

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

628



FROM: Don Kent, Treasurer/Tax Collector

SUBMITTAL DATE:
January 31, 2012

SUBJECT: Resolution No. 2012-044 – Desert Sands Unified School District Fiscal Year 2011-2012 Tax and Revenue Anticipation Notes (Vote on Separately)

RECOMMENDED MOTION: That your Honorable Board approve and adopt Resolution No. 2012-044 for the issuance and sale of Tax and Revenue Anticipation Notes for the Desert Sands Unified School District (the "District") in a principal amount not to exceed \$32,000,000.

BACKGROUND: Government Code Section 53853 provides that a school district's tax and revenue anticipation notes are to be issued by the Board of Supervisors of Riverside County when the Riverside County Superintendent of Schools has jurisdiction over that district. The Riverside County Superintendent of Schools has jurisdiction over the District, therefore the District has requested, by resolution, that the Board of Supervisors issue Desert Sands Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Notes (the "Notes") on behalf of the District. The District requests the issuance of the Notes to fund its short-term operating cash requirements during the 2011-2012 fiscal year. (Continued on page two.)


Don Kent, Treasurer/Tax Collector

FORM APPROVED COUNTY COUNSEL
BY: Dale A. Gardner 1/25/12
DATE: 1/25/12

Departmental Concurrence

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ 0	For Fiscal Year:	N/A
SOURCE OF FUNDS: N/A				Positions To Be Deleted Per A-30 <input type="checkbox"/>
				Requires 4/5 Vote <input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY: 
Karen L. Johnson

County Executive Office Signature

- Policy
- Consent
- Policy
- Consent

Dept's Recomm.:
Per Exec. Ofc.:

Resolution No. 2012-044 authorizes the issuance of Desert Sands Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Notes in a principal amount not to exceed \$32,000,000. The District has pledged certain of its unrestricted revenues to be received or accrued during fiscal year 2011-2012 for the repayment of the Notes.

When issued, the notes will represent a general obligation of the District. The Notes will not constitute an obligation of the County. No funds of the County are pledged to the repayment of the Notes.

The Office of County Counsel has reviewed Resolution No. 2012-044 and has approved it as to form.

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RESOLUTION NO. 2012-044

RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE COUNTY PROVIDING FOR THE ISSUANCE OF DESERT SANDS UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF CALIFORNIA, 2011-12 TAX AND REVENUE ANTICIPATION NOTES

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1 BOARD OF SUPERVISORS,
2 RIVERSIDE COUNTY, STATE OF CALIFORNIA

3 RESOLUTION NO. 2012-044

4 RESOLUTION OF THE BOARD OF SUPERVISORS OF RIVERSIDE
5 COUNTY PROVIDING FOR THE ISSUANCE OF DESERT SANDS
6 UNIFIED SCHOOL DISTRICT, RIVERSIDE COUNTY, STATE OF
7 CALIFORNIA, 2011-12 TAX AND REVENUE ANTICIPATION NOTES

8 WHEREAS, pursuant to Section 53850 *et seq.* of the Government Code of the State
9 of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing,"
10 on or after the first day of any fiscal year (being July 1), a school district may borrow money
11 by issuing notes for any purpose for which the school district is authorized to expend
12 moneys, including but not limited to, current expenses, capital expenditures, investment and
13 reinvestment, and the discharge of any obligation or indebtedness of the school district; and

14 WHEREAS, Section 53853 of the Act requires that such notes must be issued in the
15 name of the school district by the board of supervisors of the county, the county
16 superintendent of which has jurisdiction over the school district, as soon as possible
17 following the receipt of a resolution of the governing board of such school district requesting
18 the borrowing; and

19 WHEREAS, the Riverside County Superintendent of Schools (the "County
20 Superintendent") has jurisdiction over the Desert Sands Unified School District (the
21 "District"), and this Board of Supervisors of Riverside County (the "County Board") has
22 received a resolution of the Board of Education of the District (the "District Board"), being
23 the governing board of the District, dated January 17, 2011, entitled "RESOLUTION OF
24 THE BOARD OF EDUCATION OF THE DESERT SANDS UNIFIED SCHOOL
25 DISTRICT AUTHORIZING THE ISSUANCE OF 2011-12 TAX AND REVENUE
26 ANTICIPATION NOTES AND REQUESTING THE BOARD OF SUPERVISORS OF
27 THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES" (the "District Resolution")
28 which District Resolution requests the borrowing of not exceeding Thirty Two Million
Dollars (\$32,000,000) at an interest rate not to exceed that allowed by law, through the
issuance by the County Board of 2011-12 Tax and Revenue Anticipation Notes (the "Notes")
in the name of the District; and

WHEREAS, such Notes shall be payable on such date that is not later than thirteen
months after the date of delivery thereof; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge any taxes,
income, revenue (including, but not limited to, revenue from state and federal governments),
cash receipts or other moneys of the District (including moneys deposited in inactive or term
deposits, but excepting certain moneys encumbered for a special purpose); and the District
Resolution specifies that certain of such revenues that will be received by the District for the
General Fund thereof shall be pledged for the payment of the Notes; and

FORM APPROVED COUNTY COUNSEL

BY: Dale A. Gardner 1/25/12
DALE A. GARDNER DATE

1 WHEREAS, the Notes shall be a general obligation of the District, and to the extent
2 not paid from the Unrestricted Revenues (defined herein) pledged for the payment thereof
3 shall be paid with interest thereon from any other moneys of the District lawfully available
therefor, as required by Section 53857 of the Act, and shall not in any way be payable from
County money; and

4 WHEREAS, the Notes shall be in denominations of \$5,000 principal amount or
5 integral multiples thereof, as permitted by Section 53854 of the Act; shall be issued on a date
6 provided in the Note Purchase Agreement (defined herein) therefor; and shall be in the form
and executed in the manner prescribed in the District Resolution and herein, as required by
Section 53853 of the Act; and

7 WHEREAS, the District has found and determined that said \$32,000,000 maximum
8 principal amount of Notes to be issued by the County Board, when added to the interest
9 payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the
10 uncollected taxes, income, revenue (including but not limited to revenue from state and
11 federal governments), cash receipts and other moneys of the District which will be available
for the payment of the Notes and interest thereon, as required by Section 53858 of the Act;
and

12 WHEREAS, the District has determined that the Notes will not be issued in an
13 amount greater than the maximum anticipated cumulative cash flow deficit to be financed by
14 the anticipated tax or other revenue sources for the period for which such taxes or other
revenues are anticipated and during which such Notes are outstanding, all as provided in
Section 1.103-14(c) of the Income Tax Regulations of the United States Treasury; and

15 WHEREAS, the District received a qualified certification on its first and second
16 interim reports for fiscal year 2010-11, such that the issuance of the Notes shall be
17 conditioned on the receipt by the District of finding by the County Superintendent, pursuant
to Section 42133 of the Education Code, that the District's repayment of the Notes is
probable;

18 NOW, THEREFORE, the Board of Supervisors of Riverside County hereby resolves
19 as follows:

20 Section 1. Authorization of Issuance of Notes: Terms Thereof; Paying Agent.
21 As required by law, the County Board hereby authorizes the issuance, in the name of the
22 District, of an amount not-to-exceed \$32,000,000 principal amount of Notes under Sections
23 53850 *et seq.* of the Act, designated as "Desert Sands Unified School District, County of
24 Riverside, State of California, 2011-12 Tax and Revenue Anticipation Notes." The Notes are
25 authorized to be issued in one or more series of Notes, with appropriate series designation,
26 numbered from 1 consecutively upward in order of issuance, and in the denominations of
27 \$5,000 principal amount or integral multiples thereof. The Notes shall be dated the date of
delivery thereof; shall mature (with or without option of prior redemption, as set forth in the
Note Purchase Agreement defined herein) on a day (or days, if more than one series of Notes
is issued) in which banks in New York or California are open for business and no later than
thirteen months after the date of issuance (on a 30-day month/360-day year basis); and shall
bear interest, payable on or before maturity and computed on a 30-day month/360-day year
basis, at the per annum rate or rates set forth in the Note Purchase Agreement relating for the

1 Notes (the "Note Purchase Agreement"), by and among the County, the District and RBC
2 Capital Markets, LLC (the "Underwriter"), but not in excess of the maximum rate allowed by
3 law.

4 Both the principal of and interest on the Notes shall be payable, only upon surrender
5 thereof, in lawful money of the United States of America at the principal corporate trust
6 office of U.S. Bank National Association, which is hereby designated as the paying agent,
7 authentication agent, registrar and transfer agent for the Notes (in such capacity, the "Paying
8 Agent").

9 Section 2. Form of Notes. The Notes shall be issued in registered form, without
10 coupons, and shall be substantially in the form and substance set forth in Exhibit A attached
11 hereto and by reference incorporated herein, the blanks in said form to be filled in with
12 appropriate words and figures. The Notes may be initially registered in the name of "Cede &
13 Co." as nominee of The Depository Trust Company, and shall be evidenced by one note in
14 the full principal amount of the Notes. The Depository Trust Company, New York, New
15 York is hereby appointed depository for the Notes (the "Depository"). Registered ownership
16 may not thereafter be transferred except as set forth in Section 4 hereof. There shall be
17 simultaneously delivered with each Note, the legal opinion of Stradling Yocca Carlson &
18 Rauth, a Professional Corporation, respecting the validity of said Notes.

19 Section 3. Transfer and Exchange of Notes. Subject to the provisions of
20 Section 4 hereof, the registration of any Note may, in accordance with its terms, be
21 transferred, upon the registration books kept by the Paying Agent for such purpose, by the
22 person in whose name it is registered, in person or by his or her duly authorized attorney,
23 upon surrender of such Note for cancellation, accompanied by delivery of a written
24 instrument of transfer, duly executed in a form approved by the Paying Agent.

25 Whenever any Note or Notes shall be surrendered for registration or transfer, the
26 Paying Agent shall execute and deliver a new Note or Notes, for a like aggregate principal
27 amount. The Paying Agent shall require the Note owner requesting such registration of
28 transfer to pay any tax or other governmental charge required to be paid with respect to such
29 transfer. The District may require the owner requesting such registration of transfer to pay
30 such additional reasonable charge as may be necessary to cover customary expenses incurred
31 and fees charged by the Paying Agent with respect to such registration of transfer. The
32 Paying Agent may treat the registered owner of any Note as the absolute owner thereof for all
33 purposes whatsoever in accordance with this resolution, and the Paying Agent shall not be
34 affected by any notice to the contrary.

35 Subject to the provisions of Section 4 hereof, Notes may be exchanged at the
36 designated corporate trust office of the Paying Agent for a like aggregate principal amount of
37 Notes in other authorized denominations. The Paying Agent shall require the payment by the
38 Note owner requesting such exchange of any tax or other governmental charge required to be
39 paid with respect to such exchange. The District may require the owner requesting such
40 exchange to pay such additional reasonable charge as may be necessary to cover customary
41 expenses incurred and fees charged by the Paying Agent or the District with respect to such
42 exchange.

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Section 4. Use of Depository.

(a) The Notes may be initially registered as provided in Section 2 hereof. Registered ownership of the Notes, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute Depository designated pursuant to clause (ii) of this Section 4 (a "Substitute Depository"); provided, that any successor of Cede & Co., as nominee of The Depository Trust Company or a Substitute Depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any Substitute Depository not objected to by the Paying Agent, upon (1) the resignation of The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as Depository, or (2) a determination by the District to substitute another Depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any Substitute Depository or its successor) is no longer able to carry out its functions as Depository; provided, that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or Substitute Depository or its successor) from its functions as Depository, or (2) a determination by the Paying Agent to remove The Depository Trust Company or its successor (or any Substitute Depository or its successor) from its functions as Depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent, together with a request of the District to the Paying Agent, a new Note shall be executed and delivered in the aggregate principal amount of the Notes registered in the name of such successor or such Substitute Depository, or their nominees, as the case may be, all as specified in such request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) of this Section 4, upon receipt of the outstanding Notes by the Paying Agent together with a request of the District to the Paying Agent, new Notes shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such a request of the District; provided, the Paying Agent shall not be required to deliver such new Notes within a period less than sixty (60) days from the date of receipt of such a request of the County. Thereafter, Notes shall be transferred pursuant to Section 3 hereof.

(c) The Paying Agent shall be entitled to treat the person in whose name any Note is registered as the owner thereof for all purposes of this resolution and any applicable laws, notwithstanding any notice to the contrary received by the Paying Agent, the District or the County; and the Paying Agent shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners

1 of the Notes and neither the County, the District nor the Paying Agent will have any
2 responsibility or obligations, legal or otherwise, to the beneficial owners or to any other
3 party, including The Depository Trust Company or its successor (or Substitute Depository or
4 its successor), except for the registered owner (the "Owner") of any Notes.

5 (d) So long as the outstanding Notes are registered in the name of Cede &
6 Co. or its registered assigns, the Paying Agent shall cooperate with Cede & Co., as sole
7 registered Owner, or its registered assigns in effecting payment of the principal of and
8 interest on the Notes by arranging for payment in such manner that funds for such payments
9 are properly identified and are made immediately available on the date they are due.

10 Section 5. Deposit and Investment of Note Proceeds; No Arbitrage. The moneys
11 so borrowed shall be deposited into a segregated account within the general fund of the
12 District and shall be pledged to the payment of the Notes to the extent sufficient Pledged
13 Revenues (as defined below) and other legally available Revenues are not deposited into the
14 Repayment Fund (as defined below). The District has covenanted that it will make no use of
15 the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section
16 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and, to that end, so long
17 as any of the Notes are outstanding, the District, and all of its officers having custody or
18 control of such proceeds, shall comply with all requirements of said section, including
19 restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of
20 investment earnings on certain amounts, including proceeds of the Notes, if required, to the
21 Federal government, and of the Income Tax Regulations of the United States Treasury
22 promulgated thereunder or under any predecessor provisions, to the extent that such
23 regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage
24 bonds."

25 Section 6. Payment of Notes.

26 (a) Source of Payment. The principal amount of the Notes, together with
27 the interest thereon, shall be payable from taxes, income, revenue (including, but not limited
28 to, revenue from state and federal governments), cash receipts and other moneys of the
District (including moneys deposited in inactive term deposits but excepting therefrom
moneys encumbered for a special purpose), as provided in Section 53856 of the Act, and
which are generally available for the payment of current expenses and other obligations of
the District (collectively, the "Unrestricted Revenues").

To the extent the Notes mature during the fiscal year succeeding fiscal year 2011-12,
the Notes shall be payable only from Unrestricted Revenues which are received in or accrued
to fiscal year 2011-12. The District has determined that included in such revenues are State
apportionments which otherwise would be received between July 2011 through June 2012
but, due to the deferral of the State monies thereby, will not be received until after June 30,
2012 (collectively, the "Deferred Revenues"). The District has further determined that the
Deferred Revenues are accrued to the District's 2011-12 fiscal year, and lawfully available to
pay the principal of and interest on the Notes.

The Notes shall be a general obligation of the District, and to the extent the Notes are
not paid from the Unrestricted Revenues pledged to the repayment thereof described herein,
shall be paid with interest thereon from any other moneys of the District lawfully available

1 therefor, as provided herein and by law.

2 Notwithstanding anything to the contrary contained herein or in any document
3 mentioned herein or related to the Notes, the County shall not have any monetary or other
4 liability hereunder or by reason hereof or in connection with the transactions contemplated
5 therefor as set forth in this Section and in Section 4 of the District Resolution. Further, the
6 County shall have no responsibility for or liability as a result of the use of the proceeds of the
7 sale of the Notes.

8 (b) Pledged Revenues. Except as otherwise provided in the Purchase
9 Contract or the Notes, as security for the payment of the principal of and interest on the
10 Notes, as provided in the District Resolution, the District has pledged an amount equal to
11 fifty percent (50%) of the principal of and interest due on the Notes from the first
12 Unrestricted Revenues received by the District in the month ending July 31, 2012; and an
13 amount equal to fifty percent (50%) of the principal of and interest due on the Notes, as well
14 as any deficiency in the amount required to be deposited during any prior month, from the
15 first Unrestricted Revenues received by the District in the month ending August 31, 2012
16 (such pledged amounts being hereinafter called the "Pledged Revenues"). Except as
17 otherwise provided in the Purchase Contract or the Notes, the Pledged Revenues shall be
18 deposited by the District no later than the last day of each month specified above into the
19 Repayment Fund (defined herein).

20 The principal of the Notes and the interest thereon shall be a first lien and charge
21 against and shall be payable from the first moneys received by the District from such Pledged
22 Revenues as provided by law.

23 In the event that there are insufficient Unrestricted Revenues received by the District
24 to permit the deposit into the Repayment Fund of the full amount of Pledged Revenues to be
25 deposited from such Unrestricted Revenues, then the amount of any such deficiency shall be
26 satisfied and made up from any other moneys of the District lawfully available for the
27 repayment of the Notes and the interest thereon.

28 (c) Covenant Regarding Additional Short term Borrowing. The District
has covenanted and warranted that, during the term that provision for the payment of
principal and interest of the Notes has not been made, the District will not request the County
Treasurer-Tax Collector (the "Treasurer-Tax Collector"), to make temporary transfers of
funds in the custody of the Treasurer-Tax Collector, to meet any obligations of the District
during the 2011-2012 fiscal year pursuant to the authority of Article XVI, Section 6 of the
Constitution of the State of California or any other legal authority.

(d) Deposit of Pledged Revenues in Repayment Fund. The Pledged
Revenues shall be held (in accordance with the District Resolution) in a special fund
designated as the "Desert Sands Unified School District, Riverside County, State of
California, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (herein called
the "Repayment Fund") and applied as directed in this Resolution and the District Resolution.
Any moneys placed in the Repayment Fund shall be for the benefit of the holders of the
Notes, and until the Notes and all interest thereon are paid or until provision has been made
for the payment of the Notes at maturity with interest to maturity, the moneys in the

1 Repayment Fund shall be applied only for the purposes for which the Repayment Fund is
2 created.

3 (e) Disbursement and Investment of Moneys in Repayment Fund. From
4 the date this Resolution takes effect, all Pledged Revenues shall, when received, be deposited
5 and accounted for in the Repayment Fund. After such date as the amount of Pledged
6 Revenues deposited in the Repayment Fund shall be sufficient to pay in full the principal of
7 and interest on the Notes, when due, any moneys in excess of such amount remaining in or
8 accruing to the Repayment Fund shall be transferred to the General Fund of the District upon
9 the request of the District. On the maturity date of the Notes, the moneys in the Repayment
10 Fund shall be used to pay the principal of and interest on the Notes and any excess remaining
11 in the Repayment Fund after payment of Notes shall be transferred to the District.

12 Moneys in the Repayment Fund shall be invested in accordance with the District
13 Resolution, at the request of the District in investment securities or other investments
14 permitted by applicable California law, as it is now in effect and as it may be amended,
15 modified or supplemented from time to time, including investments authorized by Section 12
16 hereof; to the extent that moneys invested or held by the County are subject to arbitrage
17 rebate, neither the County nor any officer or employee of the County shall assume hereunder
18 or under the provisions of any rebate certificate any duty or obligation to make the actual
19 calculations of arbitrage rebate liability of the District, or to pay any such rebate or any
20 penalties in regard thereto if the District miscalculates or fails to pay or cause such rebate or
21 such penalties to be paid.

22 Section 7. Execution of Notes. The Chair of the Board of Supervisors is hereby
23 authorized to sign the Notes by manual signature; the Treasurer-Tax Collector to sign the
24 Notes by manual signature, and the Clerk of the Board (the "Clerk") to countersign the Notes
25 by manual signature; the Clerk is hereby authorized to affix the seal of the County Board
26 thereto; and said officers are hereby authorized to cause the blank spaces thereof to be filled
27 in as may be appropriate. The County also authorizes the Paying Agent to authenticate the
28 Notes. No Note shall be valid or obligatory for any purpose or shall be entitled to any
security or benefit hereunder unless and until the certificate of authentication printed on the
Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying
Agent shall be conclusive evidence that the Bond so authenticated has been duly issued,
signed and delivered under this Resolution and is entitled to the security and benefit of this
Resolution.

21 Section 8. Approval of Note Purchase Agreement. Pursuant to the District
22 Resolution, the District Board has authorized the sale of the Notes at a negotiated sale. The
23 form of Note Purchase Agreement for the Notes by and among the District, the County and
24 RBC Capital Markets, LLC (the "Underwriter"), substantially in the form presented to this
25 meeting and on file with the Clerk of the County, is hereby approved. The Superintendent,
26 the Assistant Superintendent, Business Services or the Director of Fiscal Services of the
27 District or a designated deputy thereof (the "District Officers), each alone, have been
28 authorized by the District Resolution, and the Treasurer-Tax Collector or the Treasurer-Tax
Collector's designee are hereby authorized to execute and deliver the Note Purchase
Agreement, and each of the District Officers and the Treasurer-Tax Collector are hereby
authorized and requested to acknowledge such Note Purchase Agreement, but with such
changes therein, deletions therefrom and modifications thereto as each shall approve, such

1 approval to be conclusively evidenced by his or her execution and delivery thereof; provided,
2 however, that the maximum interest rate on the Notes shall not exceed that authorized by
3 law, and that the Underwriter's discount shall not exceed 0.5 %, of the par amount of the
4 Notes. The Treasurer-Tax Collector or the Treasurer-Tax Collector's designee, in
5 conjunction with the District Officers, are hereby further authorized to determine the
6 maximum principal amount of Notes to be specified in the Note Purchase Agreement, up to
7 \$32,000,000 and to enter into and execute the Note Purchase Agreement with the
8 Underwriter, if the conditions set forth in this Resolution and the District Resolution are
9 satisfied.

6 Section 9. Authorization of Preliminary Official Statement and Official
7 Statement. Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond and
8 Disclosure Counsel, has been authorized by the District to prepare a Preliminary Official
9 Statement and an Official Statement relating to the Notes, to be used in connection with the
10 offering and sale of the Notes.

10 Section 10. Delivery of Notes. The proper officers of the County Board are
11 hereby authorized and directed to deliver the Notes to the Underwriter in accordance
12 herewith and with the Note Purchase Agreement. All actions heretofore taken by the officers
13 and agents of the County Board with respect to the sale and issuance of the Notes are hereby
14 approved, confirmed and ratified, and the officers of the County Board are hereby authorized
15 and directed, for and in the name and on behalf of the County Board, to do any and all things
16 and take any and all actions and execute and deliver any and all certificates, agreements and
17 other documents which they, or any of them, may deem necessary or advisable in order to
18 consummate the lawful issuance and delivery of the Notes in accordance with this Resolution
19 and the District Resolution.

16 Section 11. Further Actions Authorized. It is hereby covenanted that the County,
17 and its appropriate officials, have duly taken all proceedings necessary to be taken by them,
18 and will take any additional proceedings necessary to be taken by them, for the levy,
19 collection and enforcement of the secured property taxes pledged under the District
20 Resolution in accordance with the law and for carrying out the provisions of the District
21 Resolution and of this Resolution.

20 Section 12. Investment of Note Proceeds. Notwithstanding anything to the
21 contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the
22 Notes in the event and to the extent sufficient Pledged Revenues of the District and other
23 legally available revenues are not deposited into the Repayment Fund. In addition to
24 investments in the Treasurer-Tax Collector's Investment Pool, pursuant to Section 53601(1)
25 of the Government Code of the State of California, the following are hereby designated as
26 additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i)
27 a guaranteed investment contract with a financial institution or insurance company which has
28 or its guarantor has at the date of execution thereof one or more outstanding issues of
unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not
lower than the second highest rating category (without regard to subcategories) by Standard
& Poor's Ratings Services and Moody's Investors Service; or (ii) the Local Agency
Investment Fund (LAIF) administered by the State of California.

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Section 13. Other Actions.

(a) Officers of the Board and County officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Notes and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

(b) Notwithstanding any other provision hereof, the provisions of this Resolution as they relate to the terms of the Notes may be amended by the Note Purchase Agreement.

Section 14. Recitals. All the recitals in this Resolution above are true and correct and this County Board so finds, determines and represents.

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Section 15. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was adopted by the Board of Supervisors of the County of Riverside on January 31, 2012.

COUNTY OF RIVERSIDE

By: _____
Chairman

ATTEST:

Clerk of the Board of Supervisors

EXHIBIT A
FORM OF NOTE

REGISTERED
No. 1

REGISTERED
\$ _____

DESERT SANDS UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA
2011-12 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest: _____% Note Date: _____, 2011 Maturity Date: _____, 2012 CUSIP: _____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

FOR VALUE RECEIVED, the Desert Sands Unified School District (the "District"), Riverside County, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assigns, at the corporate trust office of U.S. Bank National Association (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year of twelve 30-day months), in like lawful money of the United States of America from the Note Date specified above until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$ _____) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of Riverside County (the "County") duly passed and adopted on January 31, 2012 and a Resolution of the Board of Education of the District duly passed and adopted on January 17, 2012, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from

taxes, income, revenue (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose), received in or accrued to fiscal year 2011-12, and which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to fifty percent (50%) of the principal of and interest due on the Notes from the first Unrestricted Revenues received by the District in the month ending July 31, 2012; and an amount equal to fifty percent (50%) of the principal of and interest due on the Notes, as well as any deficiency in the amount required to be deposited during any prior month, from the first Unrestricted Revenues received by the District in the month ending August 31, 2012 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge on such Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the corporate trust office of the Paying Agent, in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note except that this Note shall not be transferred or exchanged later than the 15th day prior to the maturity date hereof. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.


The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the County, District nor the Paying Agent shall be affected by any notice to the contrary.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co. has an interest herein.

IN WITNESS WHEREOF, Riverside County has caused this Desert Sands Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors and countersigned by the Treasurer-Tax Collector and has caused a facsimile of its official seal to be printed hereon this ___ day of _____, 2011

RIVERSIDE COUNTY

By: _____ [Manual Signature] _____
Chairman of the Board of Supervisors

By: _____  [Manual Signature] _____
Treasurer-Tax Collector

Countersigned

By: _____ [Manual Signature] _____
Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Resolutions referred to herein which has been authenticated and registered on _____, 2011.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: _____ [Manual Signature] _____
Authorized Signatory

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.

[Manual Signature]

Superintendent, Desert Sands Unified
School District

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the _____ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

§ _____
**DESERT SANDS UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA
2011-12 TAX AND REVENUE ANTICIPATION NOTES**

NOTE PURCHASE AGREEMENT

_____, 2012

Board of Supervisors
County of Riverside
4080 Lemon Street, 4th Floor
Riverside, California 92501

Board of Education
Desert Sands Unified School District
47-950 Dune Palms Road
La Quinta, California 92253

Ladies and Gentlemen:

The undersigned, RBC Capital Markets, LLC (the "Underwriter"), acting on its own behalf and not acting as fiduciary or agent for you, offers to enter into this Note Purchase Agreement (the "Note Purchase Agreement") with the County of Riverside (the "County") and Desert Sands Unified School District (the "District"), which, upon your acceptance hereof, will be binding upon the County, the District and the Underwriter. By execution of this Note Purchase Agreement, the County and the District acknowledge the terms hereof and recognize that they will be bound by certain of the provisions hereof, and to the extent binding thereupon, acknowledge and agree to such terms. This offer is made subject to the written acceptance of this Note Purchase Agreement by the County and the District and delivery of such acceptance to us at or prior to 11:59 P.M., California Time, on the date hereof.

1. **Purchase and Sale of the Notes.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the County for reoffering to the public, and the County hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of \$ _____ in aggregate principal amount of the District's 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). The Notes shall bear interest at the rate of ____% per annum with the yield to maturity of ____% and shall mature on _____, 2013. The Notes shall otherwise be as described in, and shall be issued and secured pursuant to the provisions of the Resolution of the District adopted on _____, 2012 (the "District Resolution"), pursuant to the Resolution of the County adopted on _____, 2012 (the "County Resolution" and collectively with the District Resolution, the "Resolutions"), the Official Statement dated of even date herewith and Sections 53850 through 53858, inclusive, of the California Government Code (the "Act"). Inasmuch as this purchase and sale represents a negotiated transaction, the District understands, and hereby confirms, that (i) the purchase and sale of the Notes pursuant to this Note Purchase Agreement is an arm's-length commercial transaction between the District and the

Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or fiduciary of the District; (iii) the Underwriter has not assumed a fiduciary responsibility in favor of the District with respect to: (x) the offering of the Notes or the process leading thereto (whether or not the Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the District on other matters); or (y) any other fiduciary or contractual obligation to the District except the obligations expressly set forth in this Note Purchase Agreement; and (iv) the District has consulted with its own legal and financial advisors to the extent it deemed appropriate in connection with the offering of the Notes. The Underwriter has been duly authorized to execute this Note Purchase Agreement and to act hereunder.

The Underwriter shall purchase the Notes at a price of \$_____ (consisting of the aggregate principal amount of the Notes of \$_____, plus original issue premium of \$_____, less an Underwriter's discount of \$_____. \$_____ of the proceeds of the Notes shall be deposited with U.S. Bank National Association, as fiscal agent (the "Fiscal Agent") and shall be applied to pay the costs of issuance of the Notes as provided below. If, after payment of all costs of issuance, any amount deposited by with the Fiscal Agent has not been expended, such amount shall be paid by the Fiscal Agent to the County for deposit into the District's Debt Service Fund. In the event the amount deposited in the costs of issuance account is insufficient to pay costs of issuance, any shortfall shall be paid by the District.

2. **The Notes.** The Notes shall be dated as of their date of delivery and shall mature on_____, 2012. Principal of and interest on the Notes shall be payable at maturity. The Paying Agent for the Notes, as designated by the County Resolution, shall be U.S. Bank National Association (the "Paying Agent").

The Notes shall be executed and delivered under and in accordance with the provisions of this Note Purchase Agreement and the Resolutions, as the Resolutions may be modified hereby. The Notes shall be in book-entry form, shall bear CUSIP numbers, shall be in fully registered form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"); the Notes shall be in authorized denominations of \$5,000 each or any integral multiple thereof. The Notes shall be delivered to DTC at least one business day prior to the Closing.

3. **Use of Documents.** The County and the District hereby authorize the Underwriter to use, in connection with the offering and sale of the Notes, this Note Purchase Agreement, the Official Statement, the District Resolution, the County Resolution, and all information contained herein and therein and all of the documents, certificates or statements furnished by the County or the District to the Underwriter in connection with the transactions contemplated by this Note Purchase Agreement.

4. **Public Offering of the Notes.** The Underwriter agrees to make a *bona fide* public offering of all the Notes at the initial public offering price or yield to be set forth on the cover page of the Official Statement (defined below). Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yields as it deems necessary in connection with the marketing of the Notes; provided that the Underwriter shall not change the interest rate set forth on the cover or inside cover of the Official Statement. The Underwriter may offer and sell Notes to certain dealers (including dealers depositing Notes into investment trusts) and others at prices lower than the public offering prices stated in the Official Statement.

The Underwriter hereby represents to the District (i) that as of the date of sale, all of the Notes purchased were expected to be reoffered in a bona fide public offering; (ii) that as of the date of the certification at closing, all of the Notes purchased had actually been offered to the general public at the offering price shown on the cover or the inside cover of the Official Statement; and (iii) that the prices given on the cover or the inside cover of the Official Statement is the maximum initial bona fide offering price at which a substantial amount (at least 10%) of the aggregate principal amount of the Notes purchased (or as otherwise indicated) was offered to the general public. The Underwriter agrees, upon request, to furnish to the District or to Bond Counsel, reasonable written verification of its compliance with this paragraph, in the form of a Certificate of Underwriter at Closing (as defined below).

5. **Official Statement.** The District has caused to be drafted and consents to the use of a Preliminary Official Statement (the "Preliminary Official Statement"), including the cover page and Appendices thereto, relating to the Notes. The District represents that it deems the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price, interest rate, yield to maturity, selling compensation, aggregate principal amount, principal amount, delivery date, rating(s) and other terms of the Notes which depend upon the foregoing as provided in and pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as amended (the "Rule"). The Preliminary Official Statement has been prepared for use by the Underwriter in connection with the public offering, sale and distribution of the Notes.

The District hereby authorizes the preparation of a final Official Statement respecting the Notes following the execution hereof (the "Official Statement") and the District hereby authorizes the use thereof by the Underwriter in connection with the public offering and sale of the Notes. The District shall provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the District's acceptance of this Agreement (but, in any event, not later than seven business days after the execution hereof, and in sufficient time to accompany any confirmation of a sale of Notes) copies of the Official Statement, which is complete as of the date of its delivery to the Underwriter, in such reasonable quantities as the Underwriter shall request in order to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Underwriter hereby agrees to file the Official Statement with the MSRB.

The Underwriter agrees that prior to the time the final Official Statement relating to the Notes is available, the Underwriter will send to any potential purchaser of the Notes, upon the request of such potential purchaser, a copy of the Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

During the period ending on the 25th day after the End of the Underwriting Period (as defined below) (or such other period as may be agreed to by the District and the Underwriter), the District (i) shall not supplement or amend the Official Statement or cause the Official Statement to be supplemented or amended without the prior written consent of the Underwriter and (ii) shall notify the Underwriter promptly if any event shall occur, or information comes to the attention of the District, that is reasonably likely to cause the Official Statement (whether or not previously supplemented or amended) to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If, in the opinion of the Underwriter, such event requires the preparation and distribution of a supplement or amendment to the Official Statement, the District shall prepare and furnish to the

Underwriter, at the District's expense, such number of copies of the supplement or amendment to the Official Statement, in form and substance mutually agreed upon by the District and the Underwriter, as the Underwriter may reasonably request. If such notification shall be given subsequent to the Closing, the District also shall furnish, or cause to be furnished, such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably deem necessary to evidence the truth and accuracy of any such supplement or amendment to the Official Statement.

For purposes of this Purchase Agreement:

- (1) the "End of the Underwriting Period" is used as defined in Rule 15c2-12 and shall occur on the later of (a) the date of Closing or (b) when the Underwriters no longer retain an unsold balance of the Notes; unless otherwise advised in writing by the Underwriter on or prior to the Closing Date, or otherwise agreed to by the District, the Underwriter and the County, the District may assume that the End of the Underwriting Period is the Closing Date, and
- (2) the "new issue disclosure period" is used as defined in MSRB Rule G-32 and shall end on the 25th day after the Closing Date.

6. **Closing.** At 9:00 a.m., California Time, on _____, 2012, or at such other time or on such other date as shall have been mutually agreed upon by the District, the County and the Underwriter (the "Closing"), the County will deliver to the Underwriter, at the offices of DTC, or at such other place as the parties may mutually agree upon, the Notes in book-entry form, duly executed and registered as provided in paragraph 2 above, and such other documents hereinafter mentioned shall be delivered by the District or the County as applicable at such place as the parties may mutually agree upon; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by wire transfer to an account or accounts within the United States designated by the County. The Underwriter will deposit original issue premium with the Fiscal Agent, who shall pay or provide for payment of the costs of issuance of the Notes.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

A. The District is a unified school district duly organized and validly existing under the laws of the State of California, with the full legal right, power and authority to (i) request the County to issue the Notes pursuant to the Act; (ii) enter into, execute and deliver this Note Purchase Agreement and the Continuing Disclosure Certificate appended to the Official Statement (the "Continuing Disclosure Certificate"); and (iii) to adopt the District Resolution.

B. (i) At or prior to the Closing, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Notes; (ii) the District has the legal right, power and authority to enter into this Note Purchase Agreement, to adopt the District Resolution, to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Note Purchase Agreement and the District Resolution; (iii) the execution and delivery or adoption of, and the performance by the District of the obligations contained in the Notes, the Continuing Disclosure Certificate, the District Resolution and this Note Purchase Agreement (collectively, the "District Documents") have been duly authorized

and such authorization shall be in full force and effect at the time of the Closing; (iv) the District Documents constitute the valid and legally binding obligations of the District; enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and to principles of equity relating to or affecting the enforcement of creditors' rights; and (v) the District has duly authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement and by the Official Statement.

C. No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any person, organization, court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Notes or the consummation of the other transactions effected or contemplated herein or hereby, except for such actions may be to qualify the Notes for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States and the Underwriter may reasonably request, or which have not been taken or obtained; provided, however, that the District shall not be required to subject itself to service of process in any jurisdiction in which it is not so subject as of the date hereof.

D. The District has complied with the requirements of the Internal Revenue Code of 1986, as amended, applicable to the Notes.

E. To the best knowledge of the District, the issuance of the Notes, and the execution, delivery and performance of the District Documents, and the compliance with the provisions thereof and hereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

F. As of the time of acceptance hereof no action, suit, hearing or investigation is pending or, to the best knowledge of the District, threatened: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or the titles of the officials of the District to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the District available to pay the principal of and interest on the Notes, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement or the District Resolution or contesting the powers of the District or its authority with respect to the Notes, this Note Purchase Agreement or the District Resolution; or (iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Note Purchase Agreement or the District Resolution, (b) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes or the exemption of such interest from California personal income taxation.

G. Between the date hereof and the Closing without the prior written consent of the Underwriter, neither the District nor the County in the name and on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

H. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

I. Except as disclosed in the Preliminary Official Statement, with respect to any certificates by the District pursuant to Section 42131 of the Education Code of the State, the District has not received, and for the next reporting period does not expect to receive, a qualified or negative classification from the County Superintendent of Schools.

J. In accordance with the requirements of the Rule, the District will enter into the Continuing Disclosure Certificate, upon or prior to the sale of the Notes, in which the District will undertake, for the benefit of the Owners of the Notes, to provide certain information as set forth therein. The District is not in default with respect to any continuing disclosure obligation it may have incurred prior to the date hereof in connection with the delivery or issuance of any debt instruments, bonds, notes or lease-purchase obligations.

K. The District will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request in order to qualify the Notes for offering and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and determine the eligibility of the Notes for investment under the laws of such states and other jurisdictions and to continue such qualifications in effect so long as may be required for the distribution of the Notes (provided, however, that the District will not be required to qualify as a foreign corporation or to file any general or special consent to service of process under the laws of any jurisdiction).

L. The Preliminary Official Statement did not, and the Official Statement will not, as of its date (excluding therefrom information relating to The Depository Trust Company and information provided by the Underwriter) contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. If the Official Statement is supplemented or amended, at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading.

M. The financial statements of, and other financial information regarding, the District contained in the Official Statement fairly represent the financial position and operating results of the District as of the dates and for the periods set forth therein.

Since the date of the Preliminary Official Statement, there has been no adverse change of a material nature in such financial position, results of operation or condition, financial or otherwise, of the District. The District is not a party to any litigation or other proceeding pending, or, to its knowledge, threatened which, if decided adversely to the District, would have a materially adverse effect on the financial condition of the District.

8. **Representations by the County.** The County represents and warrants to the Underwriter that:

A. The County has the power under the Constitution and laws of the State to issue the Notes in the name and on behalf of the District.

B. (i) At or prior to the Closing, the County will have taken all actions required to be taken by it in order to authorize the issuance and delivery of the Notes; (ii) the County has full legal right, power and authority to enter into this Note Purchase Agreement, to adopt the County Resolution, to issue and deliver the Notes to the Underwriter on behalf of the District and to perform its obligations under each such document or instrument, and to carry out and effectuate the transactions contemplated by this Note Purchase Agreement and the Resolutions; (iii) the execution and delivery or adoption of, and the performance by the County of its obligations contained in the Notes, the County Resolution and this Note Purchase Agreement have been duly authorized, and such authorization shall be in full force and effect as at the Closing; (iv) this Note Purchase Agreement constitutes a valid and legally binding obligation of the County, enforceable against the County in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and to principles of equity relating to or affecting the enforcement of creditors' rights; and (v) the County has duly authorized the consummation by it of all transactions contemplated by this Note Purchase Agreement.

C. As of the time of acceptance hereof, to the best knowledge of the County, no action, suit, hearing or investigation is pending or, to the best knowledge of the County, threatened against the County: (i) in any way affecting the existence of the County or in any way challenging the respective powers of the several offices or the titles of the officials of the County to such offices; or (ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Notes, the application of the proceeds of the sale of the Notes, or the collection of revenues or assets of the District pledged or to be pledged or available to pay the principal of and interest on the Notes, or in any way contesting or affecting the validity or enforceability of the Notes, this Note Purchase Agreement or the County Resolution or contesting the powers of the County or its authority with respect to the Notes, this Note Purchase Agreement or the County Resolution; or (iii) in which a final adverse decision would (a) declare this Note Purchase Agreement to be invalid or unenforceable in whole or in material part, or (b) adversely affect the exclusion of the interest paid on the Notes from gross income for federal income tax purposes or the exemption of such interest from California personal income taxation.

D. Between the date hereof and the Closing, without the prior written consent of the Underwriter, the County will not have issued in the name and on behalf of the District

any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

E. Any certificates signed by an officer of the County and delivered to the Underwriter shall be deemed a representation and warranty by the County to the Underwriter, but not by the person signing the same, as to the statements made therein.

9. Underwriter's Representations, Warranties and Agreements. The Underwriter represents, warrants to and agrees with the County and the District that, as of the date hereof and as of the Closing Date:

A. The execution and delivery hereof and the consummation of the transactions contemplated hereby does not and will not violate any of the prohibitions set forth in Rule G-37 promulgated by the Municipal Securities Rulemaking Board (the "MSRB");

B. All reports required to be submitted to the MSRB under Rule G-37 have been and will be submitted to the MSRB;

C. The Underwriter has not paid or agreed to pay, nor will it pay or agree to pay, any entity, company, firm, or person, other than a bona fide officer, agent or employee working for the Underwriter, any compensation, fee, gift or other consideration contingent upon or resulting from the award of or entering into this Purchase Agreement; and

10. Conditions to Closing. The Underwriter has entered into this Note Purchase Agreement in reliance upon the representations, warranties and covenants of the District and the County contained herein and the performance by the District and the County of their respective obligations hereunder, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the date of Closing. Accordingly, the Underwriter's obligations under this Note Purchase Agreement to purchase, to accept delivery of and to pay for the Notes are and shall be conditioned upon the performance by the District and the County, respectively, of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject at the option of the Underwriter, to the following further conditions, including the delivery by the District and the County of such documents and instruments as are enumerated herein, in form and substance satisfactory to the Underwriter :

A. The representations and warranties of the District and the County contained herein shall be true, complete and correct in all material respects at the date hereof and at and as of the Closing, as if made at and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriter at the Closing pursuant hereto shall be true, complete and correct in all material respects on the date of the Closing; and the District shall be in compliance with each of the agreements made by it in this Note Purchase Agreement;

B. At the time of the Closing, (i) the Official Statement, this Note Purchase Agreement, the Resolutions and the Notes shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter; (ii) all actions under the Act which, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby, shall have been duly taken and shall be in full force and effect; and (iii) the District

shall perform or have performed all of its obligations required under or specified in the Resolutions, this Note Purchase Agreement or the Official Statement to be performed at or prior to the Closing;

C. No decision, ruling or finding shall have been entered by any court or governmental authority since the date of this Note Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District or the County, pending or threatened, which has any of the effects described in Section 7.F. or 8.C. hereof, or contesting in any way the completeness or accuracy of the Official Statement;

D. The District shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

E. All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Note Purchase Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

F. Between the date hereof and the Closing, the market price for the Notes, or the market for or marketability of the Notes at the initial offering prices set forth in the Official Statement, or the ability of the Underwriter to enforce contracts for the sale of the Notes, shall not have been materially adversely affected in the reasonable professional judgment of the Underwriter (evidenced by a written notice to the District and the County terminating the obligation of the Underwriter to accept delivery of and pay for the Notes) by reason of any of the following:

(1) legislation enacted by the Congress of the United States, or passed by either House of the Congress, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or by the legislature of the State of California (the "State"), or introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court of the United States or the State or by the United States Tax Court, or an order, regulation (final, temporary or proposed) or official statement issued or made:

(i) by or on behalf of the United States Treasury Department, or by or on behalf of the Internal Revenue Service or other federal or State authority, which would have the purpose or effect of changing, directly or indirectly, the federal income tax consequences or State tax consequences of interest on obligations of the general character of the Notes in the hands of the holders thereof;" or

(ii) by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, to the effect that the Notes, or obligations of the general character of the Notes, including any and all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended;

- (2) the declaration of war or engagement in or material escalation of major military hostilities by the United States or the occurrence of any other national or international emergency or calamity or crisis relating to the effective operation of the government or the financial community in the United States;
- (3) the declaration of a general banking moratorium by federal, New York or State authorities having jurisdiction, or the general suspension of trading on any national securities exchange or fixing of minimum or maximum prices for trading or maximum ranges for prices for securities on any national securities exchange, whether by virtue of a determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;
- (4) the imposition by the New York Stock Exchange, other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Notes, or obligations of the general character of the Notes, or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, underwriters;
- (5) an order, decree or injunction of any court of competent jurisdiction, or order, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction over the subject matter thereof, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Notes, or the issuance, offering or sale of the Notes, as contemplated hereby or by the Official Statement, is or would be in violation of the Federal securities laws, as amended and then in effect;
- (6) any event's occurring, or information's becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material adverse respect any statement or information set forth in the Official Statement, or results in an omission to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- (7) there shall have occurred since the date of this Note Purchase Agreement any materially adverse change in the affairs or financial condition of the District;
- (8) the State of California Department of Corporations, Securities Regulation Division, Blue Sky or securities commission, or other governmental agency or body of the State of California, shall have withheld registration, exemption or clearance of the offering of the Notes as described herein, or issued a stop order or similar ruling relating thereto;
- (9) any amendment shall have been made to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the District, its

property, income securities (or interest thereon) or the validity or enforceability of the levy of taxes to pay principal of and interest on the Notes;

(10) the purchase of and payment for the Notes by the Underwriter, or the resale of the Notes by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission; or

(11) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the District's obligations or any rating of the Insurer.

G. At or prior to the date of the Closing, the Underwriter shall receive copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(1) An approving opinion of Bond Counsel, addressed to the County and the District to the effect that the interest on the Notes is excludable from gross income for federal income tax purposes;

(2) A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in G(1) above;

(3) A supplemental opinion from Bond Counsel, addressed to the Underwriter and the District, to the effect that:

(i) this Note Purchase Agreement has been duly authorized, executed and delivered by the District and the County and, assuming due authorization, execution and delivery by the Underwriter, is a legally valid and binding agreement of the District and the County, enforceable in accordance with its terms, except as such enforcement may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditors' rights or remedies, and is subject to general principles of equity (regardless of whether such enforcement is considered in equity or at law); and

(ii) the statements contained in the Official Statement dated _____, 2012 (the "Official Statement") under the captions "INTRODUCTION," "THE NOTES", "SECURITY AND SOURCE OF PAYMENT OF THE NOTES," and "TAX MATTERS" insofar as such statements purport to summarize certain provisions of the Notes, the Resolution and matters relating to the treatment of interest received with respect to the Notes under federal and state law, fairly and accurately summarize the information presented therein (excluding therefrom financial statements and statistical data as to which no opinion need be expressed); and

(iii) the Notes are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Resolutions are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended

(4) The opinion of Stradling Yocca Carlson & Rauth, as Disclosure Counsel, dated the Closing Date and addressed to the District, substantially to the effect that based on such counsel's participation in conferences with representatives of the Underwriter, the District and others, during which conferences the contents of the Official Statement and related matters were discussed, and in reliance thereon and on the records, documents, certificates and opinions described therein, such counsel advises the District that during the course of its engagement as Disclosure Counsel no information came to the attention of such counsel's attorneys rendering legal services in connection with such representation which caused such counsel to believe that the Official Statement as of its date (except for any financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, Appendices A and D thereto, or DTC or its book-entry only system included therein, as to which such counsel need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(5) A certificate signed by an appropriate official of the District to the effect that (i) such official is authorized to execute this Note Purchase Agreement, (ii) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing, (iii) the District has complied with all the terms of the District Resolution and this Note Purchase Agreement to be complied with by the District prior to or concurrently with the Closing and such documents are in full force and effect, (iv) such official has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statements of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and (v) the Notes being delivered on the date of the Closing to the Underwriter under this Note Purchase Agreement substantially conform to the descriptions thereof contained in the Resolutions; and (vi) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or public body, pending or, to his or her knowledge, threatened against the District contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Notes by the District on behalf of the District or the due adoption of the District Resolution;

(6) A tax certificate of the District in form satisfactory to Bond Counsel;

(7) Evidence satisfactory to the Underwriter that the Notes shall have been rated "____" by Standard & Poor's ("S&P") (or such other equivalent rating as such rating agency may give) and that such ratings have not been revoked or downgraded;

(8) A certificate, together with fully executed copies of the District Resolution, of the Secretary of the District Board of Education to the effect that:

- (i) such copies are true and correct copies of the District Resolution;
and
 - (ii) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the date of the Closing.
- (9) An opinion of Counsel to the District, to the effect that there is no action, suit, proceed inquiry or investigation, at law or in equity, before or by any court or public body, pending or, to his knowledge, threatened against the District contesting in any way the completeness or accuracy of the Official Statement, the issuance of the Notes by the County on behalf of the District or the due adoption of the District Resolution;
- (10) An opinion of County Counsel, addressed to the County, to the District and the Underwriter, respecting the due adoption of the County Resolution, in form and substance reasonably satisfactory to the Underwriter;
- (11) A certificate, together with fully executed copies of the County Resolution, of the Clerk of the County Board of Supervisors to the effect that:
- (a) such copy is a true and correct copy of the County Resolution;
and
 - (b) that the County Resolution was duly adopted;
- (12) A “deemed final” certificate of the appropriate official of the District with respect to the Preliminary Official Statement in accordance with the Rule;
- (13) The Continuing Disclosure Certificate, signed by an appropriate official of the District;
- (14) A certificate of the Paying Agent, signed by a duly authorized officer of the Paying Agent, and in form and substance satisfactory to the Underwriter, to the effect that, to the best of such officer’s knowledge, no litigation is pending or threatened (either in state or federal courts) (A) seeking to restrain or enjoin the delivery by the Paying Agent of any of the Notes, or (B) in any way contesting or affecting any authority of the Paying Agent for the delivery of the Notes or the validity or enforceability of the Notes or any agreement with the Paying Agent;
- (15) An opinion of counsel to the Underwriter in form and substance satisfactory to the Underwriter; and
- (16) Such additional legal opinions, certificates, proceedings, instruments, and other documents as the Underwriter may reasonably request in order to evidence compliance (i) by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained and of the Official Statement, and (iii) the due performance or

satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

H. Notwithstanding anything to the contrary herein contained, if for any reason whatsoever, forms of the Notes shall not have been delivered by the District to the Underwriter for checking prior to the close of business, California Time, on _____, 2012, then the obligation to purchase Notes hereunder shall terminate and be of no further force or effect except with respect to the obligations of the District and the Underwriter under Section 13 hereof.

If the County or the District shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Note Purchase Agreement or if the Underwriter's obligations shall be terminated for any reason permitted by this Note Purchase Agreement, this Note Purchase Agreement may be cancelled by the Underwriter at, or at any time prior to, the time of Closing. Notice of such cancellation shall be given to the County and the District in writing or by telephone or telecopy, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter in writing at its sole discretion.

11. **Conditions to Obligations of the County and the District.** The performance by the County and the District of their respective obligations under this Note Purchase Agreement is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the County and the District and by the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than themselves.

12. **Expenses.** The Underwriter shall be under no obligation to pay and the District shall pay or cause to be paid any expenses incident to the performance of its obligations hereunder from the proceeds of the Notes, including but not limited to the following: (i) the fees and disbursements of Bond Counsel and Disclosure Counsel; (ii) the cost of the preparation, printing and delivery of the Notes; (iii) the fees for ratings, including all expenses related to obtaining such ratings and closing expenses; (iv) the cost of the printing and distribution of the Official Statement; (v) the fees of the Paying Agent [and the fees of the Fiscal Agent] to pay costs of issuance and (vi) all other fees and expenses incident to the issuance and sale of Notes. Any expenses owing following the depletion of said amount shall be for the account of the District. The Underwriter shall pay its out-of-pocket expenses, other than travel incurred in connection with obtaining ratings, and the fees and expenses of its counsel.

13. **Notices.** Any notice or other communication to be given under this Note Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof may be given by delivering the same in writing, if to the County, the County Treasurer, County of Riverside, 4080 Lemon Street, 4th Floor, Riverside, California 92502; if to the District, to the Deputy Superintendent of Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California 92253, or if to the Underwriter, to RBC Capital Markets, LLC, 777 South Figueroa Street, Suite 850, Los Angeles, California 90017, Attn: Roderick A. Carter.

14. **Parties In Interest; Survival of Representations and Warranties.** This Note Purchase Agreement when accepted by County and the District in writing as heretofore specified shall constitute the entire agreement among the County, the District and the Underwriter. This Note

Purchase Agreement is made solely for the benefit of the County, the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All the representations, warranties and agreements of the County or the District in this Note Purchase Agreement shall survive regardless of (a) any investigation of any statement in respect thereof made by or on behalf of the Underwriter, (b) delivery of and payment by the Underwriter for the Notes hereunder, and (c) any termination of this Note Purchase Agreement.

15. **Execution in Counterparts.** This Note Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same document.

16. **Applicable Law.** This Note Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

[Remainder of this page intentionally left blank.]

Very truly yours,

RBC CAPITAL MARKETS, LLC

By _____
Roderick A. Carter
Managing Director

The foregoing is hereby agreed to and accepted as of the
date first above written:

DESERT SANDS UNIFIED SCHOOL DISTRICT

By _____
Cindy McDaniel
Assistant Superintendent, Business Services

COUNTY OF RIVERSIDE, CALIFORNIA

By _____

Don Kent
Treasurer-Tax Collector

Approved as to form:
COUNTY COUNSEL

By _____
Deputy County Counsel

Time: ____ p.m. Pacific Daylight Time on _____, 2012.

RESOLUTION NO. 17/2011-2012

RESOLUTION OF THE BOARD OF EDUCATION OF THE DESERT SANDS UNIFIED SCHOOL DISTRICT AUTHORIZING THE ISSUANCE OF 2011-12 TAX AND REVENUE ANTICIPATION NOTES AND REQUESTING THE BOARD OF SUPERVISORS OF THE COUNTY OF RIVERSIDE TO ISSUE SAID NOTES

WHEREAS, pursuant to Sections 53850 *et seq.* of the Government Code of the State of California (the "Act") contained in Article 7.6 thereof, entitled "Temporary Borrowing" on or after the first day of any fiscal year (being July 1), a school district may borrow money by issuing notes for any purpose for which the school district is authorized to use and expend moneys, including but not limited to, current expenses, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the school district; and

WHEREAS, Section 53853 of the Act provides that such notes must be issued in the name of the school district by the board of supervisors of the county, the county superintendent of schools of which has jurisdiction over such school district, as soon as possible following the receipt of a resolution of the governing board of such school district requesting the borrowing; and

WHEREAS, the County Superintendent of Schools (the "County Superintendent") of the County of Riverside (the "County") has jurisdiction over the Desert Sands Unified School District (the "District"), and this Board of Education (the "Board"), being the governing board of the District, hereby requests the borrowing of not-to-exceed Thirty Two Million Dollars (\$32,000,000) at an interest rate not to exceed the maximum rate allowed by law, through the issuance by the Board of Supervisors of the County (the "County Board") of 2011-12 Tax and Revenue Anticipation Notes (the "Notes") in the name of the District, such Notes to be sold by negotiated sale as authorized hereby; and

WHEREAS, such Notes may be made payable no later than thirteen months after the date of delivery thereof; and

WHEREAS, pursuant to Section 53856 of the Act, the District may pledge to the payment of the Notes any taxes, income, revenue (including but not limited to, revenue from State and federal governments), cash receipts or other moneys, including moneys deposited in inactive or term deposits (but excepting moneys encumbered for a special purpose); and this Resolution specifies that certain of such revenues which will be received by the District for the General Fund thereof shall be pledged for the payment of the Notes; and

WHEREAS, the Notes shall be a general obligation of the District, and, to the extent not paid from Unrestricted Revenues (defined herein) pledged for the payment thereof, shall be paid with interest therein from any other moneys of the District lawfully available therefor, as required by Section 53857 of the Act, and shall not in any way be payable from County moneys; and

WHEREAS, the Notes shall be in denominations of \$5,000 principal amount, or integral multiples thereof, as permitted by Section 53854 of the Act; and the Note shall further be issued on a date to be designated pursuant to, and shall be in the form and executed in the manner prescribed in this Resolution, and the County Resolution (defined herein), all as permitted and required by Section 53853 of the Act; and

WHEREAS, the Board has found and determined that said \$32,000,000 maximum principal amount of Notes to be issued in the name of the District by the County Board in fiscal year 2011-12, when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the District which will be available for the payment of the Notes and interest thereon, as required by Section 53858 of the Act; and

WHEREAS, the Notes will not be issued in an amount greater than the maximum anticipated cumulative cash flow deficit to be financed by the anticipated tax or other revenue sources for the period for which such taxes or other revenues are anticipated and during which such Notes are outstanding, all as provided in Section 1.103-14(c) of the Income Tax Regulations of the United States; and

WHEREAS, the District received a qualified certification on its first and second interim reports for fiscal year 2010-11, such that the issuance of the Notes shall be conditions on the receipt by the District of finding by the County Superintendent, pursuant to Section 42133 of the Education Code, that the District's repayment of the Notes is probable;

NOW, THEREFORE, the Board of Education of the Desert Sands Unified School District hereby resolves as follows:

Section 1. Authorization of Issuance of Notes; Terms Thereof; Paying Agent. The Board hereby requests the County Board to issue, in the name of the District, an amount not-to-exceed \$32,000,000 principal amount of Notes under Sections 53850 *et seq.* of the Act, designated "Desert Sands Unified School District, County of Riverside, State of California, 2011-12 Tax and Revenue Anticipation Notes." The Notes are authorized to be issued in one or more series of Notes, with appropriate series designation, numbered from 1 consecutively upward in order of issuance, and in the denominations of \$5,000 principal amount or integral multiples thereof. The Notes shall be dated the date of delivery thereof; shall mature (with or without option of prior redemption, as set forth in the Note Purchase Agreement defined herein) on a day (or days, if more than one series of Notes is issued) in which banks in New York or California are open for business and no later than thirteen months after the date of issuance (on a 30-day month/360-day year basis); and shall bear interest, payable on or before maturity and computed on a 30-day month/360-day year basis, at the per annum rate or rates set forth in the Note Purchase Agreement relating for the Notes (the "Note Purchase Agreement"), by and among the County, the District and RBC Capital Markets, LLC (the "Underwriter"), but not in excess of the maximum rate allowed by law.

Both the principal of and interest on the Notes shall be payable, only upon surrender thereof, in lawful money of the United States of America at the principal corporate trust office of U.S. Bank National Association, which is hereby designated as the paying agent, authentication agent, registrar and transfer agent for the Notes (in such capacity, the "Paying Agent"). For purposes of the Notes, the Paying Agent shall be deemed to be a "fiscal agent" within the meaning of Section 53601 of the Government Code of the State of California. This Board hereby approves the payment of the reasonable fees and expenses of the Paying Agent as they shall become due and payable.

Section 2. Form of Notes. The Notes shall be issued in registered form and shall be substantially in the form set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be filled in with appropriate words and figures. The Notes shall be initially

registered in the name of "Cede & Co." as nominee of The Depository Trust Company, and shall be evidenced by one or more note certificates, in the full principal amount of the Notes. The Depository Trust Company, New York, New York is hereby appointed depository for the Notes. Registered ownership may not thereafter be transferred except as set forth in the resolution of the County Board authorizing the issuance of the Notes by the County pursuant to Section 53853 of the Act (the "County Resolution"). There shall be attached to each Note, the legal opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, respecting the validity of said Notes.

Section 3. Deposit of Note Proceeds; No Arbitrage. The moneys so borrowed shall be deposited in the General Fund of the District. The District hereby covenants that it will make no use of the proceeds of the Notes that would cause the Notes to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"); and, to that end, so long as any of the Notes are outstanding, the District, and all of its officers having custody or control of such proceeds, shall comply with all requirements of said section, including restrictions on the use and investment of proceeds of the Notes and the rebate of a portion of investment earnings on certain amounts, including proceeds of the Notes, if required, to the Federal government, and of the Income Tax Regulations of the United States Treasury promulgated thereunder or under any predecessor provisions, to the extent that such regulations are, at the time, applicable and in effect, so that the Notes will not be "arbitrage bonds."

Section 4. Payment of Notes.

(A) **Source of Payment.** The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys including moneys deposited in inactive or term deposits (but excepting certain moneys encumbered for a special purpose), as provided in Section 53856 of the Act, and which are generally available for the payment of current expenses and other obligations of the District (collectively, the "Unrestricted Revenues").

To the extent the Notes mature during the fiscal year succeeding fiscal year 2011-12, the Notes shall be payable only from Unrestricted Revenues which are received in or accrued to fiscal year 2011-12. Included in such revenues are State apportionments which otherwise would have been or would be received between July 2011 through June 2012 but which, due to the deferral of the State monies thereby, will not be received until after June 30, 2012 (collectively, the "Deferred Revenues"). The Deferred Revenues are hereby determined to be accrued to the District's 2011-12 fiscal year, and are further determined to be lawfully available to pay the principal of and interest on the Notes.

The Notes shall be a general obligation of the District, and to the extent the Notes are not paid from the Unrestricted Revenues pledged to the repayment thereof described herein, the Notes shall be paid with interest thereon from any other moneys of the District lawfully available therefor, as provided herein and by law.

(B) **Pledged Revenues.** Unless otherwise provided for in the Note Purchase Agreement or in the Note, as security for the payment of the principal of and interest on the Notes, the District hereby pledges an amount equal to fifty percent (50%) of the principal of and interest due on the Notes from the first Unrestricted Revenues received by the District in the month ending December, 2012; and an amount sufficient to fifty percent (50%) of the principal of and interest due on the Notes, as well as any deficiency in the amount required to be deposited during any prior

month, from the first Unrestricted Revenues received by the District in the month ending January, 2013 (such pledged amounts being hereinafter called the "Pledged Revenues"). The Pledged Revenues shall be deposited by the District no later than the last day of each month specified above into the Repayment Fund (defined herein).

The principal of the Notes and the interest thereon shall be a first lien and charge against and shall be payable from the first moneys received by the District from such Pledged Revenues, as provided by law.

In the event that there are insufficient Unrestricted Revenues received by the District to permit the deposit into the Repayment Fund, of the full amount of Pledged Revenues to be deposited from such Unrestricted Revenues, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for repayment of the Notes and the interest thereon.

(C) Covenant Regarding Additional Short-term Borrowing. The District hereby covenants and warrants that, while provision for the payment of principal and interest on the Notes has not been made, the District will not request the County Treasurer-Tax Collector (the "Treasurer-Tax Collector") to make temporary transfers of funds in the custody of the Treasurer-Tax Collector meet any obligations of the District during the 2011-12 fiscal year pursuant to the authority of Article XVI, Section 6 of the Constitution of the State of California or any other legal authority.

(D) Deposit of Pledged Revenues in Repayment Fund. The Pledged Revenues shall be held in a special fund designated as the "Desert Sands Unified School District, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (herein called the "Repayment Fund") and applied as directed in this Resolution. The District, in consultation with the Treasurer-Tax Collector, shall direct the moneys in the Repayment Fund to be invested, as provided in Section 4(E) of this Resolution. Any moneys accounted for in the Repayment Fund shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Fund shall be applied only for the purposes for which the Repayment Fund is created.

(E) Disbursement and Investment of Moneys in Repayment Fund. From the date this Resolution takes effect, all Pledged Revenues shall, when received, be accounted for in the Repayment Fund. After such date as the amount of Pledged Revenues accounted for in the Repayment Fund shall be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the general fund of the District upon the request of the District. On the maturity date of the Notes, the moneys in the Repayment Fund shall be used, to the extent necessary, to pay the principal of and interest on the Notes.

Moneys accounted for in the Repayment Fund, to the greatest extent possible, shall be invested at the request of the District in either investment securities by the Treasurer-Tax Collector (or independent fiscal agent), or otherwise as permitted by applicable California law and Section 9 hereof, as it is now in effect and as it may be amended, modified or supplemented from time to time including the investments authorized in this Resolution; provided that no such investments shall have a maturity date later than the maturity date of the Notes.

Section 5. Execution of Notes. The District hereby requests the Chairman of the County Board of Supervisors to sign the Notes manually or by facsimile signature; the Treasurer-Tax Collector to sign the Notes manually; the Executive Officer-Clerk of the County Board (the "Clerk") to countersign the Notes manually or by facsimile signature; the Clerk to affix the seal of the County thereto by facsimile impression thereof; and said officers to cause the blank spaces thereof to be filled in as may be appropriate. The District also authorizes the Paying Agent to authenticate the Notes. No Note shall be valid or obligatory for any purpose or shall be entitled to any security or benefit hereunder unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that the Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

Section 6. Section 6. Authorization of Preliminary Official Statement, Official Statement. The Preliminary Official Statement relating to the Notes, substantially in the form on file with the Secretary or Clerk of the Board is hereby approved and the Superintendent, the Assistant Superintendent, Business Services and the Director, Fiscal Services, or a designee thereof (collectively, the "Authorized Officers"), each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deliver such Preliminary Official Statement to the Underwriter to be used in connection with the offering and sale of the Notes. The Authorized Officers, each alone, are hereby authorized and directed, for and in the name and on behalf of the District, to deem the Preliminary Official Statement "final" pursuant to 15c2-12 of the Securities Exchange Act of 1934, prior to its distribution and to execute and deliver to the Underwriter a final Official Statement, substantially in the form of the Preliminary Official Statement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve. The Underwriter is hereby authorized to distribute copies of the Preliminary Official Statement to persons who may be interested in the purchase of the Notes and is directed to deliver copies of any final Official Statement to the purchasers of the Notes. Execution of the Official Statement shall conclusively evidence the District's approval of the Official Statement.

Section 7. Approval of Note Purchase Agreement. The Board hereby approves the sale of the Notes at a negotiated sale. The form of Note Purchase Agreement for the Notes, by and among the District, the County and the Underwriter, substantially in the form presented to this meeting and on file with the Secretary or Clerk to the Board, is hereby approved. The Authorized Officers, each alone, are hereby authorized to execute and deliver the Note Purchase Agreement, with such changes therein, deletions therefrom and modifications thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by his or her execution and delivery thereof; provided, however, that the maximum interest rate on the Notes shall not exceed that authorized by law and that the Underwriter's discount shall not exceed 0.5% of the par amount of the Notes. The Authorized Officers are hereby further authorized to determine the maximum principal amount of Notes to be specified in the Note Purchase Agreement, up to \$32,000,000 and to enter into and execute the Note Purchase Agreement with the Underwriter and the County, if the conditions set forth in this Resolution and the County Resolution are satisfied.

Section 8. Delivery of Notes. The proper officers of the County Board are hereby requested to deliver the Notes to the purchaser thereof. All actions heretofore taken by the officers and agents of the Board, including the Authorized Officers or their designees, with respect to the Notes are hereby approved, confirmed and ratified, and the officers of the Board, including the Authorized Officers, are hereby authorized and directed to do any and all things and take any and all actions

which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution and the County Resolution.

Section 9. Proceeds of Notes Conditionally Pledged; Investment of Note Proceeds; Authorization to Invest Note Proceeds. Notwithstanding anything to the contrary contained herein, the proceeds of the Notes shall be pledged to the payment of the Notes in the event and to the extent sufficient Pledged Revenues of the District and other legally available revenues are not deposited into the Repayment Fund. In addition to investments in the Pooled Investment Fund maintained by the Treasurer-Tax Collector, pursuant to Section 53601(1) of the Government Code of the State of California, the following are hereby designated as additional authorized investments for the proceeds of the Notes and the Repayment Fund: (i) a guaranteed investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Ratings Services and Moody's Investors Service; or (ii) the Local Agency Investment Fund (LAIF) administered by the State of California.

Section 10. Continuing Disclosure. The Board hereby covenants and agrees that it will comply with and carry out, and authorizes and directs the Authorized Officers, each alone, to comply and carry out, all of the provisions of that certain Continuing Disclosure Certificate dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate"). Notwithstanding any other provision of this Resolution, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default under this Resolution; however, any Noteholder 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 Section. The preparation of a Continuing Disclosure Certificate is hereby approved, and the Authorized Officers, each alone, hereby authorized and directed to execute and deliver to the purchaser of the Notes such Continuing Disclosure Certificate, with such changes therein as any such official may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. Transmittal of Resolution. The Superintendent or a designee of the District is hereby directed to send a certified copy of this Resolution to the County Board, the Treasurer-Tax Collector and the County Superintendent.

Section 12. Further Actions Authorized.

(A) RBC Capital Markets, LLC, is hereby designated as the Underwriter to the District in connection with the issuance of the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation, is hereby designated as Bond Counsel and Disclosure Counsel to the District in connection with the issuance of the Notes.

(B) Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Notes and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved. It is hereby covenanted that the Board and its appropriate officials will cause the County,

to take all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them for carrying out the provisions of this Resolution.

(C) The provisions of this resolution as they relate to the terms of the Notes may be amended by the Note Purchase Agreement.

PASSED AND ADOPTED by the Board of Education of the Desert Sands Unified School District this 17th day of January 2012, by the following vote:

AYES: Duran, Tomak, Monica, Koedyker, Griffith

NOES: 0


ABSENT: 0

ABSTAIN: 0

By: 

President
Board of Education
Desert Sands Unified School District

ATTEST:

By: 

Secretary to the Board of Education
Desert Sands Unified School District

SECRETARY'S CERTIFICATE

I, Dr. Sharon McGehee, Secretary to the Board of Education of the Desert Sands Unified School District, Riverside County, California, hereby certify as follows:

The following is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Education of said District duly and regularly and legally held at the regular meeting place thereof on January 17, 2012, of which meeting all of the members of the Board of Education of said District had due notice and at which a quorum was present.

I have carefully compared the same with the original minutes of said meeting on file and of record in the Superintendent's office and the foregoing is a full, true and correct copy of the original regulation adopted at said meeting and entered in said minutes.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: 1-17, 2012

By: Sharon P. McGehee
Secretary to the Board of Education
Desert Sands Unified School District

LEGAL OPINION

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion upon the Notes therein described that was provided by Stradling Yocca Carlson & Rauth, a Professional Corporation, and was dated as of the date of delivery of and payment for said Notes.



Superintendent, Desert Sands Unified
School District

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto the _____ within-mentioned registered Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed by:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution.

NOTE: The signature to the assignment must correspond to the name as it appears upon the face of this Note in every particular, without any alteration or change whatsoever.

excepting certain moneys encumbered for a special purpose), received in or accrued to fiscal year 2011-12, and which are generally available for the payment of current expenses and other obligations of the District (the "Unrestricted Revenues"). As security for the payment of the principal of and interest on the Notes the District has pledged an amount equal to fifty percent (50%) of the principal of and interest due on the Notes from the first Unrestricted Revenues received by the District in the month ending December, 2012; and an amount equal to fifty percent (50%) of the principal of and interest due on the Notes, as well as any deficiency in the amount required to be deposited during any prior month, from the first Unrestricted Revenues received by the District in the month ending January, 2013 (such pledged amounts being hereinafter called the "Pledged Revenues"). The principal of the Notes and the interest thereon shall constitute a first lien and charge on such Pledged Revenues, and shall be payable therefrom, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his or her attorney duly authorized in writing at the corporate trust office of the Paying Agent, in Los Angeles, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Note except that this Note shall not be transferred or exchanged later than the 15th day prior to the maturity date hereof. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The County, the District and the Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the County, District nor the Paying Agent shall be affected by any notice to the contrary.

Unless this certificate is presented by an authorized representative of The Depository Trust Company to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co. has an interest herein.

IN WITNESS WHEREOF, Riverside County has caused this Desert Sands Unified School District, Riverside County, State of California, 2011-12 Tax and Revenue Anticipation Note to be executed by the Chairman of its Board of Supervisors and by the Clerk of its Board of Supervisors by manual or facsimile signature and countersigned by the Treasurer-Tax Collector by manual signature and has caused a facsimile of its official seal to be printed hereon this ___ day of _____, 2011.

RIVERSIDE COUNTY

By: _____
Chairman of the Board of Supervisors

By:  _____
Treasurer-Tax Collector

Countersigned

By: _____
Clerk of the Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds described in the Resolutions referred to herein which has been authenticated and registered on _____, 2012.

U.S. BANK NATIONAL ASSOCIATION, as Paying Agent

By: _____
Authorized Signatory

EXHIBIT A
FORM OF NOTE

REGISTERED
No. ___

REGISTERED
\$

DESERT SANDS UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA
2011-12 TAX AND REVENUE ANTICIPATION NOTE

Rate of Interest: _____% Note Date: _____, 2012 Maturity Date: _____, 20__ CUSIP:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

FOR VALUE RECEIVED, the Desert Sands Unified School District (the "District"), Riverside County, State of California, acknowledges itself indebted to and promises to pay the Registered Owner identified above, or registered assigns, at the corporate trust office of U.S. Bank National Association (the "Paying Agent"), the Principal Amount specified above in lawful money of the United States of America, on the Maturity Date specified above, together with interest thereon at the Rate of Interest per annum set forth above (computed on the basis of a 360-day year of twelve 30-day months), in like lawful money of the United States of America from the Note Date specified above until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable only upon surrender of this Note as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the Registered Owner fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes in the aggregate principal amount of _____ Dollars (\$ _____) all of like date, tenor and effect, made, executed and given pursuant to and by authority of a resolution of the Board of Supervisors of Riverside County (the "County") duly passed and adopted on January 31, 2012 and a Resolution of the Board of Education of the District duly passed and adopted on January 17, 2012, under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, Division 2, Title 5, California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the District, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, income, revenue (including, but not limited to, revenue from state and federal governments), cash receipts and other moneys including moneys deposited in inactive or term deposits (but

NEW ISSUE FULL BOOK-ENTRY

RATINGS
Standard & Poor's: "_____"
 (See "RATING" herein)

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California ("Bond Counsel"), under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. See "TAX MATTERS" herein with respect to tax consequences relating to the Notes.

\$32,000,000*

DESERT SANDS UNIFIED SCHOOL DISTRICT
County of Riverside, California
2011-12 Tax and Revenue Anticipation Notes

Interest Rate: _____%; Yield: _____% CUSIP⁽¹⁾: _____

Dated: Date of Delivery _____ Due: _____ 1, 2013*

This cover page contains certain information for general reference only. It is not intended as a summary of this transaction. Investors are advised to read the entire official statement to obtain information essential to making an informed investment decision.

The Desert Sands Unified School District 2011-12 Tax and Revenue Anticipation Notes (the "Notes") are being issued to finance seasonal cash flow requirements of the Desert Sands Unified School District (the "District"), prior to the receipt of anticipated tax payments, income and other revenues thereof. The Notes will be in denominations of \$5,000 principal amount or any integral multiple thereof and will be dated the date of their delivery. Principal of and interest on the Notes will be payable in lawful money of the United States of America by the District, upon maturity, at the principal trust office of U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent").

The Notes will not be subject to redemption prior to maturity.*

The Notes will be issued in fully registered form, and when delivered will be registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York, which will act as securities depository for the Notes. **Purchasers will not receive physical Notes representing their ownership interest in the Notes.** Principal and interest on the Notes will be payable when due as described under "APPENDIX E – BOOK ENTRY-ONLY SYSTEM."

The Notes are payable from taxes, income, revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys (including moneys deposited in inactive or term deposits, but excepting certain moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District, and which are received in or accrued to the District's 2011-12 fiscal year (collectively, the "Unrestricted Revenues"). As security for the Notes, the District has pledged to deposit into a repayment fund for the Notes (i) the first Unrestricted Revenues received by the District in the month ending December 31, 2012* in an amount equal to 50%* of the principal of and interest due on the Notes, and (ii) the first Unrestricted Revenues received by the District in the month ending January 31, 2013* in an amount equal to 50%* of the principal of and interest due on the Notes, as well as any deficiency in the amount required to be deposited during any prior month (collectively, the "Pledged Revenues"). The Notes shall constitute a first lien and charge on such Pledged Revenues and shall be payable therefrom.

Pursuant to State of California law and its resolution authorizing the issuance of the Notes, the District has determined that the Pledged Revenues are Unrestricted Revenues thereof, received in or accrued to its fiscal year 2011-12 and available to pay the Notes. The Notes are a general obligation of the District, and, to the extent not paid from the Pledged Revenues, shall be paid from any other moneys of the District lawfully available therefor, as further described herein. See "SECURITY AND SOURCES OF PAYMENT."

The Notes are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel and Disclosure Counsel. Certain matters will be passed on for the Underwriter by Fulbright & Jaworski LLP, Los Angeles, California. The Notes, in book-entry form, will be available through the facilities of the Depository Trust Company in New York, New York, on or about _____, 2012.

RBC Capital Markets

The date of this Official Statement is _____, 2012

* Preliminary, subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the Underwriter nor the District are responsible for the selection or correctness of the CUSIP numbers set forth herein.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement.: "The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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 of completeness of such information."

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the District.

The District maintains a website at www.dsusd.k12.ca.us. However, the information presented on the District's website is not incorporated into this Official Statement by any reference, and should not be relied upon in making investment decisions with respect to the Notes.

SUMMARY STATEMENT

This summary statement is subject in all respects to more complete information contained in this Official Statement and the offering of the Notes to potential investors is made only by means of the entire Official Statement.

- Purpose: The Notes are being sold to fund short term operating cash requirements of the District.
- Security for the Notes: The District is required to make Note payments only out of taxes, income, revenue, cash receipts and other moneys of the District received in or accrued to the fiscal year 2011-12 and legally available for payment thereof.
- Form of the Notes: The Notes will be issued in registered form. Purchases of the Notes will be made in book-entry form in the denomination of \$5,000 each or any integral multiple thereof.
- Redemption: The Notes are not subject to redemption prior to maturity.

Neither the District nor County officers or employees nor any persons executing the Notes shall be personally liable or accountable by reason of the execution and delivery thereof.

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DESERT SANDS UNIFIED SCHOOL DISTRICT

Board of Education

Michael Duran, *President*
Donald B. Griffith, *Vice President/Clerk*
Jim Koedyker, *Member*
Matt Monica III, *Member*
Gary Tomak, *Member*

District Administration

Dr. Sharon P. McGehee, *Superintendent*
Sherry Johnstone, *Assistant Superintendent, Personnel*
Cindy McDaniel, *Assistant Superintendent, Business Services*
Kathleen Felci, *Assistant Superintendent, Educational Services*
Karen Stone, *Director, Fiscal Services*

PROFESSIONAL SERVICES

Bond and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
San Francisco, California

Underwriter

RBC Capital Markets, LLC
Los Angeles, California

Registrar, Transfer Agent and Paying Agent

U.S. Bank National Association
Los Angeles, California

\$32,000,000*
DESERT SANDS UNIFIED SCHOOL DISTRICT
(County of Riverside, California)
2011-12 Tax and Revenue Anticipation Notes

INTRODUCTION

This introduction is not a summary of the 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.

General

This Official Statement, which includes the cover page, Table of Contents and Appendices thereto, provides certain information in connection with the issuance, sale and delivery by the County of Riverside (the "County"), in the name and on behalf of the Desert Sands Unified School District (the "District"), of \$32,000,000* aggregate principal amount of the District's 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and pursuant to resolutions adopted by the Board of Education of the District on January 17, 2012 (the "District Resolution") and by the Board of Supervisors of the County on January 31, 2012 (the "County Resolution" and together with the District Resolution, the "Resolutions").

The Notes are being issued to provide funds to meet fiscal year 2011-12 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. See "THE NOTES – Purpose of Issue."

Brief descriptions of the Notes, the security and sources of payment for the Notes, and the District and its financial status follow. Such descriptions do not purport to be comprehensive or definitive. All references herein to various documents are qualified in their entirety by reference to the forms thereof, all of which are available for inspection at the office of the Assistant Superintendent, Business Services of the District.

The District

The District is a unified school district providing elementary and secondary levels of education under a single Board of Education and centralized administration. Established in 1966, the District currently operates 19 elementary schools, one charter elementary school, six middle schools, one charter middle school, three comprehensive high schools, two continuation high schools, one Alternative Education School and one adult school. The District encompasses approximately 752 square miles of the southern part of Riverside County (the "County"), serving the cities of Indio, Coachella, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes. See "DESERT SANDS UNIFIED SCHOOL DISTRICT."

The District is governed by a five-member Board of Education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years,

* Preliminary, subject to change.

alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Dr. Sharon P. McGehee is currently the District Superintendent. See "DESERT SANDS UNIFIED SCHOOL DISTRICT."

Security and Sources of Payment

As provided in Section 53586 of the Act, the principal amount of the Notes, together with the interest thereon, is payable from taxes, income, revenue (including but not limited to, revenue from state and federal governments), cash receipts and other moneys of the District (including moneys deposited in inactive or term deposits, but excepting moneys encumbered for a special purpose), which are generally available for the payment of current expenses and other obligations of the District, and which are received in or accrued to the District's 2011-12 fiscal year (collectively, "Unrestricted Revenues").

As security for the Notes, the District has pledged certain Unrestricted Revenues to the payment thereof, as further described herein. The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Unrestricted Revenues pledged for the payment thereof, shall be paid, with interest thereon, from any other moneys of the District legally available therefor. See "SECURITY AND SOURCES OF PAYMENT OF THE NOTES."

Offering and Delivery of the Notes

The Notes are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Notes in book-entry form will be available for delivery through the facilities of the Depository Trust Company ("DTC") in New York, New York on or about _____, 2012.

Continuing Disclosure

The District has covenanted that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate relating to the filing of notices of certain material events, as executed by the District as of the date of issuance and delivery of the Notes, and as may be amended from time to time in accordance with its terms. See "CONTINUING DISCLOSURE," and APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Professionals Involved in the Offering

Stradling Yocca Carlson & Rauth, a Professional Corporation, is acting as Bond Counsel and Disclosure Counsel to the District with respect to the Notes, and will receive compensation from the District contingent upon the sale and delivery of the Notes. Stradling Yocca Carlson & Rauth, a Professional Corporation, is located at 44 Montgomery Street, Suite 4200, San Francisco, California 94104. Certain matters will be passed on for the Underwriter (defined herein) by Fulbright & Jaworski, L.L.P., Los Angeles, California.

THE NOTES

Authority for Issuance

The Notes are issued pursuant to the Act and the Resolutions.

Purpose of Issue

Issuance of the Notes will provide funds to meet fiscal year 2011-12 general fund expenditures, including operating expenses, capital expenditures, and the discharge of other obligations or indebtedness of the District. Borrowing is necessitated by District general fund expenditures occurring in relatively level amounts throughout the year with receipts occurring in uneven amounts. This results primarily from an uneven pattern of payments from State and federal sources, including the deferral by the State of certain apportionment payments, and payments of secured property taxes collected by the County, which collectively are the largest sources of District revenues. See "SECURITY AND SOURCES OF PAYMENT OF THE NOTES – Deferred Revenues" and "FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA." As a result, the District's general fund cash balance is negative during parts of the fiscal year. The Notes are intended to finance such cash deficits and are an alternative to the District borrowing from the County Treasury.

General Provisions

The Notes will be dated the date of their delivery and will mature on _____ 1, 2013* (the "Maturity Date"). The Notes will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 principal amount, or integral multiples thereof. Purchasers of interests in the Notes (the "Beneficial Owners") will not receive certificates representing their interests in the Notes.

Interest on the Notes will be computed on the basis of a 360-day year of twelve, 30-day months. Payments of the principal and interest on the Notes will be made by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement through DTC Participants (defined herein) to the Beneficial Owners of the Notes. Principal and interest due with respect to the Notes shall be payable at maturity upon presentation at the principal corporate trust office of the Paying Agent.

Redemption

The Notes are not subject to redemption prior to the Maturity Date.*

Authorized Investments

Pursuant to the Resolutions, the District is authorized to invest Note proceeds, and Unrestricted Revenues deposited for the payment of the Notes, in the County of Riverside Treasury Pool (the "County Pool") pursuant to Government Code Section 53601(1), the Local Agency Investment Fund of the California State Treasurer, or a guaranteed investment contract with a financial institution or insurance company which has or its guarantor has at the date of execution thereof one or more outstanding issues of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated not lower than the second highest rating category (without regard to subcategories) by Standard & Poor's Rating Service, a Standard & Poor's Financial Services LLC business ("S&P") and Moody's Investors Service, Inc ("Moody's). The District expects to invest the Note proceeds and repayment funds in the pooled investment fund of the County. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND."

* Preliminary, subject to change.

SECURITY FOR AND SOURCES OF PAYMENT OF THE NOTES

Security for the Notes

Pursuant to Section 53856 of the Act and the District Resolution, the District has pledged the following to the repayment of the Notes (collectively referred to herein as the "Pledged Revenues"): (i) the first Unrestricted Revenues received by the District in the month ending December 31, 2012* in an amount equal to 50%* of the principal of and interest due on the Notes, and (ii) the first Unrestricted Revenues received in the month ending January 31, 2013* in an amount equal to 50%* of the principal of and interest due on the Notes, as well as any deficiency in amounts previously required to be deposited (each such month, a "Pledge Month"). Pursuant to Section 53584 of the Act and the District Resolution, the District has determined that such Pledged Revenues shall be received in or accrued to fiscal year 2011-12 and are available to pay the Notes. See "—Deferred Revenues" herein. The principal of and interest on due the Notes will constitute a first lien and charge against the Pledged Revenues.

The Pledged Revenues shall be deposited by the District no later than the last day of each Pledge Month specified above into the Repayment Fund (defined herein). In the event that there are insufficient Pledged Revenues received by the District in each Pledge Month to permit the deposits into the Repayment Fund of the full amounts constituting the aforesaid pledge, then the amount of any deficiency shall be satisfied and made up from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. See "SECURITY AND SOURCES OF PAYMENT OF THE NOTES – Available Sources of Payment."

All Pledged Revenues will be deposited into a special fund held by the Treasurer designated as the "Desert Sands Unified School District, 2011-12 Tax and Revenue Anticipation Notes Repayment Fund" (the "Repayment Fund"). Moneys in the Repayment Fund will be invested in authorized investments which mature not later than the Maturity Date of the Notes. See "THE NOTES – Authorized Investments." After the date on which the amount of Pledged Revenues deposited in the Repayment Fund are sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Fund shall be transferred to the General Fund of the District upon request of the District.

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* Preliminary, subject to change.

Available Sources of Payment

The Notes, in accordance with the Act, are general obligations of the District, and to the extent not paid from Pledged Revenues, will be paid with interest thereon from any other moneys of the District legally available therefor. The District may, under the Act, issue the Notes only if the principal of and interest on the Notes will not exceed 85% of the estimated uncollected taxes, income, revenue, cash receipts, and other moneys of the District available for the payment of the Notes and the interest thereon. With an interest rate of _____%, the amount needed to repay the Notes and the interest thereon is \$ _____. The District estimates that funds available from its general fund for payment of the Notes will be approximately \$ _____, as indicated in the table on the following page:

**ESTIMATED AVAILABLE REVENUE
Fiscal Year 2011-12
Desert Sands Unified School District**

<u>Sources</u>	<u>Amount</u>
Principal State Apportionment ⁽¹⁾	
County/District Taxes.....	
Federal.....	
Other State.....	
Other Local.....	
Interfund Transfers In.....	
Miscellaneous Funds.....	
Proceeds of the Notes*.....	
Total	

⁽¹⁾ Includes Deferred Revenues (defined herein).
Source: Desert Sands Unified School District.

In addition to the District’s obligation to repay the Notes, the District has other contractual commitments that must be paid from general fund revenues. For information regarding the levels of the District’s expenditure commitments for fiscal year 2011-12, see “SECURITY AND SOURCES OF PAYMENT OF THE NOTES — Projected and Actual Cash Flows.”

Deferred Revenues

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State’s cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These “cross-year” deferrals have been codified and are currently on-going. Beginning in fiscal year 2009-10, the State also began deferring certain apportionments within the fiscal year (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – State Cash Management Legislation”). The District projects that Unrestricted Revenues available to it during each Pledge Month will consist primarily of State apportionments due to the District during fiscal year 2011-12, the payment of which has been deferred by the State from _____ and _____ of 2012 (collectively, the “Deferred Revenues”). Total deferred State apportionments due to the District are projected to be approximately \$ _____. The following table shows all apportionment deferrals currently affecting the District’s 2011-12 fiscal year, including the Deferred Revenues.

* Preliminary, subject to change.

TOTAL STATE DEFERRALS
Fiscal year 2011-12
Desert Sands Unified School District

State Apportionments Deferred From	State Apportionments Deferred To	Amount
---	---	---------------

Although the State may treat the Deferred Revenues as expenditures for the fiscal year in which they are made, the District is authorized under State law to elect to treat such Deferred Revenues for budgetary and financial reporting purposes as a receivable in the current fiscal year, and the District has in fact elected to treat the Deferred Revenues as receivables accrued to fiscal year 2011-12 for such purposes. Pursuant to Section 53584 of the Act and the District Resolution, the District has determined that the Deferred Revenues are Unrestricted Revenues thereof accrued to fiscal year 2011-12 and available to pay the Notes.

Delay in the Receipt of Deferred Revenues

The Notes are expected to be paid entirely from Deferred Revenues, and to the extent not paid therefrom, shall be paid from any other moneys of the District lawfully available for the payment of the principal of and interest on the Notes. While the District expects to receive its Deferred Revenues in such a time and manner as will permit the payment of such principal and interest of the Notes, such expectation is based on facts and circumstances now known to the District, and factors beyond the control of the District may affect the timely receipt of Deferred Revenues. Decreases in State revenues may affect appropriations made by the State legislature to the District, including the Deferred Revenues, and such apportionments may continue to be affected by ongoing national and State economic concerns and other factors over which the District will have no control. If the receipt of the Deferred Revenues is delayed, the District, at the time the Notes mature, would not be permitted to pay any portion of the Notes from subsequent fiscal years' revenues.

Limitations on Noteholder Remedies; Bankruptcy

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

As described in "INTRODUCTION – Authorized Investments," the District has agreed to cause to be deposited directly into Repayment Fund the Pledged Revenues during each Pledge Month. Such Pledged Revenues, while in the Repayment Fund, may be invested with the County Pool. See "RIVERSIDE COUNTY POOLED INVESTMENT FUND." Should the District file for bankruptcy while Pledged Revenues are so invested, a court might hold that the Owners of the Notes payable from such Pledged Revenues do not have a valid prior lien on such Pledged Revenues. In that case, unless the Owners could "trace" Pledged Revenues deposited into County Pool, the Owners would be unsecured (rather than secured) creditors of the District. The District can make no assurance that Pledged Revenues can be so traced. As such, the filing of bankruptcy by the District could delay or impair the payment of all or a portion of the Notes. Further, the opinion of Special Counsel as to the enforceability of the Notes is expressly qualified by a declaration of bankruptcy

Prohibition on County Borrowing

Pursuant to the District Resolution, the District has covenanted that while the Notes are outstanding, the District will not request the Treasurer to make temporary transfers of funds in the custody thereof to meet any obligations of the District during fiscal year 2011-12 pursuant to Article XVI, Section 6 of the Constitution of the State of California.

Projected and Actual Cash Flows

The District has prepared the accompanying monthly general fund cash flow statements covering fiscal years 2010-11 and 2011-12. The general fund is used to finance the ordinary operations of the District and is available for any legally authorized purpose. For fiscal year 2011-12, the District has projected a maximum cumulative cash flow deficit to occur within six months of the issuance of the Notes, and prior to the receipt of the Pledged Revenues. The anticipated deficit occurs due to the daily timing of expenditures occurring prior to the receipt of revenues for the month.

With respect to fiscal year 2011-12, the estimates and timing of receipts and disbursements presented herein are based on certain assumptions and should not be construed as statements of fact. The cash flow projections represent the current best estimates of the District based on information available to it as of the date of the projections, including the most recent revisions to the State's funding of school districts. However, due to the uncertainties inherent in the State budgeting process, these projections are subject to change and may vary considerably from actual cash flows experienced by the District.

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DESERT SANDS UNIFIED SCHOOL DISTRICT
2010-11 Cash Flow⁽¹⁾

	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011	TOTAL
2010-11 Cash Flows													
BEGINNING CASH BALANCE													
RECEIPTS													
State Aid													
State Aid Deferrals													
Property Taxes													
Other													
Federal Revenues													
Other State Revenues													
Other Local Revenues													
Cash Receivables													
Interfund Temporary Loans - In/(Out)													
Other Cash Receipts													
TRAN Receipts													
TOTAL RECEIPTS													
EXPENDITURES													
Certificated Salaries													
Classified Salaries													
Employee Benefits													
Books & Supplies													
Services/Oper. Expenses													
Capital Outlay													
Other Outgo													
Indirect Cost													
Cash Payables													
Other Cash Disbursements													
TRAN Disbursements													
TOTAL DISBURSEMENTS													
ENDING CASH BALANCE													

⁽¹⁾ Reflects actual cash flow figures for all months.
Source: *Desert Sands Unified School District*

**DESERT SANDS UNIFIED SCHOOL DISTRICT
2011-12 Actual/Projected Cash Flow⁽¹⁾**

	<u>July 2011</u>	<u>August 2011</u>	<u>September 2011</u>	<u>October 2011</u>	<u>November 2011</u>	<u>December 2011</u>	<u>January 2012</u>	<u>February 2012</u>	<u>March 2012</u>	<u>April 2012</u>	<u>May 2012</u>	<u>June 2012</u>	<u>TOTAL</u>
2011-12 Cash Flows													
BEGINNING CASH BALANCE													
RECEIPTS													
State Aid													
State Aid Deferrals													
Property Taxes													
Other													
Federal Revenues													
Other State Revenues													
Other Local Revenues													
Cash Receivables													
Interfund Temporary Loans - In/(Out)													
Other Cash Receipts													
TRAN Receipts													
TOTAL RECEIPTS													
EXPENDITURES													
Certificated Salaries													
Classified Salaries													
Employee Benefits													
Books & Supplies													
Services/Oper. Expenses													
Capital Outlay													
Other Outgo													
Indirect Cost													
Cash Payables													
Other Cash Disbursements													
TRAN Disbursements													
TOTAL DISBURSEMENTS													
ENDING CASH BALANCE													

⁽¹⁾ Reflects actual cash flow figures for July through January, and projected cash flows for February through June.

Source: *Desert Sands Unified School District.*

Alternate Cash Resources

The following table shows audited and project cash balances from certain other funds of the District outside the general fund. The District may borrow from these funds to supplement general fund cash flows.

**ALTERNATE CASH RESOURCES
Fiscal Years 2009-10 through 2011-12**

<u>Fund Type</u>	<u>Fund Purpose</u>	<u>Audited Cash Balance As of 6/30/2010</u>	<u>Projected Cash Balance As of 6/30/2011</u>	<u>Projected Cash Balance As of 6/30/2012</u>
1 Fund 11	Adult Education Fund			
2 Fund 13	Cafeteria Fund			
3 Fund 14	Deferred Maintenance Fund			
4 Fund 17	Special Reserve – Non Capital Outlay			
5 Fund 25	Capital Facilities Fund			
6 Fund 40	Special Reserve Capital Outlay			
7 Fund 67	Self Insurance Fund			
Total				

Source: Desert Sands Unified School District.

FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA

State Funding of Education

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

Annual State apportionments of basic and equalization aid to school districts are computed based on a revenue limit per unit of average daily attendance (“A.D.A.”). See “—Revenue Sources – Revenue Limit Sources ” herein. Prior to fiscal year 1998-99, daily attendance numbers included students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, only actual attendance is be counted in A.D.A.

This change is essentially fiscally neutral for school districts that maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. In the future, school districts which can improve their actual attendance rate will receive additional funding.

The following table shows the A.D.A. for the District for the past five fiscal years and a projection for the current year, as well as the District’s revenue limit for such period.

AVERAGE DAILY ATTENDANCE AND REVENUE LIMIT
Fiscal Years 2006-07 through 2011-12
Desert Sands Unified School District

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Annual Change in A.D.A.</u>	<u>Base Revenue Limit Per A.D.A.</u>	<u>Funded Revenue Limit Per A.D.A.⁽¹⁾</u>
2006-07	26,716	--		
2007-08	27,153	437	\$5,783.98	\$5,783.98
2008-09	27,649	496	6,112.98	5,633.48
2009-10	27,692	43	6,374.98	4,951.86
2010-11	27,586	(106)	6,349.98	5,209.33
2011-12 ⁽²⁾	27,193	(393)	6,492.98	5,210.36

⁽¹⁾ The State's practice of deficit revenue limit funding, which reduces the amount of revenue limit funds received by school districts, was eliminated effective in fiscal year 2000-01, reinstated beginning in fiscal year 2003-04, eliminated again beginning in fiscal year 2006-07, and reinstated in fiscal year 2008-09.

⁽²⁾ Projected.

Source: Desert Sands Unified School District.

Revenue Sources

Major revenue sources of the District are described below.

Revenue Limit Sources. Since fiscal year 1973-74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the A.D.A. for such district by a base revenue limit per unit of A.D.A. The revenue limit calculations are 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 is provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Certain schools districts, known as "basic aid" districts, have local property tax collections of such a large magnitude that, when compared to the district's total revenue limit, result in the receipt of the minimum State aid of \$120 per pupil. This amount is defined in the State's constitution as basic aid. The implication for basic aid districts is that the legislatively determined annual cost of living adjustment and other politically determined factors are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants. The District is not a basic aid district.

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 (except for levies to support prior voter-approved indebtedness) are to be shared with local taxing entities within each county.

Revenue limit sources constituted approximately 57.7% of District general fund revenues in 2009-10, approximately 59% of such revenues in 2010-11, and are budgeted to equal approximately ___% of such revenues in 2011-11.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, and specialized programs such as Drug Free Schools, No Child Left Behind, and vocational and applies technology education. The federal revenues, most of which are restricted, constituted 11.2% of District general fund revenues in 2009-10, approximately 8.6% of such revenues in 2009-10, and are budgeted to equal approximately ____% of such revenues in 2011-12.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District’s revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives substantial other State revenues. These other State revenues are primarily restricted revenues funding items such as the Special Education Master Plan, Economic Impact Aid and Home-to-School Transportation, among others. Other State revenues constituted 15.7% of District general fund revenues in 2009-10, approximately 14.5% of such revenues in 2010-11, and are budgeted to equal approximately ____% of such revenues in 2011-12.

Other Local Revenues. In addition to property taxes, the District receives additional local revenues from items such as leases and rentals, interest earnings, interagency services, and other local sources. Other local revenues constituted 15.3% of District general fund revenues in 2009-10, approximately 18% of such revenues in 2010-11 and are budgeted to equal approximately ____% of such revenues in 2011-12.

Redevelopment Revenue. The District has agreements with a number of redevelopment agencies, pursuant to which the District receives a portion of the pass-through tax increment revenues received by such agencies. The following table summarizes the revenues received by the District from such redevelopment agencies over the last eight fiscal years, and an estimate for fiscal year 2011-12.

<u>Fiscal Year</u>	<u>Total Redevelopment Revenues Received</u>	<u>Redevelopment Revenues Allocated to Outstanding Debt⁽¹⁾</u>	<u>Unallocated Redevelopment Revenues</u>
2003-04	\$7,879,916	\$2,316,415	\$5,563,501
2004-05	9,360,150	2,315,419	7,044,731
2005-06	12,796,854	2,308,868	10,487,986
2006-07	13,578,700	2,300,120	11,278,580
2007-08	19,997,350	2,292,968	17,704,382
2008-09	19,864,691	4,030,000	15,834,691
2009-10	11,679,415	7,300,000	4,379,415
2010-11	_____	_____	_____
2011-12 ⁽²⁾	_____	_____	_____

⁽¹⁾ A portion of the redevelopment revenues received in each year are allocated to the payment of debt service associated with the District’s outstanding certificates of participation. See “DESERT SANDS UNIFIED SCHOOL DISTRICT – Existing Indebtedness – Certificates of Participation” herein.

⁽²⁾ Projected.

Source: *Desert Sands Unified School District.*

The District, however, can make no representations that Redevelopment Revenues will continue to be received by the District in amounts consistent with prior years, or as currently projected, particularly in light of the recently enacted legislation eliminating redevelopment agencies. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Budget Measures – 2011-12 Budget.” Further, the School District can make no representations about the potential impact of recent litigation regarding such legislation. See “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – State Budget Measures – Recent Litigation Regarding State Budgetary Provisions.”

Developer Fees. The District maintains a fund, separate and apart from the General Fund, to account for developer fees collected by the District. Residential development is assessed a fee of \$___ per square foot, while commercial development is assessed a fee of \$___ per square foot. The following table summarizes the revenues received by the District from developer fees over the last 13 years and a projected amount for 2011-12.

<u>Fiscal Year</u>	<u>Developer Fees Collected</u>
1998-99	\$8,591,645
1999-00	11,539,782
2000-01	10,340,647
2001-02	9,536,272
2002-03	11,496,017
2003-04	16,870,825
2004-05	14,804,814
2005-06	20,931,552
2006-07	6,853,562
2007-08	4,313,895
2008-09	612,832
2009-10	830,808
2010-11	_____
2011-12 ⁽¹⁾	_____

⁽¹⁾ Projected.

Source: Desert Sands Unified School District.

State Budget Measures

The following information concerning the State’s budget has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.

Senate Bill 70. On March 24, 2011, the Governor signed into law Senate Bill 70 (“SB 70”), which implements several provisions included in the Governor’s proposed budget for fiscal year 2011-12 (the “Proposed Budget”). Significant features of SB 70 relating to the funding of school districts include the following:

- For fiscal year 2011-12, SB 70 increases the revenue limit deficit factor for county offices of education and school districts to 19.892% and 19.608 %, respectively.
- SB 70 extends, for an additional two fiscal years, existing flexibility options available to school districts relating to deferred maintenance contributions, use of surplus proceeds from the sale of real property, general fund reserve requirements, categorical program funding expenditures, reduction of instructional minutes, Class Size Reduction Program penalties, and the implementation of new State instructional materials.
- SB 70 establishes a zero percent cost of living adjustment for K-12 programmatic funding for fiscal year 2011-12.
- SB 70 authorizes three new cross-fiscal year deferrals of State apportionments, as follows: (1) \$1.3 billion from March to August, (2) \$763,794,000 from April to August,

and (3) \$500 million from June to July. SB 70 also extends the existing April-to-July deferral to September and the existing May-to-July deferral to September. These deferrals are in addition to existing inter-fiscal year deferrals applicable to fiscal year 2011-12. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Cash Management Legislation.”

- SB 70 extends eligibility for supplemental categorical block grants to charter schools that begin operations in fiscal year 2011-12. SB 70 also appropriates \$5 million from the State general fund to the Charter School Revolving Loan Fund.
- SB 70 authorizes the State Director of Finance to adjust the State’s Proposition 98 calculation to ensure that any shift in property taxes previously received by redevelopment agencies does not affect the State’s minimum funding obligations under Proposition 98.
- SB 70 implements a reduction to categorical funding for basic aid school districts in proportion to the revenue limit funding reductions experienced by non-basic aid school districts in fiscal years 2008-09 and 2009-10. SB 70 declares the State legislature’s intent to restore this categorical funding at the same time as such revenue limit funding reductions are restored.

The full text of SB 70 is available at <http://www.leginfo.ca.gov/bilinfo>. However, such information is not incorporated herein by any reference.

2011-12 Budget. The 2011-12 Budget Act (the “2011-12 Budget”) was signed into law by the Governor on June 30, 2011. The Department of Finance has released its summary of the 2011-12 Budget (the “Department of Finance Report”). The following information is drawn from the Department of Finance Report.

The 2011-12 Budget seeks to close the \$26.6 billion deficit identified in the Governor’s May Revision to the Proposed Budget (the “May Revision”) through a combination of measures totaling \$27.2 billion. Specifically, the 2011-12 Budget includes \$15 billion of expenditure reductions, \$900 million of targeted revenue increases, \$2.9 billion of other measures and a positive adjustment to the State’s revenue outlook totaling \$8.3 billion.

The 2011-12 Budget reports that the State economy has continued to improve, with tax collections approximately \$1.2 billion above the amounts projected by the May Revision. As a result, the 2011-12 Budget projects an additional \$4 billion in revenues during fiscal year 2011-12. Although the 2011-12 Budget does not include any of the Governor’s proposed tax extensions, the administration states that it plans to seek voter approval of a ballot measure, by November of 2012, which would protect public safety realignment and supplement the State’s revenues.

With the implementation of all measures, the 2011-12 Budget assumes, for fiscal year 2010-11, year-end revenues of \$94.8 billion and expenditures of \$91.5 billion. The 2011-12 Budget also assumes the State ended fiscal year 2010-11 with a budget deficit of \$2 billion. For fiscal year 2011-12, the 2011-12 Budget projects total revenues of \$88.5 billion and authorizes total expenditures of \$85.9 billion. The 2011-12 Budget projects that the State will end fiscal year 2011-12 with a \$543 million surplus.

The 2011-12 Budget also includes a series of “trigger” reductions that are authorized to be implemented in the event the State’s revenues are less than forecasted. The first series of reductions,

totaling approximately \$600 million, would be implemented by January of 2012 if State revenues fall short of projections by more than \$1 billion. If by January of 2012 revenues are projected to fall short by more than \$2 billion, a second series of reductions totaling approximately \$1.9 billion would be implemented, of which \$1.8 billion relates to K-12 revenue limit funding and home-to-school transportation.

As part of the second series of such trigger reductions, the 2011-12 Budget authorizes a reduction of \$1.5 billion to school district revenue limit funding, and a corresponding reduction to the State-mandated length the school year by seven days. In the event this reduction is implemented, school districts would be permitted to collectively bargain for a shorter school year or accommodate the revenue limit reduction through other means.

Total Proposition 98 funding is decreased in fiscal year 2011-12 to \$48.7 billion, including \$32.8 billion from the State general fund, which reflects a decrease from the prior year of \$1.1 billion. This decrease is a net figure reflective of all budgetary actions taken with respect to the State's share of Proposition 98 funding, including increases in baseline revenues, redirection of certain sales tax revenues related to the realignment of public safety programs, and the rebenching of the Proposition 98 minimum funding guarantee (discussed below).

The 2011-12 Budget rebenches the Proposition 98 minimum funding guarantee to account for the following: (i) an increase of \$221.8 million, as part of the realignment of public programs from the State to local governments, to fund the delivery of certain mental health services by school districts, (ii) an increase of \$578.1 million to backfill general fund revenues lost from the suspension of sales and excise taxes on motor vehicle fuels, and (iii) a decrease of \$1.1 billion to reflect the exclusion of most child care programs from Proposition 98. The minimum funding guarantee is also rebenched to account for a \$1.7 billion decrease in State general fund revenues as a result of ABx1 27, a companion bill to the 2011-12 Budget. ABx1 27 authorizes redevelopment agencies to continue operations provided their establishing cities or counties agree to make a specified payment to school districts and county offices of education, which totals \$1.7 billion statewide. Pursuant to ABx1 26 (another companion bill to the 2011-12 Budget), redevelopment agencies whose establishing cities or counties elect not to make such payments will be required to shut down, and any net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts.

The 2011-12 Budget also makes a significant, one-time modification to State budgeting requirements under AB 1200 (see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Budget Process" herein). School districts will be required to project the same level of revenue per student in 2011-12 as in 2010-11, as well as maintain staffing and program levels commensurate with such level of funding. A related provision of 2011-12 Budget provides that school districts will only be required to budget for the current year, and will not be required to demonstrate that they can meet their financial obligations for the subsequent two fiscal years (2012-13 and 2013-14).

The 2011-12 Budget also implements other significant measures with respect to K-12 education funding, as follows:

- *Apportionment Deferral.* An additional deferral of \$1.2 billion in education spending in order to maintain programmatic funding at the fiscal year 2010-11 level.
- *Part-Day Preschool.* A decrease of \$62.3 million to reflect a reduction of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.

- *Charter Schools.* \$11 million in supplemental categorical funding to charter schools that begin operations between 2008-09 and 2011-12.
- *Clean Technology and Renewable Energy Training.* \$3.2 million of increased funding for clean technology and renewable energy job training, career technical education and the Dropout Prevention Program, each of which is designed to provide at-risk high school students with occupational training in areas such as conservation, renewable energy and pollution reduction.
- *Child Care and Development.* A decrease of \$180.4 million to child care and development programs, including reductions to license-exempt provider rates, reductions of income eligibility levels to 70% of the State Median Income, and across-the-board reductions to provider contracts.
- *CALTIDES.* A decrease of \$2.1 million to reflect elimination of funding for the California Longitudinal Teacher Integrated Data System (CALTIDES). Although the CALTIDES program was intended to provide a central State information depository regarding the teaching workforce, the 2011-12 Budget indicates the program is not a critical need.
- *Office of the Secretary of Education.* The 2011-12 Budget projects a budget savings of \$1.6 million through the elimination of the Office of the Secretary of Education.

Additional information regarding the 2011-12 Budget is available from the Department of Finance's website: www.dof.ca.gov. However, such information is not incorporated herein by any reference.

Recent Litigation Regarding State Budgetary Provisions. On July 18, 2011, the California Redevelopment Association, the League of California Cities, and the Cities of Union City and San Jose filed petition for a writ of mandate (the "CRA Petition") with the Supreme Court of California alleging that ABx1 26 and ABx1 27 violate the California Constitution, as amended by Proposition 22. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 1A and Proposition 22." The petitioners allege, among other things, that ABx1 26 and ABx1 27 seek to illegally divert tax increment revenue from redevelopment agencies by threatening such agencies with dissolution if payments are not made to support the State's obligation to fund education. The CRA Petition was accompanied by an application for a stay seeking to delay implementation of the provisions of ABx1 26 and ABx1 27 until the claims are adjudicated.

On September 28, 2011, the California School Boards Association, the Association of California School Administrators, the Los Angeles Unified School District, the San Francisco Unified School District and the Turlock Unified School District filed a petition for a writ of mandate in the Superior Court of the State of California in and for the County of San Francisco (the "CSBA Petition"). The petitioners allege that the 2011-12 Budget improperly diverted sales tax revenues away from the State general fund, resulting in a reduction to the minimum funding guarantee of approximately \$2.1 billion. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – State Budget Measures – 2011-12 Budget." The CSBA Petition seeks an order from the Court compelling the State Director of Finance, Superintendent of Public Instruction and the State Controller to recalculate the minimum funding guarantee in accordance with the provisions of the California Constitution.

The District makes no representations regarding the viability of the claims in either the CRA Petition or the CSBA Petition, nor can the District predict whether any of the respective petitioners will

be successful. Moreover, the District makes no representations as to how any final decision by the respective courts would affect the State's ability to fund education in fiscal year 2011-12, or in future fiscal years.

Fiscal Outlook Report. On November 16, 2011, the LAO released a report entitled "The 2012-13 Budget: California's Fiscal Outlook" (the "Fiscal Outlook Report"), which includes updated expenditure and revenue projections for fiscal year 2011-12. The following information has been adapted from the Fiscal Outlook Report.

The Fiscal Outlook Report provides the LAO's projections of the State's General Fund revenues and expenditures for fiscal years 2011-12 through 2016-17 under current law, absent any actions to close the projected State budgetary deficit, as further discussed below. The LAO's projections primarily reflect current-law spending requirements and tax provisions, while relying on the LAO's independent assessment of the outlook for the State's economy, demographics, revenues, and expenditures.

The LAO currently forecasts total State revenues of \$84.8 billion, approximately \$3.7 billion less than the \$88.5 billion figure included in the 2011-12 Budget. The LAO also forecasts total expenditures of \$85.3 billion, slightly below the \$85.9 billion included in the 2011-12 Budget. Absent corrective action, the State faces a projected year-end deficit of approximately \$3 billion, as compared to the \$543 million year-end surplus assumed by the 2011-12 Budget.

The LAO's estimates with respect to fiscal year 2011-12 are informed in part by the following:

- As a result of the revised revenue forecast, the LAO assumes the implementation of \$2 billion in midyear "trigger" reductions, as required by the 2011-12 Budget. This includes the implementation of all first tier trigger reductions, totaling \$600 million. The LAO also assumes the implementation of approximately \$1.4 billion of second tier trigger reductions, including a \$248 million reduction in home-to-school transportation funding, a \$72 million reduction to community college apportionments, and a \$1.1 billion reduction to K-12 revenue limit funding. The reduction to revenue limit funding reflects a pro-rated implementation of the second tier trigger reductions, based on the LAO's revenue forecast. The final extent of the reductions will be determined by the State Department of Finance, once it releases its December 2011 revenue forecast.
- The LAO's forecast generally assumes that the State will prevail in current, on-going litigation regarding certain provisions of the 2011-12 Budget. See "—Recent Litigation Regarding State Budgetary Provisions" above. However, the LAO assumes that the State will only realize \$1.4 billion of additional general fund revenues from the elimination of redevelopment agencies, rather than the \$1.7 billion figure included in the 2011-12 Budget.
- The Fiscal Outlook Report does not assume the passage of the Governor's proposed tax extensions at the November 2012 election. The LAO notes that, under the provisions of the 2011-12 Budget, if no such ballot measure is passed, the State would be required to provide an additional \$2 billion of settle-up payments to K-12 education, reflecting a like increase to the Proposition 98 minimum funding guarantee for fiscal year 2011-12.
- The LAO also assumes (i) higher Medi-Cal costs of approximately \$400 million, and (ii) that the State will be unable to reduce departmental costs by \$250 million, as projected by the 2011-12 Budget.

Additional information regarding the Fiscal Outlook Report may be obtained from the LAO at www.lao.ca.gov. However, such information is not incorporated herein by any reference.

Future Actions. The District cannot guarantee that any action will be taken in the future by the State legislature and the Governor to address changing State revenues and expenditures. The District also cannot predict the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State's ability to fund schools. Continued State budget shortfalls in future fiscal years may also have an adverse financial impact on the financial condition of the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES

Article XIII A of the California Constitution

Article XIII A ("Article XIII A") of the State Constitution limits the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the "base year value." The full cash value is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the adjusted base year value described above. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (i) on any indebtedness approved by the voters prior to July 1, 1978, or (ii) as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast of the proposition, but only if certain accountability measurers are included in the proposition. In addition, Article XIII A requires the approval of two-thirds of all members of the State legislature to change any State taxes for the purpose of increasing tax revenues.

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.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

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.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as \$4 per \$100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as \$1 per \$100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the \$1 per \$100 of taxable value.

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

Article XIII B of the California Constitution

Article XIII B of the State Constitution ("Article XIII B"), 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. As amended, Article XIII B defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

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 pursuant to 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.

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 pursuant to Section 8.5 of Article XVI of the State Constitution. See "Propositions 98 and 111" below.

Article XIII C and Article XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and 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 community college 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. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. 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.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C of the State Constitution 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 XIII D. 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.

Propositions 98 and 111

On November 8, 1988, 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 State general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the State 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.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of State

general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget.

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:

- a. 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.
- b. 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.
- c. 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.
- d. 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.
- e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B

by reference to per capita personal income) and enrollment (the “second test”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capita personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 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 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Property taxes may 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 buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement would apply 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% 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 a high school or elementary school district), or \$25 (for a community college district), per \$100,000 of taxable property value when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. 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. See “—Article XIII A of the California Constitution” above.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State’s authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue

if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's general fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 will be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1 percent of the State's total general fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's general fund costs by approximately \$1 billion annually for several decades.

State Cash Management Legislation

Since 2002, the State has engaged in the practice of deferring certain apportionments to school districts in order to manage the State's cash flow. This practice has included deferring certain apportionments from one fiscal year to the next. These "cross-year" deferrals have been codified and are expected to be on-going. Legislation enacted with respect to fiscal year 2011-12 provides for additional inter-fiscal year deferrals.

On March 24, 2011, the Governor signed into law Senate Bill 82 ("SB 82"), which extended into fiscal year 2011-12 provisions of existing law designed to effectively manage the State's cash resources. SB 82 authorizes the deferral of State apportionments during fiscal year 2011-12, as follows: (i) \$700 million from July 2011 to September 2011, (ii) \$700 million from July 2011 to January 2012, (iii) \$1.4 billion from August 2011 to January 2012, (iv) \$2.4 billion from October 2011 to January 2012, and (v) \$1.4 billion from March 2012 to April 2012. Collectively, these deferrals are referred to as the "Cash Management Deferrals." SB 82 required the State Department of Education was required to certify to school districts no later than April 15, 2011 which of the 2011-12 Cash Management Deferrals will be implemented, and in what amounts. On April 15, 2011, the Department of Education released a projected scheduled of State apportionments showing that all of the 2011-12 Cash Management Deferrals would be implemented. SB 82 provides for an exemption to the Cash Management Deferrals for a school district that would be unable to meet its expenditure obligations if its State apportionments are delayed. The District applied for and received an exemption from the SB 70 deferral and has applied for the SB 82 deferral.

In the event any of the Cash Management Deferrals are implemented, SB 82 requires that the State Controller, State Treasurer and State Director of Finance review, as necessary but no less than

monthly, the actual State general fund cash receipts and disbursements in comparison to the Governor's most recent revenue and expenditure projections. If the Controller, Treasurer and Director of Finance determine that sufficient cash is available to pay the State apportionments being deferred while maintaining a prudent cash reserve, such State apportionments are required to be paid as soon as feasible.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C, Article XIII D of the California Constitution and Propositions 26, 98 and 111 were each adopted as measures that qualified for the ballot pursuant to 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.

DESERT SANDS UNIFIED SCHOOL DISTRICT

General Information

The District is a unified school district providing elementary and secondary levels of education under a single Board of Education and centralized administration. Established in 1966, the District currently operates 19 elementary schools, one charter elementary school, six middle schools, one charter middle school, three comprehensive high schools, two continuation high schools, one Alternative Education School and one adult school. The District encompasses approximately 752 square miles of the southern part of the County, serving the cities of Indio, Coachella, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the district and copies of the most recent and subsequent audited financial reports of the District may be obtained by contacting: Desert Sands Unified School District, 47-950 Dune Palms Road, La Quinta, California 92253, Attention: Assistant Superintendent, Business Services.

Administration

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

**BOARD OF EDUCATION
Desert Sands Unified School District**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Michael Duran	President	December 2014
Donald B. Griffith	Vice President/Clerk	December 2014
Jim Koedyker	Member	December 2012
Matt Monica III	Member	December 2012
Gary Tomak	Member	December 2012

The Superintendent of the District is responsible for administering the affairs of the District in accordance with the policies of the Board. Dr. Sharon P. McGehee is currently the Superintendent of the District. Brief biographies of key personnel follow:

Dr. Sharon P. McGehee. Dr. Sharon P. McGehee began her term as the District’s Superintendent in November 2007. Prior to arriving at the District, Dr. McGehee served as the Superintendent of the Ontario-Montclair School District for six years, and, prior to that, as its Deputy Superintendent, Administrative Services and Assistant Superintendent, Personnel Services, Director of Certificated Personnel and teacher. Dr. McGehee holds a Bachelors of Arts in Sociology from the University of California, Santa Barbara, a Masters of Science in Education Administration from California State University, Fullerton and a Doctorate in Philosophy in Education from the Claremont Graduate School. She holds a life credential in elementary teaching and a credential in administrative services.

Cindy McDaniel, Assistant Superintendent, Business Services. Cindy McDaniel began her term as the District’s Assistant Superintendent, Business Services in November 2008. Prior to that appointment, Ms. McDaniel served as the Director of Fiscal Services for the District for 17 years, and, prior to that, as its Accounting Supervisor and Senior Account Clerk. She has 32 cumulative years of service in finance with the District.

District Growth

The following table reflects the A.D.A. and enrollment for the District for the last five years, and a projection for fiscal year 2011-12:

**AVERAGE DAILY ATTENDANCE AND ENROLLMENT
Fiscal Years 2006-07 through 2011-12
Desert Sands Unified School District**

<u>Fiscal Year</u>	<u>Average Daily Attendance</u>	<u>Enrollment</u>
2006-07	26,716	28,277
2007-08	27,153	28,775
2008-09	27,649	28,976
2009-10	27,692	29,328
2010-11	27,586	29,123
2011-12 ⁽¹⁾	27,193	_____

⁽¹⁾ Projected.
 Note: Enrollment figures shown are as of October report submitted to the California Basic Educational Data System (“CBEDS”) in each school year.
 Source: *Desert Sands Unified School District.*

Charter Schools

The California Legislature enacted the Charter Schools Act of 1992 (California Education Code Sections 47600-47616.5) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, California’s charter school law states that local boards are the primary charter approving agency and that county panels can appeal a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. The charter school is exempt from state and local education rules and regulations, except as specified in the legislation.

The District has approved two petitions to establish charter schools within the District, known as the Washington Charter School, which opened in 1994-95, and the Palm Desert Middle Charter School, which opened in July 2008 (collectively, the “Charter Schools”). It is estimated that approximately _____ students are currently enrolled in the Charter Schools (approximately ___ of which were formerly enrolled in the District). The District cannot estimate at this time how many District students will transfer to charter schools in the future or back to the District from charter schools, and the corresponding financial impact on the District.

Employee Relations

The District currently employs _____ certificated professionals as well as _____ full-time and part-time classified employees. District employees, except for management and some part-time employees, are represented by two employee bargaining units as follows:

**LABOR BARGAINING UNITS
Desert Sands Unified School District**

<u>Labor Organization</u>	<u>Number of Employees In Organization</u>	<u>Contract Expiration Date</u>
Desert Sands Teacher’s Association		
California School Employees Association		

Source: Desert Sands Unified School District.

District Retirement Systems

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.

STRS. All full-time certificated employees, as well as certain classified employees, are members of the State Teachers’ Retirement System (“STRS”). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law. The District is currently required by such statutes to contribute 8.25% of eligible salary expenditures, while participants contribute 8% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 2.541% of teacher payroll.

The District’s contribution to STRS were \$9,589,362 in fiscal year 2008-09, \$9,354,222 in fiscal year 2009-10 and \$8,541,738 in fiscal year 2010-11. For fiscal year 2011-12, the District has budgeted \$ _____ as its contribution toward STRS.

PERS. Classified employees working four or more hours per day are members of the Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provision are established by the State statutes, as legislatively amended, with the Public Employees’ Retirement Laws. The District is currently required to contribute to PERS at an actuarially determined rate, which is 10.923% of eligible salary expenditures for fiscal year 2011-12, while participants contribute 7% of their respective salaries.

The District's contribution to PERS is capped at 13.02% of gross expenditures for any given fiscal year. To the extent the District's contribution rate to PERS is less than 13.02%, the State will reduce the District's revenue limit for that year by the difference between the maximum contribution rate and the District's actual contribution rate. Alternatively, if the District's contribution rate is greater than 13.02%, the State is required to provide additional revenue limit allocations to the District to make up the difference.

The District's contributions to PERS were \$5,529,063 in fiscal year 2008-09, \$5,543,103 in fiscal year 2009-10 and \$5,514,691 in fiscal year 2010-11. For fiscal year 2011-12, the District has budgeted \$ _____ as its contribution towards PERS.

State Pension Trusts. Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: www.calstrs.com; (ii) PERS: www.calpers.ca.gov. However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for both STRS and PERS.

FUNDED STATUS
STRS (Defined Benefit Program) and PERS
As of a June 30, 2010 Valuation Date
(Dollar Amounts in Millions)⁽¹⁾

<u>Plan</u>	<u>Accrued Liability</u>	<u>Value of Trust Assets</u>	<u>Unfunded Liability</u>
Public Employees Retirement Fund (PERS)	\$55,307	\$38,435 ⁽²⁾	\$(16,872)
State Teachers' Retirement Fund Defined Benefit Program (STRS)	196,315	140,291 ⁽³⁾	(56,024)

⁽¹⁾ Amounts may not add due to rounding.

⁽²⁾ Reflects market value of assets as of June 30, 2010.

⁽³⁾ Reflects actuarial value of assets as of June 30, 2010.

Source: CalPERS State & Schools Actuarial Valuation; CalSTRS Defined Benefit Program Actuarial Valuation.

Unlike PERS, STRS contribution rates for participant employers, employees and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. In recent years, the combined employer, employee and State contributions to STRS have been significantly less than actuarially required amounts. As a result, and due in part to investment losses, the unfunded liability of STRS has increased significantly. This unfunded liability is expected to continue to increase in the absence of legislation requiring additional or increased contributions. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District's required contributions to PERS will not increase in the future.

Alternate Plan. As established by Federal law, all public sector employees who are not members of their employers existing retirement systems (STRS or PERS) must be covered by social security or an alternative plan. The District has elected to use Accumulation Program of Part-Time and Limited-Service

Employees ("APPLE") Plan as its alternative plan. The District contributes 3.75% of an employee's gross earnings. An employee is required to contribute 3.75% of his or her gross earnings to the pension plan.

During fiscal year 2010-11, the District's required and actual contributions for the APPLE Plan amounted to \$_____, which was ___% of its current year covered payroll. For fiscal year 2011-12, the District projects that contributions to the APPLE Plan will equal \$_____.

Supplemental Employee Retirement Plan

The District has adopted a supplemental early retirement plan ("SERP") whereby certain eligible employees are provided an annuity to supplement the retirement benefits such employees are entitled to receive through the STRS or PERS retirement systems. The District has entered into an agreement with the Public Agency Retirement System (PARS), whereby the District pays contributions to the PARS administrator, who then provide supplemental income to eligible employees. The annuities were purchased for 184 employees. Five payments of \$1,834,299 per year are being paid over a five year period starting in July 2010. The accumulated future liability for the District for the SERP, as of July 1, 2011, amounted to \$_____.

Other Post-employment Benefits

The Desert Sands Unified School District Retiree Health Program (the "Program") is a single-employer defined benefit health care program administered by the District. The Program provides medical benefits to eligible retirees and their spouses. Membership of the Program consists of _____ retirees and beneficiaries currently receiving benefits and _____ active Program members. The contribution requirements of the Program members and the District are established and may be amended by the District, its bargaining units, and unrepresented groups on an _____ basis. The required contributions is based on projected pay-as-you-go financing requirements. For fiscal year 2011-12, the District's projected contribution to the Program is \$_____, all of which is expected to be used for premiums.

The District has commissioned and received several actuarial studies of its accrued liability in connection with post-employment benefits provided by the Program. The most recent of these studies, prepared by Total Compensation Systems, Inc. and dated as of _____, concluded the District's total unfunded actuarial accrued liability (the "AAL") for such benefits as of January 1, 2011, was \$45,415,647, and that the District's annual required contribution ("ARC") in respect of such benefits was \$_____ for the year beginning January 1, 2011. The ARC is composed of the value of future benefits earned by current employees during each fiscal year (the "Normal Cost"), and the amount necessary to amortize the AAL. Collectively, the ARC is the amount that would be necessary to fund both the Normal Cost and the AAL in accordance with the Governmental Accounting Standards Board Statements Nos. 43 and 45.

As of June 30, 2011, the District recognized a net, long-term obligation (the "Net OPEB Obligation") with respect to Program benefits of \$9,073,544. The Net OPEB Obligation was calculated based on the District's contributions towards its actuarially-determined ARC. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – Existing Indebtedness" herein and "APPENDIX D – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2010-11 – Note 11."

Joint Powers Authorities

The District is a member of the Riverside Schools' Insurance Authority (RSIA) and the Riverside County Employer/Employee Partnership for Benefits (REEP) joint powers authorities (JPA's). The District pays an annual premium to each entity for its property liability, and health and welfare coverage, respectively.

Each JPA is governed by a board consisting of representatives from member districts. Each governing board controls the operations of its JPA, including selection of management and approval of operating budgets, independent of any influence by the member districts beyond the District's representation on the governing boards. Member districts share surpluses and deficits proportionally to their participation in the JPA. The relationships between the District and the JPAs are such that neither of the JPAs is a component unit of the District for financial reporting purposes.

***Ad Valorem* Property Taxation**

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

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

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

State law exempts from taxation \$7,000 of the full cash value of an owner-occupied dwelling, but this exemption does not result in any loss of revenue to local agencies, since the State reimburses local agencies for the value of the exemptions.

Assessed Valuations

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California

Constitution. For a discussion of how properties currently are assessed, see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES.”

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

Property within the District has a total assessed valuation for fiscal year 2011-12 of \$ _____. The following table represents an six-year history of assessed valuations in the District:

ASSESSED VALUATIONS	
Desert Sands Unified School District	
Fiscal Years 2006-07 through 2011-12	
	Total
<u>Fiscal Year</u>	<u>Assessed Valuation</u>
2006-07	\$31,869,751,870
2007-08	35,905,592,167
2008-09	37,413,532,192
2009-10	35,226,588,575
2010-11	33,427,524,085
2011-12	

Source: California Municipal Statistics, Inc.

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood or toxic contamination, could cause a reduction in the assessed value of taxable property within the District.

Appeals and Reductions of Assessed Valuations

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 appropriate county board of equalization or assessment appeals board. County assessors may independently reduce assessed values as well based upon the above factors or reductions in the fair market value of the taxable property. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. Such reductions are subject to yearly reappraisals and may be 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 “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution.”

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 property tax appeals in the future will not significantly reduce the assessed valuation of property within the District

Secured Tax Charges and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed.

A ten percent penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty (i.e., interest) to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning December 1 of the fiscal year, and a lien is recorded against the assessee. 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 specific 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 specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The County levies and collects all property taxes for property falling within that county’s taxing boundaries.

Historical annual secured tax charges and delinquencies within the District are shown in the following table.

**SECURED TAX CHARGES AND DELINQUENCIES
Fiscal Years 2005-06 through 2010-11
Desert Sands Unified School District**

<u>Fiscal Year</u>	<u>Secured Tax Charge⁽¹⁾</u>	<u>Amount Delinquent June 30</u>	<u>% Delinquent June 30</u>
2005-06	\$20,486,706.05	\$495,233.32	2.42%
2006-07	23,036,657.80	869,670.03	3.78
2007-08	26,430,894.22	1,087,253.91	4.11
2008-09	28,939,204.74	1,301,620.19	4.50
2009-10			
2010-11			

⁽¹⁾ Debt service levy only.

Source: California Municipal Statistics, Inc.

Tax Rates

The following table summarizes the total *ad valorem* tax rates levied by all taxing entities in a typical tax rate area within the District from 2007-08 to 2011-12.

**SUMMARY OF AD VALOREM TAX RATES (TRA 75-004)
Fiscal Years 2007-08 through 2011-12
Desert Sands Unified School District**

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
General	1.00000%	1.00000%	1.00000%		
Desert Sands Unified School District	.07561	.07990	.08112		
Desert Community College District	.01995	.01995	.01995		
Coachella Valley Water District	<u>.04000</u>	<u>.04000</u>	<u>.06000</u>		
	1.13556%	1.13985%	1.16107%		

Source: California Municipal Statistics, Inc.

Principal Taxpayers

The following table lists the major taxpayers in the District in terms of their 2011-12 secured assessed valuations.

**LARGEST 2011-12 LOCAL SECURED TAXPAYERS
Desert Sands Unified School District**

<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2011-12 Assessed Valuation</u>	<u>% of Total⁽¹⁾</u>
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⁽¹⁾ 2011-12 local secured assessed valuation: \$ _____.

Source: California Municipal Statistics, Inc.

Taxation of State-Assessed Utility Property

A portion of property tax revenue of the District is derived from utility property subject to assessment by the State Board of Equalization (“SBE”). State-assessed property, or “unitary property,” is property of a utility system with components located in many taxing jurisdictions that are assessed as part of a “going concern” rather than as individual pieces of real or personal property. The assessed value of unitary and certain other State-assessed property is allocated to the counties by the 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.

Recent changes in the California electric utility industry structure and in the way in which components of the industry are regulated and owned, including the sale of electric generation assets to largely unregulated, nonutility companies, may affect how utility assets are assessed in the future, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on their utility property tax revenues, or whether legislation or litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District.

Because the District is not a “basic aid” district (see “FUNDING OF SCHOOL DISTRICTS IN CALIFORNIA – Revenue Sources”), taxes lost through any reduction in assessed valuation will be compensated by the State as equalization aid under the State’s school financing formula.

Alternative Method of Tax Apportionment - “Teeter Plan”

With respect to collection of property taxes, the County has adopted the Teeter Plan, which is an alternate method of tax apportionment authorized in Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Sections 4701 through 4717, inclusive) (the “Law”) for distribution of certain property tax and assessment levies on the secured roll. Pursuant to the Law, the County adopted the Teeter Plan. The Teeter Plan provides for a tax distribution procedure in which secured roll taxes and assessments are distributed to participating County taxing agencies on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with its adoption of the Teeter Plan, the County advanced to the participating taxing agencies an amount equal to 95% of the total prior years delinquent secured property taxes and assessments (not including penalties and interest) and 100% of the current year’s delinquent secured property taxes and assessments outstanding.

Pursuant to the Law, the County is required to establish a tax losses reserve fund to cover losses which may occur as a result of sale of tax-defaulted property. Once the tax losses reserve fund reaches a level of three percent of the total of all taxes and assessments levied on the secured roll for that year, one percent of the total of all taxes and assessments levied on the secured roll for that year, and any additional penalties and interest normally credited to the tax losses reserve fund may be credited to the County General Fund. Upon adoption of a resolution by the Board of Supervisors of the County by August 1 of any fiscal year, the ten percent tax losses reserve fund threshold may be reduced to 25% of the total delinquent taxes and assessments for the previous year. The County did not elect to fund the tax losses reserve fund at a required threshold initially, thereby requiring penalties and interest to be credited first to the tax losses reserve fund to meet its required threshold before allowing any additional penalties and interest to be credited to the County General Fund. The tax loss reserve fund is now fully funded and amounts in excess of the required minimum may be transferred to the County General Fund in the future.

Once adopted by the County, the Teeter Plan remains in effect unless the County orders its discontinuance or prior to the commencement of any subsequent fiscal years the County receives a petition for its discontinuance adopted by resolution of two-thirds of the participating revenue districts in the County. Further, the County may by resolution adopted not later than July 15 of any subsequent fiscal year after a public hearing, discontinue the Teeter Plan as to any levying or assessment levying agency if the rate of secured tax delinquency in that agency in any year exceeds three percent of the total of all taxes and assessments levied on the secured rolls for the agency.

Accounting Policies

The accounting policies 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 State of California Education Code, is to be followed by all California school districts. The Governmental Accounting Standards Board (“GASB”) has released Statement No. 34, which makes changes in the annual financial statements for all governmental agencies in the United States, especially in recording of fixed assets and their depreciation, and in the way the report itself is formatted. These requirements became effective in 2001-02 for the District, as well as any other governmental agency with annual revenues of \$100 million or more. Revenue is recorded on an accrual basis except for district property taxes which are considered revenue in the year collections are made and therefore are fully reserved. Expenditures are recorded according to receipt of goods and services on an accrual basis. Differences between estimated and actual accounts receivable and payable, as of the beginning of the fiscal year, are reflected as adjustments to fund balance.

Financial Statements of the District

The District’s general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Certain information from the financial statements follows. The District’s audited financial statements for the year ended June 30, 2011 are included for reference in Appendix D hereto.

For fiscal years ended June 30, 2003 and later, the District has implemented Government Accounting Standard Board Statement Nos. 34 and 35. Among the changes implemented under these revised accounting rules is a change in the financial reporting format. While historical total revenue and expenditures figures are comparably consistent to prior years, the breakdown of revenues and expenditures follows functional categories rather than object-oriented categories. The following table reflects the District’s general fund revenues, expenditures and changes in fund balance for fiscal years 2006-07 through 2010-11 under the revised reporting format.

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**AUDITED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GENERAL FUND**
Fiscal Years 2006-07 through 2010-11
Desert Sands Unified School District
(Revised Reporting Format)

	<u>Audited 2006-07</u>	<u>Audited 2007-08</u>	<u>Audited 2008-09</u>	<u>Audited 2009-10⁽¹⁾</u>	<u>Audited 2010-11⁽¹⁾</u>
REVENUES					
Revenue Limit Sources	\$146,936,189	\$153,817,762	\$145,701,342	\$128,282,042	\$135,485,666
Federal Revenues	20,457,090	15,144,197	24,803,975	24,949,190	19,741,667
Other State Revenues	42,012,968	39,288,634	33,427,766	34,973,361	33,227,599
Other Local Revenues	<u>30,981,035</u>	<u>37,291,960</u>	<u>37,127,733</u>	<u>33,940,218</u>	<u>41,266,506</u>
Total Revenues	240,387,282	245,542,553	241,060,816	222,144,811	229,721,438
EXPENDITURES					
Current					
Instruction	143,354,293	150,426,060	142,539,709	139,218,297	133,717,092
Instruction-related activities:					
Supervision of Instruction	10,466,818	10,756,266	10,350,393	10,263,000	9,405,172
Instructional Library, media, and technology	2,770,578	2,552,799	2,364,262	2,392,539	2,375,968
School site administration	14,283,727	15,017,732	13,561,443	13,833,955	13,993,351
Pupil services:					
Home-to-school transportation	5,453,280	6,156,320	5,516,236	5,504,879	5,523,313
Food services	30,841	37,313	39,442	35,277	22,581
All other pupil services	11,760,538	12,616,458	11,910,719	12,054,113	11,481,287
General administration:					
Data processing	2,133,483	2,484,526	2,735,544	2,896,365	2,809,971
All other general administration	8,052,814	8,357,594	7,778,534	8,252,053	8,378,789
Plant services	20,719,319	22,500,767	21,994,302	21,692,739	21,819,061
Facility acquisition and construction	1,383,300	1,643,532	22,962	2,773	--
Ancillary services	675,336	1,585,351	2,191,995	2,633,047	3,005,335
Community services	5,922	3,422	6,546	6,778	10,178
Other outgo	1,041,073	11,903	82,401	96,582	76,628
Debt Service					
Principal	--	--	--	28,805	24,100
Interest and Other	--	--	--	--	125,948
Total Expenditures	<u>222,131,322</u>	<u>234,150,043</u>	<u>221,094,488</u>	<u>218,911,192</u>	<u>212,768,774</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,255,960	11,392,510	19,966,328	3,233,619	16,952,664
OTHER FINANCING SOURCES/(USES)					
Operating Transfers In	50,000	114,821	1,000,000	--	635,000
Other Sources	--	--	--	132,000	--
Operating Transfers Out	<u>(9,989,432)</u>	<u>(13,649,505)</u>	<u>(14,576,887)</u>	<u>(7,714,384)</u>	<u>(17,034,463)</u>
Total Other Financing Sources (Uses)	(9,939,432)	(13,534,684)	(13,576,887)	(7,582,384)	(16,399,463)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	8,316,528	(2,142,174)	6,389,441	(4,348,765)	533,201
Fund Balance, July 1	<u>15,356,535</u>	<u>23,673,063</u>	<u>21,530,889</u>	<u>27,920,330</u>	<u>26,527,947⁽²⁾</u>
Fund Balance, June 30	<u>\$23,673,063</u>	<u>\$21,530,889</u>	<u>\$27,920,330</u>	<u>\$23,571,565</u>	<u>\$27,081,148</u>

⁽¹⁾ For audited results for fiscal years 2009-10 and 2010-11 in object-oriented format, please see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Budget Process."

⁽²⁾ Reflects a positive restatement of the District's general fund ending balance from the prior year, in an amount equal to \$2,956,382, in order to conform to changes in GASB Statement No. 45's definition of governmental funds. A corresponding negative restatement was also made to the District's non-major governmental funds. The restatement did not change the District's aggregate fund ending balances for fiscal year 2009-10.

Source: Desert Sands Unified School District.

Budget Process

State Budgeting Requirements. The District is required by provisions of the State Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the State Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Financial Reports. 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 fiscal year. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two sequent fiscal years.

The District has never had an adopted budget disapproved by the County superintendent of schools, and has never received a “negative” certification of an Interim Financial Report pursuant to AB 1200.

For fiscal year 2010-11, the District elected to report “qualified” certifications on its first and second interim financial reports to the County superintendent of schools. In accordance with Section 42133 of the California Education Code, as a condition precedent to the sale of the Notes, the District is obligated to obtain a determination by the County superintendent of schools regarding the likelihood of repayment of the Notes. By a letter dated _____, 2012 the District was informed by the County Office of Education of its determination that repayment of the Notes by the District was probable. See “DESERT SANDS UNIFIED SCHOOL DISTRICT – Reports and Certifications.”

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The following tables show the District's general fund adopted budgets for the years ended June 30, 2008 through June 30, 2012, as well as its general fund audited actual results for the fiscal year ending June 30, 2008 through June 30, 2011.

GENERAL FUND BUDGETS AND ACTUALS
Desert Sands Unified School District
Fiscal Years Ending June 30, 2008 and June 30, 2009

	Fiscal Year 2007-08		Fiscal Year 2008-09	
	Budgeted	Audited	Budgeted	Audited
REVENUES				
Revenue Limit Sources	\$152,790,007	\$153,817,762	\$146,716,915	\$145,701,342
Federal Revenues	14,481,644	15,144,197	14,351,552	24,803,975
Other State Revenues	26,351,186	39,288,634	26,176,879	33,427,766
Other Local Revenues	<u>30,001,042</u>	<u>37,291,960</u>	<u>31,157,316</u>	<u>37,127,733</u>
Total Revenues	223,623,879	245,542,553	218,402,662	241,060,816
EXPENDITURES				
Current	139,034,849	150,426,060	134,895,142	142,539,709
Instruction				
Instruction-related activities:				
Supervision of Instruction	10,280,027	10,756,266	10,482,241	10,350,393
Instructional Library, media, and technology	2,439,772	2,552,799	2,394,379	2,364,262
School site administration	14,352,814	15,017,732	13,734,195	13,561,443
Pupil services:				
Home-to-school transportation	5,920,674	6,156,320	5,477,311	5,516,236
Food services	35,885	37,313	39,164	39,442
All other pupil services	12,133,537	12,616,458	11,826,671	11,910,719
General administration:				
Data processing	2,438,393	2,484,526	2,935,049	2,735,544
All other general administration	8,202,409	8,357,594	8,345,827	7,778,534
Plant services	22,380,158	22,500,767	20,908,273	21,994,302
Facility acquisition and construction	1,634,722	1,643,532	21,828	22,962
Ancillary services	394,109	1,585,351	2,313,140	2,191,995
Community services	6,415	3,422	10,035	6,546
Other outgo	<u>7,000</u>	<u>11,903</u>	<u>12,000</u>	<u>82,401</u>
Total Expenditures	219,260,764	234,150,043	213,395,255	221,094,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,363,115	11,392,510	5,007,407	19,966,328
OTHER FINANCING SOURCES/(USES)				
Operating Transfers In	50,000	114,821	--	1,000,000
Operating Transfers Out	<u>(8,160,809)</u>	<u>(13,649,505)</u>	<u>(10,193,628)</u>	<u>(14,576,887)</u>
Total Other Financing Sources (Uses)	(8,110,809)	(13,534,684)	(10,193,628)	(13,576,887)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Uses	(3,747,694)	(2,142,174)	(5,186,221)	6,389,441
Fund Balance (Deficit), July 1	<u>23,673,063</u>	<u>23,673,063</u>	<u>21,530,889</u>	<u>21,530,889</u>
Fund Balance (Deficit), June 30	<u>\$19,925,369</u>	<u>\$21,530,889</u>	<u>\$16,344,668</u>	<u>\$27,920,330</u>

GENERAL FUND BUDGETS AND ACTUALS
Desert Sands Unified School District
Fiscal Years Ending June 30, 2010 and June 30, 2012

	Fiscal Year 2009-10		Fiscal Year 2010-11		Fiscal Year 2011-12
	Adopted Budget	Audited ⁽¹⁾	Adopted Budget	Audited ⁽¹⁾	Adopted Budget ⁽²⁾
REVENUES					
Revenue Limit Sources	\$134,737,962	\$128,282,042	\$135,416,300	\$135,485,666	
Federal Sources	21,455,397	24,949,190	23,204,204	19,741,667	
Other State Sources	23,468,830	34,973,361	27,840,780	33,227,599	
Other Local Sources	<u>31,489,176</u>	<u>33,940,218</u>	<u>34,968,498</u>	<u>41,266,506</u>	
TOTAL REVENUES	211,151,365	222,144,811	221,429,782	229,721,438	
EXPENDITURES					
Certificated Salaries	107,287,525	113,452,646	102,209,692	104,287,957	
Classified Salaries	31,065,798	32,604,560	31,131,587	31,161,932	
Employee Benefits	46,481,246	46,898,952	50,736,911	50,141,046	
Books & Supplies	7,820,768	8,598,512	15,128,871	8,383,927	
Services & Other Operating Expenses	17,604,050	17,273,137	20,179,953	18,974,127	
Capital Outlay	--	--	--	--	
Other Outgo	(84,601)	54,580	(273,184)	(209,021)	
Transfers of Direct Support/Indirect Costs	--	--	--	--	
Debt Service	--	<u>28,805</u>	<u>29,800</u>	<u>28,806</u>	
TOTAL EXPENDITURES	210,174,786	218,911,192	219,143,630	212,768,774	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	976,579	3,233,619	2,286,152	16,952,664	
OTHER FINANCING SOURCES/(USES)					
Operating Transfers In	--	132,000	2,135,000	635,000	
Other Uses	--	--	--	--	
Operating Transfers Out	<u>(8,837,262)</u>	<u>(7,714,384)</u>	<u>(10,770,350)</u>	<u>(17,034,463)</u>	
TOTAL OTHER FINANCING SOURCES/(USES)	<u>(8,837,262)</u>	<u>(7,582,384)</u>	<u>(8,635,350)</u>	<u>(16,399,463)</u>	
NET INCREASE (DECREASE) IN FUND BALANCE	(7,860,683)	(4,348,765)	(6,349,198)	553,201	
Fund Balance, July 1	<u>27,920,330</u>	<u>27,920,330</u>	<u>26,527,947⁽¹⁾</u>	<u>26,527,947⁽¹⁾</u>	
Fund Balance, June 30	<u>\$20,059,647</u>	<u>\$23,571,565</u>	<u>\$20,178,749</u>	<u>\$27,081,148</u>	

⁽¹⁾ For audited results for fiscal years 2009-10 and 2010-11 in revised reporting format, see "DESERT SANDS UNIFIED SCHOOL DISTRICT – Financial Statements of the District."

⁽²⁾ As of the District's first interim financial report for fiscal year 2011-12, dated as of _____, 2011.

⁽³⁾ Reflects a positive restatement of the District's general fund ending balance from the prior year, in an amount equal to \$2,956,382, in order to conform to changes in GASB Statement No. 45's definition of governmental funds. A corresponding negative restatement was also made to the District's non-major governmental funds. The restatement did not change the District's aggregate ending fund balances for fiscal year 2009-10.

Source: Desert Sands Unified School District.

Existing Indebtedness

Long-Term Debt. A schedule of changes of the District in long-term debt for the year ended June 30, 2011, is shown below:

	Balance June 30, 2010	Additions and Adjustments	Deductions	Balance June 30, 2011
2004 Series A General Obligation Bonds	\$15,330,000	--	\$3,570,000	\$11,760,000
2006 Series General Obligation Bonds	97,215,000	--	790,000	96,425,000
2006 General Obligation Refunding Bonds	71,636,105	\$22,991,960	13,151,865	81,476,200
2008 General Obligation Bonds	100,000,000	--	--	100,000,000
Premium on Issuance	1,358,053	--	71,477	1,286,576
2002 Refunding Certificates of Participation	7,160,000	--	600,000	6,560,000
2003 Series F Refunding Certificates of Participation	10,745,000	--	870,000	9,875,000
2008 Certificates of Participation	48,065,000	--	2,495,000	45,570,000
Premium on Issuance	280,311	--	20,022	260,289
Capital leases	354,651	--	104,163	250,488
PARS Retirement Program	9,171,496	--	1,834,299	7,337,197
Accumulated vacation (net)	1,002,289	--	180,580	821,709
Workers' Compensation IBNR	5,347,702	1,075,224	--	6,422,926
Net OPEB Obligation ⁽¹⁾	7,317,962	4,998,625	3,243,043	9,073,544
Total	<u>\$374,983,569</u>	<u>\$29,065,809</u>	<u>\$26,930,449</u>	<u>\$377,118,929</u>

⁽¹⁾ Reflects the change in the District's Net OPEB Obligation, based on the District's contributions towards its actuarially-determined ARC. See "DESERT SANDS UNIFIED SCHOOL DISTRICT – Other Post-employment Benefits."
Source: *Desert Sands Unified School District*.

Certificates of Participation. On March 22, 2002, the District executed and delivered refunding certificates of participation in an aggregate principal amount of \$11,235,000 (the "2002 Refunding Certificates") for the purpose of refunding a portion of an outstanding certificate of participation issuance. The remaining portion was refunded with a second series of refunding certificate of participation, executed and delivered by the District on July 1, 2003 in an aggregate principal amount of \$16,450,000 (the "2003 Refunding Certificates").

On October 24, 2008, the District executed and delivered its Certificates of Participation (2008 Financing Project) in an aggregate principal amount of \$54,505,000 (the "2008 Certificates") for the purpose of financing the modernization, repair and equipping of Indio High School and Palm Desert High School.

The 2002 Refunding Certificates, 2003 Refunding Certificates and 2008 Certificates are referred to collectively as the "Certificates." The principal and interest evidenced by each issuance of Certificates is payable from lease payments to be made by the District pursuant to lease agreements entered into in connection with the execution and delivery thereof.

The following table summarizes future annual lease payment requirements of the District with respect to the Certificates (assuming no optional prepayments):

Year Ending <u>March 1</u>	2002 Refunding <u>Certificates</u>	2003 Refunding <u>Certificates</u>	2008 <u>Certificates</u>	Total Annual <u>Lease Payments</u>
2012	\$908,450.00	\$1,392,687.50	\$4,998,750.00	\$7,299,887.50
2013	918,450.00	1,396,287.50	4,995,150.00	7,309,887.50
2014	912,850.00	1,408,287.50	4,997,550.00	7,318,687.50
2015	913,150.00	1,393,287.50	4,995,550.00	7,301,987.50
2016	902,100.00	1,394,475.00	4,998,300.00	7,294,875.00
2017	920,150.00	1,392,775.00	4,995,812.50	7,308,737.50
2018	915,000.00	1,393,187.50	4,998,062.50	7,306,250.00
2019	915,500.00	1,390,450.00	4,997,062.50	7,303,012.50
2020	924,000.00	1,394,562.50	4,997,562.50	7,316,125.00
2021	--	--	4,996,362.50	4,996,362.50
2022	--	--	4,996,650.00	4,996,650.00
2023	--	--	4,998,712.50	4,998,712.50
2024	--	--	4,996,687.50	4,996,687.50
	<u>\$8,229,650.00</u>	<u>\$12,556,000.00</u>	<u>\$64,962,212.50</u>	<u>\$85,747,862.50</u>

Source: Desert Sands Unified School District.

General Obligation Bonds. On November 6, 2001, the voters of the District approved the issuance of \$450,000,000 of general obligation bonds of the District (the "2001 Authorization"), payable from *ad valorem* taxes levied on taxable property within the District. The District issued two series of bond anticipation notes ("BANs") in anticipation of issuing bonds pursuant to the 2001 Authorization. Following the retirement of the BANs, the District has issued three series of bonds pursuant to the 2001 Authorization totaling \$376,000,000, as well as one series of refunding bonds to refund an outstanding portions thereof. Currently, \$74,000,000 of the 2001 Authorization remains unissued. The following table summarizes all issuances in connection with 2001 Authorization.

Election of 2001 General Obligation Bonds

Issuance	Initial Principal Amount	Principal Currently Outstanding ⁽¹⁾	Date of Delivery
2002 BANs	\$55,000,000.00		July 2, 2002
2003 BANs ⁽²⁾	62,000,000.00		July 1, 2003
Series 2004 ⁽³⁾	146,000,000.00		June 11, 2004
Series 2006	130,000,000.00		June 23, 2006
Series 2008	100,000,000.00		November 18, 2008
2006 Refunding Bonds ⁽⁴⁾	99,168,983.60		June 23, 2006

⁽¹⁾ As of August 1, 2011.

⁽²⁾ A portion of the proceeds from the 2003 BANs were used to pay the maturing 2002 BANs.

⁽³⁾ A portion of the Series 2004 Bonds were used to pay the maturing 2003 BANs.

⁽⁴⁾ Advance refunded a portion of the outstanding Series 2004 Bonds.

The following tables display the annual debt service requirements of the District for all of its outstanding general obligation bonds.

**ANNUAL DEBT SERVICE
GENERAL OBLIGATION BONDS
Desert Sands Unified School District**

Period Ending <u>August 1</u>	Series 2004 <u>Bonds</u>	Series 2006 <u>Bonds⁽¹⁾</u>	2006 Refunding <u>Bonds⁽²⁾</u>	Series 2008 <u>Bonds</u>	Total Annual <u>Debt Service</u>
2012	\$4,280,700.00	\$5,758,468.76	\$20,915,000.00	\$5,276,400.00	\$36,230,568.76
2013	4,316,500.00	5,960,118.76	21,500,000.00	5,681,400.00	37,458,018.76
2014	4,320,750.00	6,166,356.26	22,090,000.00	6,020,200.00	38,597,306.26
2015	--	6,381,543.76	26,805,000.00	5,612,200.00	38,798,743.76
2016	--	6,607,575.00	13,230,000.00	9,557,700.00	29,395,275.00
2017	--	6,837,900.00	--	9,749,950.00	16,587,850.00
2018	--	7,076,400.00	--	9,942,875.00	17,019,275.00
2019	--	7,321,900.00	--	10,142,725.00	17,464,625.00
2020	--	7,583,150.00	--	10,343,825.00	17,926,975.00
2021	--	7,848,400.00	--	10,555,700.00	18,404,100.00
2022	--	8,121,400.00	--	10,764,225.00	18,885,625.00
2023	--	8,405,650.00	--	10,978,087.50	19,383,737.50
2024	--	8,699,400.00	--	11,200,450.00	19,899,850.00
2025	--	9,005,900.00	--	11,425,700.00	20,431,600.00
2026	--	9,318,150.00	--	11,651,950.00	20,970,100.00
2027	--	9,646,500.00	--	11,882,700.00	21,529,200.00
2028	--	9,980,750.00	--	12,121,950.00	22,102,700.00
2029	--	10,329,750.00	--	--	10,329,750.00
2030	--	10,691,000.00	--	--	10,691,000.00
2031	--	11,067,000.00	--	--	11,067,000.00
Total	\$12,917,950.00	\$162,807,312.54	\$104,540,000.00	\$162,908,037.50	\$443,173,300.04

⁽¹⁾ The Series 2006 Bonds and 2006 Refunding Bonds mature on June 1 of the years indicated; interest payment dates on such bonds are made semiannually on June 1 and December 1.

Community Facilities District Bonds. In June 2001, Community Facilities District No. 1 (the “CFD”) within the District issued \$2,285,000 of Special Tax Bonds (the “CFD Bonds”), pursuant to the Mello-Roos Community Facilities Act of 1982. The CFD Bonds are limited obligations of the District payable from a special tax to be levied on land within the CFD. The CFD Bonds were issued and delivered to finance the acquisition and construction of various public school improvements, fund a reserve account and pay the costs of issuance of the CFD Bonds. The CFD Bonds mature on September 1, 2025. Future debt service with respect to the CFD Bonds is shown below:

<u>Year Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$75,000	\$114,531.26	\$189,531.26
2013	80,000	109,843.76	189,843.76
2014	85,000	104,843.76	189,843.76
2015	90,000	99,000.00	189,000.00
2016	100,000	92,812.50	192,812.50
2017	105,000	85,937.50	190,937.50
2018	115,000	78,718.76	193,718.76
2019	120,000	70,812.50	190,812.50
2020	130,000	62,562.50	192,562.50
2021	135,000	53,625.00	188,625.00
2022	145,000	44,343.76	189,343.76
2023	155,000	34,375.00	189,375.00
2024	165,000	23,718.76	188,718.76
2025	<u>180,000</u>	<u>12,375.00</u>	192,375.00
Total	<u>\$1,680,000</u>	<u>\$987,500.06</u>	<u>\$2,667,500.06</u>

Source: Desert Sands Unified School District.

Capital Leases. The District leases various equipment items under agreements (the “Capital Leases”) that provide for title to pass to the District upon execution of a bargain purchase option. Future minimum lease payments with respect to these Capital Leases are shown in the following table.

<u>Fiscal Year</u>	<u>Lease Payment</u>
2012	\$120,485
2013	120,485
2014	<u>28,805</u>
Total	<u>269,775</u>

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. dated as of _____, 2012 for debt outstanding as of _____, 2012. 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.

The table shows the percentage of each overlapping entity's assessed value located within the boundaries of the District. The table also shows the corresponding portion of the overlapping entity's existing debt payable from property taxes levied within the District. The total amount of debt for each overlapping entity is not given in the table.

The first column in the table names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

**STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Desert Sands Unified School District**

Source: California Municipal Statistics, Inc.

RIVERSIDE COUNTY POOLED INVESTMENT FUND

The following information concerning the Riverside County Pooled Investment Fund has been provided by the Riverside County Treasurer-Tax Collector (the "Treasurer") and has not been confirmed or verified by either the District or the Underwriter. Further, neither the District nor the Underwriter can make any representation herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.

It is expected that amounts held under the Resolution will be invested in the Pooled Investment Fund of the Treasurer-Tax Collector of the County of Riverside.

The Treasurer maintains one Pooled Investment Fund ("PIF") for all local jurisdictions having funds on deposit in the County Treasury. As of October 31, 2011, the portfolio assets comprising the PIF had a market value of \$4,861,404,499.89.

While State law permits other governmental jurisdictions, with the prior consent of the Board of Supervisors and the County Treasurer, to participate in the County's PIF, none have been authorized entry, nor are any pending consideration. The desire of the County is to maintain a stable depositor base for those entities participating in the PIF.

All purchases of securities for the PIF are made in accordance with the Treasurer's November 15, 2011 Investment Policy Statement (the "Policy Statement") which is more restrictive than the investments authorized pursuant to Sections 53601 and 53635 of the California Government Code. The Policy Statement requires that all investment transactions be governed by first giving consideration to the safety and preservation of principal, second to maintain the sufficient liquidity to meet daily cash flow needs, and third to achieving a reasonable rate of return or yield on the investment. Investments are not authorized in reverse-repurchase agreements except for temporary and unanticipated cash flow need that would cause the Treasurer to sell securities at a principal loss.

The structure of the PIF as of October 31, 2011 was:

<u>Investment</u>	<u>Par Value</u>	<u>Market Value</u>	<u>Yield to Maturity</u>	<u>% of PIF</u>
Money Market Funds	\$15,000,000.00	\$15,000,000.00	0.011%	0.31%
CalTrust Fund	54,000,000.00	54,000,000.00	0.493	1.11
DDA/Passbook	100,000,000.00	100,000,000.00	0.086	2.06
Local Agency Obligation	585,000.00	585,000.00	1.048	0.01
US Treasury Bonds	415,000,000.00	416,330,500.00	0.342	8.55
FHLMC Discount Notes	70,000,000.00	69,971,875.00	0.187	1.44
FHLMC Bonds	668,741,000.00	669,600,954.69	0.824	13.78
FNMA Discount Notes	155,000,000.00	154,879,687.50	0.224	3.19
FNMA Bonds	802,050,000.00	804,435,625.00	0.863	16.52
FHLB Discount Notes	70,000,000.00	69,933,402.78	0.182	1.44
FHLB Bonds	1,676,598,333.33	1,678,977,050.01	0.459	34.54
FFCB Discount Notes	32,000,000.00	31,990,000.00	0.264	0.66
FFCB Bonds	255,705,000.00	256,694,539.06	0.632	5.27
FMAC Discount Notes	123,000,000.00	122,930,937.50	0.212	2.53
Farmer MAC	37,500,000.00	37,560,937.50	0.610	0.77
Municipal Bonds	78,695,000.00	78,776,696.40	0.525	1.62
Commercial Paper	150,000,000.00	149,737,294.45	0.314	3.09
NCDS	150,000,000.00	150,000,000.00	0.193	3.09
Total	\$4,853,874,333.33	\$4,861,404,499.89	0.533	100.00%

(1) Represents Local Agency Obligations issued by the Riverside District Court Financing Corporation and March Joint Powers Redevelopment Agency.

As of October 31, 2011, the book value of the PIF was \$4,858,096,899.73, and the market value of the PIF was 99.91% of book value. Approximately 27% of the pool will mature within 90 days.

The Board of Supervisors of the County has established an Investment Oversight Committee (IOC) in compliance with California Government Code Section 27131. The purpose of the committee is to review the prudence of the County's investment policy, portfolio holdings and investment procedures, and, to make any findings and recommendations known to the Board. The IOC is currently comprised of the following members: the County Treasurer, County Finance Director, Superintendent of Schools, a school district representative, and a public member at large.

The County has obtained a rating on the PIF of "AAA/V1+" from Fitch Ratings, and a "Aaa/MR1" rating from Moody's Investors Service. There is no assurance that such ratings will continue for any given period of time or that any such rating may not be lowered, suspended or withdrawn entirely by the respective rating agency if, in the judgment of such rating agency, circumstances so warrant.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described herein, interest on the Notes is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations. In the further opinion of Bond Counsel, interest on the Notes is exempt from State of California personal income tax. Bond Counsel notes that interest on the Notes may be included as an adjustment in the calculation of federal corporate alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations.

Bond Counsel's opinion as to the exclusion from gross income of interest on the Notes is based upon certain representations of fact and certifications made by the District and others and is subject to the condition that the District complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Notes to assure that interest on the Notes will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes. The District has covenanted to comply with all such requirements.

The amount by which a Note Owner's original basis for determining loss on sale or exchange in the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Note premium, which must be amortized under Section 171 of the Code; such amortizable Note premium reduces the Note Owner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note Owner realizing a taxable gain when a Note is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable Note premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Notes will be selected for audit by the IRS. It is also possible that the market value of the Notes might be affected as a result of such an audit of the Notes (or by an audit of similar Notes). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Notes to the extent that it adversely affects the exclusion from gross income of interest on the Notes or their market value.

It is possible that subsequent to the issuance of the Notes there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Notes or the market value of the Notes. Recently, proposed legislative changes have been introduced in Congress, which, if enacted, could result in additional federal income or state tax being imposed on owners of tax-exempt state or local obligations, such as the Notes. The introduction or enactment of any of such changes could adversely affect the market value or liquidity of the Notes. No assurance can be given that subsequent to the issuance of the Notes such changes (or other changes) will not be introduced or enacted or interpretations will not occur. Before purchasing any of the Notes, all potential purchasers should consult their tax advisors regarding possible statutory changes or judicial or regulatory changes or interpretations, and their collateral tax consequences relating to the Notes.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolutions and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest on the Notes for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth.

Although Bond Counsel has rendered an opinion that interest on the Notes is excluded from gross income for federal income tax purposes provided that the District continues to comply with certain requirements of the Code, the ownership of the Notes and the accrual or receipt of interest with respect to the Notes may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Notes, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Notes.

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

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

RATING

The District received the rating of "_____" on the Notes from S&P. Certain information was supplied by the District to S&P to be considered in evaluating the Notes. The ratings issued reflects only the views of S&P, and any explanation of the significance of such rating should be obtained therefrom. There is no assurance that any rating obtained will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

LITIGATION

No litigation is pending or threatened concerning the validity of the Notes, and the District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other pledged revenues or contesting the District's ability to issue and retire the Notes.

LEGAL OPINION

Bond Counsel will render a final approving opinion with respect to the Notes substantially in the form attached as Appendix B. A copy of such approving opinion will be available at the time of delivery of the Notes.

ENHANCED INFORMATION REPORTING REQUIREMENTS

On May 17, 2006, the President signed the Tax Increase Prevention and Reconciliation Act of 2005 (the "TIPRA"). Under Section 6049 of the Code, as amended by TIPRA, interest paid on tax-exempt obligations will be subject to information reporting in a manner similar to interest paid on taxable obligations. The effective date for this provision is for interest paid after December 31, 2005, regardless of when the tax-exempt obligations were issued. The purpose of this change was to assist in relevant information gathering for the IRS relating to other applicable tax provisions. TIPRA provides that backup withholding may apply to such interest payments made after March 31, 2007 to any Owner who fails to file an accurate Form W-9 or who meets certain other criteria. The information reporting and backup withholding requirements of TIPRA do not affect the excludability of such interest from gross income for federal income tax purposes.

AVAILABILITY OF INFORMATION

Copies of the Resolutions are available, upon written request, from the District. For further information concerning the financial condition of the District, including copies of the 2010-11 audited financial statements, may be obtained from the District as they become available. Audited financial statements for fiscal years prior to 2010-11 are currently available for review.

This Official Statement contains financial data taken or constructed from the official records of the District. Such data has been reviewed by an authorized representative of each District acting in his or her official capacity. Such representative has determined that as of the date hereof the information contained herein is, to the best of his or her knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact, or omit to state a material fact, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

UNDERWRITING

The Notes are being purchased for reoffering by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed, pursuant to the purchase contract by and among the District, the County and the Underwriter (the "Note Purchase Contract"), to purchase the Notes at a price of \$ _____ (representing the aggregate principal amount of the Notes of \$ _____, plus a net original issue premium of \$ _____ and less an Underwriter's discount of \$ _____). The Note Purchase Contract provides that the Underwriter will purchase all of the Notes, if any are purchased. The obligation to make such purchase is subject to certain terms and conditions set forth in the Note Purchase Contract.

The Underwriter may offer and sell Notes to dealers and others at a price lower than the offering price stated on the cover page hereof. The offering price may be changed from time to time by the Underwriter.

USE OF FINANCIAL STATEMENTS

The financial statements of the District, with supplemental information for the year ended June 30, 2011, the independent auditor's report of the District, and the report dated _____, 2011 of Vavrinek, Trine, Day & Co., LLP, independent accountants (the "Auditor"), are included in this Official Statement as Appendix D. In connection with the inclusion of the excerpts described above and the report of the Auditor thereon in Appendix D to this Official Statement, the District did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this

Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report.

CONTINUING DISCLOSURE

The District will covenant for the benefit of the holders of the Notes to provide notices of the occurrence of certain enumerated events. The notices of material events will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the notices of material events is contained in "APPENDIX C – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). In connection with the issuance of other debt obligations, the District has also covenanted to provide certain financial information and operating data relating to the District (the "Annual Reports") by not later than nine months following the end of the District's fiscal year, and to provide notices of the occurrence of certain enumerated events. [Within the past five years, the District has not failed to file any Annual Reports or provide notices of material events as required by its existing continuing disclosure obligations, and the District is currently in compliance with its existing continuing disclosure obligations.]

MISCELLANEOUS

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 Notes.

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: _____
Dr. Sharon P. McGehee
Superintendent

APPENDIX A

**ECONOMIC AND DEMOGRAPHIC PROFILE THE COUNTY OF RIVERSIDE
AND OF CERTAIN COMMUNITIES WITHIN THE DISTRICT**

The following information concerning certain of the communities served by the District and the County of Riverside is included only for the purpose of supplying general information thereof. The Notes are not an obligation of the County of Riverside.

[TO BE UPDATED]

General

The District encompasses approximately 752 square miles of the southern part of Riverside County (the “County”). Population centers include the cities of Indio, La Quinta, Indian Wells, Palm Desert, Rancho Mirage and the community of Bermuda Dunes.

The County is the fourth largest county in the State of California (the “State”), encompassing approximately 7,243 square miles. It is located in the southern portion of the State and is bordered by San Bernardino County on the north, Los Angeles and Orange Counties on the west, the State of Arizona and the Colorado River on the east, and San Diego and Imperial Counties on the south. The County, incorporated in 1893, is a general law city with its County seat located in the city of Riverside.

Population

The following table presents population figures for the cities of Indio and Palm Desert (the largest cities in the District), the County of Riverside and the State of California for the past 15 years.

**HISTORICAL POPULATION
City of Indio, City of Palm Desert, Riverside County and the State of California
(1996-2010)**

Calendar Year ⁽²⁾	City of Indio ⁽²⁾	City of Palm Desert ⁽²⁾	Riverside County	State
1996	43,888	35,504	1,391,844	31,837,399
1997	45,200	36,767	1,420,573	32,207,869
1998	46,099	37,815	1,451,371	32,657,877
1999	47,301	39,424	1,490,474	33,140,771
2000 ^{(1) (3)}	49,116	41,155	1,545,387	33,873,086
2001 ⁽¹⁾	50,436	42,075	1,590,131	34,430,970
2002	52,467	43,095	1,652,835	35,063,959
2003	55,083	44,431	1,724,335	35,652,700
2004	60,039	45,506	1,804,037	36,199,342
2005	66,361	49,492	1,883,572	36,676,931
2006	71,965	49,786	1,962,198	37,087,005
2007	77,047	49,718	2,030,054	37,463,609
2008	80,920	50,660	2,077,183	37,871,509
2009	82,325	51,570	2,109,882	38,255,508
2010	83,675	52,067	2,139,535	38,648,090

⁽¹⁾ Estimates exclude figures for the Community of Bermuda Dunes.

⁽²⁾ As of January 1, (years 2001-2010 with 2000 DRU Benchmark).

⁽³⁾ As of April 1.

Source: All totals are State Department of Finance Estimates. All figures for District are estimated – census data not compiled.

Employers

The following table sets forth the major employers located in the County for 2010.

**LARGEST EMPLOYERS
RIVERSIDE COUNTY**

<u>Rank</u>	<u>Name of Business</u>	<u>No. of Employees in Riverside County</u>	<u>Type of Business</u>
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Source: _____.

Building Activity

The following table provides a summary of the building permit valuations and the number of new residential dwelling units authorized by the cities contained within the District from 2005 through 2009.

BUILDING PERMIT VALUATIONS (in 000's) Cities of Indio, La Quinta, Indian Wells, Palm Desert and Rancho Mirage 2005 – 2010

	2005		2006	
	Residential Valuation	Non-Residential Valuation	Residential Valuation	Non-Residential Valuation
Indio	\$390,471	\$62,662	\$421,765	\$64,351
La Quinta	305,969	57,529	200,611	59,951
Indian Wells	50,544	10,856	42,405	18,083
Palm Desert	78,131	92,535	163,105	94,311
Rancho Mirage	83,209	21,854	43,692	32,824
	2007		2008	
	Residential Valuation	Non-Residential Valuation	Residential Valuation	Non-Residential Valuation
Indio	\$64,709	\$40,823	\$37,176	\$52,088
La Quinta	115,039	31,868	89,913	45,380
Indian Wells	38,430	20,152	14,636	7,840
Palm Desert	155,872	80,465	130,251	51,303
Rancho Mirage	36,461	96,814	16,564	25,370
	2009		2010	
	Residential Valuation	Non-Residential Valuation	Residential Valuation	Non-Residential Valuation
Indio	\$42,078	\$12,458		
La Quinta	28,608	9,333		
Indian Wells	9,415	5,448		
Palm Desert	18,674	40,241		
Rancho Mirage	23,462	23,571		

Source: Construction Industry Research Board.

The following table shows residential and non-residential construction valuation information for the County for 2005 through 2010.

COUNTY OF RIVERSIDE Construction Valuation (in 000's) 2005 – 2010

Year	Residential Valuation	Non-Residential Valuation	Totals
2005	\$6,992,305	\$1,264,408	\$8,256,713
2006	5,001,935	1,529,833	6,531,769
2007	2,589,426	1,474,851	4,064,277
2008	1,576,984	1,041,813	2,618,797
2009	1,053,694	376,819	1,430,513
2010			

Source: Construction Industry Research Board

Employment and Industry

The following table shows summary labor force, employment and unemployment figures for the City of Indio, the City of Palm Desert, the County and the State of California.

**CITY OF INDIO, CITY OF PALM DESERT,
RIVERSIDE COUNTY AND STATE OF CALIFORNIA
Civilian Labor Force, Employment, Unemployment and Unemployment Rate
Calendar Years 2005 through 2010
Annual Averages⁽¹⁾**

<u>Year</u>	<u>Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2005	City of Indio	25,400	23,900	1,500	5.9%
	City of Palm Desert	24,200	23,400	800	3.1
	Riverside County	854,300	808,100	46,000	5.4
	State of California	17,544,800	16,592,200	952,600	5.4
2006	City of Indio	26,300	24,900	1,400	5.5%
	City of Palm Desert	25,100	24,400	700	2.9
	Riverside County	886,300	841,700	44,600	5.0
	State of California	17,718,500	16,851,600	866,900	4.9
2007	City of Indio	27,000	25,200	1,800	6.5%
	City of Palm Desert	25,600	24,700	900	3.5
	Riverside County	907,400	852,900	54,500	6.0
	State of California	17,970,800	17,011,000	959,800	5.3
2008	City of Indio	27,300	24,809	2,500	9.2%
	City of Palm Desert	25,600	24,300	1,300	5.0
	Riverside County	916,700	838,800	77,900	8.5
	State of California	18,251,600	16,938,300	1,313,200	7.2
2009	City of Indio	27,400	23,400	4,000	14.7%
	City of Palm Desert	24,900	22,900	2,000	8.1
	Riverside County	913,900	790,000	123,900	13.6
	California	18,250,200	16,163,900	2,086,200	11.4
2010	City of Indio				
	City of Palm Desert				
	Riverside County				
	California				

⁽¹⁾ March 2010 Benchmark, data not seasonally adjusted.

Source: State of California Employment Development Department.

The District is included in the Riverside-San Bernardino Metropolitan Statistical Area (the “MSA”). The distribution of employment in the MSA is presented in the following table for the calendar years 2006 through 2010. These figures are multi county-wide statistics and may not necessarily accurately reflect employment trends within the communities served by the District.

**RIVERSIDE-SAN BERNARDINO
METROPOLITAN STATISTICAL AREA
Annual Average Industry Employment**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Agriculture ⁽¹⁾	17,300	16,400	15,900	15,200	
Natural Resources & Mining	1,400	1,300	1,200	1,200	
Construction ⁽²⁾	127,500	112,500	90,700	67,400	
Manufacturing	123,400	118,500	106,900	88,500	
Wholesale Trade	54,200	56,800	54,100	48,300	
Retail Trade	173,200	175,600	168,600	154,900	
Transportation, Warehousing & Utilities	63,800	69,500	70,200	66,500	
Information	15,300	15,400	14,900	14,800	
Financial Activities	51,600	50,200	46,700	43,600	
Professional & Business Services	142,300	145,000	137,400	127,300	
Education & Health Services	122,100	127,000	131,500	132,600	
Leisure & Hospitality	128,100	132,600	131,000	123,000	
Other Services	42,500	41,200	40,800	36,700	
Government ⁽³⁾	<u>222,500</u>	<u>225,300</u>	<u>229,900</u>	<u>227,300</u>	
Total All Industries	1,285,000	1,287,300	1,239,700	1,147,100	

Notes: The unemployment rates are calculated using unrounded data. Data may not add up due to rounding. Data does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households and persons involved in labor/management trade disputes. Employment reported by place of work. As of March 2010 Benchmark.

Source: State Employment Development Department, Labor Market Information Division (March 2010 Benchmark).

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 than 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.”

RIVERSIDE COUNTY AND STATE OF CALIFORNIA Estimated Annual Median Household Effective Buying Income

	<u>Median Held EBI⁽¹⁾</u>	<u>Percent of Households with EBI over \$50,000</u>
2004		
Riverside County	\$40,275	37.1%
State of California	43,915	42.5
2005		
Riverside County	\$41,326	38.9%
State of California	44,681	43.7
2006		
Riverside County	\$43,490	41.8%
State of California	46,275	45.6
2007		
Riverside County	\$45,310	44.3%
State of California	48,203	47.9
2008		
Riverside County	\$46,958	46.2%
State of California	48,952	48.8
2009		
Riverside County		
State of California		

⁽¹⁾ Dollars in thousands.

Source: *Sales & Marketing Management Magazine "Survey of Buying Power" for year 2004.*

Demographics USA for years 2005 and 2006.

Sales & Marketing Management Magazine "Survey of Buying Power" for years 2007 through 2009.

Retail Trade

The following table shows a five-year history of taxable sales for the County.

COUNTY OF RIVERSIDE
Taxable Sales
2006-2010
(\$ in thousands)

	<u>2006</u>	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>	<u>2009</u>	<u>2010</u>
Apparel Stores Group	\$1,080,385	\$1,171,013	\$1,121,543		
General Merchandise Group	3,553,554	3,593,134	3,389,936		
Specialty Stores Group	2,262,442	n/a	n/a		
Food Stores Group	1,309,782	1,352,609	1,254,366		
Eating & Drinking Group	2,316,422	2,388,039	2,340,554		
Household Group	948,217	843,945	816,379		
Building Material Group	2,390,236	1,961,911	1,435,337		
Automotive Group	6,956,756	4,301,385	3,115,036		
Service Stations	n/a	2,835,690	3,011,476		
All Other Retail Stores Group	<u>1,024,551</u>	<u>2,794,790</u>	<u>2,204,621</u>		
Total Retail Stores	\$21,842,345	\$21,242,516	\$18,689,249		
Business and Personal Services	1,151,861	1,112,407	1,045,714		
All Other Outlets	6,822,031	6,668,686	6,268,632		
Total All Outlets	\$29,816,237	\$29,023,609	\$26,003,595		

⁽¹⁾ The Board of Equalization changed its coding process in 2007. Data from 2007 is not strictly comparable with data from 2006 or before.

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

The following table shows a five-year history of taxable sales for the City of Indio.

CITY OF INDIO
Taxable Sales
2006 through 2010
(\$ in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores Group	\$9,026	\$15,308	\$12,466		
General Merchandise Group	36,552	38,069	45,576		
Food Stores Group	48,156	48,905	45,161		
Eating & Drinking Group	58,560	56,415	57,141		
Household Group	n/a	n/a	n/a		
Building Material Group	139,545	81,230	67,253		
Automotive Group	247,433	220,961	179,537		
Service Stations	56,173	56,010	59,293		
All Other Retail Stores Group	<u>108,281</u>	<u>99,279</u>	<u>72,975</u>		
Total Retail Stores	\$703,726	\$616,177	\$539,400		
All Other Outlets	134,151	150,164	134,127		
Total All Outlets	\$837,877	\$766,341	\$673,527		

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

The following table shows a five-year history of taxable sales for the City of Palm Desert.

CITY OF PALM DESERT
Taxable Sales
2006 through 2010
(\$ in thousands)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Apparel Stores Group	\$160,053	\$170,981	\$159,045		
General Merchandise Group	390,648	391,997	360,787		
Food Stores Group	49,660	53,854	48,090		
Eating & Drinking Group	182,697	175,083	162,943		
Household Group	136,496	127,396	115,461		
Building Material Group	96,141	103,874	69,030		
Automotive Group	8,642	12,361	13,410		
Service Stations	64,309	77,892	78,720		
All Other Retail Stores Group	<u>284,476</u>	<u>261,599</u>	<u>220,128</u>		
Total Retail Stores	\$1,373,122	\$1,375,037	\$1,227,615		
All Other Outlets	220,577	218,661	220,048		
Total All Outlets	\$1,593,699	\$1,593,698	\$1,447,663		

Source: "Taxable Sales in California (Sales & Use Tax)" - California State Board of Equalization.

APPENDIX B

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Notes, Stradling Yocca Carlson & Rauth, a Professional Corporation, as Bond Counsel, proposes to render its final approving opinion with respect to the Bonds in substantially the following form:

_____, 2012

Members of the Board of Education
Desert Sands Unified School District

§ _____
*DESERT SANDS UNIFIED SCHOOL DISTRICT
COUNTY OF RIVERSIDE
STATE OF CALIFORNIA
2011-12 Tax and Revenue Anticipation Notes*

Members of the Board:

We hereby certify that we have examined certified copies of the legal proceedings and other proofs submitted pertaining to the issuance and sale of \$ _____ aggregate principal amount of the Desert Sands Unified School District (the "District"), County of Riverside, State of California 2011-12 Tax and Revenue Anticipation Notes (the "Notes"), issued by the Board of Supervisors of the County of Riverside (the "County") issued pursuant to Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (Sections 53850-53858, inclusive) of the State of California Government Code and pursuant to resolutions adopted by the Board of Supervisors of the County and the Board of Education of the District (collectively, the "Resolution"). The Notes are dated the date hereof and are due and payable on _____, 2013. Both the principal of and interest on the Notes are payable to the registered owner thereof at maturity in lawful money of the United States of America at the principal trust office of U.S. Bank National Association, as paying agent.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the Notes under the Constitution and laws of the State of California now in force, and the Notes constitute valid and legally binding general obligations of the District. The District has pledged an amount equal to fifty percent (50%) of the principal of and interest due on the Notes from the first unrestricted revenues received by the District in the month ending _____, 2012; and an amount equal to fifty percent (50%) of the principal of and interest due on the Notes from the first unrestricted revenues received by the District in the month ending _____, 2013. The principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be paid from such pledged revenues, and to the extent not so paid shall be paid from any other moneys of the District lawfully available therefor.

We are further of the opinion that based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance by the District with certain covenants in the Resolution and with certain requirements of the Internal Revenue Code of 1986 (the "Code"), as amended, regarding the use, expenditure and investment of proceeds of the Notes, and the timely payment of certain investment earnings to the United States, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

Interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel notes that interest on the Notes may be included as an adjustment in the calculation of federal corporate alternative minimum taxable income, which may affect the alternative minimum tax liability of corporations. We are of the further opinion that interest on the Notes is exempt from personal income taxes imposed by the State of California. We express no opinion regarding other income tax consequences resulting from the ownership of, or the receipt of interest on, the Notes.

The amount by which a Note owner's original basis for determining loss on sale or exchange of the applicable Note (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Noteowner's basis in the applicable Note (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Note premium may result in a Note owner realizing a taxable gain when a Note is sold by the Note owner for an amount equal to or less (under certain circumstances) than the original cost of the Note to the Note owner. Purchasers of the Notes should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Resolution and the Tax Certificate relating to the Notes permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest for federal income tax purposes with respect to any Note if any such action is taken or omitted based upon the advice of counsel other than ourselves. Other than expressly stated herein, we express no opinion regarding tax consequences with respect to the Notes.

It is possible that subsequent to the issuance of the Notes there might be federal, state, or local statutory changes (or judicial or regulatory interpretations of federal, state, or local law) that affect the federal, state, or local tax treatment of the Notes or the market value of the Notes. No assurance can be given that subsequent to the issuance of the Notes such changes or interpretations will not occur

Certain portions of this opinion address federal income tax matters other than (A) the excludability of interest on a Note from gross income under Section 103 of the Code, and (B) whether interest on a Note is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations (these other matters not referred to in (A) or (B) above are hereinafter referred to as the "Non State and Local Note Opinion Portions").

The Non State and Local Bond Opinion Portions (A) are not intended or written by Bond Counsel to be used, and cannot be used, by any Note holder (or other taxpayer) for the purpose of avoiding penalties that may be imposed on the Note holder or other taxpayer and (B) have been written to support the promotion or marketing of the Notes. Note holders (and other taxpayers) should seek advice based upon their particular circumstances, from an independent tax advisor, with respect to the Non State and Local Bond Opinion Portions applicable to the Notes.

With respect to the opinions expressed herein, the rights of the holders of the Notes and the enforceability thereof are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California.

Respectfully submitted,

STRADLING YOCCA CARLSON & RAUTH

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Desert Sands Unified School District (the "District") in connection with the issuance by the District of \$ _____ 2011-12 Tax and Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution of the District and a resolution of the County of Riverside (the "County") (collectively, the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders of the Notes and 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 Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

"Holders" shall mean, while the Notes are registered in the name of The Depository Trust Company, any applicable participant in its depository system, or the owner of any Note for Federal income tax purposes.

"Listed Events" shall mean any of the events listed in Section 3(a) or 3(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean RBC Capital Markets, LLC, as the original underwriter of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at <http://emma.msrb.org/>, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future

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

SECTION 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.
2. tender offers.
3. defeasances.
4. rating changes.

5. the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 3(a)(9), the event 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 U.S. 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 governmental 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.

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

1. non-payment related defaults.

2. modifications to rights of Noteholders.

3. optional, contingent or unscheduled calls.

4. unless described under Section 3(a)(5) above, adverse tax opinions, material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes.

5. release, substitution or sale of property securing repayment of the Notes.

6. 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.

7. Appointment of a successor or additional trustee or paying agent with respect to the Notes or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 3(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 3(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after

the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 3(c).

SECTION 4 Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the maturity of the Notes, the District shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

SECTION 5. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate.

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

(a) If the amendment or waiver relates to the provisions of Section 3 it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Notes, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders of the Notes.

SECTION 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Agreement to update such information or include it in any future notice of occurrence of a Listed Event.

SECTION 8. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

SECTION 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders from time to time of the Notes, and shall create no rights in any other person or entity.

Dated: _____, 2012

DESERT SANDS UNIFIED SCHOOL DISTRICT

By: _____

Cindy McDaniel
Assistant Superintendent, Business Services

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR 2010-11

APPENDIX E

BOOK ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants (as defined herein) will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, 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 Official Statement. 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 Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Resolutions. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes 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 the District or the Paying Agent (defined herein) 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 the District or the 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 depository with respect to the Notes at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates 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, Note certificates will be printed and delivered to DTC.