

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

**INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.**

In the opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds (as defined below) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended ("Code"). In the further opinion of Bond Counsel interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that such interest is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See "TAX MATTERS" herein.

\$2,500,000
SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
2016 Election, 2018 Series B
(Bank Qualified)

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Issuance. The above-captioned General Obligation Bonds, 2016 Election, 2018 Series B (the "Series B Bonds" or the "Bonds") are being issued by the San Pasqual Valley Unified School District (the "District") pursuant to a resolution of the Board of Trustees of the District adopted on September 11, 2018, pursuant to authorization provided in a resolution adopted by the Board of Supervisors of the County of Imperial (the "County") on September 25, 2018 (the "County Resolution"), and certain provisions of the Government Code and the Education Code of the State of California for the purpose of financing educational facilities approved by District voters at an election held in the District on November 8, 2016, as described herein. See "THE FINANCING PLAN" and "THE SERIES B BONDS - Authority for Issuance".

Security. The Series B Bonds are payable solely from *ad valorem* taxes. The Board of Supervisors of the County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series B Bonds. See "SECURITY FOR THE SERIES B BONDS."

Redemption. The Series B Bonds are subject to optional and mandatory sinking fund redemption, prior to maturity as described herein. See "THE SERIES B BONDS - Optional Redemption" and "- Mandatory Sinking Fund Redemption."

Book-Entry Only. The Series B 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"). Purchasers will not receive physical certificates representing their interests in the Series B Bonds. See "APPENDIX F - Book-Entry Only System."

Payments. Interest with respect to the Series B Bonds accrues from the date of delivery and is payable semiannually on February 1 and August 1 of each year, commencing February 1, 2019, by check mailed to the person in whose name the Series B Bond is registered. Payments of principal and interest on the Series B Bonds will be paid by U.S. Bank National Association, St. Paul, Minnesota, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series B Bonds. See "THE SERIES B BONDS - Description of the Series B Bonds."

Bond Insurance. The scheduled payment of principal of and interest on the Series B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series B Bonds by Assured Guaranty Municipal Corp. 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 Series B Bonds. Investors must read the entire official statement to obtain information essential in making an informed investment decision.

The Series B Bonds are offered when, as and if issued, subject to the approval as to their legality by Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, as 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 to the District. Kutak Rock LLP, Irvine, California, is serving as counsel to the Underwriter. It is anticipated that the Series B Bonds in definitive form will be available for delivery to Cede & Co., as nominee of DTC, on or about October 17, 2018.

RAYMOND JAMES

The date of this Official Statement is October 3, 2018.

SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
2016 Election, 2018 Series B
(Bank Qualified)

MATURITY SCHEDULE

Base CUSIP^(†): 799186

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†]
2020	\$50,000	5.000%	2.060%	105.134	AT8
2021	55,000	5.000	2.120	107.756	AU5
2022	65,000	5.000	2.200	110.122	AV3
2023	75,000	5.000	2.290	112.222	AW1
2024	35,000	5.000	2.370	114.144	AX9
2025	35,000	5.000	2.450	115.855	AY7
2026	40,000	5.000	2.530	117.358	AZ4
2027	40,000	5.000	2.610	116.742 ^C	BA8
2028	40,000	5.000	2.680	116.207 ^C	BB6

\$215,000 - 5.250% Term Bond maturing August 1, 2033; Yield 3.000%; Price: 115.520^C; CUSIP[†]: BH3

\$235,000 - 5.250% Term Bond maturing August 1, 2038; Yield 3.290%; Price: 113.365^C; CUSIP[†]: BE0

\$385,000 - 5.250% Term Bond maturing August 1, 2045; Yield 3.380%; Price: 112.706^C; CUSIP[†]: BJ9

\$1,230,000 - 3.750% Term Bond maturing August 1, 2048; Yield 3.920%; Price: 97.023; CUSIP[†]: BG5

^C: Priced to first optional call at par on August 1, 2026.

[†]: CUSIP[®] is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services (CGS) which is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP[®] data is not intended to create a database and does not serve in any way as a substitute for the CUSIP[®] Service Bureau. CUSIP[®] numbers are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of these CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series B 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 Series B Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Insurer Disclaimer. Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”) makes no representation regarding the Series B Bonds or the advisability of investing in the Series B Bonds. In addition, AGM 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 AGM, supplied by AGM and presented under the heading “BOND INSURANCE” and “Appendix H - Specimen Municipal Bond Insurance Policy”.

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

Stabilization of and Changes to Offering Prices. The Underwriter may overallocate or take other steps that stabilize or maintain the market prices of the Series B Bonds at levels above those that might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Series B Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

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.

No Securities Laws Registration. The Series B Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series B 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 Series B Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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 Series B Bonds.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
COUNTY OF IMPERIAL
STATE OF CALIFORNIA**

DISTRICT BOARD OF TRUSTEES

Lisa Aguerro, *President*
Bernadine Swift Arrow, *Vice President*
Sally DeCorse, *Clerk*
Tomas Jefferson, *Trustee*
Sofia Dominguez, *Trustee*

DISTRICT ADMINISTRATION

Rauna Fox, *Superintendent*
Kish Curtis, *Chief Business Officer*

FINANCIAL ADVISOR

Caldwell Flores Winters, Inc.
Emeryville, California

BOND COUNSEL

Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation
Irvine, California

DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

UNDERWRITER'S COUNSEL

Kutak Rock LLP
Irvine, California

**PAYING AGENT, TRANSFER AGENT, AUTHENTICATION AGENT
AND BOND REGISTRAR**

U.S. Bank National Association
Los Angeles, California

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\$2,500,000
SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
2016 Election, 2018 Series B
(Bank Qualified)

The purpose of this Official Statement, which includes the cover page and attached appendices, is to set forth certain information concerning the sale and delivery by the San Pasqual Valley Unified School District (the “**District**”) of the bonds captioned above (the “**Series B Bonds**” or the “**Bonds**”). All capitalized terms used in this Official Statement, unless noted otherwise, have the meanings set forth in the Bond Resolution (as defined below).

INTRODUCTION

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

The District. The District is located in Winterhaven, an unincorporated community, in Imperial County (the “**County**”) in a rural agricultural area on the Colorado River in the Sonoran Desert of southeastern California, on the borders of California, Arizona and Mexico. The District currently serves approximately 700 students in transitional kindergarten through grade 12. The District currently operates a pre-school, an elementary school, a middle school, a high school, an alternative education center and an adult education program. The District’s total assessed value for fiscal year 2018-19 is \$390,387,449. For more information about the property in the District, see “PROPERTY TAXATION” herein. For more information about the District and its finances, see “APPENDIX A - General and Financial Information About the District.” For more information about the County, see “APPENDIX C - General Information About the County of Imperial.”

Authority for Issuance of the Series B Bonds. The Series B Bonds will be issued pursuant to authority obtained from District voters at a general obligation bond election held in the District on November 8, 2016 (the “**Bond Election**”), pursuant to applicable provisions of California law, a resolution adopted by the Board of Trustees of the District on September 11, 2018 (the “**Bond Resolution**”), and pursuant to authorization provided in a resolution adopted by the Board of Supervisors of the County on September 25, 2018 (the “**County Resolution**”). See “THE SERIES B BONDS - Authority for Issuance.”

Purpose of Issue. The net proceeds of the Series B Bonds will be used to finance the acquisition and improvement of school facilities in accordance with the measure known as “Measure T” which was presented to and approved by District voters at the Bond Election. See “THE FINANCING PLAN.”

Description of the Series B Bonds. The Series B Bonds will be dated the date of delivery set forth on the cover page hereof (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Series B Bonds will mature on August 1 in the years indicated on the inside cover page hereof. The Series B Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company (“**DTC**”), and will be available to actual purchasers of the Series B Bonds (the “**Beneficial Owners**” or the “**Owners**”) in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Series B Bonds. See “THE SERIES B BONDS -- Description of the Series B Bonds.”

Redemption. The Series B Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in “THE SERIES B BONDS - Optional Redemption” and “ - Mandatory Sinking Fund Redemption.”

Security for the Series B Bonds. The Series B 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 of, the Series B 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 SERIES B BONDS.”

Bond Insurance. The scheduled payment of principal of and interest on the Series B Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series B Bonds by Assured Guaranty Municipal Corp. See “BOND INSURANCE” and “APPENDIX H - SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

Legal Matters. Issuance of the Series B Bonds is subject to the approving opinion of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California (“**Bond Counsel**”), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will serve as Disclosure Counsel to the District (“**Disclosure Counsel**”). Certain legal matters will also be passed upon for Raymond James & Associates, Inc. (the “**Underwriter**”), by its counsel, Kutak Rock LLP, Irvine, California (“**Underwriter’s Counsel**”). *Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriter’s Counsel is contingent upon issuance of the Series B Bonds.*

Tax Matters. In the opinion of Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “**Code**”). In the further opinion of Bond Counsel interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that such interest is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018. In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income taxation. Bond Counsel expresses no other opinion regarding or concerning any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. See “TAX MATTERS – Opinion of Bond Counsel.”

Bank Qualification. Pursuant to the Bond Resolution, the District has designated the Series B Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Such section provides an exception to the prohibition against the ability of a "financial institution" (as defined in the Code) to deduct its interest expense allocable to interest payable on the Series B Bonds. See "BANK QUALIFICATION" herein.

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 Series B 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."

Offering and Delivery of the Series B Bonds. The Series B Bonds are offered when, as and if issued and received by the Underwriter, subject to approval as to the legality by Bond Counsel. It is anticipated that the Series B Bonds will be available for delivery through the facilities of DTC on or about the date identified on the cover page hereof.

Other Information. For limiting factors about this Official Statement, see "General Information About This Official Statement" inside the cover hereof.

Copies of documents referred to herein and information concerning the Series B Bonds are available from the District's Business Services Office, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven California 92283, telephone: (760) 572-0222 (the "**Business Office**"). The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE FINANCING PLAN

The issuance of the Series B Bonds was approved by District voters at the Bond Election. At said election, more than two-thirds of District voters approved Measure T, the abbreviated form of which provides:

“To construct a new gymnasium/multi-purpose room, enhance student safety and security, modernize classrooms and support facilities, upgrade athletic fields, and provide the local match for State grants, shall the San Pasqual Valley Unified School District be authorized to issue up to \$8,000,000 in bonds at legal interest rates with no money for administrator salaries?”

Proceeds of the Series B Bonds will be applied to the payment of voter-approved project costs, including the payment of costs of issuance of the Series B Bonds. The District has previously issued one series of bonds pursuant to Measure T in the aggregate principal amount of \$5,500,000 (the “**Series A Bonds**”). The Series B Bonds are the second and final series of bonds to be issued pursuant to the Bond Authorization.

THE SERIES B BONDS

Authority for Issuance

The Series B Bonds are issued pursuant to the Bond Resolution, the County Resolution and in accordance with the provisions of the California Constitution, statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100 and related California law (collectively, the “**Bond Law**”).

Description of the Series B Bonds

Book-Entry Form. The Series B 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 DTC. The Beneficial Owners will not receive physical certificates representing their interest in the Series B Bonds. Payments of principal of and interest on the Series B Bonds will be paid by U.S. Bank National Association, Los Angeles, California, which acts as the registrar, transfer agent, and paying agent for the Series B Bonds (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Series B Bonds.

As long as DTC’s book-entry method is used for the Series B 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 Series B 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 Series B 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 Series B Bonds.

Principal and Interest Payments. The Series B Bonds will be dated the Dated Date and will bear interest payable semiannually each February 1 and August 1 (each, an “**Interest Payment Date**”), commencing February 1, 2019, at the interest rates shown on the inside front cover page of this Official Statement. The Series B Bonds will mature on August 1 in each of the years and in the principal amounts shown on the inside front cover page of this Official Statement. Interest on the Series B Bonds will be computed on the Series B Bonds on the basis of a 360-day year of twelve 30-day months. Each Series B Bond authenticated on or before January 15, 2019, shall bear interest from the date of the Series B Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the “**Record Date**”) and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If an Interest Payment Date does not fall on a business day, the interest, principal or redemption payment due on such Interest Payment Date will be paid on the next business day. The Series B Bonds will be issued in the denomination of \$5,000 principal amount each or any integral multiple thereof.

See the maturity schedule on the inside cover page of this Official Statement and “DEBT SERVICE SCHEDULES” herein.

Optional Redemption

The Series B Bonds maturing on or before August 1, 2026, are not subject to redemption prior to their respective stated maturities. The Series B Bonds maturing on or after August 1, 2027, are subject to redemption prior to maturity, as a whole, or in part among maturities at the written direction of the District and in the absence of such direction in inverse order of maturity and by lot within a maturity, at the option of the District, from any available source of funds, on August 1, 2026, and on any date thereafter, at a redemption price equal to the principal amount thereof together with accrued interest thereon to the date fixed for redemption, without premium.

For the purpose of selection for optional redemption, Series B Bonds will be deemed to consist of \$5,000 portions, and any such portion may be separately redeemed.

Mandatory Sinking Fund Redemption

The Series B Bonds maturing on August 1, 2033, August 1, 2038, August 1, 2045, and August 1, 2048 (collectively, the “**Term Bonds**”), are subject to mandatory sinking fund redemption in part by lot, on August 1 on the applicable dates and in the respective principal amounts as set forth in the schedules set forth below, at a redemption price equal to the principal amount thereof to be redeemed plus accrued but unpaid interest thereon to the date fixed for redemption, without premium. The principal amount to be so redeemed and the dates therefor and the final payment date is as indicated in the following tables:

\$215,000 Principal Amount Term Bonds Maturing August 1, 2033

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2029	\$40,000
2030	40,000
2031	45,000
2032	45,000
2033 (maturity)	45,000

\$235,000 Principal Amount Term Bonds Maturing August 1, 2038

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2034	\$45,000
2035	50,000
2036	45,000
2037	45,000
2038 (maturity)	50,000

\$385,000 Principal Amount Term Bonds Maturing August 1, 2045

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2039	\$55,000
2040	55,000
2041	60,000
2042	55,000
2043	55,000
2044	55,000
2045 (maturity)	50,000

\$1,230,000 Principal Amount Term Bonds Maturing August 1, 2048

Mandatory Sinking Fund Payment Date (August 1)	Principal Amount to be Redeemed
2046	\$45,000
2047	580,000
2048 (maturity)	605,000

If some but not all of the Term Bonds have been redeemed pursuant to the optional redemption provisions described above, the aggregate principal amount of Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be reduced on a pro rata basis in integral multiples of \$5,000, or on such other basis as designated pursuant to written notice filed by the District with the Paying Agent.

Selection of Bonds for Redemption

Whenever less than all of the Outstanding Series B Bonds are to be redeemed, the Paying Agent, upon written direction from the District shall select the Series B Bonds to be redeemed as so directed, and if not so directed in inverse order of maturity, and within a maturity, the Paying Agent shall select Series B Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Series B Bond to be redeemed in part shall be in the Principal Amount of \$5,000 or any integral multiple thereof. The Paying Agent shall promptly notify the District of the Series B Bonds so selected for redemption on such date. In the event that Term Bonds are subject to optional redemption there shall be pro rata reductions in the annual sinking fund payments due on such Outstanding Term Bonds

Notice of Redemption

The Paying Agent is required to give notice of the redemption of the Series B Bonds, at the expense of the District, by mail, first class postage, to the registered Owners of the Series B Bonds, to a Securities Depository (as defined in the Bond Resolution) and to a national Informational Service (as defined in the Bond Resolution), the District and County and the respective Owners of any registered Series B Bonds designated for redemption, at least twenty (20) days, but not more than forty-five (45) days, prior to the designated redemption date. Notice of any redemption of Series B Bonds shall specify: (a) the Series B Bonds or designated portions thereof (in the case of redemption of the Series B Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Series B Bonds to be redeemed, (f) the Series B Bond numbers of the Series B Bonds to be redeemed in whole or in part and, in the case of any Series B Bond to be redeemed in part only, the Principal Amount of such Series B Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Series B Bond to be redeemed in whole or in part. Such notice shall further state that on the specified date there shall become due and payable upon each Series B Bond or portion thereof being redeemed the redemption price thereof, and that from and after such date, interest with respect thereto shall cease to accrue in value.

Neither failure to receive or failure to send any notice of redemption nor any defect in any such redemption notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Series B Bonds.

Partial Redemption of Bonds

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

Contingent Redemption; Rescission of Redemption Notice

Any redemption notice may specify that redemption of the Series B Bonds designated for redemption on the specified date will be subject to the receipt by the District of monies sufficient to cause such redemption (and will specify the proposed source of such monies), and neither the District nor the County will have any liability to the Owners of any Series B Bonds, or any other party, as a result of the District's failure to redeem the Series B Bonds designated for redemption as a result of insufficient monies therefor.

Additionally, the District may rescind any optional redemption of the Series B Bonds, and notice thereof, for any reason on any date prior to the date fixed for such redemption by causing written notice of the rescission to be given to the owners of the Series B Bonds so called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Series B Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission. Neither the District nor the Paying Agent will have any liability to the owners of any Series B Bonds, or any other party, as a result of the District's decision to rescind a redemption of any Series B Bonds.

Paying Agent

As long as DTC is the registered owner of the Series B Bonds and DTC's book-entry method is used for the Series B Bonds, the Paying Agent will send any notice of prepayment 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 prepayment of the Series B Bonds called for prepayment or of any other action covered by such notice.

The Paying Agent, the District, the County and the Underwriter of the Series B 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 Series B Bonds.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Series B Bonds.

If the book entry system is discontinued, the person in whose name a Series B Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Series B Bond shall be made only to or upon the order of that person; neither the District, the County nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution.

Series B Bonds may be exchanged at the principal corporate trust office of the Paying Agent in Los Angeles, California for a like aggregate principal amount of Series B Bonds of authorized denominations and of the same series and maturity. Any Series B Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Series B Bonds, (ii) DTC determines to discontinue providing such

services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series B Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Series B Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Series B Bonds for redemption or (b) with respect to a Series B Bond after such Series B Bond has been selected for redemption.

Defeasance of Series B Bonds

Pursuant to the Bond Resolution, the Series B Bonds may be defeased prior to maturity in the following ways:

(a) Cash: By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Debt Service Fund, to be applied thereto, as applicable, is sufficient to pay all Series B Bonds Outstanding, including all principal, and interest and premium, if any; or

(b) Defeasance Securities: By irrevocably depositing with a bank or trust company, in escrow, noncallable Defeasance Securities (defined below), permitted under Section 149(d) of the Internal Revenue Code thereto, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and monies then on deposit in the Debt Service Fund, to be applied thereto, as applicable, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Series B Bonds (including all principal, and interest represented thereby and redemption premiums, if any) at or before their maturity date.

In such case, all obligations of the District or the County with respect to all outstanding Series B Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to the Bond Resolution to the Owners of the Series B Bonds not so surrendered and paid all sums due with respect thereto. The Bond Resolution also provides provisions with respect to the partial defeasance of the Series B Bonds.

As defined in the Bond Resolution, “**Defeasance Securities**” means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. In the case of investments in such proportionate interests, such proportionate interests shall be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian’s general assets, and

are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; *provided* that such obligations are rated or assessed at the highest then-prevailing United States Treasury securities credit rating.

ESTIMATED SOURCES AND USES OF FUNDS

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

<u>Sources of Funds:</u>	
Principal Amount of Series B Bonds	\$2,500,000.00
Net Original Issue Premium	<u>130,277.80</u>
<i>Total Sources</i>	<i>\$2,630,277.80</i>
<u>Uses of Funds:</u>	
Deposit to Building Fund	\$2,325,000.00
Deposit to Debt Service Fund	97,580.67
Costs of Issuance ⁽¹⁾	<u>207,697.13</u>
<i>Total Uses</i>	<i>\$2,630,277.80</i>

(1) Costs of issuance include legal fees, financial advisory fees, Underwriter's discount, printing costs, rating agency fees, bond insurance premium, and other miscellaneous costs and expenses of issuing the Series B Bonds.

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APPLICATION OF PROCEEDS OF SERIES B BONDS

Building Fund

Pursuant to the Bond Resolution, the net proceeds from the sale of the Series B Bonds will be paid and credited to the fund established and held by the Imperial County Treasurer (the “**County Treasurer**”) and designated as the “San Pasqual Valley Unified School District General Obligation Bonds, 2016 Election, Series B Building Fund” (“**Building Fund**”) of the District, and will be kept separate and distinct from all other District and County funds, and those proceeds shall be used solely for the purpose for which the Series B Bonds are being issued and for payment of permissible costs of issuance, all as directed in writing by the District. The interest earned on the monies deposited to the Building Fund shall be deposited to such fund and such monies shall be used for the purposes for which the Series B Bonds were authorized, at the direction of the District. The District may establish a separate account or accounts for payment of costs of issuance of the Series B Bonds. All proceeds of the Series B Bonds and interest earning thereon shall be invested by the County, on behalf of, and pursuant to the written direction of, the District, in Authorized Investments (as such term is defined in the Bond Resolution). Absent other written investment directions provided to the County from the District, the County Treasurer shall invest monies in the Building Fund pursuant to the State law and the then-current investment policy of the County. See “IMPERIAL COUNTY INVESTMENT POOL” herein.

Debt Service Fund

Pursuant to the Bond Resolution, the accrued interest, if any, and any premium received by the County from the sale of the Series B Bonds (if any after all or a portion of the Purchaser’s discount or costs of issuance are paid), shall be deposited and kept separate and apart in the Debt Service Fund (the “**Debt Service Fund**”) and used only for payments of principal of and interest on the Series B Bonds when due. *Ad valorem* taxes collected by the County pursuant to State law and the Bond Resolution shall be deposited by the County into the Debt Service Fund and applied, pursuant to the provisions of State law and the Bond Resolution, only for payments of principal of, interest on and redemption premium, if any, on the Series B Bonds as and when due. Funds held in the Debt Service Fund are irrevocably pledged to the payment of principal of, interest on and redemption premium, if any, on the Series B Bonds as and when due. Except as provided in the Bond Resolution, interest earned on investments of monies held in the Debt Service Fund shall be retained in the Debt Service Fund and used to pay principal of, interest on, and redemption premium, if any, on the Series B Bonds as and when such become due. Prior to each date on which principal and interest comes due on the Series B Bonds, the County Treasurer shall transfer to the Paying Agent, for subsequent disbursement to the beneficial owners of the Series B Bonds, monies from the Debt Service Fund sufficient to pay principal of and interest on the Series B Bonds due on such date. The Paying Agent shall hold all such monies transferred to it, pursuant to the foregoing sentence, uninvested. The Debt Service Fund shall be administered by the County Treasurer, and shall be kept separate and distinct from all other District and County funds.

Investment of Proceeds of Bonds

In accordance with California Government Code Section 53600 *et seq.*, the 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. See "APPENDIX G - IMPERIAL COUNTY STATEMENT OF INVESTMENT POLICY AND REPORT."

DEBT SERVICE SCHEDULES

The Series B Bonds represent the second and are expected to be the final series of general obligation bonds issued by the District pursuant to the Bond Election. The following table shows the debt service schedule with respect to the Series B Bonds (assuming no optional redemptions).

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Annual Debt Service Schedule for Series B Bonds**

Period Ending (August 1)	Series B Bonds Principal	Series B Bonds Interest	Annual Debt Service
2019	--	\$88,128.75	\$88,128.75
2020	\$50,000.00	111,712.50	161,712.50
2021	55,000.00	109,212.50	164,212.50
2022	65,000.00	106,462.50	171,462.50
2023	75,000.00	103,212.50	178,212.50
2024	35,000.00	99,462.50	134,462.50
2025	35,000.00	97,712.50	132,712.50
2026	40,000.00	95,962.50	135,962.50
2027	40,000.00	93,962.50	133,962.50
2028	40,000.00	91,962.50	131,962.50
2029	40,000.00	89,962.50	129,962.50
2030	40,000.00	87,862.50	127,862.50
2031	45,000.00	85,762.50	130,762.50
2032	45,000.00	83,400.00	128,400.00
2033	45,000.00	81,037.50	126,037.50
2034	45,000.00	78,675.00	123,675.00
2035	50,000.00	76,312.50	126,312.50
2036	45,000.00	73,687.50	118,687.50
2037	45,000.00	71,325.00	116,325.00
2038	50,000.00	68,962.50	118,962.50
2039	55,000.00	66,337.50	121,337.50
2040	55,000.00	63,450.00	118,450.00
2041	60,000.00	60,562.50	120,562.50
2042	55,000.00	57,412.50	112,412.50
2043	55,000.00	54,525.00	109,525.00
2044	55,000.00	51,637.50	106,637.50
2045	50,000.00	48,750.00	98,750.00
2046	45,000.00	46,125.00	91,125.00
2047	580,000.00	44,437.50	624,437.50
2048	605,000.00	22,687.50	627,687.50
Total	\$2,500,000.00	\$2,310,703.75	\$4,810,703.75

Aggregate General Obligation Bond Debt Service Schedule. The following table shows the combined annual debt service schedule for the Series A Bonds and the Series B Bonds, assuming no optional redemptions.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
 Combined General Obligation Bonds Debt Service Schedule**

Period Ending (August 1)	Election of 2016 Series A Bonds	Series B Bonds	Total Debt Service
2019	\$350,425.00	\$88,128.75	\$438,553.75
2020	222,925.00	161,712.50	384,637.50
2021	222,925.00	164,212.50	387,137.50
2022	222,925.00	171,462.50	394,387.50
2023	222,925.00	178,212.50	401,137.50
2024	272,925.00	134,462.50	407,387.50
2025	281,925.00	132,712.50	414,637.50
2026	290,125.00	135,962.50	426,087.50
2027	298,025.00	133,962.50	431,987.50
2028	309,825.00	131,962.50	441,787.50
2029	316,025.00	129,962.50	445,987.50
2030	327,875.00	127,862.50	455,737.50
2031	339,275.00	130,762.50	470,037.50
2032	350,225.00	128,400.00	478,625.00
2033	360,537.50	126,037.50	486,575.00
2034	370,175.00	123,675.00	493,850.00
2035	379,100.00	126,312.50	505,412.50
2036	392,275.00	118,687.50	510,962.50
2037	404,750.00	116,325.00	521,075.00
2038	414,175.00	118,962.50	533,137.50
2039	427,700.00	121,337.50	549,037.50
2040	440,100.00	118,450.00	558,550.00
2041	446,375.00	120,562.50	566,937.50
2042	466,750.00	112,412.50	579,162.50
2043	478,750.00	109,525.00	588,275.00
2044	494,250.00	106,637.50	600,887.50
2045	508,000.00	98,750.00	606,750.00
2046	525,000.00	91,125.00	616,125.00
2047	--	624,437.50	624,437.50
2048	--	627,687.50	627,687.50
Total	\$10,136,287.50	\$4,810,703.75	\$14,946,991.25

SECURITY FOR THE SERIES B BONDS

Ad Valorem Taxes

Series B Bonds Payable from Ad Valorem Property Taxes. The Series B 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 Series B 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 Series B 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. 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 on the Series B Bonds. Such taxes, when collected, will be deposited into a debt service fund for the Series B Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Series B Bonds when due.

The forgoing 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 as of January 1, 2016, under California law voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Series B 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 Series B 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 Series B Bonds. Fluctuations in the annual debt service on the Series B 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 for the Series B Bonds, which will be established and held 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 Series B 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 Series B Bonds when and as the same become due. The County 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 Series B Bonds as the same become due and payable.

If, after payment in full of the Series B Bonds, any amounts remain on deposit in the Debt Service Fund, such remaining amount shall be transferred to the General Fund of the District.

Not a County Obligation

The Series B 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 Series B Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Series B Bonds, the Series B Bonds are not a debt of the County.

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.

Assessed Valuations

The assessed valuation of property in the District is established by the Imperial County Assessor, except for public utility property which is assessed by the SBE. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. The full value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area, or to reflect declines in property value caused by substantial damage, destruction or other factors, including assessment appeals filed by property owners. The District cannot predict whether additional adjustments will be made in future fiscal years. For a discussion of

how properties currently are assessed, see "LIMITATIONS ON TAX REVENUES" in Appendix A.

Certain classes of property, such as churches, colleges, nonprofit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls.

Property within the District had a net taxable assessed valuation for fiscal year 2018-19 of approximately \$390 million. Shown in the following table are recent assessed valuations for the District.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Assessed Valuation
Fiscal Year 2011-12 through Fiscal Year 2018-19**

<u>Fiscal Year</u>	<u>Locally Secured</u>	<u>Utility</u>	<u>Unsecured</u>	<u>Total</u>	<u>% Change</u>
2011-12	\$236,938,104	\$318,135	\$ 99,067,084	\$336,323,323	--
2012-13	237,927,843	318,135	105,313,131	343,559,109	2.2%
2013-14	249,618,471	312,235	105,741,362	355,672,068	3.5
2014-15	240,529,288	312,235	107,997,588	348,839,111	(1.9)
2015-16	222,960,814	312,235	123,652,886	346,925,935	(0.5)
2016-17	240,777,673	312,235	130,205,042	371,294,950	7.0
2017-18	244,991,249	535,118	140,507,064	386,033,431	4.0
2018-19	266,512,844	535,118	123,339,487	390,387,449	1.1

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. The District cannot predict or make any representations regarding the effects that any 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 had on economic activity in the District or throughout the State.

Appeals of Assessed Value

There are two types of appeals of assessed values that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 approved on 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 XIII A 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 "LIMITATIONS ON TAX REVENUES" in Appendix A.

Under California law, property owners may apply for a 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. Proposition 8 reductions may also be unilaterally applied by the County Assessor.

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 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 XIII A. See "LIMITATIONS ON TAX REVENUES" in Appendix A.

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.

No assurance can be given that Proposition 8 reductions and/or property tax appeals in the future will not significantly reduce the assessed valuation of property within the District.

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Parcels By Land Use

The majority of property within the District is used for residential purposes. 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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Fiscal Year 2018-19
Local Secured Property Assessed Valuation
and Parcels by Land Use**

	2018-19 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
<u>Non-Residential:</u>				
Agricultural/Rural	\$173,193,438	64.99%	424	10.98%
Commercial	5,534,996	2.08	49	1.27
Vacant Commercial	1,199,114	0.45	52	1.35
Industrial/Mining	24,376,746	9.15	5	0.13
Recreational	2,328,574	0.87	83	2.15
Government/Social/Institutional	303,718	0.11	12	0.31
Vacant Desert	4,849,281	1.82	2,654	68.70
Miscellaneous	<u>484,862</u>	<u>0.18</u>	<u>31</u>	<u>0.80</u>
Subtotal Non-Residential	\$212,270,729	79.65%	3,310	85.68%
<u>Residential:</u>				
Single Family Residence	\$24,885,788	9.34%	275	7.12%
Mobile Home	15,040,735	5.64	146	3.78
Mobile Home Park/RV Park	5,906,210	2.22	15	0.39
2+ Residential Units	427,104	0.16	6	0.16
Miscellaneous Residential	169,365	0.06	8	0.21
Vacant Residential	<u>7,812,913</u>	<u>2.93</u>	<u>103</u>	<u>2.67</u>
Subtotal Residential	\$54,242,115	20.35%	553	14.32%
Total	\$266,512,844	100.00%	3,863	100.00%

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

Assessed Valuation of Single Family Homes

The following table shows a breakdown of assessed value of single family homes for fiscal year 2018-19.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Per Parcel 2018-19 Assessed Valuation of Single Family Homes**

	<u>No. of Parcels</u>	<u>2018-19 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	275	\$24,885,788	\$90,494	\$55,166

<u>2018-19 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	40	14.545%	14.545%	\$ 653,380	2.626%	2.626%
\$25,000 - \$49,999	89	32.364	46.909	3,325,815	13.364	15.990
\$50,000 - \$74,999	45	16.364	63.273	2,827,998	11.364	27.354
\$75,000 - \$99,999	41	14.909	78.182	3,507,443	14.094	41.448
\$100,000 - \$124,999	16	5.818	84.000	1,842,417	7.403	48.851
\$125,000 - \$149,999	8	2.909	86.909	1,076,085	4.324	53.175
\$150,000 - \$174,999	6	2.182	89.091	963,047	3.870	57.045
\$175,000 - \$199,999	6	2.182	91.273	1,139,627	4.579	61.625
\$200,000 - \$224,999	5	1.818	93.091	1,069,024	4.296	65.921
\$225,000 - \$249,999	3	1.091	94.182	693,101	2.785	68.706
\$250,000 - \$274,999	0	0.000	94.182	0	0.000	68.706
\$275,000 - \$299,999	2	0.727	94.909	572,348	2.300	71.006
\$300,000 - \$324,999	1	0.364	95.273	301,068	1.210	72.215
\$325,000 - \$349,999	0	0.000	95.273	0	0.000	72.215
\$350,000 - \$374,999	1	0.364	95.636	350,821	1.410	73.625
\$375,000 - \$399,999	3	1.091	96.727	1,178,942	4.737	78.362
\$400,000 - \$424,999	1	0.364	97.091	423,211	1.701	80.063
\$425,000 - \$449,999	2	0.727	97.818	890,405	3.578	83.641
\$450,000 - \$474,999	0	0.000	97.818	0	0.000	83.641
\$475,000 - \$499,999	1	0.364	98.182	475,000	1.909	85.550
\$500,000 and greater	<u>5</u>	<u>1.818</u>	100.000	<u>3,596,056</u>	<u>14.450</u>	100.000
Total	<u>275</u>	<u>100.000%</u>		<u>\$24,885,788</u>	<u>100.000%</u>	

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

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 will receive by the end of the fiscal year 100% of the property tax levied, in the same manner as if the amount credited had been collected. The County assumes the responsibility for pursuing late and delinquent taxes and is therefore entitled to any penalties and interest collected. The District participates in the County’s Teeter Plan, and thus receives 100% of secured property taxes levied, in exchange for foregoing any interest and penalties collected on delinquent taxes to the County. The County’s Teeter Plan currently covers the one percent general fund apportionment levy, and also other *ad valorem* taxes, such as those levied to repay the Series B Bonds. The plan does not include special assessments/direct charges.

So long as the Teeter Plan remains in effect, the receipt of revenues on behalf of the District 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 actual 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 a typical tax rate area (Tax Rate Area 94-002) during the five-year period from 2013-14 to 2017-18. Tax rates for fiscal year 2018-19 are not available as of this time.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
SUMMARY OF AD VALOREM TAX RATES
TYPICAL TAX RATE PER \$100 OF ASSESSED VALUATION
(TRA 94-002) ***

	2013-14	2014-15	2015-16	2016-17	2017-18
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
San Pasqual Valley Unified School District	--	-	--	--	.0448
Imperial Community College District	.0256	.0325	.0422	.0373	.0367
Total Tax Rate	\$1.0256	\$1.0325	\$1.0422	\$1.0373	\$1.0815

*Assessed Valuation in 2017-18: \$238,761,394.
Source: California Municipal Statistics, Inc.

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Largest Secured Property Taxpayers in District

General. The following table shows the 20 largest taxpayers in the District as determined by their secured assessed valuations in fiscal year 2018-19. 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. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner’s ability or willingness to pay property taxes.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Top Twenty Secured Property Taxpayers
Fiscal Year 2018-19**

	<u>Property Owner</u>	<u>2018-19 Primary Land Use</u>	<u>% of Assessed Valuation</u>	<u>Total ⁽¹⁾</u>
1.	Metropolitan Water District of Southern California	Agricultural/Water Rights	\$ 28,437,812	10.67%
2.	New Gold Inc.	Mining	22,212,683	8.33
3.	Tanimura & Antle Partnership	Agricultural	17,845,456	6.70
4.	Woodspur Farming LLC	Agricultural	8,419,434	3.16
5.	Palo Verde Land Development LP	Agricultural	6,851,770	2.57
6.	K&L Holdings LLC	Agricultural	6,813,364	2.56
7.	Sun Garden Date Growers LLC	Agricultural	6,434,380	2.41
8.	Tanimura Brothers LP	Agricultural	6,067,609	2.28
9.	Santa Fe Farms LP	Agricultural	5,820,329	2.18
10.	Anthony Costa & Sons	Agricultural	5,258,003	1.97
11.	Jeffrey Lester Antle Trust	Agricultural	4,870,169	1.83
12.	Anthony Costa & Sons	Agricultural	4,311,488	1.62
13.	William Agnell Trustee	Agricultural	3,981,662	1.49
14.	County Sanitation Dist. #2 of Los Angeles	Landfill	3,824,276	1.43
15.	New Value Investments LLC	Agricultural	3,617,103	1.36
16.	Czar Investments LLC	Agricultural	3,285,477	1.23
17.	Wuertz Ranches Inc.	Agricultural	3,031,912	1.14
18.	Rivers Edge LP	RV Park	2,967,552	1.11
19.	Gordon Well II LLC	Residential Properties	2,480,340	0.93
20.	Vicki-Lynn & William J. Scott Jr. Trustees	Agricultural	<u>2,297,267</u>	<u>0.86</u>
			\$148,828,086	55.84%

(1) 2018-19 Local Secured Assessed Valuation: \$266,512,844.
Source: California Municipal Statistics, Inc.

Concentration of Property Ownership. In fiscal year 2018-19, over fifty percent of the District’s secured assessed valuation is concentrated in its top twenty taxpayers, as identified in the foregoing table. The top secured property taxpayers may also own property in the District which is on the unsecured roll. The top secured property taxpayer in fiscal year 2018-19 is the Metropolitan Water District of Southern California (“**MWD**”), which is subject to taxation in the District because the property it owns in the District is beyond MWD’s jurisdictional boundaries. The second largest secured property taxpayer is New Gold, Inc., a gold mining company which also has a significant amount of property tax levied and collected on the unsecured roll, the amount of which is subject to annual fluctuations based on the value of gold. The District is not aware of any of any recent failure by a top secured or unsecured property taxpayer to pay property taxes when due. Failure of a property owner to pay property taxes results in penalties, fees, and possible foreclosure, in accordance with the procedures described under the heading “PROPERTY TAXATION - Property Tax Collection Procedures.” The District’s *ad valorem* taxes are included in the County’s Teeter Plan, therefor the District receives the full amount of its property tax levies notwithstanding delinquencies which may occur. See “-Property Tax Collections” above.

Overlapping Debt Obligations

Set forth below is a direct and overlapping debt report (the "**Debt Report**") prepared by California Municipal Statistics, Inc. and dated August 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.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Statement of Direct and Overlapping Bonded Debt
Dated as of August 1, 2018**

2018-19 Assessed Valuation: \$390,387,449

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable⁽¹⁾</u>	<u>Debt 8/1/18</u>
Imperial Community College District	3.195%	\$2,308,469
San Pasqual Valley Unified School District	100.000	5,280,000⁽²⁾
Pioneers Memorial Hospital District	0.034	<u>2,987</u>
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$7,591,456

<u>OVERLAPPING GENERAL FUND DEBT:</u>		
Imperial County Certificates of Participation	3.117%	\$ 216,008
Imperial County Pension Obligation Bonds	3.117	1,069,910
Imperial County Office of Education Certificates of Participation	3.117	<u>277,049</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$1,562,967

COMBINED TOTAL DEBT **\$9,154,423⁽³⁾**

Ratios to 2018-19 Assessed Valuation:

Direct Debt (\$5,280,000)	1.35%
Total Direct and Overlapping Tax and Assessment Debt.....	1.94%
Combined Total Debt.....	2.34%

(1) 2017-18 Ratios.
 (2) Excludes the Series B Bonds.
 (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
 Source: California Municipal Statistics, Inc.

LEGAL OPINION

The proceedings in connection with the issuance of the Series B Bonds are subject to the approval as to their legality by Bond Counsel. The opinion of Bond Counsel with respect to the Series B 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. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Series B Bonds.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof.

Bond Insurance Policy

Concurrently with the issuance of the Series B Bonds, Assured Guaranty Municipal Corp. ("**AGM**") will issue its Municipal Bond Insurance Policy for the Series B Bonds (the "**Policy**"). The Policy guarantees the scheduled payment of principal of and interest on the Series B Bonds when due as set forth in the form of the Policy (defined below) 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.

Assured Guaranty Municipal Corp.

AGM 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 its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM'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**"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("**KBRA**") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("**Moody's**"). Each rating of AGM 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 AGM in its sole discretion. In addition, the rating agencies may at any time change AGM'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 AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM'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 AGM

At June 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,221 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("**MAC**") (as described below) were approximately \$1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("**AGE**"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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 AGM 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); and
- (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).

All consolidated financial statements of AGM and all other information relating to AGM 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 Series B 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 Assured Guaranty Municipal 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 AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “**AGM Information**”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series B Bonds or the advisability of investing in the Series B Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

TAX MATTERS

In the opinion of Bond Counsel, subject, however, to certain qualifications described herein, under existing laws, regulations, rulings and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). In the further opinion of Bond Counsel interest on the Series B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, although Bond Counsel observes that such interest is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years beginning before January 1, 2018.

The opinions of Bond Counsel set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series B Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted in the Bond Resolution 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 Series B Bonds. The Bond Resolution and other related documents refer to certain requirements, covenants and procedures which may be changed and certain actions that may be taken, upon the advice or with an opinion of nationally recognized bond counsel. No opinion is expressed by Bond Counsel as to the effect on any Series B Bond or the interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than Bond Counsel. Bond Counsel expresses no opinion regarding other tax consequences arising with respect to the Series B Bonds.

In the further opinion of Bond Counsel, interest on the Series B Bonds is exempt from State personal income taxation.

Owners of the Series B Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series B 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 Series B Bonds other than as expressly described above.

See APPENDIX D for the proposed form of the opinion of Bond Counsel.

Bond Counsel’s engagement with respect to the Series B Bonds ends with the issuance of the Series B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series B Bonds in the event of an audit examination by the Internal Revenue Service. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of Internal Revenue Service positions with which the District legitimately disagrees may not be practicable. Any action of the Internal Revenue Service, including but not limited to, selection of the Series B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series B Bond, and may cause the District or the Beneficial Owners to incur significant expense.

Original Issue Discount; Premium Bonds. To the extent the issue price of any maturity of the Series B Bonds is less than the amount to be paid at maturity of such Series B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest on the Series B Bonds which is excluded from gross income for federal income tax purposes and State personal income taxes. For this purpose, the issue price of a particular maturity of the Series B Bonds is the first price at which a substantial amount of such maturity of the Series B Bond is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series B Bonds accrues daily over the term to maturity of such Series B Bonds on the basis of a constant interest rate compounded semi-annually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series B Bonds. Owners of the Series B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the Series B Bonds with original issue discount, including the treatment of purchasers who do not purchase such Series B Bonds in the original offering to the public at the first price at which a substantial amount of such Series B Bonds is sold to the public.

The Series B Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“**Premium Bonds**”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a purchaser’s basis in a Premium Bond, and under Treasury Regulations the amount of tax exempt interest received, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Impact of Legislative Proposals, Clarifications of the Code and Court Decisions on Tax Exemption. Changes enacted by federal tax legislation (for example Public Law No. 115-97, also referred to as the “Tax Cuts and Jobs Act of 2017” which was adopted in 2017), as well as pending or future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners of the Series B Bonds from realizing the full current benefit of the tax status of such interest.

The introduction or enactment of any such pending or future legislative proposals, clarification of the Code or court decisions may also affect the market price for, liquidity of or marketability of, the Series B Bonds. Prospective purchasers of the Series B Bonds should consult their own tax advisors concerning the referenced federal tax legislation (the Tax Cuts and Jobs Act of 2017) and any pending or proposed federal or state tax legislation, regulations or litigation.

As discussed in this Official Statement, interest on the Series B Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series B Bonds were issued as a result of future acts or omissions of the District in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Series B

Bonds are not subject to special redemption or acceleration and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Bond Resolution.

Internal Revenue Service Audit of Tax Exempt Securities Issues. The Internal Revenue Service has initiated an expanded program for the auditing or examination of tax-exempt securities issues, including both random and targeted audits. It is possible that the Series B Bonds will be selected for audit or examination by the Internal Revenue Service. It is also possible that the market value of the Series B Bonds might be affected as a result of such an audit (or by an audit of similar bonds or securities).

Backup Withholding. Interest paid with respect to tax-exempt obligations such as the Series B Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. In addition, interest with respect to the Series B Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

The proceedings in connection with the issuance of the Series B Bonds are subject to the approval as to their legality of Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the District. A copy of the legal opinion will be attached to each Series B Bond. Certain legal matters will be passed upon for the District by Jones Hall, A Professional Law Corporation, San Francisco, California, as Disclosure Counsel to the District.

BANK QUALIFICATION

The Code provides for the disallowance of any deduction for interest expenses incurred by banks and certain other financial institutions attributable to carrying certain tax-exempt obligations, such as the Series B Bonds, acquired after August 7, 1986, except with respect to certain financial institutions (within the meaning of Section 265(b)(5) of the Code). The District has designated the Series B Bonds as bank qualified obligations within the meaning of the Code in the Bond Resolution. As such, the Series B Bonds are eligible for such limited exception and are considered "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

NO LITIGATION

No litigation is pending or threatened concerning the validity of the Series B Bonds, and a certificate to that effect will be furnished to the Underwriter at the time of the original delivery of the Series B 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 the Series B Bonds or to retire the Series B Bonds.

The District is routinely subject to lawsuits and claims which arise in the normal course of operating a public school 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.

RATINGS

S&P is expected to assign its rating of “AA” to the Series B Bonds, based on the understanding that AGM, as bond insurer, will deliver its Policy with respect to the Series B Bonds upon delivery. See “BOND INSURANCE.” In addition, S&P, has assigned an underlying rating of “A+” to the Series B 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 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 such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series B Bonds.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Series B Bonds in the form attached hereto as Appendix E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Series B Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District’s fiscal year (which currently would be March 31), commencing March 31, 2019, with the report for the 2017-18 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 “**MSRB**”). 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 Series B Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the “**Rule**”).

The District has made one prior undertaking pursuant to the Rule in connection with the Series A Bonds. Although the Final Official Statement for the Series A Bonds was available on the MSRB’s Electronic Municipal Market Access (“**EMMA**”) online system, and met the annual report requirement for fiscal year 2016-17, it was not linked on EMMA to the tab for continuing disclosure filings. As of this date, this has been remedied. The District currently serves as its own dissemination agent. The District may, at its option, contract with a third party consultant to assist it with its undertakings and/or serve as its dissemination agent.

UNDERWRITING

The Series B Bonds are being purchased by the Raymond James & Associates, Inc., (the “Underwriter”). The Underwriter has agreed to purchase the Series B Bonds at a price of \$2,605,277.80 (which is equal to the initial principal amount of the Series B Bonds, plus net original issue premium of \$130,277.80, and less Underwriter's discount of \$25,000.00). The purchase contract relating to the Series B Bonds provides that the Underwriter will purchase all

of the Series B 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 Series B 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.

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 Financial Advisor and following delivery of the Series B 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.

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 Series B Bonds.

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EXECUTION

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

**SAN PASQUAL VALLEY UNIFIED
SCHOOL DISTRICT**

By: _____
/s/ Rauna Fox
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this and other sections concerning the District's operations and operating budget is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series B Bonds is payable from the general fund of the District. The Series B 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 SERIES B BONDS" in the front half of the Official Statement.

DISTRICT GENERAL INFORMATION

General Information

The District is located in Winterhaven, an unincorporated community, in Imperial County (the "**County**") in a rural agricultural area on the Colorado River in the Sonoran Desert of southeastern California, on the borders of California, Arizona and Mexico. The District currently serves approximately 700 students in transitional kindergarten through grade 12. The District currently operates a pre-school, an elementary school, a middle school, a high school, an alternative education center and an adult education program.

The management and policies of the District are administered by a Superintendent and a staff which provides business, pupil, personnel, administrative personnel, and instructional support services.

District Governance and Administration

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

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Lisa Aguerro	President	December 2020
Bernadine Swift Arrow	Vice President	December 2020
Sally DeCorse	Clerk	December 2020
Tomas Jefferson	Trustee	December 2022
Sofia Dominguez	Trustee	December 2022

Administration. The day-to-day operations are managed by a board-appointed Superintendent. Rauna Fox is Superintendent for the District. Kish Curtis is the Chief Business Officer.

Recent Enrollment Trends

The following table shows enrollment history for the District in recent years, with projected figures for fiscal year 2018-19.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Annual Enrollment
Fiscal Years 2007-08 through 2018-19**

School Year	Number of Students Enrolled	% Change
2007-08	770	--
2008-09	746	(3.1%)
2009-10	747	0.1
2010-11	759	1.6
2011-12	780	2.8
2012-13	770	(1.3)
2013-14	782	1.6
2014-15	759	(2.9)
2015-16	725	(4.5)
2016-17	712	(1.8)
2017-18	714	0.3
2018-19 ⁽¹⁾	714	0.0

⁽¹⁾ Projection.
Source: California Department of Education; District for projections.

Employee Relations

The District currently has approximately 50.0 full-time equivalent (“FTE”) certificated and employees and 57.0 FTE classified. There are also 17 management, supervisor and confidential FTE positions which are not covered by union contracts.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Employee Contracts**

Contract	Type of Employee Covered	End of Term
SPV Teachers’ Assn.	Certificated	June 30, 2020
California School Employees Assn.	Classified	June 30, 2020

Source: San Pasqual Valley Unified School District.

Insurance - Joint Powers Agreements

The District participates in two joint powers agreements (“JPAs”) entities, the Imperial Valley Property and Liability (“IVPL”) and the Self Insurance Program of Imperial County (“SIPIC”). The relationship between the District and the JPAs is such that the JPAs are not considered component units of the District for financial reporting purposes.

The JPAs arrange for and provide workers’ compensation, health, and property and liability insurance for its members. The JPAs are each governed by a board consisting of a

representative from each member entity. The board controls the operations of the JPA, including selection of management and approval of operating budgets, independent of any influence by the member entities beyond their representation on the board. Each member pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPAs.

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DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California 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 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 (the "**2013-14 Budget**") 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 has been 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%)	2017-18 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 budget for fiscal year 2013-14 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 funds, with each group consisting of a separate accounting entity. 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. For more information on the District's basis of accounting and fund accounting, see "APPENDIX B – Audited Financial Statements of the District" herein.

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 Audited Financial Statements for fiscal years ending June 30, 2017, were prepared by Wilkinson Hadley King & Co. LLP, El Cajon, California. Audited financial statements for the District for the fiscal year ended June 30, 2017 and prior fiscal years are on file with the District and available for public inspection at the San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, California 92283; telephone (760) 572-0222. See Appendix B hereto for the 2016-17 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 the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor 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 following table shows the audited general fund income and expense statements for the District's General Fund for fiscal years 2012-13 through 2016-17.

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2012-13 through 2016-17 (Audited)
San Pasqual Valley Unified School District**

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16	Audited 2016-17
Revenues					
Revenue Limit/LCFF Sources ⁽¹⁾	\$4,558,582	\$6,441,142	\$7,077,508	\$7,880,464	\$7,898,929
Federal revenues	4,405,046	3,890,116	4,920,675	4,607,152	3,901,156
Other State Revenues	1,931,912	715,217	748,602	1,247,220	1,137,514
Other local revenues	326,899	346,548	352,754	300,200	337,829
Total revenues	11,222,439	11,393,023	13,099,539	14,035,036	13,275,428
Expenditures					
Instruction	6,374,646	6,540,605	6,716,636	7,070,674	6,851,812
Instruction-Related Services	1,118,078	1,217,848	1,254,409	1,346,825	1,331,187
Pupil Services	1,168,661	1,266,697	1,764,832	1,345,031	1,373,992
Ancillary Services	214,922	293,886	259,026	356,602	384,352
Community Services	11,787	26,094	6,512	11,441	8,661
General Administration	1,071,885	1,032,783	1,061,934	1,266,128	1,471,301
Plant Services	1,637,777	1,398,763	1,463,434	1,747,759	1,725,148
Other Outgo	--	22,242	64,693	30,485	23,511
Capital Outlay	--	--	--	633,400	538,532
Debt Service:					
Principal	39,039	39,039	39,039	38,971	--
Interest	8,828	8,828	8,828	8,811	--
Total expenditures	11,645,623	11,846,785	12,639,343	13,856,127	13,708,496
Excess of revenues over/(under) Expenditures	(423,184)	(453,762)	460,196	178,909	(433,068)
Other Financing Sources (Uses)					
Operating transfers in	90,222	64,790	64,790	187,411	63,545
Operating transfers out	(103,875)	(114,790)	(114,790)	(74,790)	(73,545)
Total other financing sources (Uses)	(13,653)	(50,000)	(50,000)	112,621	(10,000)
Net change in fund balance	(436,837)	(503,762)	410,196	291,530	(443,068)
Fund balance, July 1	8,533,331	8,096,495	7,592,733	8,002,928	8,248,679*
Fund balance, June 30	\$8,096,494	\$7,592,733	\$8,002,929	\$8,294,458	\$7,805,611

(1) The State funding formula known as LCFF commenced in Fiscal Year 2013-14.

*Reflects an adjustment to beginning fund balance shown in fiscal year 2016-17 Audited Financial Statement.

Source: District Audit Reports.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. 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 Trustees 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. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports. The District's most recent interim report, the 2017-18 Second Interim Report, was certified as positive by the Board, and the District's fiscal year 2018-19 Budget was approved by the County Superintendent.

Copies of budgets and interim reports are available from the Superintendent of the District, San Pasqual Valley Unified School District, 676 Baseline Road, Winterhaven, California 92283; telephone (760) 572-0222. The District may impose a charge for copying, mailing and handling.

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General Fund for Fiscal Years 2017-18 (Unaudited Actuals) and 2018-19 (Budgeted). The following table shows a summary of the General Fund for Fiscal Year 2017-18 (Unaudited Actuals) and 2018-19 (Budgeted).

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Revenues, Expenditures, and Changes in General Fund Balance
Fiscal Year 2017-18 (Unaudited Actuals)
Fiscal Year 2018-19 (Adopted Budget)**

	Unaudited Actuals Fiscal Year 2017-18	Adopted Budget Fiscal Year 2018-19
Revenues		
Total LCFF Sources	\$8,072,148	\$8,379,565
Federal Revenues	4,361,615	3,846,525
Other state revenues	1,128,408	1,157,666
Other local revenues	385,624	341,281
Total Revenues	13,947,795	13,725,037
Expenditures		
Certificated Salaries	5,364,889	5,195,054
Classified Salaries	2,731,9681	2,614,872
Employee Benefits	3,097,869	3,345,632
Books and Supplies	724,594	783,377
Contract Services & Operating Exp.	2,053,517	2,170,338
Capital Outlay	29,294	208,589
Other Outgo (excluding indirect costs)	27,000	28,712
Other Outgo – Transfers of Indirect Costs	--	--
Total Expenditures	14,028,844	14,346,575
Excess of Revenues Over/(Under) Expenditures	(81,049)	(621,537)
Other Financing Sources (Uses)		
Operating transfers in	--	--
Operating transfers out	(73,545)	(143,545)
Total Other Financing Sources (Uses)	(73,545)	(143,545)
Net change in fund balance	(154,594)	(765,082)
Fund Balance, July 1	5,845,510	4,865,979
Fund Balance, June 30	\$5,690,916	\$4,100,897

Source: San Pasqual Valley Unified School District Fiscal Year 2017-18 Unaudited Actuals and 2018-19 Adopted Budget.

District Reserves. The District’s ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State’s minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve which meets or exceeds the State’s minimum requirements of 3%.

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 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.

On October 11, 2017, the Governor signed new legislation (“**SB 751**”) amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district’s combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap. The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered and what impact it may have on the District’s reserves.

The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered, or when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

ADA and Funding Trends

Funding Trends per ADA. As described herein, prior to fiscal year 2013-14, school districts in California received State funding based on a formula which considered a revenue limit per unit of average daily attendance (“**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 funding, concentration grants and funding based on an economic recovery target. The following table sets forth recent LCFF funding per ADA for the District.

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
ADA and State Funding per ADA
Fiscal Years 2013-14 through 2018-19 (projected)**

Fiscal Year	P-2 ADA	Base Revenue Limit/LCFF Funding Per ADA⁽¹⁾
2013-14	704	\$7,568
2014-15	692	8,573
2015-16	697	9,797
2016-17	657	12,023
2017-18†	663	12,102
2018-19†	663	12,639

† Estimated Actuals/Budgeted.
 (1) Funding per ADA represents an average across grade spans.
 Source: San Pasqual Valley Unified School District.

District's Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. Concentration grant funding is available for districts with unduplicated counts above 55%. The District's percentage of unduplicated students is above 55%, and therefore the District is eligible for supplemental and concentration grant 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 base revenue limit 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. As discussed above, the District receives State apportionment of basic and equalization aid under the funding formula known as LCFF. In addition to such apportionment revenue, the District receives other State revenues.

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. As a result of the implementation of GASB Statement Nos. 68 and 71, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014. See “APPENDIX A – Audited Financial Statements of the District For Fiscal Year Ending June 30, 2017” and particularly Note Q.

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 Contributions
San Pasqual Valley Unified School District**

Fiscal Year	Amount
2012-13	\$347,816
2013-14	376,569
2014-15	226,361
2015-16	882,703
2016-17	910,825
2017-18*	1,068,205
2018-19*	1,212,190

*Unaudited Actuals/Budgeted. Increases attributed to raises in fiscal year 2017-18.
Source: San Pasqual Valley 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, and 2017-18 were 10.73%, 12.58%, and 14.43%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2018-19 through fiscal year 2020-21 are set forth in the following table.

**PROJECTED EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2018-19 through 2020-21**

Fiscal Year	Projected Employer Contribution Rate ⁽¹⁾
2018-19	16.28%
2019-20	18.13
2020-21	19.10

(1) Expressed as a percentage of covered payroll.
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 of California. The District is part of a "cost-sharing" pool within PERS. As a result of the implementation of PEPRA (defined herein), new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. "Classic" plan members continue to contribute 7.0%. The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration. The contribution requirements of the plan members are established by State statute. The District's contributions to PERS in recent years are set forth in the following table.

**PERS Contributions
San Pasqual Valley Unified School District**

Fiscal Year	Amount
2012-13	\$235,933
2013-14	268,805
2014-15	279,112
2015-16	459,948
2016-17	322,571
2017-18*	377,672
2018-19*	475,844

*Unaudited Actuals/Budgeted.
Source: San Pasqual Valley 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 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 2017-18 through 2019-20**

<u>Fiscal Year</u>	<u>Discount Rate</u>
2017-18	7.375%
2018-19	7.250
2019-20	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were 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.

On April 17, 2018, the PERS Board established the employer contribution rates for Fiscal Year 2018-2019 and released certain information from the PERS Schools Pool Actuarial Valuation as of June 30, 2017, ahead of its summer 2018 release date. Based on the changes in the discount rate, inflation rate, payroll growth rate and demographic assumptions, along with expected reductions in normal cost due to the continuing transition of active members from those employees hired after January 1, 2013, to those hired after such date, the projected contribution for Fiscal Year 2019-2020 is projected to be 20.8%, with annual increases thereafter, resulting in a projected 25.7% employer contribution rate for Fiscal Year 2025-2026.

The District's employer contribution rates for fiscal years 2015-16, 2016-17 and 2017-18 were 11.847%, 13.888% and 15.531%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2018-19 through fiscal year 2020-21 are set forth in the following table.

**PROJECTED EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2018-19 through 2020-21**

<u>Fiscal Year</u>	<u>Employer Contribution Rate⁽¹⁾</u>
2018-19	18.062%
2019-20	20.800
2020-21	23.500

⁽¹⁾ Expressed as a percentage of covered payroll.

Source: PERS

However, on February 14, 2018, the Board of Administration voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

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 N to the District's audited financial statements attached hereto 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 (OPEB)

Plan Description. The District provides retiree health benefits up to age 65 for 7 retirees as well as 61 active employees. Eligible employees are certificated or administrative employees who have attained age 55 but not yet attained age 65, have completed 10 or more years of continuous full-time service with the District under CalSTRS. Eligible employees will receive 100% of combined costs of medical/prescription drug and dental insurance until age 65.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual OPEB cost (expense) is calculated based on the annual required contribution, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

A summary of the District’s OPEB obligation, as shown in the District’s audited financial statements as of June 30, 2017, is as follows:

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Other Post-Employment Benefit Cost – 2016-17**

Annual required contribution	\$166,926
Interest adjustment	5,721
Amortization adjustment	<u>(32,309)</u>
Net OPEB cost	140,338
Contributions made and implicit subsidy	<u>(3,403)</u>
Increase in net OPEB obligation	136,935
Net OPEB obligation, beginning of year	<u>558,697</u>
Net OPEB obligation, end of year	\$695,632

Source: San Pasqual Valley Unified School District.

A history of the District’s annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for the years ended June 30, 2015, 2016, and 2017 are as follows:

**SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
Net OPEB Obligation**

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$139,280	2.4%	\$403,145
2016	159,738	2.6	558,697
2017	140,338	2.4	695,632

Source: San Pasqual Valley Unified School District Audit Report for fiscal year 2016-17.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

For further description of the actuarial methods and assumptions used, see the District's audited financial statements set forth in Appendix B hereto.

Long-Term Indebtedness-General Obligation Bonds

On November 8, 2016, District voters authorized the issuance of up to \$8,000,000 principal amount of general obligation bonds pursuant to Measure T (the "**2016 Authorization**"). On January 31, 2017, the District issued its General Obligation Bonds, 2016 Election, Series A Bonds in the aggregate principal amount of \$5,500,000, currently outstanding in the aggregate principal amount of \$5,280,000. The Series B Bonds described herein are the second and are expected to be the final series of general obligation bonds to be issued pursuant to the 2016 Authorization.

Other than the foregoing, and pension and OPEB liability, the District does not have any outstanding long-term indebtedness.

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. See Appendix G hereto for the County's current investment policy and recent investment report.

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 "—Funding of Education Generally" 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.

STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

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. Public 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 primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see "DISTRICT FINANCIAL INFORMATION - Education Funding Generally" above). State funds typically make up the majority of a district's LCFF allocation, although Basic Aid school districts (also known as Community Funded Districts) derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the 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.

- 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.
- The California Department of Finance’s Internet home page at www.dof.ca.gov, under the heading “California Budget”, includes the text of proposed and adopted State Budgets.
- The State Legislative Analyst’s Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst’s Internet home page at www.lao.ca.gov under the 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 2017-18 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 Adopted State Budget

On June 27, 2018, the Governor signed the fiscal year 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 \$138.6 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 \$3.7 billion from the 2017-18 State budget. Of that \$78.4 billion, approximately \$61 billion will be distributed to K-12 school districts through the LCFF, which will be fully funded during fiscal year 2018-19, two years earlier than originally

scheduled, restoring every school district in the State to at least pre-recession funding levels, and including a 2.71% cost of living adjustment and an additional \$570 million above the cost of living adjustment as an ongoing increase to the formula.

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, the 2018-19 State Budget adds two additional reserves to State law, the Budget Deficit Safety Account and the Safety Net Reserve Fund. Other significant features of the 2018-19 State Budget include:

- \$640 million in Proposition 51 State bond authority for school facilities;
- an increase to \$11,640 in State-funded per pupil funding under LCFF, or \$16,352 per pupil from all State, federal and local sources combined;
- one-time funding for K-12 school districts to finance 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;
- \$57.8 million for county offices of education to support school districts needing additional assistance, as determined based on multiple performance indicators, \$4 million of which will go to geographical regional leads to build system-wide capacity to support school district improvement;
- \$32.8 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, \$21.8 for Northern California jurisdictions and \$11 million for Southern California jurisdictions;
- 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;
- \$1.24 billion 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 of emergency aid to support local governments in addressing homelessness, to be used for emergency shelters, bridge housing, motel vouchers, and supportive housing.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2018-19 State Budget and 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 Series B 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 Series B Bonds to provide State budget information to the District or the owners of the Series B 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 Budget. The complete 2018-19 State Budget is available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses 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 (as discussed below) 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 Series B Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111, 39 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 Series B Bonds. The tax levied by the County for payment of the Series B Bonds was approved by the District's voters in compliance with Article XIII A 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 XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("**Proposition 13**"), which added Article XIII A to the State Constitution ("**Article XIII A**"). Article XIII A limits the amount of any *ad valorem* tax on real property to 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 XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness, and (iii) (as a result of an amendment to Article XIII A 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 XIII A 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 XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness).

The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

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

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 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 XIII A, when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the "recapture" provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B ("**Article XIII B**") of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

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

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. 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 XIII B 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 County 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 XIII C and XIII D

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

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C 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 XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIII C 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 XIID. 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 XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

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

Proposition 111

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

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

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

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

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

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

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

State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (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% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% 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% 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 imposes 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 imposes 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 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 provisions 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 53515 to the California Government Code to provide that voter-approved general obligation bonds which are secured by *ad valorem* tax collections such as the Series B 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 XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 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.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C

GENERAL INFORMATION ABOUT THE COUNTY OF IMPERIAL

The following information is included only for the purpose of supplying general information regarding Imperial County. This information is provided only for general informational purposes, and provides prospective investors limited information about Imperial County and its economic base. The Series B Bonds are not a debt of the County, the State or any of its political subdivisions, and none of the County, the State or any of their political subdivisions is liable therefor.

General

The District is located in the City of Winterhaven, a census-designated place, in Imperial County (the “**County**”), in the State of California (the “**State**”). Set forth below is certain demographic information in the County relating to the economic environment within which the District operates.

Imperial County

The County is located in the southeast corner of the State. 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 following table shows population estimates for the County for the past five years as of January 1.

**COUNTY OF IMPERIAL
Population Estimates
Calendar Years 2014 through 2018
As of January 1**

<u>Area</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
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

Imperial County is included in El Centro Metropolitan Statistical Area (“**MSA**”). The unemployment rate in the Imperial County was 20.3% in August 2018, up from a revised 19.1% in July 2018, and below the year-ago estimate of 22.0%. This compares with an unadjusted unemployment rate of 4.3% for California and 3.9% for the nation during the same period.

Set forth below is data from 2013 to 2017, reflecting the County's civilian labor force, employment and unemployment.

**EL CENTRO MSA
(Imperial County)
Annual Average Labor Force
Employment by Industry Group
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%
<u>Wage and Salary Employment: ⁽²⁾</u>					
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
Finance and Insurance	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 largest manufacturing and non-manufacturing employers as of September 2018 in the County are shown below, in alphabetical order.

IMPERIAL COUNTY Largest Employers September 2018

Employer Name	Location	Industry
8A Packing Llc	El Centro	Labor Organizations
Academic Services	Imperial	Schools-Universities & Colleges Academic
Allstar Seed Co	El Centro	Seeds & Bulbs-Wholesale
Calipatria State Prison	Calipatria	Government Offices-State
Centinela State Prison	Imperial	Government Offices-State
Central Union High School	El Centro	Schools
Clinicas De Salud Del Pueblo	Brawley	Clinics
El Centro Naval Air Facility	El Centro	Federal Government-National Security
El Centro Regional Medical Ctr	El Centro	Hospitals
Ferrellgas	Imperial	Propane (lp) Gas
Imperial County Bhvrl Health	El Centro	Government Offices-County
Imperial County Office-Educ	El Centro	Schools
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)
United States Gypsum Co	Imperial	Gypsum & Gypsum Products (Mfrs)
US Border Patrol	El Centro	Government Offices-Us
Walmart Supercenter	El Centro	Department Stores
Walmart Supercenter	Calexico	Department Stores
Walmart Supercenter	Brawley	Department Stores

Source: California State Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd Edition.

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 period 2013 through 2017.

**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	\$2,363,708	\$34,775
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2015	Imperial County	\$2,691,905	\$40,946
	California	814,578,458	47,062
	United States	6,438,704,664	41,253
2016	Imperial County	\$2,662,288	\$37,868
	California	864,088,828	47,307
	United States	6,737,867,730	41,358
2017	Imperial County	\$2,754,282	\$39,772
	California	858,676,636	48,340
	United States	6,982,757,379	43,715

Source: The Nielsen Company (US), Inc.

Construction Trends

The following table shows valuation summaries of building permits issued in the County for the past five years:

**IMPERIAL COUNTY
Building Activity and Permit Valuation
(Dollars in Thousands)**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Permit Valuation</u>					
New Single-family	\$67,396.6	\$33,809.1	\$26,492.4	\$ 48,224.4	\$36,490.5
New Multi-family	0.0	9,582.4	20,797.8	7,761.9	733.8
Res. Alterations/Additions	<u>4,389.1</u>	<u>4,211.6</u>	<u>6,386.9</u>	<u>10,004.3</u>	<u>5,166.4</u>
Total Residential	71,785.7	47,603.0	53,677.0	65,990.5	42,390.6
New Commercial	44,242.9	6,833.1	18,009.0	22,447.5	94,732.5
New Industrial	17,735.4	10,010.1	2,000.0	1,239.2	1,977.3
New Other	507,195.9	3,980.0	13,405.2	807.4	62,770.4
Com. Alterations/Additions	<u>22,475.6</u>	<u>12,257.7</u>	<u>13,616.3</u>	<u>18,720.1</u>	<u>12,701.0</u>
Total Nonresidential	591,679.8	33,080.9	47,030.5	43,214.2	172,181.2
 <u>New Dwelling Units</u>					
Single Family	334	179	125	230	191
Multiple Family	<u>0</u>	<u>59</u>	<u>133</u>	<u>41</u>	<u>8</u>
TOTAL	334	238	258	271	199

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

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table. Total taxable sales during the calendar year 2016 in the County were reported to be \$2,458,983, a 3.5% increase over the total taxable sales of \$1,612,423 reported during the calendar year 2015. Figures for calendar year 2017 are not available.

**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	1,612,423
2016	2,360	1,600,491	3,557	2,458,983

(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).

APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Series B Bonds, Atkinson, Andelson, Loya, Ruud & Romo, A Professional Law Corporation, Irvine, California, Bond Counsel to the San Pasqual Valley Unified School District, proposes to render their final approving opinion with respect to the Series B Bonds in substantially the following form:

[Date of Delivery]

Board of Trustees of the
San Pasqual Valley Unified School District
676 Baseline Road
Winterhaven, CA 92283

Re: \$2,500,000 San Pasqual Valley Unified School District
General Obligation Bonds, 2016 Election, 2018 Series B
Final Opinion

Ladies and Gentlemen:

We have acted as Bond Counsel for the San Pasqual Valley Unified School District ("District") in connection with the proceedings for the issuance and sale by the District of \$2,500,000 principal amount of San Pasqual Valley Unified School District General Obligation Bonds, 2016 Election, 2018 Series B ("Bonds"). The Bonds are being issued pursuant to the Resolution of Issuance of the Board of Trustees of the District, adopted on September 11, 2018 (Resolution No. 2018.19 #4) ("Bond Resolution"), pursuant to authorization provided in a resolution adopted by the Board of Supervisors of the County of Imperial ("County"), on September 25, 2018, which resolution was adopted pursuant to California Education Code Section 15140(b) ("County Resolution"), and in accordance with the provisions of the California Constitution, statutory authority set forth in Title 5, Division 2, Part 1, Chapter 3, Article 4.5 of the State of California Government Code, commencing with Section 53506, and, as applicable, the provisions of Title 1, Division 1, Part 10, Chapter 1 of the State of California Education Code, commencing with Section 15100 and related California law.

As Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings in connection with the issuance of the Bonds. In this connection, we have also examined such certificates of public officials and officers of the District, the County and the purchaser of the Bonds, including certificates as to factual matters, including, but not limited to the Tax Certificate, as we have deemed necessary to render this opinion.

Attention is called to the fact the we have not been requested to examine, and have not examined, any documents or information relating to the District or the County other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial or other information, or the adequacy thereof, which has been, or may be supplied to any purchaser of the Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. As to questions of fact material to our opinions, we have relied upon the documents and matters referred to above, and we have not undertaken by independent investigation to verify the authenticity of signatures or the accuracy of the factual matters represented, warranted or certified therein. Furthermore, we have assumed compliance with all covenants contained in the Bond Resolution and in certain other documents, including, without limitation, covenants compliance with which is necessary to assure that future actions or events will not cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of original issuance of the Bonds.

The Bond Resolution and other related documents refer to certain requirements and procedures which may be changed and certain actions which may be taken, in circumstances and subject to terms and conditions set forth in such documents, upon the advice or with an approving opinion of nationally recognized bond counsel. No opinion is expressed herein as to any Bond or the effect on interest thereon if any such change is made or action is taken upon the advice or approval of counsel other than ourselves.

Based on the foregoing, we are of the following opinions:

1. The Bonds are valid and binding general obligations of the District.
2. All taxable property in the territory of the District is subject to *ad valorem* taxation without limitation as to rate or amount (except as to certain classes of personal property which is taxable at limited rates) to pay the Bonds. The County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent necessary funds are not provided from other sources.
3. Interest on the Bonds (including any original issue discount properly allocable to the owner thereof) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended, and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, but it is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax applicable to taxable years

beginning before January 1, 2018. We express no opinion regarding other tax consequences related to the Bonds or to the accrual or receipt of the interest on the Bonds.

We express no opinion(s) as to any matter other than as expressly set forth above. We specifically express no opinion with regard to "Blue Sky" laws in connection with the Bonds.

It is understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights and remedies, to the application of equitable principles heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to exercise of judicial discretion in appropriate cases and to limitations on legal remedies against school districts in the State of California.

Very truly yours,

ATKINSON, ANDELSON, LOYA, RUUD & ROMO

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$2,500,000
SAN PASQUAL VALLEY UNIFIED SCHOOL DISTRICT
(Imperial County, California)
General Obligation Bonds
2016 Election, 2018 Series B
(Bank Qualified)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the San Pasqual Valley Unified School District (the "District") in connection with the issuance of \$2,500,000 aggregate principal amount of San Pasqual Valley Unified School District (Imperial County, California) General Obligation Bonds, 2016 Election, 2018 Series B (Bank Qualified) (the "Bonds"). The Bonds are being issued pursuant to a Resolution adopted by the Board of Trustees of the District on September 11, 2018 (the "Bond Resolution") and related State of California law. 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 in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms have the following meanings:

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

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

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

"*Holdings*" shall mean registered owners of the Bonds.

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

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" Raymond James & Associates, Inc., 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 provide, or shall cause the Dissemination Agent to provide, not later than nine months after the end of the District's fiscal year (which currently would be March 31), commencing no later than March 31, 2019, with the report for the 2017-18 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(b).

(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.

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

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

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

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

(b) Unless otherwise included in the audited financial statements filed on or before the Annual Report Date pursuant to (a), the Annual Report shall also contain for the most recently completed fiscal year:

- (i) total assessed valuation of taxable properties in the District
- (ii) assessed valuation of the top twenty secured property taxpayers;
- (iii) if *ad valorem* taxes securing the District's general obligation bonds are not included on Imperial County's Teeter Plan, property tax collection and delinquencies in the District for the most recently completed Fiscal Year or, if not available, for the previous fiscal year, and
- (iv) the District most recently adopted budget or interim report available at the time of filing the Annual Report.

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

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission.

Section 5. Reporting of Significant Events.

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

- (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.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(6)(other than adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determinations of taxability or of a notice of Proposed Issuance (IRS Form 5701 TEB) with respect to the Bonds),(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(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision hereof, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the 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 Bond Resolution for amendments to the Bond 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 under 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 9. Additional Information. Nothing in this Disclosure Certificate prevents the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. If the District fails to comply with any provision of this Disclosure Certificate, 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 Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Date: October 17, 2018

**SAN PASQUAL VALLEY UNIFIED
SCHOOL DISTRICT**

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: San Pasqual Valley Unified School District

Name of Bond Issue: \$2,500,000 aggregate principal amount of San Pasqual Valley Unified School District (Imperial County, California) General Obligation Bonds, 2016 Election, 2018 Series B (Bank Qualified)

Date of Issuance: October 17, 2018

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the District has not provided an Annual Report with respect to the above-named Bonds as required by the District's Bond Resolution authorizing the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

San Pasqual Valley Unified School District

By: _____
Authorized Officer

Cc: Underwriter

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.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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 the Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned

by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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.

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.

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 security 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.

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

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.

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.

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, Bonds will be printed and delivered to DTC.

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.

APPENDIX G
IMPERIAL COUNTY INVESTMENT POLICY
AND REPORT

APPENDIX H
SPECIMEN MUNICIPAL BOND INSURANCE POLICY