAL UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented

There were no audit findings for the year ended June 30, 2017.

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APPENDIX B

GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT

GENERAL DISTRICT INFORMATION

*The information in this and other sections concerning the Imperial Unified School District's (the **"District"**) operations, financial information, and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Bonds are payable from the proceeds of an* ad valorem *tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front half of the Official Statement.*

The District

The District encompasses an area of approximately 554 square miles in Imperial County (the "**County**"), representing approximately 12.8% of the total area in the County. The boundaries of the District include most of the area of the City of Imperial (the **"City"**), as well as unincorporated portions of the County. The District currently operates two elementary schools, an intermediate school, a high school and a continuation high school, and the District plans to open a third elementary school in the fall of 2019. Enrollment in the District for the 2018-19 school year is budgeted for 4,270 students.

Administration

Board of Trustees. The District is governed by a five-member Board of Trustees, with each member generally elected to a four-year term in alternate slates of three and four. Current members of the Board of Trustees, together with their office and the date their current term expires, are listed below.

Name	Office	Current Term Expires
Victor Lopez	President	December 2020
Abdul Mohamed	Clerk	December 2022
John Denault	Member	December 2022
David Ross	Member	December 2020
Jill Tucker	Member	December 2022

Superintendent and Administrative Personnel. The day-to-day operations are managed by a board-appointed Superintendent of Schools, and District finances are managed by the Director of Business Services. Relevant educational and professional experience of the Superintendent is as follows:

> Superintendent Bryan Thomason. Superintendent Thomason has had a career in education spanning over twenty years, including teaching and serving as principal at California school districts, serving as the Assistant Superintendent of Education Services for the District for seven years between 2007-2014, serving as Superintendent of Central Union High School District, and with his current appointment as Superintendent of the District which commenced July 1, 2015. Superintendent Thomason has a Bachelor of Arts from the University of

California at San Diego and a Masters of Arts in educational administration from the University of Redlands.

Recent Enrollment Trends

The following table shows historical enrollment in the District.

HISTORICAL ENROLLMENT
Imperial Unified School District

School Year	Enrollment	% Change
2005-06	2,972	--
2006-07	3,269	10.0%
2007-08	3,464	6.0
2008-09	3,602	4.0
2009-10	3,600	(0.1)
2010-11	3,635	1.0
2011-12	3,695	1.7
2012-13	3,711	0.4
2013-14	3,804	2.5
2014-15	3,898	2.5
2015-16	4,036	3.5
2016-17	4,122	2.1
2017-18	4,149	0.7
2018-19(1)	4,270	2.9

(1) First Interim Projection.
Source: Imperial Unified School District.

Employee Relations

The District currently has 196 full-time equivalent (**"FTE"**) certificated, 206 FTE classified, and 32 management, supervisor, and confidential positions. The following table summarizes contracts with bargaining units. The District's management and confidential employees are unrepresented.

Employee Group	Bargaining Group	Contract Expiration Date
Certificated	Imperial Teachers Association	June 30, 2020
Classified	California Schools Employee Association	June 30, 2021

Source: Imperial Unified School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California (the "**State**") receive operating income primarily from two sources: the State funded portion which is derived from the State's general fund, and a locally funded portion, being the district's share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district's revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the average daily attendance ("**ADA**") for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District's revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District's revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the "**LCFF**"). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.

- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

- An additional concentration grant of up to 50% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**"), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2018-19 are set forth in the following table.

Fiscal Year 2018-19 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)

Grade Span	2017-18 Base Grant Per ADA	2018-19 COLA (3.70%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2018-19 Base Grant/Adjusted Base Grant Per ADA
K-3	$7,193	$266	$776	$8,235
4-6	7,301	270	n/a	7,571
7-8	7,518	278	n/a	7,796
9-12	8,712	322	235	9,269

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

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, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's Audited Financial Statements for the fiscal year ending fiscal year 2017-18 were approved by the District Board on January 10, 2018, and were prepared by Wilkinson Hadley King & Co., El Cajon, California. Audited financial statements for the District for the fiscal year ended June 30, 2018, and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the 2017-18 Audited Financial Statements. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. The District has not requested nor did the District obtain permission from Wilkinson Hadley King & Co., Inc. to include the audited financial statements as an appendix to this Official Statement. Accordingly, Wilkinson Hadley King & Co., Inc. has not performed any post-audit review of the financial condition or operations of the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The District's General Fund is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The following table shows the audited income and expense statements for the District's General Fund for the 2013-14 through 2017-18 fiscal years.

SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2013-14 through 2017-18
Imperial Unified School District

	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17	Audited 2017-18
Revenues					
LCFF sources:					
State apportionment	$15,152,832	$19,053,000	$20,891,932	$23,427,673	$23,549,444
Education Protection Account Funds[(1)]	4,198,287	5,509,712	5,452,309	5,413,032	5,692,062
Local sources	4,716,893	3,071,717	5,399,523	5,363,709	6,209,910
Federal revenues	1,383,779	1,675,160	1,229,402	1,264,804	1,375,000
Other state revenues	2,841,849	2,171,779	4,605,620	3,974,862	3,918,956
Other local revenues	1,268,598	1,561,185	1,596,552	1,517,129	2,629,362
Total Revenues	29,562,238	33,042,553	39,175,338	40,961,209	43,375,160
Expenditures					
Instruction	19,432,825	22,333,199	23,809,433	26,058,703	27,335,201
Instruction-related services	2,421,683	2,707,651	2,900,666	3,210,834	3,178,722
Pupil services	2,736,051	3,623,032	3,705,885	4,087,436	4,096,096
Ancillary services	350,363	342,477	378,396	413,097	405,846
General administration	1,594,166	1,725,884	1,956,810	1,940,815	2,119,042
Plant services	3,731,520	5,748,176	3,664,969	4,009,452	3,971,777
Other outgo	511,964	558,927	297,399	356,929	359,887
Debt Service	419,549	339,340	750,043	--	32,722
Total Expenditures	31,198,121	37,378,686	37,463,601	40,746,440	41,499,293
Excess of Revenues Over/(Under) Expenditures	(1,635,883)	(4,336,133)	1,771,737	214,769	1,875,867
Other Financing Sources (Uses)					
Operating transfers in	396,710	1,409,068	524,669	20,957	2,122,625
Operating transfers out	(180,400)	(75,000)	(436,011)	--	(2,138,427)
Total Other Fin. Source(Uses)	216,310	1,334,068	88,658	20,957	(15,802)
Net change in fund balance	(1,419,573)	(3,002,065)	1,800,395	235,726	1,860,065
Fund Balance, July 1	8,987,280	7,567,707	4,565,642	6,366,037	6,601,763
Fund Balance, June 30	$7,567,707	$4,565,642	$6,366,037	$6,601,763	$8,461,828

(1) Represents Proposition 30 funds deposited into the Education Protection Account.
Source: Imperial Unified School District Audit Reports.

District Budget and Interim Financial Reporting

Budgeting - Education Code Requirements. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Imperial County Superintendent of Schools (the "**County Superintendent**").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A**.**B**. **1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues the following types of certifications:

- ***Positive certification*** - the school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

- ***Negative certification*** - the school district will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year.

- ***Qualified certification*** - the school district may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. Since fiscal year 2013-14 to date, each of the District's interim reports have been certified by the District's Board as positive, including the most recent Interim Report (First Interim for Fiscal Year 2018-19), and each of its budgets have been approved by the County Superintendent, including the District's Budget for Fiscal Year 2018-19.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Imperial Unified School District, 219 North E Street, Imperial, California 92251; phone (760) 335-3200. The District may impose charges for copying, mailing and handling.

District's Fiscal Year 2018-19 General Fund. The following table shows the General Fund Adopted Budget for Fiscal Year 2018-19 and projections at the time of the First Interim.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
2018-19 (Adopted Budget and First Interim Projections)
Imperial Unified School District

	Adopted Budget Fiscal Year 2018-19	First Interim Report 2018-19
Revenues		
LCFF Sources	$38,412,343	$38,963,216
Federal revenues	76,687	--
Other state revenues	2,159,447	1,560,794
Other local revenues	101,374	101,374
Total Revenues	40,749,851	40,625,384
Expenditures		
Certificated Salaries	18,571,527	18,396,262
Classified Salaries	5,236,904	5,049,366
Employee Benefits	8,151,970	8,041,858
Books and Supplies	1,878,188	1,884,231
Services and Other Operating Expenditures	1,943,223	1,992,723
Capital Outlay	66,477	205,091
Other Outgo (excl. transfers of Ind. Costs)	383,064	385,660
Total Expenditures	36,189,081	35,912,919
Excess of Revenues Over/(Under) Expenditures	4,560,770	4,712,465
Other Financing Sources (Uses)		
Interfund Transfers In	33,000	33,000
Interfund Transfers Out	--	--
Total Other Financing Sources (Uses)	(4,988,850)	(4,700,450)
Net Change in Fund Balance	(428,080)	12,015
Fund Balance, July 1[(1)]	6,613,711	6,613,713
Fund Balance, June 30*	$6,185,631	$6,625,728

*Totals may not foot due to rounding.
(1) Budgeted and interim reporting figures account for the General Fund separately from other governmental funds, including reserves, which, however, are shown on a combined basis in the District's audited financial statements. As such, budget and interim report figures beginning balance does not correspond to the ending balance in the audited financial statement, as summarized in the preceding table.
Source: Imperial Unified School District.

District Reserves. In general, the State requires that California school districts of the District's size maintain the equivalent of 3% of annual general fund expenditures in reserve to be available during financial crisis. The District has historically had a reserve in excess of 3% of expenditures.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget (**"SB 858"**), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the school district level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The District cannot predict when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

Attendance - Revenue Limit and LCFF Funding Trends

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental and concentration funding based on Targeted Student enrollment (unduplicated count) and funding based on an economic recovery target.

Total Trends Under LCFF. The following table sets forth historical LCFF funding for the District for fiscal year 2013-14 through 2018-19 (Budgeted), together with ADA.

AVERAGE DAILY ATTENDANCE AND LCFF FUNDING
Imperial Unified School District
Fiscal Years 2013-14 through 2018-19[1]

Fiscal Year	ADA[1]	Total Funding Trends Under LCFF[2]
2013-14	3,715	$24,068,012
2014-15	3,846	27,634,429
2015-16	3,919	31,743,764
2016-17	3,919	34,204,414
2017-18	4,051	35,451,416
2018-19	4,131	38,963,216

(1) P-2 for Fiscal Year 2013-14 through 2017-18; Budgeted Fiscal Year 2018-19.
Source: Imperial Unified School District.

Targeted Student Enrollment. The District has a Target Student unduplicated count of approximately 58.2 percent in fiscal year 2017-18 and expects to maintain such amount in fiscal year 2018-19. Because this percentage is over 55 percent, the District qualifies for both supplemental funding and concentration funding under LCFF.

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the LCFF amount before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under Every Student Succeeds Act, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. The District receives State funds for mandated costs reimbursements. In addition, the District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the audit for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year.

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS EMPLOYER CONTRIBUTIONS
Imperial Unified School District
Fiscal Years 2012-13 through 2018-19

Fiscal Year	Amount*
2012-13	$1,111,924
2013-14	1,208,690
2014-15	1,894,159
2015-16	3,447,398
2016-17	3,862,113
2017-18	3,805,525
2018-19(1)	4,808,822

*Increases since fiscal year 2015-16 attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.
(1) First Interim Projection.
Source: Imperial Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately $107.3 billion as of June 30, 2017 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 (**"AB 1469"**), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 10.73%, 12.58%, 14.43% and 16.28% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2019-20 through 2022-23

Fiscal Year	Employer Contribution Rate[(1)]
2019-20	18.13%
2020-21	19.10
2021-22[(2)]	18.60
2022-23[(2)]	18.10

(1) Expressed as a percentage of covered payroll.
(2) The employer contribution rate is projected to decrease in fiscal years 2021-22 and 2022-23. Projections may change based on actual experience.
Source: AB 1469.

Based upon the recommendation from its actuary, for Fiscal Year 2021-2022 and each fiscal year thereafter the STRS Teachers' Retirement Board (the "**STRS Board**"), is required to increase or decrease the employer contribution rate to reflect the contribution required to eliminate the remaining unfunded actuarial obligation with respect to service credited to members of the STRS plan before July 1, 2014 (the "**2014 Liability**") by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which employees' contributions to the STRS plan are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. In addition to the increased contribution rates discussed above, A.B. 1469 also requires the STRS Board to report to the State legislature every five years (commencing with a report due on or before July 1, 2019) on the fiscal health of the STRS plan and the unfunded actuarial obligation with respect to service credited to members of that program before July 1, 2014. The reports are also required to identify adjustments required in contribution rates for employers and the State in order to eliminate the 2014 Liability.

On February 14, 2017, the STRS Board adopted a new set of actuarial assumptions that reflect member's increasing life expectancies and current economic trends. These new assumptions were first reflected in the STRS Defined Benefit Program Actuarial Valuation as of June 30, 2016. The revised actuarial assumptions include (i) decreasing the investment rate of return to 7.25% and then to 7.00%, for the June 30, 2016 and June 30, 2017 actuarial valuations, respectively, (ii) decreasing projected wage growth to 3.50% (from 3.75%), and (iii) decreasing the inflation factor to 2.75% (from 3.00%).

The State also contributes to STRS, currently in an amount equal to 6.828% of teacher payroll in Fiscal Year 2017-2018. Based upon the recommendation from its actuary, for Fiscal Year 2017-2018 and each fiscal year thereafter, the STRS Board is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. In addition, the State is currently required to make an annual general fund contribution up to 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the **"SBPA"**), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Imperial Unified School District
Fiscal Years 2012-13 through 2018-19 (Projected)

Fiscal Year	Amount
2012-13	$462,759
2013-14	515,289
2014-15	571,900
2015-16	996,380
2016-17	885,569
2017-18	892,071
2018-19[1]	1,223,141

(1) First Interim Projection.
Source: Imperial Unified School District.

Like the STRS program, the PERS program has experienced an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately $23.6 billion as of June 30, 2017 (the date of the last actuarial valuation). To address this issue, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, and 2018-19 were 11.847%, 13.888%, 15.531%, and 18.062% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2017-187 through 2020-21(1)

Fiscal Year	Projected Employer Contribution Rate(2)
2017-18	15.500%
2018-19	17.100
2019-20	18.600
2020-21	19.800

(1) Rates were estimated by PERS in 2016. The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.
(2) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("**PEPRA**"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

***Additional Information**.* Additional information regarding the District's retirement programs is available in Note 14 to the District's audited financial statements attached to the Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Benefits

The Plan Generally. The Retiree Health Program (the **"Plan"**) is a single-employer defined benefit healthcare plan administered by the District. Retirees in the plan are eligible for the same medical plans as active employees. The Plan includes four medical/prescription drug PPO options with an additional HMO option offered through a Mexican HMO licensed in California. Delta Dental, Medical Eye Services Vision, and basic life insurance are also provided by the District, subject to a negotiated District cap. These are all purchased on a pooled basis through the Self-Insured Schools of California. Authority to establish and amend the benefit terms and financing requirements lie with the District's board of directors.

Plan Eligibility. The District provides medical, prescription drug, dental vision, and life insurance benefits up to a District cap of $8,317 effective October 2017 to certificated, classified, administrative, and management employees who have attained age 55 and completed at least 15 years of service, and have retired under CalPERS or CalSTRS. Spouses and dependent children may be covered, but the current level of the cap results in de facto self-paid coverage for dependents. The Superintendent's contract does not require a minimum number of years of service with the District for benefits. Benefit-eligible part-time classified employees are entitled to a pro-rated share of the capped benefit based on the ratio of their hours per day times months per year divided by 96. District-paid benefits end at age 65. There are 6 inactive plan members and 331 active plan members.

Actuarial Assumptions. The District's total OPEB liability of $4,988,916 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 3.00%, salary increases 3.00%, average, in aggregate, discount rate of 3.13%, net of OPEB plan investment expense including inflation, healthcare cost trend rates 6.00% decreasing 5.00% for 2018. The discount rate is the average, rounded to 5 bases points, of the range of 3-20 year municipal bond rate indices: S&P Municipal Bond 20 Year High Grade Rate Index, Bond Buyer 20-Bond GO Index, and Fidelity GO 20 Year Bond Index. Mortality rates are based on the most recent rates used by CalPERS and CalSTRS for pension valuations. The CalPERS mortality table was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. The CalSTRS mortality table was developed based on CalSTRS specific data. The table includes mortality improvements set at 110% of the ultimate improvement factor from the Mortality Improvement Scale table, issued by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of CalPERS actuarial experience study for the period July 1, 1997 through June 30, 2011 and the CalSTRS experience study for the Period July 1, 2010 through June 30, 2015.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2017, is shown in the following table:

CHANGES IN TOTAL OPEB LIABILITY
Imperial Unified School District

Balance at June 30, 2017	$4,844,921
Changes for the year	
Service Cost	281,027
Interest	147,232
Benefit payments	(284,264)
Net change in total OPEB liability	143,995
Balance at June 30, 2018	$4,988,916

Source: Imperial Unified School District 2017-18 Audit Report.

OPEB Expense. For the fiscal year ended June 30, 2018, the District recognized an OPEB expense of $428,259. For more information regarding the District's OPEB, see note 9 in the District's 2017-18 Audit in Appendix A hereto.

Long-Term Debt

General. The District has three series of general obligation bonds and refunding bonds currently outstanding, as summarized in the following table and as more particularly described below. See "DEBT SERVICE SCHEDULES" in the body of this Official Statement for the current annual debt service requirements of the District's outstanding bonds.

OUTSTANDING GENERAL OBLIGATION BONDS
Imperial Unified School District

Dated Date	Series	Amount of Original Issue	Outstanding as of January 1, 2019*
03/09/2016	2016 General Obligation Refunding Bonds	$13,530,000	$11,705,000
02/16/2017	General Obligation Bonds, Election of 2016, Series A	26,000,000	26,000,000
02/21/2018	General Obligation Bonds, Election of 2016, Series B	7,999,839	7,999,839
Totals		$47,529,839	$45,704,839

**Does not include accreted interest relating to capital appreciation bonds.*
Source: Imperial Unified School District; the Financial Advisor.

2016 Refunding Bonds. On March 9, 2016, the District issued its 2016 Refunding Bonds in order to refund three prior series of general obligation bonds. The 2016 Refunding Bonds have a final maturity date of August 1, 2035 and bear interest at rates ranging between 3.00% to 5.00% per annum.

2016A General Obligation Bonds. On February 2, 2017, the Districted issued its General Obligation Bonds, Election of 2016, Series A (the "**Series A Bonds**") in the principal amount of $26,000,000. The Series A Bonds have a final maturity date of August 1, 2047 and bear interest at rates between 3.75% to 5.25% per annum.

2016B General Obligation Bonds. On February 21, 2018, the Districted issued its General Obligation Bonds, Election of 2016, Series B (the "**Series B Bonds**") in the principal amount of $7,999,839. The Series B Bonds have a final maturity date of August 1, 2047 and bear interest at rates that range between 2% to 5% per annum.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq*., the Imperial County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq*. In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. For further information concerning County investments, access the County's website at www.co.imperial.ca.us and access the link to the Department of the Treasurer-Tax Collector, and the links to "Investment Policy" and "Portfolio". The information contained in such website has not been reviewed by the District or the Underwriter and is not incorporated in this Official Statement by reference. The most recent Investment Policy adopted by the Board of Supervisors of the County is attached hereto as Appendix G.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see "—State Funding of Education – Revenue Limits" above). State funds typically make up the majority of a district's LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS" below.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. 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. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55%of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. 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. None of the District, the Underwriter or the County 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 State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

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

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

Recent State Budgets

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

1. The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Finance" and sub-heading "-Public Finance Division", (1) posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State, and (2) also posts various financial documents for the State under the "-Financial Information" link.

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

3. The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the headings "The Budget" and "State Budget Condition."

Prior Years' Budgeting Techniques*.* Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools until a later date in the fiscal year or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2018-19 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 2, 2012 statewide election and Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding*.* As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2018-19 State Budget

On June 27, 2018, the Governor signed the 2018-19 State budget (the "**2018-19 State Budget**") into law. The 2018-19 State Budget calls for total spending of $199.7 billion, with $137.7 billion in general fund spending. The 2018-19 State Budget provides for $78.4 billion of funding through Proposition 98, the primary source of funding for K-12 school districts and community college districts, an increase of $3.9 billion, or 5.2%, from the 2017-18 State budget. Of that $78.4 billion, $61.0 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2018-19, restoring every school district in the State to at least pre-recession funding levels.

The 2018-19 State Budget continues to build State reserves, with the rainy-day fund balance projected to grow to $13.8 billion by the end of the budget year, its constitutional maximum. Additionally, revenues have been set aside in new savings funds, including a $200 million reserve for safety net programs. Other significant features of the 2018-19 State Budget include:

- $640 million in Proposition 51 State bond authority for school facilities;

- $1 billion in federal and state funds, over four years, for early childhood programs, including the addition of placement for 13,400 child-care and 2,947 preschool children, and $450 million to reduce the number of children living in deep poverty;

- one-time funding for K-12 school districts to fund various programs, including $300 million for the lowest-performing student subgroups, $125 million to address the shortage of special education teachers, and $100 million to expand facilities for kindergarten and transitional kindergarten;

- $54 million for county offices of education to support school districts needing additional assistance, as determined based on multiple performance indicators;

- $100 million for local fire response, including $32.9 million to backfill property tax revenue losses that cities, counties and districts incurred in fiscal year 2017-18 and will incur in fiscal year 2018-19 from wildfires, mudslides and other natural disasters, and a hold harmless provision allowing local education agencies to recoup revenue that has been lost due to declines in average daily attendance that are directly associated with these disasters;

- $185.4 million to multiple state agencies for the first year of implementation of a $4 billion parks and water bond measure approved by voters in 2018; and

- one-time funding of $500 million to support local governments in addressing homelessness, to be used for emergency shelters, bridge housing, motel vouchers, and supportive housing.

2019-20 Proposed State Budget

On January 10, 2019, the Governor released the proposed State budget for fiscal year 2019-20 (the **"2019-20 Proposed Budget"**). The 2019-20 Proposed Budget projects general fund revenues in fiscal year 2018-19 of approximately $149.3 billion (including a prior year balance of approximately $12.4 billion) and expenditures of approximately $144.1 billion. For fiscal year 2019-20, the 2019-20 Proposed Budget projects general fund revenues of $147.9 billion (including a prior year transfer of approximately $5.2 billion) and authorizes expenditures of $144.2 billion. The 2019-20 Proposed Budget continues to build State reserves to manage the impacts of future economic downturns, with $2.3 billion in a Special Fund for Economic Uncertainties, $15.3 billion in the "Rainy Day Fund," and $900 million in a Safety Net Reserve Fund. The 2019-20 Proposed Budget notes that additional deposits to the Rainy Day Fund will be made in reliance on a recent opinion by the California Office of Legislative Counsel, which concluded that supplemental payments made in prior fiscal years do not count towards calculating the Rainy Day Fund's constitutional maximum of 10%, and projects bringing the Rainy Day Fund to $19.4 billion by 2022-23.

The 2019-20 Proposed Budget raises the Proposition 98 minimum funding guarantee for school districts and community college districts to $80.7 billion, a new all-time high, which includes $2 billion in Proposition 98 funding for the LCFF, reflecting a 3.46% cost-of-living adjustment, and bringing total LFCC funding to $63 billion. To address the rising costs of STRS pensions, the 2019-20 Proposed Budget also includes a $3 billion one-time general fund payment to STRS on behalf of school districts, which is expected to provide immediate relief and reduce the out-year contribution rate by 0.5%. The 2019-20 Proposed State Budget also includes a $750 million one-time general fund payment of $576 million ($186 million is one-time) to support expanded special education services in school districts with a high concentration of special education students.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2018-19 State Budget and any future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2018-19 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2018-19 State Budget and 2019-20 Proposed Budget are available from the California Department of Finance website at www.ebudget.ca.gov. Impartial analyses of these documents are published by the Legislative Analyst Office, and can be accessed at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of internet addresses referenced herein or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Series B Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible 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 own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIIIA, XIIIB, XIIIC, and XIIID of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

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 1% 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 (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIIIA approved by State voters on November 7, 2000) 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 defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

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 2% 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 2% 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.

Article XIIIB of the California Constitution

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, (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. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIIB also includes a requirement that 50% 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.

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.

Articles XIIIC and 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 vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIIC to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

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 (the "**third test**"). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

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

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than $60 (for a unified school district), $30 (for an elementary school district or high school district), or $25 (for a community college district), per $100,000 of taxable property value. These requirements are not part of this proposition and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as **"Proposition 30"**), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $500,000 but less than $600,000 for joint filers and over, $340,000 but less than $408,000 for head-of-household filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $600,000 but less than $1,000,000 for joint filers and over $408,000 but less than $680,000 for head-of-household filers), and (iii) 3% for taxable income over $500,000 for single filers (over $1,000,000 for joint filers and over $680,000 for head-of-household filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See "-Proposition 98" and "-Proposition 111" above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the **"EPA"**). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children's Education and Health Care Protection Act of 2016, also known as Proposition 55, was a constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Proposition 55 did not extend the sales and use tax increase that was approved as part of Proposition 30. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended 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-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, 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 amended 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.

Proposition 22, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

California Senate Bill 222

Senate Bill 222 ("**SB 222**") was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC and Article XIIID of the California Constitution and Propositions 98, 111, 22, 1A, 26, 30 and 39 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.

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APPENDIX C

GENERAL INFORMATION ABOUT IMPERIAL COUNTY

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

General Information

The County is located in the southeast corner of California. It is bordered on the north by Riverside County, on the west by San Diego County, on the south by Mexico and on the east by the Colorado River, which forms the boundary between California and Arizona. It covers an area of 4,482 square miles. The County has an average annual rainfall of less than three inches, and three fourths of the area is desert sand and rugged mountains. Parts of the County are below sea level.

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

Population

The population of the County increased to 190,624 as of January 1, 2018, according to the California Department of Finance estimates.

IMPERIAL COUNTY
Population Estimates

Area	2014	2015	2016	2017	2018
Brawley	26,181	26,526	26,837	27,116	27,417
Calexico	40,218	40,329	40,436	40,732	41,199
Calipatria	7,483	7,387	7,486	7,537	7,488
El Centro	44,494	44,941	45,221	45,413	46,315
Holtville	6,116	6,211	6,228	6,349	6,501
Imperial	16,665	17,267	17,897	18,341	19,372
Westmoreland	2,260	2,256	2,257	2,279	2,325
Unincorporated	38,589	39,652	39,657	40,154	40,007
Total County (1)	**182,006**	**184,569**	**186,019**	**187,921**	**190,624**

(1) Totals may not add due to rounding.
Source: U.S. Census and State of California, Department of Finance.

Employment and Industry

The District is included in the El Centro Metropolitan Statistical Area ("**MSA**"). The unemployment rate in the Imperial County was 18.1 percent in November 2018, down from a revised 19.0 percent in October 2018, and below the year-ago estimate of 18.4 percent. This compares with an unadjusted unemployment rate of 3.9 percent for California and 3.5 percent for the nation during the same period.

The table below provides information about employment by industry type for the MSA for calendar years 2013 through 2017. Information for calendar year 2018 is not yet available.

EL CENTRO METROPOLITAN STATISTICAL AREA
(COUNTY OF IMPERIAL)
Annual Average Civilian Labor Force,
Unemployment and Employment by Industry
(March 2017 Benchmark)

	2013	**2014**	**2015**	**2016**	**2017**
Civilian Labor Force (1)	78,300	78,400	78,200	77,000	74,100
Employment	58,700	59,600	59,400	58,800	59,900
Unemployment	19,600	18,800	18,800	18,200	14,200
Unemployment Rate	25.0%	24.0%	24.1%	23.6%	19.2%
Wage and Salary Employment: (2)					
Agriculture	10,900	12,200	13,100	11,400	11,700
Mining, Logging, Construction	2,000	2,300	2,600	1,800	1,800
Manufacturing	2,500	1,700	1,200	1,400	1,400
Wholesale Trade	1,800	1,800	1,800	1,900	2,000
Retail Trade	7,500	8,100	8,200	8,000	8,000
Transportation, Warehousing and Utilities	2,000	2,100	2,100	2,400	2,500
Information	300	300	300	300	300
Financial Activities	1,500	1,500	1,500	1,400	1,300
Professional and Business Services	2,600	2,600	2,300	2,400	2,600
Educational and Health Services	8,300	8,600	8,800	9,200	9,500
Leisure and Hospitality	3,900	4,000	4,200	4,400	4,300
Other Services	800	800	800	900	1,000
Federal Government	2,400	2,300	2,200	2,100	2,100
State Government	2,700	2,600	2,600	2,700	2,700
Local Government	12,700	13,000	13,100	13,400	13,700
Total all Industries (3)	61,900	63,900	64,600	63,600	64,900

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(3) Totals may not add due to rounding.
Source: California Employment Development Department.

Largest Employers

The following table lists the largest employers within the County as of January 2019, listed alphabetically.

COUNTY OF IMPERIAL
Major Employers
As of January 2019

Employer Name	Location	Industry
8A Packing LLC	El Centro	Labor Organizations
Academic Services	Imperial	University-College Dept/Facility/Office
Allstar Seed Co	El Centro	Seeds & Bulbs-Wholesale
Calipatria State Prison	Calipatria	Government Offices-State
Central Union High School	El Centro	Schools
Costco Wholesale	El Centro	Wholesale Clubs
El Centro Naval Air Facility	El Centro	Federal Government-National Security
El Centro Regional Medical Ctr	El Centro	Hospitals
Imperial County Behavioral	El Centro	Mental Health Services
Imperial County Coroner	El Centro	Government Offices-County
Imperial County Ofc-Edu Fndtn	El Centro	Educational Associations
Imperial County Sheriff	El Centro	Government Offices-County
Imperial Date Gardens	Winterhaven	Nurserymen
Imperial Irrigation District	El Centro	Distribution Services
Jjall LLC	Calexico	Labor Contractors
Kenworth Mexicana	Not Available	Truck-Manufacturers
Paradise Casino	Winterhaven	Casinos
Pioneers Memorial Healthcare	Brawley	Health Care Management
Spreckels Sugar Co Inc	Brawley	Sugar Refiners (mfrs)
Target	El Centro	Department Stores
United States Gypsum Co	Imperial	Gypsum & Gypsum Products (mfrs)
Vulcan-Bn Geothermal Power	Calipatria	Power Plants
Walmart Supercenter	Brawley	Department Stores
Walmart Supercenter	El Centro	Department Stores
Walmart Supercenter	Calexico	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2019 1st Edition.

Commercial Activity

A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures for 2017 are not yet available.

Total taxable sales during calendar year 2016 in the County were reported to be $2.46 billion, a 7.3% decrease over the total taxable sales of $2.65 billion reported during calendar year 2015.

IMPERIAL COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	2,258	$1,482,810	3,288	$2,356,313
2013	2,222	1,561,647	3,239	3,661,582
2014	2,293	1,615,754	3,266	2,893,261
2015[1]	1,153	1,612,423	3,509	2,652,906
2016	2,360	1,600,491	3,557	2,458,984

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.
Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017. Annual figures are not yet available for calendar year 2018.

IMPERIAL COUNTY
Total Building Permit Valuations
(Valuations in Thousands)

	2013	2014	2015	2016	2017
Permit Valuation					
New Single-family	$67,396.6	$33,809.0	$26,492.3	$48,224.3	$36,490.5
New Multi-family	0.0	9,582.3	20,797.8	7,761.8	733.7
Res. Alterations/Additions	4,389.1	4,211.5	6,386.9	10,004.3	5,166.4
Total Residential [1]	71,785.7	47,602.8	53,677.0	65,990.4	42,390.6
New Commercial	44,242.9	6,833.1	18,009.0	22,447.5	94,732.4
New Industrial	17,735.4	10,009.0	2,000.0	1,239.2	1,977.2
New Other	507,195.9	3,971.0	13,405.1	48,814.3	62,770.4
Com. Alterations/Additions	22,475.6	12,257.6	13,616.3	18,720.0	12,701.0
Total Nonresidential [1]	591,649.8	33,070.7	47,030.4	91,221.0	172,181.0
New Dwelling Units					
Single Family	334	179	125	230	191
Multiple Family	0	59	133	41	8
TOTAL	334	238	258	271	199

(1) Totals may not add due to rounding.
Source: Construction Industry Research Board, Building Permit Summary.

Effective Buying Income

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

The following table summarizes the total effective buying income for the County, the State and the United States for the years 2013 through 2017. Information as of January 1, 2018 is not yet available.

IMPERIAL COUNTY; STATE OF CALIFORNIA; UNITED STATES
Effective Buying Income
As of January 1, 2013 through 2017

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2013	Imperial County	$2,363,708	$34,775
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	Imperial County	$2,374,243	$36,760
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	Imperial County	$2,691,905	$40,946
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	Imperial County	$2,662,288	$37,868
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	Imperial County	$395,345	$68,244
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: The Nielsen Company (US), Inc.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Trustees
Imperial Unified School District
219 North E Street
Imperial, California 92251

OPINION: $_____________ Imperial Unified School District
(Imperial County, California)
General Obligation Bonds, Election of 2016, Series C
(Bank Qualified)

Ladies and Gentlemen:

We have acted as bond counsel to the Imperial Unified School District (the "District") in connection with the issuance by the District of its Imperial Unified School District (Imperial County, California) 2016 General Obligation Bonds, Series C in the aggregate principal amount of $__________ (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and Resolution No. 2011 adopted by the Board of Trustees of the District (the "Board") on December 13, 2018 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

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

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

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds on its behalf and to perform its obligations under the Bond Resolution and the Bonds.

2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.

3. The Bonds have been duly issued and sold by the District and are valid and binding general obligations of the District, and the County of Imperial is obligated to levy *ad valorem*

taxes for the payment of the Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation as to rate or amount.

4. Interest on the Bonds 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. In addition, the Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

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

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$____________
IMPERIAL UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
Election of 2016, Series C
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Imperial Unified School District (the "District") in connection with the issuance of $___________ aggregate principal amount of Imperial Unified School District School District (Imperial County, California) General Obligation Bonds, Election of 2016, Series C (Bank Qualified) (the "Bonds"). The Bonds are being issued under a Resolution adopted by the Board of Trustees of the District on December 13, 2018 (the "Bond Resolution"). The District covenants and agrees as follows:

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

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

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

"*Annual Report Date*" means the date not later than nine months after the end of each fiscal year of the District (currently June 30th), or March 31.

"*Dissemination Agent*" means, initially, Isom Advisors, a Division of Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

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

"*Official Statement*" means the final official statement executed by the District in connection with the issuance of the Bonds.

"*Paying Agent*" means U.S. Bank National Association, St. Paul, Minnesota, or any successor thereto.

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

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

Section 3. **Provision of Annual Reports**.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

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

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

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. **<u>Content of Annual Reports</u>**. The District's Annual Report shall contain or incorporate by reference the following:

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

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information shall be provided in the Annual Report:

(i) assessed valuation of taxable properties in the District for the most recently completed fiscal year;

(ii) assessed valuation of properties of the top twenty taxpayers for the most recently completed fiscal year;

(iii) if the District's general obligation bond levies are no longer included in the County of Imperial's Teeter Plan, property tax collection delinquencies for the District for the most recently completed Fiscal Year or if not available at the time of the filing of the Annual Report for the prior fiscal year, and only if available from the County at the time of filing the Annual Report;

(iv) the District's most recently adopted budget or interim report available at the time of filing the Annual Report; and

(v) such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. **<u>Reporting of Significant Events</u>**.

(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 Bonds:

(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 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 District.

(13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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, 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 Bonds under the Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

Section 7. **Termination of Reporting Obligation**. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. **Dissemination Agent**. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be Isom Advisors, A Division of Urban Futures, Inc. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. **Amendment; Waiver**. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or 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 Bonds, 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 Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

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

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. **Additional Information**. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. **Default**. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. **Duties, Immunities and Liabilities of Dissemination Agent**.

(a) 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 they 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 Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. **Beneficiaries**. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: ______ __, 2019

IMPERIAL UNIFIED SCHOOL DISTRICT

By: ________________________________
Superintendent

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC.

By:__________________________
Name: _______________________
Title:_________________________

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Imperial Unified School District
Name of Bond Issue:	$___________ aggregate principal amount of Imperial Unified School District (Imperial County, California) General Obligation Bonds, Election of 2016, Series C (Bank Qualified)
Date of Issuance:	______ __, 2019

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the resolution adopted by the Board of Trustees of the District authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated: _________________

________,
as Dissemination Agent

By: ________________________________
Authorized Officer

Cc: Imperial Unified School District

APPENDIX F

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 Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds 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 District nor the Paying Agent take any responsibility for the information contained in this Section.

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 Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this 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 (in this Appendix, the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity 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 a Standard & Poor's rating of AA+. 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. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds 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 the notices be provided directly to them.

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

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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APPENDIX G

IMPERIAL COUNTY INVESTMENT POLICY AND RECENT INVESTMENT REPORT

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IMPERIAL COUNTY

ANNUAL INVESTMENT POLICY

FOR THE

POOLED INVESTMENT FUND

TREASURER-TAX COLLECTOR

Approved: Imperial County Board of Supervisors
On August 14, 2018

Imperial County Investment Policy

Authority

In accordance with the laws and regulations of the State of California and authority granted by the Imperial County Board of Supervisors the County Treasurer-Tax Collector is responsible for investing all the funds in the County Treasury.

Policy Statement

The Treasurer-Tax Collector shall establish investment policy procedures for the operation of the investment program and a system of controls to regulate the activities of the subordinate officials. Each transaction and the entire portfolio must comply with the California Government Code section 53635 et seq., and this policy.

Scope

This investment policy applies to all financial assets of the County of Imperial as accounted for in the comprehensive annual financial report and shall apply to all other funds under the County Treasurer-Tax Collector's span of control unless specifically exempted by resolution.

Outside local agencies, where the County Treasurer-Tax Collector does not serve as the agency's Treasurer-Tax Collector, may invest in the Pooled Investment Fund through California Government Code section 53684 et seq. Deposits are subject to the consent of the County Treasurer-Tax Collector. The local agency legislative body must approve the Imperial County Pooled Investment Fund as an authorized investment and execute a Memorandum of Understanding. This agreement should spell out the exact rules for participating in the pool and provide the County Treasurer-Tax Collector with reasonable predefined discretion to establish the frequency and amount of voluntary funds that can be removed from the pool at a particular time.

The County Treasurer-Tax Collector may honor all requests to withdraw funds for normal cash flow purposes. Any requests to withdraw funds for purposes other than cash flow such as for external investing shall be subject to the consent of the Treasurer-Tax Collector. In accordance with California Government Code section 27136 et seq., and 27133(h) et seq., such requests for withdrawals must first be made in writing to the County Treasurer-Tax Collector. These requests are subject to the County Treasurer-Tax Collector consideration of the stability and predictability of the Pooled Investment Fund, or the adverse affect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the market value of the Pooled Investment Fund as of the date of the withdrawal.

Standards

The County Treasurer-Tax Collector is the trustee of the Pooled Investment Fund and therefore, a fiduciary subject to the prudent investor standard. The County Treasurer-Tax Collector and employees involved in the investment process shall refrain from all personal business activity that could conflict with the management of the investment program. All individuals involved will be required to report all gifts and income in accordance with the California State law. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing public funds, the Treasurer-Tax Collector shall act with the care, skill, prudence and diligence in order to meet the investment objectives.

The standard of prudence to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

Objectives

Investment Objectives: The Pooled Investment Fund shall be prudently invested in order to earn a reasonable return, while awaiting application for governmental purposes. The specific objectives for the Pooled Investment Fund are listed in order of importance.

Safety of Principal: The preservation of principal is the primary objective. Each transaction shall seek to ensure that capital losses are avoided, whether they are from securities default or erosion of market value.

Liquidity: As a second objective, the Pooled Investment Fund should remain sufficiently flexible to enable the County Treasurer-Tax Collector to meet all operating requirements that may be reasonably anticipated in any depositor's fund.

Public Trust: In managing the Pooled Investment fund, the County Treasurer-Tax Collector and the authorized investment traders should try and avoid any transactions that might impair public confidence in the Imperial County and the participating local agencies. Investments should be made with precision and care, considering the probable safety of the capital as well as the probable income to be derived.

Return on Investments: The Pooled Investment Fund shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

Calculation of Yield and Costs

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets; managing and accounting for the banking; receiving and remitting deposits; oversight controls; indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated by specific cost accounting projects and charged to the Pooled Investment Fund on a quarterly basis throughout the fiscal year.

The Auditor/Controller will allocate the net interest earnings of the Pooled Investment Fund quarterly. The net interest earnings are allocated based upon the average daily cash balance of each Pooled Investment Fund participant.

Internal Controls

The County Treasurer-Tax Collector shall establish internal controls to provide reasonable assurance the investment objectives are met and to ensure that the assets are protected from loss, theft or misuse. To assist in implementation and internal controls, the Treasurer-Tax Collector shall establish written policy procedures for the operation of the investment program consistent with this policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transaction. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the County Treasurer-Tax Collector.

Authorized Personnel: The following is a list of delegated staff responsible for investment transactions, County Treasurer-Tax Collector, Assistant Treasurer Tax-Collector, Accounting Supervisor and the Accounting Technician's. Authorized personnel may be changed from time to time at the discretion of the County Treasurer-Tax Collector.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Auditor/Controller's office on a monthly basis.

An independent audit shall be conducted annually to review internal control, account activity and compliance with policies, procedures and applicable laws.

The County Treasurer-Tax Collector, or Assistant Treasurer-Tax Collector, should, from time to time perform a review of the investment function. This review should consist of:

- Comparison of the investment records to the independent statements and confirmations received from brokers, dealers, banks and other financial institutions.
- Review of the contents of the investment portfolio to assure that it conforms to this policy.
- Review of the financial institution with which investments have been made to assure that the County Treasurer-Tax Collector or authorized staff has approved them.
- Confirmations resulting from securities purchased under a repurchase agreement should clearly state the exact and complete nomenclature of the underlying securities purchased and that said securities have been sold to the County with a promise of resale by the County back to the seller.

The County Treasurer-Tax Collector shall establish and define authorized investments as well as credit, marketability, maturity and diversification criteria for County investments. Where possible, County investments should be placed, confirmed, held and accounted for, and audited by different people.

Ethics and Conflicts of Interest

In accordance with California Government Code section 27133(d) et seq., officers and employees involved in the investment process shall refrain from personal business activity that could cause conflict with the investment program, or which could impair their ability to make impartial investment decisions.

Any individual who receives a aggregate total of gifts, honoraria and gratuities in excess of $50 in a calendar year from a broker-dealer, bank or service provider to the Pooled Investment Fund must report the gifts, dates and firms to the designated filing official and complete the appropriate State forms. No individual may receive aggregate gifts, honoraria gratuities in excess of $460 in a calendar year. Any violation must be reported to the State Fair Political Practices Commission.

Investment Parameters

Safekeeping and Custody: All securities purchased, with the exception of time deposits, LAIF and bank short term Investment Funds (bank's overnight investment fund), can be delivered to the independent third-party custodian selected by the County Treasurer-Tax Collector. This includes all collateral for repurchase agreement. All trades, where applicable, will be executed by delivery versus payment by the designated party.

Qualified Broker/Dealers: All financial institutions, whether investment banks and dealers, commercial banks, or savings and loans must be approved by the County Treasurer-Tax Collector or authorized staff before they receive County funds. All firms with whom the County does business should have a strong capital base and be deemed credit-worthy before any investments or deposits are placed with such firms. In accordance with California Government Code section

27133(c) et seq., the County Treasurer-Tax Collector or authorized staff will prescribe minimum standards.

The County Treasurer shall not select brokers and dealers who individually, or as a firm, have contributed more than $250 or the current limit established under Municipal Securities Regulatory Board (MSRB) Rule G-37.

The Treasurer-Tax Collector's staff shall annually send a copy of the current investment policy to all broker/dealers approved to do business with the County. Receipt of this policy shall be considered confirmation that the broker/dealer understands the County's investments authorized by this investment policy.

The Treasurer-Tax Collector will maintain a list of financial institutions authorized to provide investment services. An annual review of the financial condition and registrations of qualified bidders will be conducted by the Treasurer-Tax Collector.

Collateral Requirements: Collateral is required for investments in certificates of deposit (over the standard maximum deposit insurance amount "SMDIA" in FDIC regulations), repurchase agreements and reverse repurchase agreements. In order to reduce market risk, the collateral level will be a least 102% of market value or principal and accrued interest.

The only securities acceptable as collateral shall be direct obligations of, or fully guaranteed as to principal and interest by, the United States or any agency of the United States.

Diversification: The County Treasurer-Tax Collector will diversify its investments by security type and institution. With the exception of U.S. Treasury, U.S. Agency securities and authorized pools, no more than 50% of the County's total investment portfolio should be invested in a single security type.

Investable Fund: Total investable funds for purposes of this policy are all Pooled Investment Fund moneys that are available for investment at any one time, including the estimated bank account float. Bond proceeds may be invested in accordance with the Government Code provisions, or they may be invested in alternative vehicles if authorized by Bond documents.

Compliance: The portfolio must be in compliance with statute at the time that the investment is purchased. It is recommended that the portfolio be monitored, as practical, for subsequent changes in percentages resulting from non-purchase activity or changes in credit rating of existing securities.

Rebalancing is not required in the case where subsequent maturities, sales, withdrawals, or similar non-purchase activities result in the remaining portfolio having one or more of the categories of investment rise above the percentage restrictions applicable at the time of purchase.

In the event the portfolio or individual investments are deemed to be out of compliance with either statute or the investment policy, the Treasurer-Tax Collector and staff shall analyze and take appropriate course of action to rebalance the portfolio with the preservation of principal being the primary objective.

Authorized Investments: As stated earlier, authorized investment shall match the general categories established by the California Government Code section 53635 et seq. Authorized investments shall also include, in accordance with California Government Code section 16429.1, investment into LAIF.

The chart on the next page provides a list of the permitted securities and conditions for using them. Only the County Treasurer-Tax Collector or authorized staff will be authorized to invest in the approved investment. (See FIGURE 1 and Table of notes)

FIGURE 1

ALLOWABLE INVESTMENT INSTRUMENTS PER STATE GOVERNMENT CODE (AS OF JANUARY 1, 2017)[A] APPLICABLE TO ALL LOCAL AGENCIES[B]

See "Table of Notes for Figure 1" on the next page for footnotes related to this figure.

INVESTMENT TYPE	MAXIMUM MATURITY[C]	MAXIMUM SPECIFIED % OF PORTFOLIO[D]	MINIMUM QUALITY REQUIREMENTS
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State Obligations–CA And Others	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S Agency Obligations	5 years	None	None
Bankers' Acceptances	180 days	40%[E]	None
Commercial Paper–Pooled Funds[I]	270 days	40% of the agency's money[G]	Highest letter and number rating by an NRSRO[H]
Commercial Paper–Non-Pooled Funds[F]	270 days	25% of the agency's money[G]	Highest letter and number rating by an NRSRO[H]
Negotiable Certificates of Deposit	5 years	30%[J]	None
Non-negotiable Certificates of Deposit	5 years	None	None
Placement Service Deposits	5 years	30%[K]	None
Placement Service Certificates of Deposit	5 years	30%[K]	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 days[L]	20% of the base value of the portfolio	None[M]
Medium-Term Notes[N]	5 years	30%	"A" rating category or its equivalent or better
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple[P,Q]
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass–Through Securities	5 years	20%	"AA" rating category or its equivalent or better [R]
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	Multiple[S]
Local Agency Investment Fund (LAIF)	N/A	None	None
Voluntary Investment Program Fund[T]	N/A	None	None
Supranational Obligations[U]	5 years	30%	"AA" rating category or its equivalent or better

TABLE OF NOTES FOR FIGURE 1

A Sources: Sections 16340, 16429.1, 53601, 53601.8, 53635, 53635.2, 53635.8, and 53638.

B Municipal Utilities Districts have the authority under the Public Utilities Code Section 12871 to invest in certain securities not addressed here.

C Section 53601 provides that the maximum term of any investment authorized under this section, unless otherwise stated, is five years. However, the legislative body may grant express authority to make investments either specifically or as a part of an investment program approved by the legislative body that exceeds this five year maturity limit. Such approval must be issued no less than three months prior to the purchase of any security exceeding the five-year maturity limit.

D Percentages apply to all portfolio investments regardless of source of funds. For instance, cash from a reverse repurchase agreement would be subject to the restrictions.

E No more than 30 percent of the agency's money may be in bankers' acceptances of any one commercial bank.

F "Select Agencies" are defined as a "city, a district, or other local agency that do[es] not pool money in deposits or investment with other local agencies, other than local agencies that have the same governing body."

G Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer.

H Issuing corporation must be organized and operating within the U.S., have assets in excess of $500 million, and debt other than commercial paper must be in a rating category of "A" or its equivalent or higher by a nationally recognized statistical rating organization, or the issuing corporation must be organized within the U.S. as a special purpose corporation, trust, or LLC, has program wide credit enhancements, and has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical rating agency.

I "Other Agencies" are counties, a city and county, or other local agency "that pools money in deposits or investments with other local agencies, including local agencies that have the same governing body." Local agencies that pool exclusively with other local agencies that have the same governing body must adhere to the limits set for "Select Agencies," above.

J No more than 30 percent of the agency's money may be in negotiable certificates of deposit that are authorized under Section 53601(i).

K No more than 30 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service (excludes negotiable certificates of deposit authorized under Section 53601(i)).

L Reverse repurchase agreements or securities lending agreements may exceed the 92-day term if the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity dates of the same security.

M Reverse repurchase agreements must be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state chartered bank that has a significant relationship with the local agency. The local agency must have held the securities used for the agreements for at least 30 days.

N "Medium-term notes" are defined in Section 53601 as "all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States"

O No more than 10 percent invested in any one mutual fund. This limitation does not apply to money market mutual funds.

P A mutual fund must receive the highest ranking by not less than two nationally recognized rating agencies or the fund must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years experience investing in instruments authorized by Sections 53601 and 53635.

Q A money market mutual fund must receive the highest ranking by not less than two nationally recognized statistical rating organizations or retain an investment advisor registered with the SEC or exempt from registration and who has not less than five years experience investing in money market instruments with assets under management in excess of $500 million.

R Issuer must be rated in a rating category of "A" or its equivalent or better as provided by a nationally recognized statistical rating organization.

S A joint powers authority pool must retain an investment advisor who is registered with the SEC (or exempt from registration), has assets under management in excess of $500 million, and has at least five years experience investing in instruments authorized by Section 53601, subdivisions (a) to (o).

T Local entities can deposit between $200 million and $10 billion into the Voluntary Investment Program Fund, upon approval by their governing bodies. Deposits in the fund will be invested in the Pooled Money Investment Account.

U Only those obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development (IBRD), International Finance Corporation (IFC), and Inter-American Development Bank (IADB).

Prohibited Investments: No investment should be authorized that have the possibility of returning a zero or negative yield if held to maturity. These shall include inverse floaters, range notes, and interest only strips derived from a pool of mortgages.

Implementation

In accordance with California Government Code section 53646, et seq., the Board of Supervisors shall review and approve this Policy at least annually during open session.

Monthly, the Treasurer-Tax Collector shall present and file with the Board of Supervisors during public session the Imperial County Treasurer-Tax Collector's Portfolio Master Summary.

Summary

The County Treasurer-Tax Collector, or Assistant Treasurer-Tax Collector, is to have express authority to invest County funds in any investments, securities and other instruments as described herein as the County Treasurer-Tax Collector, or Assistant Treasurer-Tax Collector deems appropriate.

The County Treasurer-Tax Collector will develop, interpret, clarify and maintain this Statement of Investment Policy. As the California Government Code and legislation is amended this Policy shall likewise become amended.

IMPERIAL COUNTY TREASURER
Portfolio Management
Portfolio Summary
October 31, 2018

Investments	Par Value	Market Value	Book Value	% of Portfolio	YTM 360 Equiv.	YTM 365 Equiv.	Days to Maturity	Term
LAIF / HIGHMARK CAPITAL / ZBA	64,500,000.00	64,500,000.00	64,500,000.00	12.94	2.130	2.160	1	1
Certificates of Deposit - Bank	11,753,000.00	11,753,000.00	11,753,000.00	2.36	1.932	1.959	391	676
Negotiable CD's	84,720,000.00	83,128,693.06	84,720,000.00	16.99	2.022	2.050	825	1,400
Federal Agency Issues - Coupon	337,902,000.00	331,861,090.99	337,600,483.25	67.71	1.894	1.920	850	1,452
Investments	**498,875,000.00**	**491,242,784.05**	**498,573,483.25**	**100.00%**	**1.947**	**1.974**	**725**	**1,237**
Cash								
Passbook/Checking (not included in yield calculations)	134,011,242.59	134,011,242.59	134,011,242.59 KV		0.000	0.000	1	1
Total Cash and Investments	**632,886,242.59**	**625,254,026.64**	**632,584,725.84**		**1.947**	**1.974**	**725**	**1,237**

Total Earnings	October 31 Month Ending	Fiscal Year To Date
Current Year	802,876.52	3,071,919.70
Average Daily Balance	**619,636,249.83**	**618,646,663.08**
Effective Rate of Return	**1.53%**	**1.47%**

In accordance with the provisions of Section 53607 and 53646 of the Government Code, the laws and regulations of the State of California and authority granted by the Imperial County Board of Supervisors the County Treasurer is responsible for investing all the funds in the County Treasury not needed for current commitment. This statement denotes the ability of the local agency to meet its pool's expenditure requirements for the next six months.

3 MONTH HISTORY OF CASH AND INVESTMENTS:

==

CURRENT $ 632,584,725.84

LAST MONTH $ 633,731,618.80

PREVIOUS MONTH $ 621,142,791.38

Karen Vogel 11-27-18

Karen Vogel, Treasurer-Tax Collector

Reporting period 10/01/2018-10/31/2018

Run Date: 11/19/2018 - 15:37

Portfolio PTS

CP

PM (PRF_PM1) 7.3.0

Report Ver. 7.3.3b

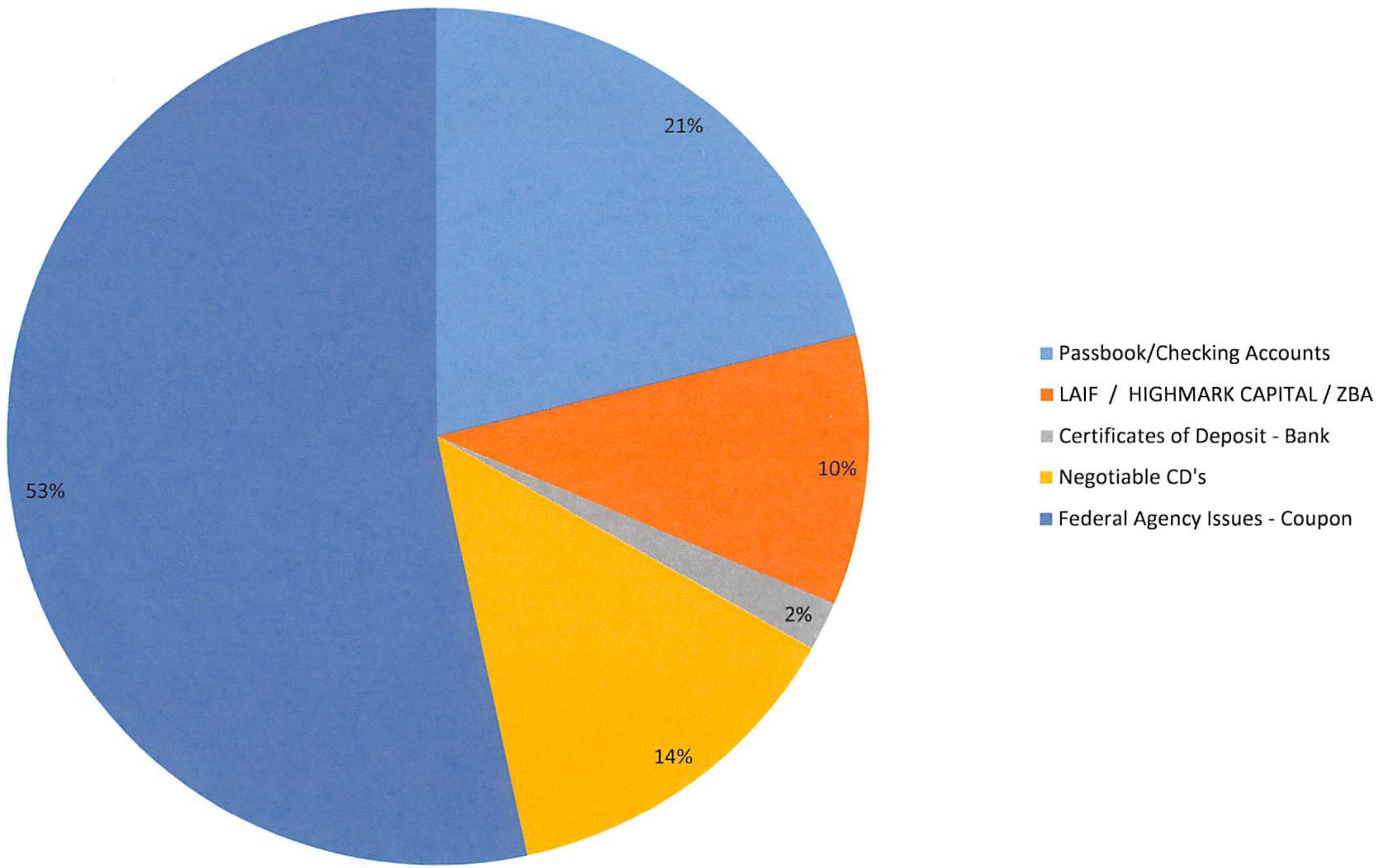
IMPERIAL COUNTY TREASURER

Portfolio Management

Portfolio Summary

Book Value by Investment Type

October 2018



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APPENDIX H

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

MUNICIPAL ASSURANCE CORP. ("MAC"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of MAC, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which MAC shall have received Notice of Nonpayment, MAC will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by MAC, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in MAC. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, MAC shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless MAC shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to MAC which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

MAC may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to MAC to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of MAC, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By ________________________________
Authorized Officer

A subsidiary of Assured Guaranty Ltd.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

APPENDIX I

TABLE OF ACCRETED VALUES